

CITY OF NANAIMO, BRITISH COLUMBIA, CANADA
FINANCIAL REPORT

for the year ended December 31, 2024

INDEX

PAGE

Management Report.....	1
Independent Auditor's Report.....	2 - 3
 Financial Statements	
Statement of Financial Position.....	4
Statement of Operations.....	5
Statement of Changes in Net Financial Assets.....	6
Statement of Cash Flows.....	7
Schedule of Operations by Segment.....	8 - 9
Schedule of Tangible Capital Assets.....	10 - 11
Notes to the Financial Statements.....	12 - 41

CITY OF NANAIMO MANAGEMENT REPORT

For the Year Ended December 31, 2024

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, 2024.

Dale Lindsay
Chief Administrative Officer
May 5, 2025

Laura Mercer, CPA, CGA
General Manager, Corporate Services



KPMG LLP

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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, 2024
- 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, 2024 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.

Chartered Professional Accountants

Victoria, Canada
DATE

CITY OF NANAIMO

STATEMENT OF FINANCIAL POSITION

as at December 31, 2024, with comparative figures for 2023

	2024	2023
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 109,871,027	\$ 129,049,911
Accounts receivable (Note 3)	32,007,158	31,988,407
Development cost charges receivable (Note 4)	1,178,040	618,339
Term deposits	200,000,000	185,000,000
	343,056,225	346,656,657
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	56,390,528	59,896,616
Compensated absences and termination benefits (Note 6)	9,558,514	9,252,759
Deferred revenue (Note 7)	30,910,777	29,160,720
Deferred development cost charges (Note 8)	62,165,815	63,008,279
Debt (Note 9)	33,860,958	38,170,336
Asset retirement obligations (Note 10)	1,935,439	1,818,739
	194,822,031	201,307,449
NET FINANCIAL ASSETS	148,234,194	145,349,208
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	901,259,929	857,489,915
Prepaid expenses	2,279,011	2,222,224
Inventories of supplies	3,372,860	3,218,115
	906,911,800	862,930,254
ACCUMULATED SURPLUS (Note 12)	\$ 1,055,145,994	\$ 1,008,279,462

Commitments and contingencies (Note 13)

Contractual rights (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, 2024, with comparative figures for 2023

	2024 Budget (Note 15)	2024	2023
REVENUES			
Taxes	\$ 156,278,327	\$ 155,331,300	\$ 143,458,228
Payments in lieu of taxes	2,639,500	2,806,432	2,542,209
Taxation and payments in lieu (Note 16)	158,917,827	158,137,732	146,000,437
User fees and sales of services (Note 17)	57,496,189	59,349,047	57,214,273
Investment income	8,493,428	13,382,072	11,618,399
Other revenue	18,805,981	11,080,196	9,910,654
Development cost charges (Note 8)	13,726,099	7,571,572	11,489,965
Transfers from other governments-operating (Note 18)	8,583,072	6,448,733	6,678,240
Developer contributed assets (Note 11)	-	5,589,662	5,395,488
Transfers from other governments-capital (Note 18)	1,078,679	5,265,376	24,460,056
Building permits	2,350,000	2,186,881	2,243,113
Regional recreation sharing	1,336,345	1,336,345	1,284,723
Property rentals	978,573	921,127	923,899
Donations and contributions-capital	1,052,801	498,232	1,298,161
	272,818,994	271,766,975	278,517,408
EXPENSES			
Police	45,042,370	42,062,365	38,410,312
Parks, recreation & culture	45,178,202	40,956,671	36,674,448
Engineering & public works	52,380,987	39,770,219	35,938,910
Fire	28,579,752	28,000,905	24,672,218
Corporate services	26,233,406	23,383,470	22,333,372
Water	22,294,325	20,553,003	18,991,244
Planning & development	11,303,028	8,491,498	8,035,946
Public safety	11,062,037	8,228,994	8,366,827
City administration	7,810,355	7,092,467	6,474,874
Sewer	7,201,585	6,360,851	6,141,489
	257,086,047	224,900,443	206,039,640
ANNUAL SURPLUS	15,732,947	46,866,532	72,477,768
ACCUMULATED SURPLUS - BEGINNING OF YEAR	1,008,279,462	1,008,279,462	935,801,694
ACCUMULATED SURPLUS - END OF YEAR	\$ 1,024,012,409	\$ 1,055,145,994	\$ 1,008,279,462

CITY OF NANAIMO
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
for the year ended December 31, 2024, with comparative figures for 2023

	2024 Budget (Note 15)	2024	2023
ANNUAL SURPLUS	\$ 15,732,947	\$ 46,866,532	\$ 72,477,768
Acquisition of tangible capital assets	(135,147,742)	(70,018,417)	(70,005,600)
Asset retirement obligations	-	(60,327)	(1,818,739)
In kind donations of capital assets	-	(12,989)	(65,821)
Developer contributed capital assets	-	(5,589,662)	(5,395,488)
	(135,147,742)	(75,681,395)	(77,285,648)
Amortization of tangible capital assets	32,277,097	31,532,838	29,258,862
(Gain) loss on disposal of assets	-	(1,194,887)	73,749
Proceeds on sale of tangible capital assets	-	1,573,430	50,062
	(102,870,645)	(43,770,014)	(47,902,975)
Acquisition of inventories of supplies	-	(7,481,618)	(7,135,655)
Acquisition of prepaid expenses	-	(2,363,373)	(2,030,605)
Consumption of inventories of supplies	-	7,326,873	6,363,783
Use of prepaid expenses	-	2,306,586	1,710,759
	-	(211,532)	(1,091,718)
CHANGE IN NET FINANCIAL ASSETS	(87,137,698)	2,884,986	23,483,075
NET FINANCIAL ASSETS - BEGINNING OF YEAR	145,349,208	145,349,208	121,866,133
NET FINANCIAL ASSETS - END OF YEAR	\$ 58,211,510	\$ 148,234,194	\$ 145,349,208

