

CITY OF NANAIMO, BRITISH COLUMBIA, CANADA  
FINANCIAL REPORT  
for the year ended December 31, 2023

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<u>INDEX</u>	<u>PAGE</u>
Management Report.....	1
Independent Auditor's Report.....	2 - 3
<b>Financial Statements</b>	
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 - 39

# **CITY OF NANAIMO MANAGEMENT REPORT**

**For the Year Ended December 31, 2023**

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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, 2023.

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**Dale Lindsay**  
**Chief Administrative Officer**

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**Laura Mercer, CPA, CGA**  
**General Manager, Corporate Services**



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800 - 730 View Street  
Victoria BC V8W 3Y7  
Canada  
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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, 2023
- 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, 2023 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  
April 22, 2024

# CITY OF NANAIMO

## STATEMENT OF FINANCIAL POSITION

as at December 31, 2023, with comparative figures for 2022

	2023	2022
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 129,049,911	\$ 118,484,793
Accounts receivable (Note 3)	31,988,407	25,872,621
Development cost charges receivable (Note 4)	618,339	1,171,250
Temporary investments (Note 5)	185,000,000	171,942,522
	<b>346,656,657</b>	<b>317,471,186</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	59,896,616	53,605,730
Compensated absences and termination benefits (Note 7)	9,252,759	9,134,493
Deferred revenue (Note 8)	29,160,720	26,146,540
Deferred development cost charges (Note 9)	63,008,279	65,416,377
Debt (Note 10)	38,170,336	41,301,913
Asset retirement obligations (Note 11)	1,818,739	-
	<b>201,307,449</b>	<b>195,605,053</b>
<b>NET FINANCIAL ASSETS</b>	<b>145,349,208</b>	<b>121,866,133</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 12)	857,489,915	809,586,940
Prepaid expenses	2,222,224	1,902,378
Inventories of supplies	3,218,115	2,446,243
	<b>862,930,254</b>	<b>813,935,561</b>
<b>ACCUMULATED SURPLUS (Note 13)</b>	<b>\$ 1,008,279,462</b>	<b>\$ 935,801,694</b>

Commitments and contingencies (Note 14)

Contractual rights (Note 25)

Approved on behalf of the Council

\_\_\_\_\_  
Leonard Krog  
Mayor

\_\_\_\_\_  
Ian Thorpe  
Councillor

# CITY OF NANAIMO

## STATEMENT OF OPERATIONS

for the year ended December 31, 2023, with comparative figures for 2022

	2023 Budget (Note 16)	2023	2022
<b>REVENUES</b>			
Taxes	\$ 143,194,038	\$ 143,458,228	\$ 131,968,343
Payments in lieu of taxes	2,618,100	2,542,209	2,566,901
Taxation and payments in lieu (Note 17)	145,812,138	146,000,437	134,535,244
User fees and sales of services (Note 18)	53,299,598	56,123,095	51,868,373
Transfers from other governments-capital (Note 19)	24,931,575	24,460,056	4,500,541
Investment income	7,399,168	11,618,399	5,684,548
Development cost charges (Note 9)	19,378,578	11,489,965	5,099,130
Other revenue	12,852,834	11,001,832	9,123,003
Transfers from other governments-operating (Note 19)	6,542,887	6,678,240	5,460,889
Developer contributed assets (Note 12)	-	5,395,488	2,563,598
Building permits	2,185,000	2,243,113	2,597,818
Donations and contributions-capital	3,436,309	1,298,161	2,549,971
Regional recreation sharing	1,284,723	1,284,723	1,281,927
Property rentals	931,507	923,899	897,571
	278,054,317	278,517,408	226,162,613
<b>EXPENSES</b>			
Police	41,632,759	38,410,312	35,698,638
Parks, recreation & culture	39,515,287	36,674,448	34,073,266
Engineering & public works	46,446,892	35,938,910	33,847,190
Fire	24,878,508	24,672,218	21,870,468
Water	20,749,876	18,991,244	16,867,494
Development services	19,012,360	16,402,774	13,659,190
Corporate services	14,504,804	13,740,413	12,604,062
Corporate & business development	8,217,677	8,592,958	7,034,207
City administration	7,201,473	6,474,874	6,185,056
Sewer	7,229,881	6,141,489	6,222,215
	229,389,517	206,039,640	188,061,786
<b>ANNUAL SURPLUS</b>	48,664,800	72,477,768	38,100,827
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>	935,801,694	935,801,694	897,700,867
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	\$ 984,466,494	\$ 1,008,279,462	\$ 935,801,694

**CITY OF NANAIMO**  
**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
for the year ended December 31, 2023, with comparative figures for 2022

	2023 Budget (Note 16)	2023	2022
<b>ANNUAL SURPLUS</b>	\$ 48,664,800	\$ 72,477,768	\$ 38,100,827
Acquisition of tangible capital assets	(141,399,032)	(70,005,600)	(53,397,452)
Asset retirement obligations	-	(1,818,739)	-
In kind donations of capital assets	-	(65,821)	(1,380,290)
Developer contributed capital assets	-	(5,395,488)	(2,563,598)
	(141,399,032)	(77,285,648)	(57,341,340)
Amortization of tangible capital assets	32,523,752	29,258,862	28,035,992
Loss (gain) on disposal of assets	-	73,749	(1,387,738)
Proceeds on sale of tangible capital assets	-	50,062	2,661,251
	(108,875,280)	(47,902,975)	(28,031,835)
Acquisition of inventories of supplies	-	(7,135,655)	(5,782,821)
Acquisition of prepaid expenses	-	(2,030,605)	(1,557,902)
Consumption of inventories of supplies	-	6,363,783	5,377,900
Use of prepaid expenses	-	1,710,759	1,439,002
	-	(1,091,718)	(523,821)
<b>CHANGE IN NET FINANCIAL ASSETS</b>	(60,210,480)	23,483,075	9,545,171
<b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b>	121,866,133	121,866,133	112,320,962
<b>NET FINANCIAL ASSETS - END OF YEAR</b>	\$ 61,655,653	\$ 145,349,208	\$ 121,866,133

