

FOR: FINANCE AND AUDIT COMMITTEE

MEETING DATE: April 15, 2026

DEPARTMENT: CORPORATE SERVICES

SUBJECT: **2025 ANNUAL FINANCIAL STATEMENTS**

OVERVIEW

Purpose of Report

To present the 2025 Annual Financial Statements for acceptance by the Finance and Audit Committee.

Recommendation

That the Finance and Audit Committee recommend that Council accept the 2025 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 2025-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 \$11,447,995 at 2025-DEC-31. This surplus was allocated to reserves as follows:

Source	Amount
Special Initiatives Reserve	\$ 5,475,135

RCMP Contract Reserve	4,015,860
Property Acquisition Reserve	1,700,000
Snow and Ice Control Reserve	257,000
Total	\$ 11,447,995

- The sewer fund operating surplus was \$340,938 at 2025-DEC-31. This surplus was allocated to the sewer reserve.
- The water fund operating surplus was \$1,592,953 at 2025-DEC-31. This surplus was allocated to the water reserve.
- Funds held in reserves total \$268.6 million at 2025-DEC-31 (2024 – \$255.2 million), allocated as follows:

Operating Reserves	\$ 95.7 million
Development Cost Charges (developer contributions)	62.9
Statutory Reserves	<u>110.0</u>
	<u>\$268.6 million</u>

- A listing of operating reserve accounts is shown on page 35 of the 2025 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 2026 – 2030 Financial Plan.
- Development Cost Charges (DCC) can only be used to fund projects specified in the DCC bylaws. DCC revenues in 2025 totaled \$3.1 million (2024 – \$3.6 million). The City continues to construct growth-related projects, which are funded from DCC’s (\$5.0 million in 2025).
- 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 2025-DEC-31 are as follows:

Reserve	Amount
General Fund Asset Management	\$ 29,470,877
Community Works	16,220,073
Equipment Depreciation	11,533,584
Sewer Fund Asset Management	10,470,099
Water Fund Asset Management	8,222,269
Facility Development	6,321,575
Strategic Infrastructure	5,189,126
Growing Communities	4,619,738
Cart Replacement	4,434,398
Property Acquisition	2,632,900
Housing Legacy	2,300,228
Information Technology Replacement	2,251,996
Parking	2,138,134
Climate Action	1,582,108

Parkland Dedication	532,707
Knowles Estate	493,368
Property Sales	476,849
Copier Replacement	388,279
NDSS Community Field	306,635
Online Accommodation Platform	118,040
Old City Neighborhood Parking	114,087
Harewood Centennial Turf Field	104,665
Off-Street Parking	84,943
911	13,091
Total	\$ 110,019,769

- Outstanding debt and debt servicing costs:

	<u>2025</u>	<u>2024</u>
Outstanding debt	\$ 29.4 million	\$ 33.9 million
Per capita debt	\$ 263	\$ 306
Net increase (decrease) in debt during the year	\$ (4.5) million	\$ (4.3) million

Pages 22 and 23 of the 2025 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 \$922.9 million at 2025-DEC-31 (2024 - \$901.3 million). A detailed schedule is found on page 10 of the financial statements. Capital asset acquisitions were \$56.8 million (2024 – \$75.7 million), including developer contributed assets of \$1.5 million (2024 - \$5.6 million).

COMMUNICATION AND COMMUNITY ENGAGEMENT

This initiative does not require a statutory notification or include community engagement activities.

ALIGNMENT WITH CITY PLAN

The report is aligned with the following City goals:

- A Green Nanaimo: Resilient and Regenerative Ecosystems
- A Connected Nanaimo: Equitable Access and Mobility
- A Healthy Nanaimo: Community Wellbeing and Livability
- An Empowered Nanaimo: Reconciliation, Representation and Inclusion
- A Prosperous Nanaimo: Thriving and Resilient Economy

ALIGNMENT WITH COUNCIL’S STRATEGIC PRIORITIES

The report is aligned with the following Council Strategic Framework priorities:

- Implementing City Plan Action Plans and Key City Management Plans
- Social, Health and Public Safety Challenges

- Maintaining and Growing Current Services
- Capital Projects
- Communicating with the Community
- Governance and Corporate Excellence

OPTIONS

1. That the Finance and Audit Committee recommend that Council accept the 2025 Annual Financial Statements for the City of Nanaimo
 - The advantages of this option: The City will be compliant with section 167(4) of the *Community Charter*.
 - Financial Implications: If Council does not approve the 2025 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. That the Finance and Audit Committee request further information pertaining to the 2025 Financial Statements

KEY MESSAGES

- 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 2025-DEC-31 once Council has accepted the statements.
- By May 15th of each year, a municipality must submit to the Inspector its audited financial statements for the preceding year.

ATTACHMENTS

ATTACHMENT A: 2025 Annual Financial Statements

ATTACHMENT B: KPMG Audit Findings Report

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