CITY OF NANAIMO

STATEMENT OF CASH FLOWS

for the year ended December 31, 2024, with comparative figures for 2023

	2024	2023
CASH PROVIDED BY (USED FOR)		
OPERATING TRANSACTIONS		
Annual Surplus	\$ 46,866,532	\$ 72,477,768
Non-cash items		
Amortization of tangible capital assets	31,532,838	29,258,862
Developer assets received	(5,589,662)	(5,395,488)
In kind donations of capital assets	(12,989)	(65,821)
Asset retirement obligations	116,700	-
Loss (gain) on disposal of tangible capital assets	(1,194,887)	73,749
Development cost charges recognized as revenue	(7,571,572)	(11,489,965)
Actuarial adjustment on long term debt	(1,266,998)	(1,161,700)
Change in non-cash operating assets and liabilities		
Accounts receivable	(1,363,574)	(4,777,753)
Accounts payable	(3,506,088)	6,290,886
Compensated absences termination benefits	305,755	118,266
Deferred revenue	2,535,179	2,229,058
Inventories of supplies	(154,745)	(771,872)
Prepaid expenses	(56,787)	(319,846)
Net change in cash from operating transactions	60,639,702	86,466,144
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(70,078,744)	(70,005,600)
Proceeds from the sale of tangible capital assets	1,573,430	50,062
Net change in cash from capital transactions	(68,505,314)	(69,955,538)
INVESTING TRANSACTIONS		
Change in term deposits	(15,000,000)	(13,057,478)
FINANCING TRANSACTIONS		
Debt repayment	(3,042,380)	(3,262,191)
Deferred development cost charges	6,729,108	9,081,867
Proceeds from long-term borrowing	-	1,292,314
Net change in cash from financing transactions	3,686,728	7,111,990
CHANGE IN CASH AND CASH EQUIVALENTS	(19,178,884)	10,565,118
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	129,049,911	118,484,793
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 109,871,027	\$ 129,049,911

CITY OF NANAIMO
SCHEDULE OF OPERATIONS BY SEGMENT
for the year ended December 31, 2024

	City Administration	Corporate Services	Planning & Development	Public Safety	Fire	Police	Parks, Recreation & Culture	Engineering & Public Works	Sewer	Water	2024
Revenues											
Taxes	\$ 7,329,036	\$20,369,261	\$ 4,882,694	\$ 4,718,654	\$25,527,225	\$42,674,260	\$30,342,537	\$19,487,633	\$ -	\$ -	\$ 155,331,300
Payments in lieu of taxes	132,417	368,018	88,218	85,254	461,210	771,013	548,211	352,091	-	-	2,806,432
User fees and sales of services	463	3,210,275	52,772	1,815,207	1,250,336	64,866	8,028,626	9,063,489	10,093,149	25,769,864	59,349,047
Investment income	355,002	6,799,834	236,507	228,562	1,236,482	2,067,047	1,469,726	978,885	-	10,027	13,382,072
Other revenue	224,737	1,893,799	1,666,920	932,157	1,085,854	977,833	1,134,788	3,025,946	8,645	129,517	11,080,196
Development cost charges	-	-	-	-	-	-	215,880	4,987,031	672,121	1,696,540	7,571,572
Government operating transfers	168,061	1,258,400	339,012	843,805	592,228	1,802,050	891,450	508,727	45,000	-	6,448,733
Developer contributed assets	-	-	-	-	-	-	910,001	3,590,915	478,897	609,849	5,589,662
Government capital transfers	-	4,610,560	17,925	-	20,384	-	20,362	596,145	-	-	5,265,376
Building permits	-	-	2,186,881	-	-	-	-	-	-	-	2,186,881
Regional recreation sharing	-	-	-	-	-	-	1,336,345	-	-	-	1,336,345
Property rentals	-	401,080	-	30,000	-	229,914	189,746	47,187	-	23,200	921,127
Donations - capital	-	-	-	-	-	-	280,933	150,899	66,400	-	498,232
	8,209,716	38,911,227	9,470,929	8,653,639	30,173,719	48,586,983	45,368,605	42,788,948	11,364,212	28,238,997	271,766,975
Expenses											
Wages and benefits	4,921,545	10,239,055	6,530,771	3,580,395	20,722,671	6,822,115	19,368,223	13,114,350	1,340,796	4,166,301	90,806,222
Contracted services	1,094,192	9,435,473	779,787	2,358,217	2,539,644	32,770,781	9,132,096	13,416,842	1,115,492	1,967,395	74,609,919
Amortization	753	3,769,734	2,348	510,285	1,440,728	304,016	5,034,350	12,294,127	1,431,426	6,745,071	31,532,838
Other	533,018	863,469	1,071,925	1,650,016	1,327,418	2,072,198	4,964,231	(3,326,288)	2,088,343	5,261,436	16,505,766
Materials and supplies	542,959	272,335	111,837	130,081	1,528,407	93,255	2,487,450	4,258,932	272,128	1,739,482	11,436,866
Interest payments on debt	-	(69,839)	-	-	426,680	-	-	65,660	112,666	668,552	1,203,719
(Gain) loss on disposal of assets	-	(1,126,757)	(5,170)	-	15,357	-	(29,679)	(53,404)	-	4,766	(1,194,887)
	7,092,467	23,383,470	8,491,498	8,228,994	28,000,905	42,062,365	40,956,671	39,770,219	6,360,851	20,553,003	224,900,443
ANNUAL SURPLUS	1,117,249	15,527,757	979,431	424,645	2,172,814	6,524,618	4,411,934	3,018,729	5,003,361	7,685,994	46,866,532
Capital projects	\$ 11,311	\$ 8,763,465	\$ -	\$ 618,061	\$ 1,524,398	\$ 844,732	\$11,746,089	\$23,792,492	\$ 5,095,380	\$23,285,467	\$ 75,681,395