# CITY OF NANAIMO

## STATEMENT OF CASH FLOWS

for the year ended December 31, 2023, with comparative figures for 2022

	2023	2022
<b>CASH PROVIDED BY (USED FOR)</b>		
<b>OPERATING TRANSACTIONS</b>		
Annual Surplus	\$ 72,477,768	\$ 38,100,827
Non-cash items		
Amortization of tangible capital assets	29,258,862	28,035,992
Developer assets received	(5,395,488)	(2,563,598)
In kind donations of capital assets	(65,821)	(1,380,290)
Loss (gain) on disposal of tangible capital assets	73,749	(1,387,738)
Development cost charges recognized as revenue	(11,489,965)	(5,099,130)
Actuarial adjustment on long term debt	(1,161,700)	(1,139,028)
Change in non-cash operating assets and liabilities		
Accounts receivable	(5,562,875)	(3,653,459)
Accounts payable	6,290,886	836,508
Compensated absences termination benefits	118,266	368,329
Deferred revenue	3,014,180	1,937,312
Inventories of supplies	(771,872)	(404,921)
Prepaid expenses	(319,846)	(118,900)
Net change in cash from operating transactions	86,466,144	53,531,904
<b>CAPITAL TRANSACTIONS</b>		
Cash used to acquire tangible capital assets	(70,005,600)	(53,397,452)
Proceeds from the sale of tangible capital assets	50,062	2,661,251
Net change in cash from capital transactions	(69,955,538)	(50,736,201)
<b>INVESTING TRANSACTIONS</b>		
Change in investments	(13,057,478)	(49,416,979)
<b>FINANCING TRANSACTIONS</b>		
Debt repayment	(3,262,191)	(3,786,428)
Deferred development cost charges	9,081,867	9,900,566
Proceeds from long-term borrowing	1,292,314	280,269
Net change in cash from financing transactions	7,111,990	6,394,407
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	10,565,118	(40,226,869)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	118,484,793	158,711,662
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 129,049,911	\$ 118,484,793



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

	City Administration	Corporate Services	Corporate & Business Development	Development Services	Fire	Police	Parks, Recreation & Culture	Engineering & Public Works	Sewer	Water	2023
<b>Revenues</b>											
Taxes	\$ 7,024,244	\$14,842,904	\$ 5,384,505	\$ 8,784,928	\$22,372,790	\$39,476,165	\$25,529,717	\$20,042,975	\$ -	\$ -	\$ 143,458,228
Payments in lieu of taxes	124,476	263,029	95,418	155,677	396,466	699,553	452,410	355,180	-	-	2,542,209
User fees	20	121,436	2,955,042	1,713,796	147,411	67,063	6,915,067	9,357,243	9,457,189	25,388,828	56,123,095
Government capital transfers	-	20,302,850	-	375,000	-	-	3,257,555	524,651	-	-	24,460,056
Investment income	337,659	5,379,448	276,847	422,295	1,075,470	1,897,637	1,227,225	993,138	-	8,680	11,618,399
Development cost charges	-	-	-	-	-	-	1,481,812	1,478,590	2,633,915	5,895,648	11,489,965
Other revenue	166,099	2,137,180	82,645	2,562,538	1,888,281	809,386	1,908,862	1,234,558	53,863	158,420	11,001,832
Government operating transfers	125,364	589,988	96,099	2,390,661	437,125	2,010,865	607,060	376,078	45,000	-	6,678,240
Developer contributed assets	-	-	-	-	-	-	744,000	3,811,505	463,329	376,654	5,395,488
Building permits	-	-	-	2,243,113	-	-	-	-	-	-	2,243,113
Donations - capital	-	-	-	-	19,808	449,970	225,126	601,671	1,586	-	1,298,161
Regional recreation sharing	-	-	-	-	-	-	1,284,723	-	-	-	1,284,723
Property rentals	-	-	381,503	30,037	-	314,778	126,910	47,471	-	23,200	923,899
	7,777,862	43,636,835	9,272,059	18,678,045	26,337,351	45,725,417	43,760,467	38,823,060	12,654,882	31,851,430	278,517,408
<b>Expenses</b>											
Wages and benefits	4,345,215	8,409,062	738,870	9,470,306	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	4,688,285	4,338,198	2,989,582	2,145,904	30,160,522	7,890,717	10,707,778	1,153,397	1,834,679	67,104,723
Amortization	-	1,018,485	1,875,916	444,861	1,498,638	299,084	4,618,960	11,708,284	1,344,410	6,450,224	29,258,862
Other	443,418	(723,501)	1,584,579	3,256,060	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	356,332	59,731	241,965	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	13,740,413	8,592,958	16,402,774	24,672,218	38,410,312	36,674,448	35,938,910	6,141,489	18,991,244	206,039,640
<b>ANNUAL SURPLUS (DEFICIT)</b>	1,302,988	29,896,422	679,101	2,275,271	1,665,133	7,315,105	7,086,019	2,884,150	6,513,393	12,860,186	72,477,768
Capital projects	\$ -	\$ 3,351,434	\$ 3,534,891	\$ 1,303,063	\$ 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 OPERATIONS BY SEGMENT**  
for the year ended December 31, 2022

	City Administration	Corporate Services	Corporate & Business Development	Development Services	Fire	Police	Parks, Recreation & Culture	Engineering & Public Works	Sewer	Water	2022
<b>Revenues</b>											
Taxes	\$ 6,548,122	\$10,801,602	\$ 5,396,314	\$ 7,248,920	\$20,017,047	\$37,743,610	\$24,766,504	\$19,446,224	\$ -	\$ -	\$ 131,968,343
Payments in lieu of taxes	127,367	210,100	104,964	140,998	389,349	734,147	481,730	378,246	-	-	2,566,901
User fees	2,037	122,090	1,890,118	1,423,415	155,542	83,253	5,662,865	8,808,955	9,116,959	24,603,139	51,868,373
Government capital transfers	-	4,041,138	-	-	-	-	446,403	13,000	-	-	4,500,541
Other revenue	197,484	1,790,317	368,709	2,525,686	1,897,685	662,282	798,902	704,700	41,157	136,081	9,123,003
Developer contributed assets	-	-	-	-	-	-	882,000	1,361,881	123,919	195,798	2,563,598
Government operating transfers	127,706	535,425	119,416	1,215,151	418,904	1,985,243	590,497	423,547	45,000	-	5,460,889
Investment income	187,606	2,186,516	160,099	207,684	573,495	1,081,368	709,569	572,110	-	6,101	5,684,548
Building permits	-	-	-	2,597,818	-	-	-	-	-	-	2,597,818
Development cost charges	-	-	-	-	-	-	167,703	1,177,523	56,272	3,697,632	5,099,130
Regional recreation sharing	-	-	-	-	-	-	1,281,927	-	-	-	1,281,927
Donations - capital	-	-	-	-	18,758	224,772	1,565,647	672,065	68,729	-	2,549,971
Property rentals	-	-	358,827	30,513	-	291,069	142,566	51,396	-	23,200	897,571
	7,190,322	19,687,188	8,398,447	15,390,185	23,470,780	42,805,744	37,496,313	33,609,647	9,452,036	28,661,951	226,162,613
<b>Expenses</b>											
Wages and benefits	4,155,337	8,305,216	739,237	8,453,719	16,357,456	5,757,174	16,096,619	12,347,052	1,123,814	3,476,956	76,812,580
Contracted services	1,214,900	4,371,284	4,203,197	2,908,833	2,040,793	27,788,875	7,644,735	9,396,095	1,160,418	1,568,115	62,297,245
Amortization	-	937,130	1,879,383	463,281	965,146	305,817	4,417,534	11,455,630	1,269,715	6,342,356	28,035,992
Other	417,900	(1,212,654)	285,879	1,562,194	1,001,765	1,776,707	3,969,723	(2,090,758)	2,279,214	3,808,420	11,798,390
Materials and supplies	396,919	197,138	66,985	271,163	1,093,325	70,065	1,956,489	4,143,929	194,177	1,096,091	9,486,281
Interest payments on debt	-	-	(81,573)	-	396,851	-	-	26,046	124,286	553,426	1,019,036
Loss (gain) on disposal of assets	-	5,948	(58,901)	-	15,132	-	(11,834)	(1,430,804)	70,591	22,130	(1,387,738)
	6,185,056	12,604,062	7,034,207	13,659,190	21,870,468	35,698,638	34,073,266	33,847,190	6,222,215	16,867,494	188,061,786
<b>ANNUAL SURPLUS</b>	1,005,266	7,083,126	1,364,240	1,730,995	1,600,312	7,107,106	3,423,047	(237,543)	3,229,821	11,794,457	38,100,827
Capital projects	\$ -	\$ 817,709	\$ 2,283,240	\$ 81,060	\$ 8,194,049	\$ 343,309	\$ 7,900,115	\$13,796,751	\$ 5,129,447	\$18,795,660	\$ 57,341,340

**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**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
for the year ended December 31, 2022

	COST				ACCUMULATED AMORTIZATION					
	Balance December 31, 2021	Additions	Disposals	Transfers	Balance December 31, 2022	Balance December 31, 2021	Additions	Disposals	Balance December 31, 2022	NET BOOK VALUE
Land	\$ 109,826,420	\$ 3,030,644	\$ 938,928	\$ (181,752)	\$ 111,736,384	\$ -	\$ -	\$ -	\$ -	\$ 111,736,384
Land improvements	46,933,500	3,657,747	9,700	255,442	50,836,989	20,523,199	1,678,541	9,700	22,192,040	28,644,949
Leasehold improvements	3,120,301	-	-	-	3,120,301	1,963,977	81,512	-	2,045,489	1,074,812
Marine structures	1,592,257	33,031	-	-	1,625,288	440,048	64,762	-	504,810	1,120,478
Buildings	208,481,398	5,913,684	1,472,480	15,335,958	228,258,560	97,533,567	6,276,927	1,440,183	102,370,311	125,888,249
Vehicles and equipment	58,856,688	5,712,487	2,732,430	1,244	61,837,989	32,693,491	3,979,012	2,560,982	34,111,521	27,726,468
IT Infrastructure	9,866,279	199,815	77,600	32,934	10,021,428	9,186,247	341,218	77,600	9,449,865	571,563
Drainage	116,336,647	3,815,412	215,400	1,005,930	120,942,589	35,906,520	1,782,896	199,277	37,490,139	83,452,450
Transportation	341,963,681	6,980,407	980,487	2,364,384	350,327,985	195,508,379	7,647,908	966,174	202,190,113	148,137,872
Sewer	67,945,049	3,477,713	280,200	292,572	71,435,134	15,313,397	1,211,438	210,838	16,313,997	55,121,137
Water	275,623,185	5,206,283	323,374	1,422,195	281,928,289	83,371,520	4,971,778	292,332	88,050,966	193,877,323
Work In Progress	33,450,045	19,314,117	-	(20,528,907)	32,235,255	-	-	-	-	32,235,255
	\$ 1,273,995,450	\$ 57,341,340	\$ 7,030,599	\$ -	\$ 1,324,306,191	\$ 492,440,345	\$ 28,035,992	\$ 5,757,086	\$ 514,719,251	\$ 809,586,940

# **CITY OF NANAIMO**

## **NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended December 31, 2023**

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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, 2023, 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. Prior year cash equivalents included investments in the Municipal Finance Authority of British Columbia (MFA) Money Market Funds which were recorded at cost plus earnings reinvested in the funds.

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2023

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**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 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, 2023

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**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, 2023

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**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 Obligation**

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, 2023

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**(i) Asset Retirement Obligation**

The liability for the removal of asbestos and other hazardous materials in several buildings owned by the City has been 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.

Under the prospective method, the assumptions used on initial recognition are those as of the date of adoption of the standard. Assumptions will be reviewed annually and adjusted to present value, if required.

The recognition of the ARO liability resulted in an accompanying increase to the respective tangible capital assets. The increase in building and fuel tank assets is being amortized in accordance with the amortization accounting policies outlined in Note 1(h)(i). Fuel tanks are considered equipment and are presented within the Vehicles and Equipment capital asset account.

**(j) Financial Instruments**

Financial instruments include cash and cash equivalents, accounts receivables, development cost charges receivables, temporary investments, 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, 2023 and December 31, 2022. 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, 2023

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**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, 2023

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**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.

**(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.

**NOTE 2 - CHANGE IN ACCOUNTING POLICIES**

**(a) PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation**

On January 1, 2023, the City adopted Public Accounting Standards PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2023

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**NOTE 2 - CHANGE IN ACCOUNTING POLICIES**

**(a) PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation**

Under PS 3450, all financial instruments, including derivatives, are included on the Statement of Financial Position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the City's accounting policy choices (see Note 1 – Significant Accounting Policies).

The adoption of these standards did not result in changes to previously reported amounts.

**(b) PS 3280 – Asset Retirement Obligations**

On January 1, 2023, the City also adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing Section PS 3270 – Solid Waste Landfill Closure and Post-Closure Liability. The standard was adopted on the prospective basis at the date of adoption.