CITY OF NANAIMO
SCHEDULE OF OPERATIONS BY SEGMENT
for the year ended December 31, 2023

	City Administration	Corporate Services	Planning & Development	Public Safety	Fire	Police	Parks, Recreation & Culture	Engineering & Public Works	Sewer	Water	2023
Revenues											
Taxes	\$ 7,024,244	\$20,227,411	\$ 4,713,827	\$ 4,071,099	\$22,372,790	\$39,476,165	\$25,529,717	\$20,042,975	\$ -	\$ -	\$ 143,458,228
Payments in lieu of taxes	124,476	358,447	83,533	72,144	396,466	699,553	452,410	355,180	-	-	2,542,209
User fees and sales of services	20	3,076,477	57,717	1,656,080	1,238,589	67,063	6,915,067	9,357,243	9,457,189	25,388,828	57,214,273
Government capital transfers	-	20,302,850	375,000	-	-	-	3,257,555	524,651	-	-	24,460,056
Other revenue	166,099	2,219,824	1,701,353	861,186	797,103	809,386	1,908,862	1,234,558	53,863	158,420	9,910,654
Developer contributed assets	-	-	-	-	-	-	744,000	3,811,505	463,329	376,654	5,395,488
Government operating transfers	125,364	686,087	200,795	2,189,866	437,125	2,010,865	607,060	376,078	45,000	-	6,678,240
Investment income	337,659	5,656,295	226,596	195,699	1,075,470	1,897,637	1,227,225	993,138	-	8,680	11,618,399
Building permits	-	-	2,243,113	-	-	-	-	-	-	-	2,243,113
Development cost charges	-	-	-	-	-	-	1,481,812	1,478,590	2,633,915	5,895,648	11,489,965
Regional recreation sharing	-	-	-	-	-	-	1,284,723	-	-	-	1,284,723
Donations - capital	-	-	-	-	19,808	449,970	225,126	601,671	1,586	-	1,298,161
Property rentals	-	381,503	-	30,037	-	314,778	126,910	47,471	-	23,200	923,899
	7,777,862	52,908,894	9,601,934	9,076,111	26,337,351	45,725,417	43,760,467	38,823,060	12,654,882	31,851,430	278,517,408
Expenses											
Wages and benefits	4,345,215	9,147,932	6,423,937	3,046,369	18,044,414	6,056,905	17,701,011	12,568,705	1,110,862	3,803,555	82,248,905
Contracted services	1,195,661	9,026,483	426,277	2,563,305	2,145,904	30,160,522	7,890,717	10,707,778	1,153,397	1,834,679	67,104,723
Amortization	-	2,894,401	3,549	441,312	1,498,638	299,084	4,618,960	11,708,284	1,344,410	6,450,224	29,258,862
Other	443,418	861,079	1,060,367	2,195,692	1,087,509	1,815,095	4,208,992	(3,245,808)	2,161,892	5,058,173	15,646,409
Materials and supplies	490,580	416,063	121,816	120,149	1,436,231	78,706	2,214,137	4,130,022	251,423	1,310,586	10,569,713
Interest payments on debt	-	(4,336)	-	-	450,920	-	-	35,044	119,505	536,150	1,137,283
(Gain) loss on disposal of assets	-	(8,250)	-	-	8,602	-	40,631	34,885	-	(2,123)	73,745
	6,474,874	22,333,372	8,035,946	8,366,827	24,672,218	38,410,312	36,674,448	35,938,910	6,141,489	18,991,244	206,039,640
ANNUAL SURPLUS	1,302,988	30,575,522	1,565,988	709,284	1,665,133	7,315,105	7,086,019	2,884,150	6,513,393	12,860,186	72,477,768
Capital projects	\$ -	\$ 6,886,325	\$ 392,925	\$ 910,138	\$ 1,550,673	\$ 554,822	\$11,789,897	\$18,206,429	\$ 5,539,270	\$31,455,169	\$ 77,285,648

CITY OF NANAIMO
SCHEDULE OF TANGIBLE CAPITAL ASSETS
for the year ended December 31, 2024

	COST					ACCUMULATED AMORTIZATION				
	Balance December 31, 2023	Additions	Disposals	Transfers	Balance December 31, 2024	Balance December 31, 2023	Additions	Disposals	Balance December 31, 2024	NET BOOK VALUE
Land	\$ 116,470,886	\$ 7,363,835	\$ 31	\$ (24,709)	\$ 123,809,981	\$ -	\$ -	\$ -	\$ -	\$ 123,809,981
Land improvements	54,418,125	8,777,848	63,669	6,714,976	69,847,280	23,789,497	2,218,531	50,081	25,957,947	43,889,333
Leasehold improvements	3,120,301	-	74,440	-	3,045,861	2,126,865	80,702	61,705	2,145,862	899,999
Marine structures	1,824,275	-	-	-	1,824,275	516,009	66,033	-	582,042	1,242,233
Buildings	234,432,031	3,476,089	684,400	924,973	238,148,693	109,055,140	7,620,253	689,226	115,986,167	122,162,526
Vehicles and equipment	65,560,207	4,210,367	1,219,957	993,328	69,543,945	37,678,236	4,558,443	1,200,958	41,035,721	28,508,224
IT infrastructure	10,770,835	587,014	1,067,985	1,240,563	11,530,427	8,934,857	488,245	740,548	8,682,554	2,847,873
Drainage	124,090,762	2,800,057	32,000	3,003,732	129,862,551	39,158,094	1,898,783	26,189	41,030,688	88,831,863
Transportation	357,674,267	13,301,744	327,993	1,219,863	371,867,881	209,283,599	7,953,327	327,992	216,908,934	154,958,947
Sewer	75,849,367	4,050,890	3,601	907,643	80,804,299	17,590,042	1,346,207	3,601	18,932,648	61,871,651
Water	286,738,829	21,339,808	83,420	37,260,548	345,255,765	93,002,795	5,302,314	78,653	98,226,456	247,029,309
Work in progress	67,675,164	9,773,743	-	(52,240,917)	25,207,990	-	-	-	-	25,207,990
	\$ 1,398,625,049	\$ 75,681,395	\$ 3,557,496	\$ -	\$ 1,470,748,948	\$ 541,135,134	\$ 31,532,838	\$ 3,178,953	\$ 569,489,019	\$ 901,259,929

CITY OF NANAIMO
SCHEDULE OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2023

	COST				ACCUMULATED AMORTIZATION					
	Balance December 31, 2022	Additions	Disposals	Transfers	Balance December 31, 2023	Balance December 31, 2022	Additions	Disposals	Balance December 31, 2023	NET BOOK VALUE
Land	\$ 111,736,384	\$ 4,636,672	\$ -	\$ 97,830	\$ 116,470,886	\$ -	\$ -	\$ -	\$ -	\$ 116,470,886
Land improvements	50,836,989	3,696,117	160,700	45,719	54,418,125	22,192,040	1,758,157	160,700	23,789,497	30,628,628
Leasehold improvements	3,120,301	-	-	-	3,120,301	2,045,489	81,376	-	2,126,865	993,436
Marine structures	1,625,288	257,280	60,443	2,150	1,824,275	504,810	63,581	52,382	516,009	1,308,266
Buildings	228,258,560	3,849,371	123,365	2,447,465	234,432,031	102,370,311	6,769,535	84,706	109,055,140	125,376,891
Vehicles and equipment	61,837,989	4,153,783	683,465	251,900	65,560,207	34,111,521	4,200,763	634,048	37,678,236	27,881,971
IT Infrastructure	10,021,428	656,118	943,052	1,036,341	10,770,835	9,449,865	428,044	943,052	8,934,857	1,835,978
Drainage	120,942,589	3,215,114	171,700	104,759	124,090,762	37,490,139	1,839,655	171,700	39,158,094	84,932,668
Transportation	350,327,985	7,827,151	710,822	229,953	357,674,267	202,190,113	7,777,435	683,949	209,283,599	148,390,668
Sewer	71,435,134	3,510,420	-	903,813	75,849,367	16,313,997	1,276,045	-	17,590,042	58,259,325
Water	281,928,289	4,455,983	113,243	467,800	286,738,829	88,050,966	5,064,271	112,442	93,002,795	193,736,034
Work in progress	32,235,255	41,027,639	-	(5,587,730)	67,675,164	-	-	-	-	67,675,164
	\$1,324,306,191	\$ 77,285,648	\$ 2,966,790	\$ -	\$1,398,625,049	\$ 514,719,251	\$ 29,258,862	\$ 2,842,979	\$ 541,135,134	\$ 857,489,915

CITY OF NANAIMO

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2024

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, 2024, 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.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(d) 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.

(e) 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.

(f) 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.

(g) Deferred Revenue

The City defers tax prepayments and 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.

(h) 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.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(h) Non-Financial Assets

(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:

Asset

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	8-60
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.

(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.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(h) Non-Financial Assets

(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.

(i) Asset Retirement Obligations

An asset retirement obligation (ARO) is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(i) Asset Retirement Obligations

The liability for the removal of asbestos and other hazardous materials in several buildings owned by the City is recognized based on estimated future expenses on closure of the site and post-closure care. It is the City's practice to, as necessary, remediate these hazardous materials either on disposal of a tangible capital asset or in the course of completing repairs and maintenance. The liability has been recognized based on estimated present value of expenses to remediate the sites.

Assumptions will be reviewed annually and adjusted to present value, if required.

Any ARO additions result in an accompanying increase to the respective tangible capital assets. Any increases are amortized in accordance with the amortization accounting policies outlined in Note 1(h)(i).

(j) Financial Instruments

Financial instruments include cash and cash equivalents, accounts receivables, development cost charges receivables, term deposits, accounts payables and accrued liabilities and debt.

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to carry any other financial instruments at fair value.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations. There are no unrealized changes in fair value as at December 31, 2024 or December 31, 2023. As a result, the City does not have a Statement of Remeasurement Gains and Losses.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method or effective interest rate method.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(j) Financial Instruments

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses. When the asset is sold, the unrealized gains and losses previously recognized in the Statement of Remeasurement Gains and Losses are reversed and recognized in the Statement of Operations.

Long-term debt is recorded net of repayments and actuarial adjustments.

(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.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(l) Revenue Recognition

(ii) Development Cost Charges

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

(iii) Government Transfers

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

(iv) Revenue from Unilateral or Exchange Transactions

Revenue from unilateral transactions is recognized when the City has the ability to claim or retain an inflow of economic resources and a past transaction or event giving rise to the asset has occurred.

Revenue from exchange transactions is recognized as the City satisfies its performance obligations.

(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, amounts to settle asset retirement obligations and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 2 - CHANGE IN ACCOUNTING POLICIES

(a) PS 3160 – Public Private Partnership

On January 1, 2024, the City adopted Canadian Public Sector Accounting Standard PS 3160, Public Private Partnerships ("PS 3160"). The new accounting standard addresses the recognition, measurement, presentation, and disclosure of infrastructure procured by public sector entities through certain types of public private partnership arrangements. Management has assessed the impact of adopting PS 3160 on the financial statements of the City and has found no impact to the financial statements.