In accordance with the provisions of this new standard, the City reflected the following increases at January 1, 2023 to the following asset and liability accounts:

- Buildings - \$1,380,739
- Vehicles and Equipment - \$438,000
- Asset retirement obligations - \$1,818,739

**NOTE 3 - ACCOUNTS RECEIVABLE**

	<u>2023</u>	<u>2022</u>
Utilities	\$ 11,008,557	\$ 12,970,833
Due from Federal Government	5,303,465	1,464,341
Property Taxes	4,046,184	3,595,561
Trade and Other	3,835,730	3,721,732
Interest on Investments	3,499,624	1,891,339
Due from Provincial Government	2,657,373	1,004,436
Municipal Finance Authority Debt Reserve	1,015,431	984,822
Due from Regional Government	622,043	239,557
	<u>\$ 31,988,407</u>	<u>\$ 25,872,621</u>

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2023

**NOTE 4 - DEVELOPMENT COST CHARGES RECEIVABLE**

	<u>Water Distribution</u>	<u>Roads</u>	<u>Drainage</u>	<u>Sewer</u>	<u>Parks</u>	<u>Water Supply</u>	<u>2023</u>	<u>2022</u>
Installments:								
2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 764,617
2024	11,194	212,796	583	65,298	17,288	205,327	512,486	406,633
2025	2,192	41,598	230	12,767	8,926	40,140	105,853	-
	<u>\$ 13,386</u>	<u>\$ 254,394</u>	<u>\$ 813</u>	<u>\$ 78,065</u>	<u>\$ 26,214</u>	<u>\$ 245,467</u>	<u>\$ 618,339</u>	<u>\$ 1,171,250</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.

**NOTE 5 - TEMPORARY INVESTMENTS**

	<u>2023</u>	<u>2022</u>
Term deposits	\$ 185,000,000	\$ 170,000,000
MFA pooled investment funds	-	1,942,522
	<u>\$ 185,000,000</u>	<u>\$ 171,942,522</u>

**NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2023</u>	<u>2022</u>
Trade and other	\$ 19,739,263	\$ 13,828,704
RCMP Contract	17,084,830	15,744,828
Deposits	13,502,966	11,421,026
Accrued wages and benefits	4,684,852	3,743,054
Other	3,412,705	7,408,118
Contaminated sites	1,472,000	1,460,000
	<u>\$ 59,896,616</u>	<u>\$ 53,605,730</u>

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2023

**NOTE 7 - 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% (2022 - 5%), inflation of 2% (2022 - 2%) and compensation increases, excluding merit and promotion, of 3% (2022 - 3%). There is an unamortized actuarial gain of \$638,714 (2022 – gain of \$660,516).

	<u>2023</u>	<u>2022</u>
Actuarial Benefit Obligation, beginning of year	\$ 8,473,977	\$ 9,302,294
Unamortized Actuarial Gain (Loss), beginning of year	660,516	(536,130)
	<hr/>	<hr/>
Current Service Cost	9,134,493	8,766,164
Interest Costs	679,035	776,355
Benefits Paid	416,781	325,091
Amortization of Actuarial (Gain) Loss	(955,748)	(804,276)
	(21,802)	71,159
	<hr/>	<hr/>
	<u>9,252,759</u>	<u>9,134,493</u>
	<hr/>	<hr/>
Actuarial Benefit Obligation, end of year	8,614,045	8,473,977
Unamortized Actuarial Gain, end of year	638,714	660,516
	<hr/>	<hr/>
Accrued Benefit Liability, end of year	\$ 9,252,759	\$ 9,134,493

Actuarial gains and losses are amortized over 13 (2022 - 13) years for retirement benefits and 12 (2022 - 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 \$1,074,014 (2022 - \$1,172,605).

**NOTE 8 - DEFERRED REVENUE AND OTHER LIABILITIES**

	<u>2023</u>	<u>2022</u>
Tax Prepayments	\$ 18,520,675	\$ 16,700,317
Other Prepayments	10,640,045	9,446,223
	<hr/>	<hr/>
	<u>\$ 29,160,720</u>	<u>\$ 26,146,540</u>

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2023

**NOTE 9 - DEFERRED DEVELOPMENT COST CHARGES**

	<u>2023</u>	<u>2022</u>
Deferred Development Cost Charges - beginning of year	\$ 65,416,377	\$ 60,614,941
Additions	6,314,324	8,402,167
Interest Earned	2,767,543	1,498,399
Revenue Recognized	(11,489,965)	(5,099,130)
Deferred Development Cost Charges - end of year	<u>\$ 63,008,279</u>	<u>\$ 65,416,377</u>

**NOTE 10 - 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.

\$38,170,336 (2022 – \$41,301,913) of debt is with the MFA. Payments and actuarial allocations of \$36,454,186 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 5.63% per annum.

	<u>2023</u>	<u>2022</u>
Total Outstanding Debt - beginning of year	\$ 41,301,913	\$ 45,947,100
Reduction of long-term debt	(4,423,891)	(4,925,456)
Proceeds from long-term borrowing	1,292,314	280,269
Total Outstanding Debt - end of year	<u>\$ 38,170,336</u>	<u>\$ 41,301,913</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 of Nanaimo for 2023 at December 31, 2022 was \$51,683,357. The actual liability servicing cost was \$5,944,492 and the estimated cost on unissued debt is \$208,032, leaving \$45,530,833 of liability servicing capacity available.

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2023

**NOTE 10 - 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>	<u>General</u>	<u>Water</u>	<u>Total</u>
2024	\$ 3,188,477	\$ 1,116,349	\$ 4,304,826
2025	3,291,743	1,157,620	4,449,363
2026	3,326,992	1,200,423	4,527,415
2027	2,337,348	1,244,816	3,582,164
2028	1,000,917	1,290,858	2,291,775
Thereafter	11,156,811	7,857,982	19,014,793
	<u>\$ 24,302,288</u>	<u>\$ 13,868,048</u>	<u>\$38,170,336</u>

Balance Outstanding

<u>Bylaw #</u>	<u>MFA Issue #</u>		<u>Interest Rate %</u>	<u>Year Matures</u>	<u>2023</u>	<u>2022</u>
<u>General Fund</u>						
5750	99	Port of Nanaimo Centre	1.53	2026	\$ 3,062,941	\$ 4,006,411
5750	101	Port of Nanaimo Centre	3.39	2027	3,988,096	4,913,593
7050	102	Fire Station #4	3.90	2027	999,325	1,228,398
7257	146	Fire Station #1	3.20	2038	2,596,102	2,731,620
7257	152	Fire Station #1	0.91	2040	1,742,397	1,829,758
7257	156	Fire Station #1	2.58	2041	10,253,949	10,712,015
7257	158	Fire Station #1	4.09	2042	270,359	280,269
		Garbage Trucks - Equipment	5.63	2023	-	446,260
		Garbage Trucks - Equipment	5.63	2025	152,644	227,014
		Garbage Trucks - Equipment	5.63	2028	1,236,475	-
					<u>24,302,288</u>	<u>26,375,338</u>
<u>Waterworks Fund</u>						
7127	126	Water Treatment Plant	4.52	2033	7,937,625	8,573,329
7127	127	Water Treatment Plant	3.30	2034	5,930,423	6,353,246
					<u>13,868,048</u>	<u>14,926,575</u>
					<u>\$ 38,170,336</u>	<u>\$ 41,301,913</u>



**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2023

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**NOTE 11 - ASSET RETIREMENT OBLIGATIONS**

The City owns and operates some buildings that are known to contain asbestos and other hazardous materials, which represents a health hazard when undergoing certain repairs and maintenance work and upon demolition of the building. Additionally, some sites owned by the City contain underground fuel tanks. As there is a legal obligation to remove hazardous materials, the City has recognized a liability relating to the removal and post-removal care of the asbestos and other hazardous materials in these buildings, and fuel tanks on these sites, as estimated at January 1, 2023.