(b) PS 3400 – Revenues

On January 1, 2024, the City adopted Canadian Public Sector Accounting Standard PS 3400, Revenue ("PS 3400"). Under the new accounting standard, there are two categories of revenue – exchange and non-exchange. If the transaction gives rise to one or more performance obligations, it is an exchange transaction. If no performance obligations are present, it is non exchange revenue. Management has assessed the impact of adopting PS 3400 on the financial statements of the City and has found that there is no resulting impact to the financial statements.

(c) PSG-8 Purchased Intangibles Applied on a Prospective Basis

On January 1, 2024, the City adopted Public Sector Guideline PSG-8, Purchased Intangibles, applied on a prospective basis ("PSG-8"). PSG-8 defines purchased intangibles as identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act. Intangibles acquired through a transfer, contribution, or inter-entity transaction, are not purchased intangibles. Management has assessed the impact of adopting PSG-8 and found that at present no such items meet the criteria to be recognized as a purchased intangible.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 3 - ACCOUNTS RECEIVABLE

	<u>2024</u>	<u>2023</u>
Utilities	\$ 15,591,709	\$ 11,008,557
Property taxes	5,340,040	4,046,184
Interest on investments	3,988,068	3,499,624
Trade and other	2,149,327	3,835,730
Federal government	1,958,343	5,303,465
Provincial government	1,606,808	2,657,373
Municipal Finance Authority debt reserve	1,050,790	1,015,431
Regional government	322,073	622,043
	<u>\$ 32,007,158</u>	<u>\$ 31,988,407</u>

NOTE 4 - DEVELOPMENT COST CHARGES RECEIVABLE

	Water Distribution	Roads	Drainage	Sewer	Parks	Water Supply	<u>2024</u>	<u>2023</u>
Installments								
2024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 512,486
2025	13,376	253,727	1,051	77,876	51,080	244,837	641,947	105,853
2026	11,183	212,129	821	65,109	42,154	204,697	536,093	-
	<u>\$ 24,559</u>	<u>\$ 465,856</u>	<u>\$ 1,872</u>	<u>\$ 142,985</u>	<u>\$ 93,234</u>	<u>\$ 449,534</u>	<u>\$ 1,178,040</u>	<u>\$ 618,339</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.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2024</u>		<u>2023</u>
Trade and other	\$ 21,052,804	\$	19,739,263
RCMP contract	14,514,577		17,084,830
Deposits	12,100,806		13,502,966
Accrued wages and benefits	5,376,167		4,684,852
Other	1,874,174		3,412,705
Contaminated sites	1,472,000		1,472,000
	<u>\$ 56,390,528</u>	<u>\$</u>	<u>59,896,616</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

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% (2023 - 5%), inflation of 2% (2023 - 2%) and compensation increases, excluding merit and promotion, of 3% (2023 - 3%). There is an unamortized actuarial gain of \$583,663 (2023 - gain of \$638,714).

	<u>2024</u>	<u>2023</u>
Actuarial benefit obligation - beginning of year	\$ 8,614,045	\$ 8,473,977
Unamortized actuarial gain - beginning of year	638,714	660,516
	<u>9,252,759</u>	<u>9,134,493</u>
Current service cost	727,247	679,035
Interest costs	428,997	416,781
Benefits paid	(795,438)	(955,748)
Amortization of actuarial gain	(55,051)	(21,802)
	<u>9,558,514</u>	<u>9,252,759</u>
Actuarial benefit obligation - end of year	8,974,851	8,614,045
Unamortized actuarial gain - end of year	583,663	638,714
Accrued benefit liability - end of year	<u>\$ 9,558,514</u>	<u>\$ 9,252,759</u>

Actuarial gains and losses are amortized over 13 (2023 - 13) years for retirement benefits and 12 (2023 - 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 \$1,101,193 (2023 - \$1,074,014).

NOTE 7 - DEFERRED REVENUE

	<u>2024</u>	<u>2023</u>
Tax prepayments	\$ 20,915,445	\$ 18,520,675
Other prepayments	9,995,332	10,640,045
	<u>\$ 30,910,777</u>	<u>\$ 29,160,720</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 8 - DEFERRED DEVELOPMENT COST CHARGES

	<u>2024</u>	<u>2023</u>
Deferred development cost charges - beginning of year	\$ 63,008,279	\$ 65,416,377
Additions	3,575,521	6,314,324
Interest earned	3,153,587	2,767,543
Revenue recognized	(7,571,572)	(11,489,965)
Deferred development cost charges - end of year	<u>\$ 62,165,815</u>	<u>\$ 63,008,279</u>

NOTE 9 - DEBT, NET OF MUNICIPAL FINANCE AUTHORITY SINKING FUND DEPOSITS

The City obtains debt through the Municipal Finance Authority (MFA) pursuant to security issuing bylaws under the authority of the *Community Charter* to finance certain capital expenditures.

\$33,860,958 (2023 – \$38,170,336) of debt is with the MFA. Payments and actuarial allocations of \$40,763,564 on the gross amount borrowed of \$74,624,522 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 4.52% per annum.

	<u>2024</u>	<u>2023</u>
Total outstanding debt - beginning of year	\$ 38,170,336	\$ 41,301,913
Reduction of long-term debt	(4,309,378)	(4,423,891)
Proceeds from long-term borrowing	-	1,292,314
Total outstanding debt - end of year	<u>\$ 33,860,958</u>	<u>\$ 38,170,336</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 for 2024 at December 31, 2023 was \$57,783,145. The actual debt servicing cost was \$5,561,174, the estimated cost from off-balance sheet liabilities was \$2,000,000 and the estimated cost on unissued debt is \$29,810. The liability servicing capacity available is \$50,192,161.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 9 - DEBT, NET OF MUNICIPAL FINANCE AUTHORITY SINKING FUND DEPOSITS

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

<u>Year</u>	General	Water	Total
2025	\$ 3,305,740	\$ 1,168,329	\$ 4,474,069
2026	3,337,952	1,209,221	4,547,173
2027	2,344,526	1,251,544	3,596,070
2028	964,231	1,295,347	2,259,578
2029	794,432	1,340,685	2,135,117
Thereafter	10,362,378	6,486,573	16,848,951
	<u>\$ 21,109,259</u>	<u>\$ 12,751,699</u>	<u>\$33,860,958</u>

Balance Outstanding

<u>Bylaw #</u>	<u>MFA Issue #</u>		<u>Interest Rate %</u>	<u>Year Matures</u>	<u>2024</u>	<u>2023</u>
<u>General Fund</u>						
5750	99	Port of Nanaimo Centre	1.53	2026	\$ 2,081,732	\$ 3,062,941
5750	101	Port of Nanaimo Centre	3.39	2027	3,034,833	3,988,096
7050	102	Fire Station #4	3.90	2027	762,234	999,325
7257	146	Fire Station #1	3.20	2038	2,456,519	2,596,102
7257	152	Fire Station #1	0.91	2040	1,653,506	1,742,397
7257	156	Fire Station #1	2.58	2041	9,785,578	10,253,949
7257	158	Fire Station #1	4.09	2042	260,100	270,359
		Garbage trucks - equipment	4.25	2025	74,417	152,644
		Garbage trucks - equipment	4.25	2028	1,000,340	1,236,475
					<u>21,109,259</u>	<u>24,302,288</u>
<u>Waterworks Fund</u>						
7127	126	Water treatment plant	4.52	2033	7,261,011	7,937,625
7127	127	Water treatment plant	4.52	2034	5,490,688	5,930,423
					<u>12,751,699</u>	<u>13,868,048</u>
					<u>\$ 33,860,958</u>	<u>\$ 38,170,336</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 10 - ASSET RETIREMENT OBLIGATIONS

	Buildings	Fuel Tanks	2024	2023
Asset retirement obligations - beginning of year	\$ 1,380,739	\$ 438,000	\$1,818,739	\$ -
Additions	60,327	-	60,327	1,818,739
Accretion expense	43,233	13,140	56,373	-
Asset retirement obligations - end of year	\$ 1,484,299	\$ 451,140	\$1,935,439	\$1,818,739

NOTE 11 - TANGIBLE CAPITAL ASSETS

<u>Net book value</u>	<u>2024</u>	<u>2023</u>
Land	\$ 123,809,981	\$ 116,470,886
Land improvements	43,889,333	30,628,628
Leasehold improvements	899,999	993,436
Marine structures	1,242,233	1,308,266
Buildings	122,162,526	125,376,891
Vehicles and equipment	28,508,224	27,881,971
IT infrastructure	2,847,873	1,835,978
Drainage	88,831,863	84,932,668
Transportation	154,958,947	148,390,668
Sewer	61,871,651	58,259,325
Water	247,029,309	193,736,034
	876,051,939	789,814,751
Work in progress	25,207,990	67,675,164
	<u>\$ 901,259,929</u>	<u>\$ 857,489,915</u>

See schedule of tangible capital assets (page 10) for more information. Developer contributed assets recognized in 2024 were \$5,589,662 (2023 - \$5,395,488) 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, 2024

NOTE 12 - ACCUMULATED SURPLUS

	<u>2024</u>	<u>2023</u>
Investment in tangible capital assets (Note 19)	\$ 862,107,518	\$ 813,686,224
Operating reserves (Note 22)	86,830,154	90,050,776
Statutory Reserve Funds		
General Fund Asset Management	23,368,226	20,962,550
Equipment Depreciation	13,298,521	11,339,981
Community Works	11,870,489	12,396,391
Growing Communities	10,169,702	14,933,659
Sewer Fund Asset Management	8,987,607	8,561,081
Water Fund Asset Management	8,119,115	5,526,573
Strategic Infrastructure	5,864,250	6,800,803
Facility Development	5,157,877	4,520,120
Property Sales	3,854,096	2,389,598
Cart Replacement	2,736,497	1,103,260
Information Technology Replacement	2,615,659	2,224,402
Property Acquisition	2,043,834	5,430,761
Housing Legacy	2,030,307	4,178,222
Climate Action	1,783,964	1,059,850
Parking	1,548,780	1,440,512
Online Accommodation Platform	914,067	-
Knowles Estate	470,802	446,473
Copier Replacement	424,767	400,813
Parkland Dedication	382,340	285,702
NDSS Community Field	256,482	208,412
Old City Neighbourhood Parking	108,869	103,244
Off-Street Parking	81,058	76,870
911	70,380	153,185
Harewood Centennial Turf Field	50,633	-
	<u>\$ 1,055,145,994</u>	<u>\$ 1,008,279,462</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 13 - 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, 2024, 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 (2023 – \$1,926,056) 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, 2024

NOTE 13 - 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 \$31,800,000 (2023 - \$42,500,000) 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. The Port Theatre Society terminated the line of credit as of January 9, 2025.

NOTE 14 - 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, 2024, the balance of funds held in trust was \$661,688 (2023 - \$651,508).