The recognition of asset retirement obligations upon adoption of the standard involved an accompanying increase to the Buildings and Vehicles and Equipment asset values.

Changes to the asset retirement obligations in the year are as follows:

	<u>Buildings</u>	<u>Fuel Tanks</u>	<u>Total</u>
Opening balance	\$ -	\$ -	\$ -
Adoption of asset retirement obligations standard (Note 2(b))	1,380,739	438,000	1,818,739
Accretion expense	-	-	-
Closing balance	<u>\$ 1,380,739</u>	<u>\$ 438,000</u>	<u>\$ 1,818,739</u>

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2023

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**NOTE 12 - TANGIBLE CAPITAL ASSETS**

<u>Net Book Value</u>	<u>2023</u>	<u>2022</u>
Land	\$ 116,470,886	\$ 111,736,384
Land Improvements	30,628,628	28,644,949
Leasehold Improvements	993,436	1,074,812
Marine Structures	1,308,266	1,120,478
Buildings	125,376,891	125,888,249
Vehicles and Equipment	27,881,971	27,726,468
IT Infrastructure	1,835,978	571,563
Drainage	84,932,668	83,452,450
Transportation	148,390,668	148,137,872
Sewer	58,259,325	55,121,137
Water	193,736,034	193,877,323
	<hr/>	<hr/>
	789,814,751	777,351,685
Work In Progress	67,675,164	32,235,255
	<hr/>	<hr/>
	<u>\$ 857,489,915</u>	<u>\$ 809,586,940</u>

See schedule of tangible capital assets (page 10) for more information. The Linley Valley Dam (Developer Contribution) was revalued from \$1,237,756 to \$572,000 in 2023. Developer contributed assets recognized in 2023 were \$5,395,488 (2022 - \$2,563,598) 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, 2023

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**NOTE 13 - ACCUMULATED SURPLUS**

	<u>2023</u>	<u>2022</u>
Reserve Accounts (Note 23)	\$ 90,050,776	\$ 91,636,368
Investment in Tangible Capital Assets (Note 20)	813,686,224	762,309,770
Community Works Reserve Fund (Gas Tax Agreement)	12,396,391	11,334,551
Equipment Depreciation Reserve	11,339,981	10,470,572
Facility Development (Recreation) Reserve	4,520,120	3,727,612
Property Sales Reserve	2,389,598	2,283,297
Knowles Estate Reserve	446,473	426,613
Parkland Dedication Reserve	285,702	787,065
Old City Neighbourhood Parking Reserve	103,244	98,651
General Asset Management Reserve	20,962,550	17,041,030
Sewer Asset Management Reserve	8,561,081	5,618,996
Water Asset Management Reserve	5,526,573	10,309,745
Cart Replacement Reserve	1,103,260	-
Copier Replacement Reserve	400,813	411,061
Information Technology Reserve	2,224,402	2,512,523
NDSS Community Field Reserve	208,412	164,723
Growing Communities Reserve	14,933,659	-
Parking Reserve	1,440,512	1,239,407
911 Reserve	153,185	274,057
Property Acquisition Reserve	5,430,761	5,361,482
Housing Legacy Reserve	4,178,222	3,656,306
Strategic Infrastructure Reserve	6,800,803	5,213,745
Off-Street Parking Reserve	76,870	73,450
Climate Action Reserve	1,059,850	850,670
	<u>\$ 1,008,279,462</u>	<u>\$ 935,801,694</u>

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2023

---

**NOTE 14 - 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, 2023, 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 (2022 – \$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, 2023

---

**NOTE 14 - 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 \$42,500,000 (2022 - \$52,200,000) 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.

**NOTE 15 - 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, 2023, the balance of funds held in trust was \$651,508 (2022 - \$636,658).

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2023

**NOTE 16 - ANNUAL BUDGET**

These financial statements include the Annual Budget as approved by Council on May 8, 2023. No amendments subsequent to this date have been included. The following is a reconciliation of the budget presentation required for the 2023 financial statements and the annual financial plan bylaw:

Annual Budgeted Surplus - Statement of Operations	\$ 48,664,800
Cemetery Care Fund - not in reporting entity	10,000
Net Development Cost Charges	(11,416,911)
Annual Surplus from the 2023 Financial Plan	37,257,889
Amortization, not funded	32,523,752
Capital Expenditures	(141,399,032)
Proceeds from Borrowing	6,428,350
Principal Repayment of Debt	(4,616,353)
Transfers from Accumulated Surplus	69,805,394
Net Annual Budget - as approved	\$ -

**NOTE 17 - TAXATION AND PAYMENTS IN LIEU**

	<u>Municipal</u>	<u>Other</u>	<u>2023</u> <u>Total</u>	<u>2022</u> <u>Total</u>
Property Taxes	\$ 141,951,416	\$ 93,954,940	\$ 235,906,356	\$ 215,207,250
Business Improvement Area Levies	-	204,265	204,265	201,500
Taxes in Lieu of Licenses	1,506,812	-	1,506,812	1,423,348
Payments in Lieu of Taxes	2,542,209	732,256	3,274,465	3,314,263
	<u>\$ 146,000,437</u>	<u>\$ 94,891,461</u>	<u>\$ 240,891,898</u>	<u>\$ 220,146,361</u>
Less Collections for Other Governments:				
Province of British Columbia (School Tax)			\$ 49,315,137	\$ 45,664,995
Regional District of Nanaimo			30,589,985	28,148,088
Nanaimo Regional Hospital District			13,377,436	10,500,636
Other Agencies			1,608,903	1,297,398
			<u>94,891,461</u>	<u>85,611,117</u>
Taxation and Payments in Lieu			<u>\$ 146,000,437</u>	<u>\$ 134,535,244</u>