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 15 - ANNUAL BUDGET

These financial statements include the Annual Budget as approved by Council on May 6, 2024. No amendments subsequent to this date have been included. The following is a reconciliation of the budget presentation required for the 2024 financial statements and the annual financial plan bylaw:

Annual budgeted surplus - Statement of Operations	\$ 15,732,947
Cemetery Care Fund - not in reporting entity	11,000
Net development cost charges	(6,502,159)
Annual surplus from the 2024 Financial Plan	9,241,788
Amortization, not funded	32,277,097
Capital expenditures	(135,147,742)
Proceeds from borrowing	4,083,150
Principal repayment of debt	(4,364,028)
Transfers from accumulated surplus	93,909,735
Net annual budget - as approved	\$ -

NOTE 16 - TAXATION AND PAYMENTS IN LIEU

	<u>Municipal</u>	<u>Other</u>	<u>2024</u>	<u>2023</u>
Property taxes	\$ 153,867,334	\$ 104,777,095	\$ 258,644,429	\$ 235,906,356
Business improvement area levies	-	207,076	207,076	204,265
Taxes in lieu of licenses	1,463,966	-	1,463,966	1,506,812
Payments in lieu of taxes	2,806,432	866,197	3,672,629	3,274,465
	<u>\$ 158,137,732</u>	<u>\$ 105,850,368</u>	<u>\$ 263,988,100</u>	<u>\$ 240,891,898</u>
Less collections for other governments:				
Province of British Columbia (School Tax)			\$ 51,768,133	\$ 49,315,137
Regional District of Nanaimo			35,108,632	30,589,985
Nanaimo Regional Hospital District			17,315,673	13,377,436
Other agencies			1,657,930	1,608,903
			<u>105,850,368</u>	<u>94,891,461</u>
Taxation and payments in lieu			<u>\$ 158,137,732</u>	<u>\$ 146,000,437</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 17 - USER FEES AND SALES OF SERVICES

	<u>2024</u>	<u>2023</u>
Water	\$ 25,769,864	\$ 25,388,828
Sewer	10,093,149	9,457,189
Sanitation	8,495,834	8,249,952
Recreation programs	8,028,626	6,915,067
Vancouver Island Conference Centre	3,095,813	2,955,042
Parking	1,794,262	1,638,041
Fire	1,250,336	1,238,589
Public works	567,655	1,107,291
Other	188,642	197,211
Police	64,866	67,063
	<u>\$ 59,349,047</u>	<u>\$ 57,214,273</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 18 - TRANSFERS FROM OTHER GOVERNMENTS

	<u>2024</u>	<u>2023</u>
<u>Federal</u>		
Capital	\$ 40,000	\$ 3,258,725
Gas Tax	4,610,560	4,214,850
Other	914,509	715,979
	<u>5,565,069</u>	<u>8,189,554</u>
<u>Provincial</u>		
Capital	614,816	898,481
Casino Gaming	2,332,621	2,560,346
Revenue Sharing	1,137,000	1,272,000
Growing Communities	-	16,088,000
Climate Action Plan	952,513	325,082
Other	904,577	1,735,988
	<u>5,941,527</u>	<u>22,879,897</u>
<u>Other Governments</u>		
Other	207,513	68,845
	<u>207,513</u>	<u>68,845</u>
Total transfers from other governments	<u>\$ 11,714,109</u>	<u>\$ 31,138,296</u>
Transfers from other governments - capital	\$ 5,265,376	\$ 24,460,056
Transfers from other governments - operating	6,448,733	6,678,240
Total transfers from other governments	<u>\$ 11,714,109</u>	<u>\$ 31,138,296</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 19 - INVESTMENT IN TANGIBLE CAPITAL ASSETS

	<u>2024</u>	<u>2023</u>
Investment in tangible capital assets - beginning of year	\$ 813,686,224	\$ 762,309,770
Add:		
Capital additions	75,681,395	77,285,648
Reductions in long-term debt	4,309,378	4,423,891
Funding repaid to deferred capital fund	341,902	341,902
Less:		
Amortization	(31,532,838)	(29,258,862)
New borrowing - garbage truck	-	(1,292,314)
Net book value of asset disposals	(378,543)	(123,811)
Investment in tangible capital assets - end of year	<u>\$ 862,107,518</u>	<u>\$ 813,686,224</u>

NOTE 20 - MUNICIPAL PENSION PLAN

The City and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusteesd 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 City accounts for the Plan as a defined contribution plan. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2023, the Plan has about 256,000 active members and approximately 129,000 retired members. Active members include approximately 45,000 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 may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 20 - 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 2024, City of Nanaimo contributions to the Plan were:

	<u>2024</u>	<u>2023</u>
Employer portion	\$ 6,726,653	\$ 6,062,626
Employee portion	5,852,243	5,303,243
	<u>\$ 12,578,896</u>	<u>\$ 11,365,869</u>

The next valuation will be as at December 31, 2024 with results available later 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 21 - FINANCIAL INSTRUMENTS

(a) Credit Risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The City is exposed to credit risk with respect to its accounts receivable, cash and cash equivalents and temporary investments.

The City assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the City at December 31, 2024 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 21 - FINANCIAL INSTRUMENTS

(a) Credit Risk

As at December 31, 2024, \$205,400 (2023 - \$155,700) of trade accounts receivable were past due, but not impaired.

There have been no significant changes to the credit risk exposure from 2023.

(b) Liquidity Risk

Liquidity risk is the risk that the City will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The City manages its liquidity risk by monitoring its operating requirements. The City prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

The contractual maturities of long-term debt are disclosed in Note 9.

There have been no significant changes to the liquidity risk exposure from 2023.

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the City's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

(i) Foreign Exchange Risk

The City is exposed to financial risk as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the City makes purchases denominated in U.S. dollars. The City does not currently enter into forward contracts to mitigate this risk. The City does not have any material transactions during the year or financial instruments denominated in foreign currencies at year end.

There have been no significant changes to the foreign exchange risk exposure from 2023.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 21 - FINANCIAL INSTRUMENTS

(c) Market Risk

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

There is no interest rate risk regarding the City's investments as only term deposits with guaranteed interest rates are held. There may be interest rate risk on long term debt issued by the Municipal Finance Authority as rates may be reset after the end of the first 10 year term, followed by subsequent interest rate resets every five years thereafter.