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2023

---

**NOTE 18 - USER FEES AND SALES OF SERVICES**

	<u>2023</u>	<u>2022</u>
Waterworks	\$ 25,388,828	\$ 24,603,139
Sewer System	9,457,189	9,116,959
Garbage Collection	8,249,952	7,748,400
Recreation Programs	6,915,067	5,662,866
Vancouver Island Conference Centre	2,955,042	1,890,117
Parking	1,638,041	1,344,505
Public Works	1,107,291	1,060,555
Other	197,211	203,037
Fire Rescue	147,411	155,542
Police Services	67,063	83,253
	<u>\$ 56,123,095</u>	<u>\$ 51,868,373</u>

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2023

**NOTE 19 - TRANSFERS FROM OTHER GOVERNMENTS**

	<u>2023</u>	<u>2022</u>
<u>Federal</u>		
Capital	\$ 3,258,725	\$ 453,403
Gas Tax	4,214,850	4,041,138
Other	715,979	988,219
	<u>8,189,554</u>	<u>5,482,760</u>
<u>Provincial</u>		
Capital	898,481	6,000
Casino Gaming	2,560,346	2,569,865
Revenue Sharing	1,272,000	1,235,430
Growing Communities	16,088,000	-
Climate Action Plan	325,082	325,082
Other	1,735,988	285,531
	<u>22,879,897</u>	<u>4,421,908</u>
<u>Other Governments</u>		
Other	68,845	56,762
	<u>68,845</u>	<u>56,762</u>
Total transfers from other governments	<u>\$ 31,138,296</u>	<u>\$ 9,961,430</u>
Transfers from other governments - capital	\$ 24,460,056	\$ 4,500,541
Transfers from other governments - operating	6,678,240	5,460,889
Total transfers from other governments	<u>\$ 31,138,296</u>	<u>\$ 9,961,430</u>



**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2023

---

**NOTE 20 - INVESTMENT IN TANGIBLE CAPITAL ASSETS**

	<u>2023</u>	<u>2022</u>
Investment in Tangible Capital Assets - beginning of year	\$ 762,309,770	\$ 732,605,556
Add:		
Capital Additions	77,285,648	57,341,340
Reductions in Long-term Debt	4,423,891	4,925,456
Funding repaid to Deferred Capital Fund	341,902	337,006
Less:		
Amortization	(29,258,862)	(28,035,992)
Funding from Deferred Capital Fund	-	(195,843)
Used Borrowing - Fire Hall	-	(3,113,972)
New Borrowing - Fire Hall	-	(280,268)
New Borrowing - Sanitation Trucks	(1,292,314)	-
Net Book Value of Asset Disposals	(123,811)	(1,273,513)
Investment in Tangible Capital Assets - end of year	<u>\$ 813,686,224</u>	<u>\$ 762,309,770</u>

**NOTE 21 - MUNICIPAL PENSION PLAN**

The City and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee 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, 2022, the Plan has about 240,000 active members and approximately 124,000 retired members. Active members include approximately 43,000 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, 2023

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**NOTE 21 - 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 2023, City of Nanaimo contributions to the Plan were:

	<u>2023</u>	<u>2022</u>
Employer Portion	\$ 6,062,626	\$ 5,675,930
Employee Portion	5,303,243	4,962,886
	<u>\$ 11,365,869</u>	<u>\$ 10,638,816</u>

The next valuation will be as at December 31, 2024 with results available 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 22 - 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, 2023 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. The balance of the allowance for doubtful accounts at December 31, 2023 is \$192,800 (2022 - \$142,700).

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2023

---

**NOTE 22 - FINANCIAL INSTRUMENTS**

**(a) Credit Risk**

As at December 31, 2023, \$155,700 (2022 - \$657,700) of trade accounts receivable were past due, but not impaired.

There have been no significant changes to the credit risk exposure from 2022.

**(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 10.

There have been no significant changes to the liquidity risk exposure from 2022.

**(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 2022.

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2023

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**NOTE 22 - 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 City 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 investments are disclosed in Note 5 and debt in Note 10.

There has been no change to the interest rate risk exposure from 2022.

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2023

**NOTE 23 - RESERVES**

	<u>Work in Progress</u>	<u>Available for Future Commitments</u>	<u>2023</u>	<u>2022</u>
<u>General Revenue Fund Reserve Accounts</u>				
Brechin Boat Ramp	\$ -	\$ 53,992	\$ 53,992	\$ 137,683
Pipers Park	-	116,843	116,843	116,843
Strategic Partnerships	191,990	43	192,033	200,043
General Capital	2,632,210	5,808,874	8,441,084	4,877,101
Prior Year Carry Forwards	9,704,836	-	9,704,836	7,338,196
RCMP Contract Financial Stability	1,795,000	4,438,433	6,233,433	4,533,433
Fitzwilliam Street Parking	-	142,868	142,868	142,868
Vancouver Island Conference Centre	132,026	587,454	719,480	821,197
Snow and Ice Control Financial Stability	-	1,330,000	1,330,000	1,330,000
General Financial Stability	-	17,722,062	17,722,062	16,522,062
Special Initiatives	2,395,326	4,768,138	7,163,464	8,122,689
Casino	40,499	3,544	44,043	487,067
Sanitation Levelling	80,612	850,497	931,109	1,129,783
	<u>16,972,499</u>	<u>35,822,748</u>	<u>52,795,247</u>	<u>45,758,965</u>
<u>Sewer Revenue Reserve Accounts</u>				
Sewer General	2,522,819	11,372,031	13,894,850	14,616,668
Sewer Financial Stability	-	600,000	600,000	500,000
	<u>2,522,819</u>	<u>11,972,031</u>	<u>14,494,850</u>	<u>15,116,668</u>
<u>Waterworks Revenue Fund Reserve Accounts</u>				
Water General	12,450,444	8,560,235	21,010,679	29,059,680
Water Financial Stability	-	1,750,000	1,750,000	1,701,055
	<u>12,450,444</u>	<u>10,310,235</u>	<u>22,760,679</u>	<u>30,760,735</u>
Total Reserve Accounts	<u>\$ 31,945,762</u>	<u>\$ 58,105,014</u>	<u>\$ 90,050,776</u>	<u>\$ 91,636,368</u>

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2023

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**NOTE 24 - 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 and Organizational Planning, Legislative Services, and Communications.

**Corporate Services**

Providing service to both the internal organization and the community, the Corporate Services Department is responsible for Information Technology, and Financial Services and Supply Chain Management.

**Corporate & Business Development**

Corporate & Business Development is responsible for 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). In addition, the contractor for the Vancouver Island Conference Centre is overseen by this department.