The City's debt is disclosed in Note 9.

There has been no change to the interest rate risk exposure from 2023.

(iii) Tariff Risk

The imposition of U.S. tariffs on cross-border trade will result in increased costs for goods and services procured from U.S. suppliers, impacting operations and infrastructure projects. While the long-term impact remains uncertain, the City is actively working to monitor and mitigate the risks and impacts of the tariffs.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 22 - OPERATING RESERVES

	<u>Work in Progress</u>	<u>Available for Future Commitments</u>	<u>2024</u>	<u>2023</u>
<u>General Revenue Fund Reserve Accounts</u>				
Brechin Boat Ramp	\$ -	\$ 53,992	\$ 53,992	\$ 53,992
Pipers Park	-	147,419	147,419	116,843
Strategic Partnerships	163,471	43	163,514	192,033
General Capital	3,010,460	5,061,463	8,071,923	8,441,084
Prior Year Carry Forwards	11,318,540	-	11,318,540	9,704,836
RCMP Contract Financial Stability	1,416,497	5,699,872	7,116,369	6,233,433
Fitzwilliam Street Parking	-	142,868	142,868	142,868
Vancouver Island Conference Centre	264,407	383,143	647,550	719,480
Snow and Ice Control Financial Stability	-	1,330,000	1,330,000	1,330,000
General Financial Stability	640,000	18,176,607	18,816,607	17,722,062
Special Initiatives	5,211,126	4,664,259	9,875,385	7,163,464
Casino	3,544	-	3,544	44,043
Sanitation Levelling	437,435	102,970	540,405	931,109
	<u>22,465,480</u>	<u>35,762,636</u>	<u>58,228,116</u>	<u>52,795,247</u>
<u>Sewer Revenue Reserve Accounts</u>				
Sewer General	3,173,988	11,799,773	14,973,761	13,894,850
Sewer Financial Stability	-	600,000	600,000	600,000
	<u>3,173,988</u>	<u>12,399,773</u>	<u>15,573,761</u>	<u>14,494,850</u>
<u>Waterworks Revenue Fund Reserve Accounts</u>				
Water General	11,278,277	-	11,278,277	21,010,679
Water Financial Stability	-	1,750,000	1,750,000	1,750,000
	<u>11,278,277</u>	<u>1,750,000</u>	<u>13,028,277</u>	<u>22,760,679</u>
Total Operating Reserve Accounts	<u>\$36,917,745</u>	<u>\$ 49,912,409</u>	<u>\$86,830,154</u>	<u>\$90,050,776</u>

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 23 - 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, Legislative Services, and Communications.

Corporate Services

This department provides services to both the internal organization and the community. Internally, Corporate Services is responsible for Information Technology, Financial Services and Supply Chain Management, managing the City's real estate assets, delivering economic development services, and providing oversight of the City's external agencies (Nanaimo Prosperity Corporation and Tourism Nanaimo Society). Additionally, the contractor for the Vancouver Island Conference Centre is overseen by this department.

Planning & Development

This department is responsible for processing development applications and developing related policies and regulations, sustainability and environmental matters as well as providing oversight of the Nanaimo Systems Planning Organization Society, an external agency.

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 23 - SEGMENT REPORTING

Public Safety

The Public Safety department is responsible for social planning, community safety, bylaw enforcement, animal control, parking enforcement, and the administration of City-owned parking facilities.

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 & 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 & 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 FUND

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

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

NOTE 23 - SEGMENT REPORTING

WATER FUND

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

NOTE 24 - 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:

2025	\$ 963,405
2025	961,125
2026	961,245
2027	961,366
2028	961,365
	<u>\$ 4,808,506</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 25 - COMPARATIVE FIGURES

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

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

GROWING COMMUNITIES FUND: RESERVE FUNDS (UNAUDITED)

The Province of British Columbia distributed conditional Growing Communities Fund (GCF) grants to communities at the end of March 2023 to help local governments build community infrastructure and amenities to meet the demands of the population growth. The GCF provided a one-time total of \$1 billion in grants to all 161 municipalities and 27 regional districts in British Columbia.

The City of Nanaimo received \$16,088,000 of GCF funding in March 2023.

	2024	2023
Reserve fund - beginning of the year	\$ 14,933,659	\$ -
Funds received	-	16,088,000
Eligible costs		
Property acquisition	(12,219)	-
Maffeo Sutton Park enhancements	(47,174)	-
Marie Davidson Bike Park upgrades	(330,000)	-
Harewood Centennial Turf Field	(1,268,204)	(1,731,796)
Westwood Lake improvements	(494,062)	-
Commercial Street improvements	(1,185,754)	-
Midtown water supply upgrades	(2,100,000)	-
Total costs	(5,437,413)	(1,731,796)
Interest earned	673,456	577,455
Reserve fund - end of the year	\$ 10,169,702	\$ 14,933,659

CITY OF NANAIMO
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2024

LOCAL GOVERNMENT HOUSING INITIATIVES FUNDING PROGRAM (UNAUDITED)

The Province of British Columbia distributed \$51 million from the Local Government Housing Initiatives funding program. The Housing Initiatives funding program is intended to support local government implementation of the legislative changes to support housing initiatives, including small-scale multi-unit housing and proactive planning, development finance, and transit-oriented development to municipalities and regional districts.

The City of Nanaimo received \$619,936 in January 2024.

	2024
Funds received	\$ 619,936
Eligible costs	
Development cost charge bylaw project	(19,000)
Amenity cost charge bylaw project	(30,445)
Housing needs report	(38,125)
Zoning bylaw update	(5,501)
Servicing capacity modeling and analysis	(36,803)
Balance remaining	\$ 490,062