**Development Services**

Development Services is responsible for a variety of tasks relating to planning and development. This includes processing development applications and developing related policies and regulations. Development Services is also responsible for bylaw, animal control, and parking. In addition, the City provides 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, 2023

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**NOTE 24 - SEGMENT REPORTING**

**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 SYSTEM FUND**

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

**WATERWORKS FUND**

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

**CITY OF NANAIMO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended December 31, 2023

**NOTE 25 - 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:

2024	\$ 1,006,141
2025	1,003,860
2026	1,003,980
2027	1,004,101
2028	986,229
	<u>\$ 5,004,311</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 26 - COMPARATIVE FIGURES**

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

**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.

	<b>2023</b>
Funds received	\$ 16,088,000
Eligible costs - Harewood Centennial Turf Fields	(1,731,796)
Interest earned on reserve balance	577,455
<u>Balance, December 31, 2023</u>	<u>\$ 14,933,659</u>





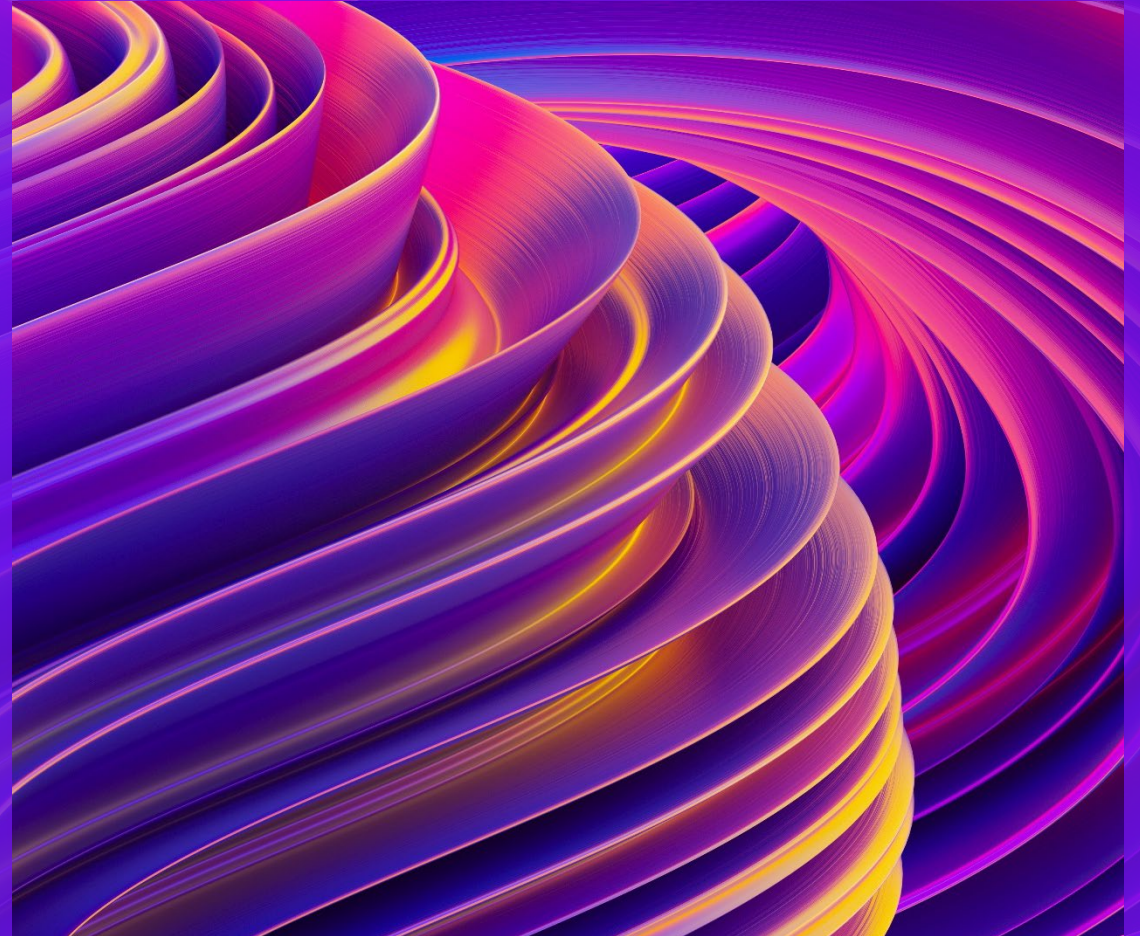
# City of Nanaimo

**Audit Findings Report  
for the year ended December 31, 2023**

*KPMG LLP*

Prepared for the meeting on April 17, 2024

[kpmg.ca/audit](https://kpmg.ca/audit)



# KPMG contacts

## Key contacts in connection with this engagement

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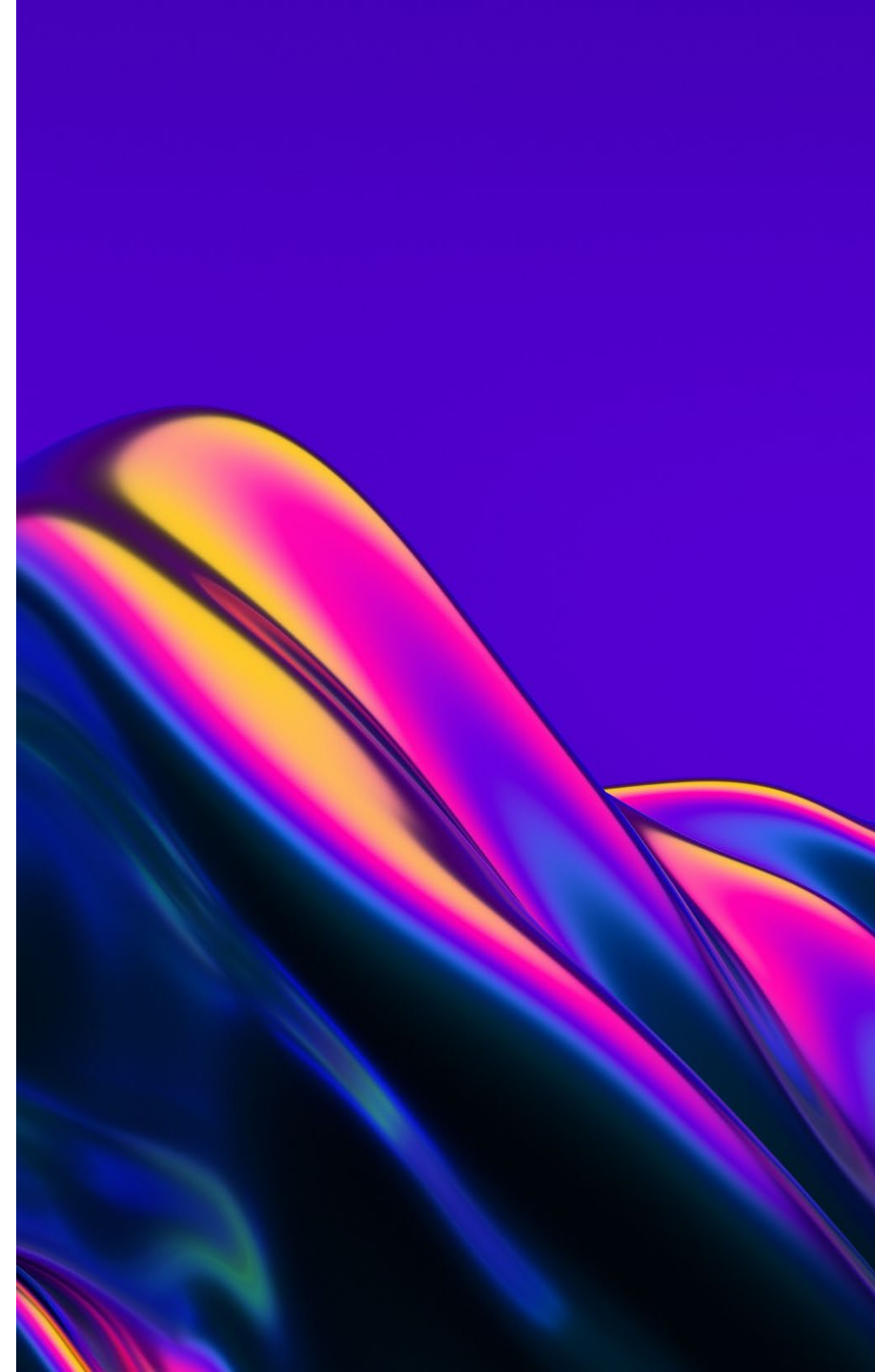
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# Table of contents

## Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



Click on any item in the table of contents to navigate to that section.

4

Highlights

5

Status

6

Audit risks and results

14

Control deficiencies and improvement observations

15

Additional matters

16

Appendices

The purpose of this report is to assist you, as a member of the Finance and Audit Committee, in your review of the results of our audit of the financial statements as at and for the period ended December 31, 2023. This report builds on the Audit Plan we presented to the Finance and Audit Committee. This report is intended solely for the information and use of Management, the Finance and Audit Committee and the Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



# Audit highlights



No matters to report



Matters to report – see link for details

## Status

We have completed the audit of the financial statements, with the exception of certain remaining outstanding procedures, which are highlighted on the 'Status' slide of this report.



## Significant changes



Significant changes since our audit plan

- No change to risk assessment or audit strategy

## Risks and results



Significant risks



- Presumed risk of management override of controls



Other risks of material misstatement



- Capital assets and commitments
- Revenue and deferred revenue
- Salary and benefits
- Cash, investments and debt
- Expenditures other than salaries and benefits
- Asset retirement obligations



Going concern matters

## Uncorrected misstatements



Uncorrected misstatements



We identified two misstatements in relation to timing differences for recognition of a transfer from work in progress and the valuation of a donated asset.

## Corrected misstatements



Corrected misstatements

The management representation letter includes all misstatements identified as a result of the audit, communicated to management and subsequently corrected in the financial statements. One disclosure adjustment to reduce the gross amount borrowed and payments and actuarial allocations was recommended and accepted by management.

## Control deficiencies



Control deficiencies



We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

## Policies and practices & Specific topics



Significant unusual transactions



Accounting policies and practices



Other financial reporting matters



# Status

As of April 17, 2024, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with the Finance and Audit Committee
- Obtaining evidence of Council's acceptance of the financial statements
- Obtaining a signed management representation letter
- Completing subsequent event review procedures up to the date of Council's acceptance of the financial statements

We will update Council, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

Our auditor's report, a draft of which is included in the draft financial statements, will be dated upon the completion of any remaining procedures.



# Significant risks and results

We highlight our significant findings in respect of **significant risks** as identified in our discussion with you in the Audit Plan.



## Fraud risk from management override of controls

This is a presumed fraud risk. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities. We have not identified any specific additional risks of management override relating to this audit.

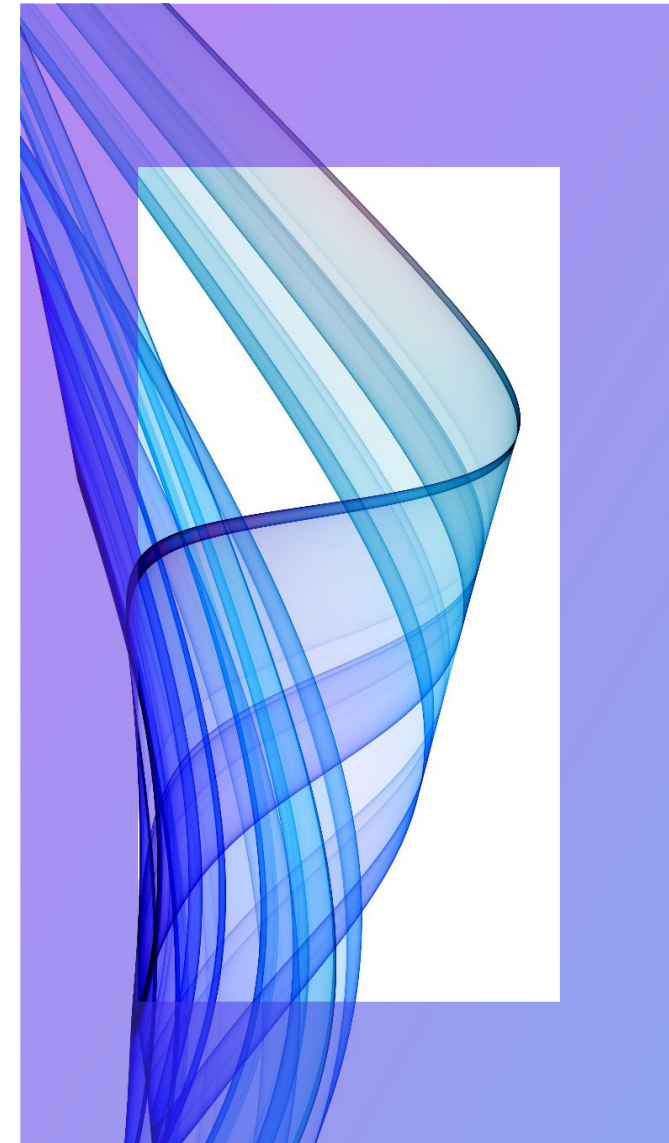
### Our response

Our procedures included:

- testing of journal entries and other adjustments,
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.

### Significant findings

- We noted no issues as a result of our testing.





# Audit focus areas

We highlight findings in other areas of focus with a risk of material misstatement as identified in the Audit Plan as follows



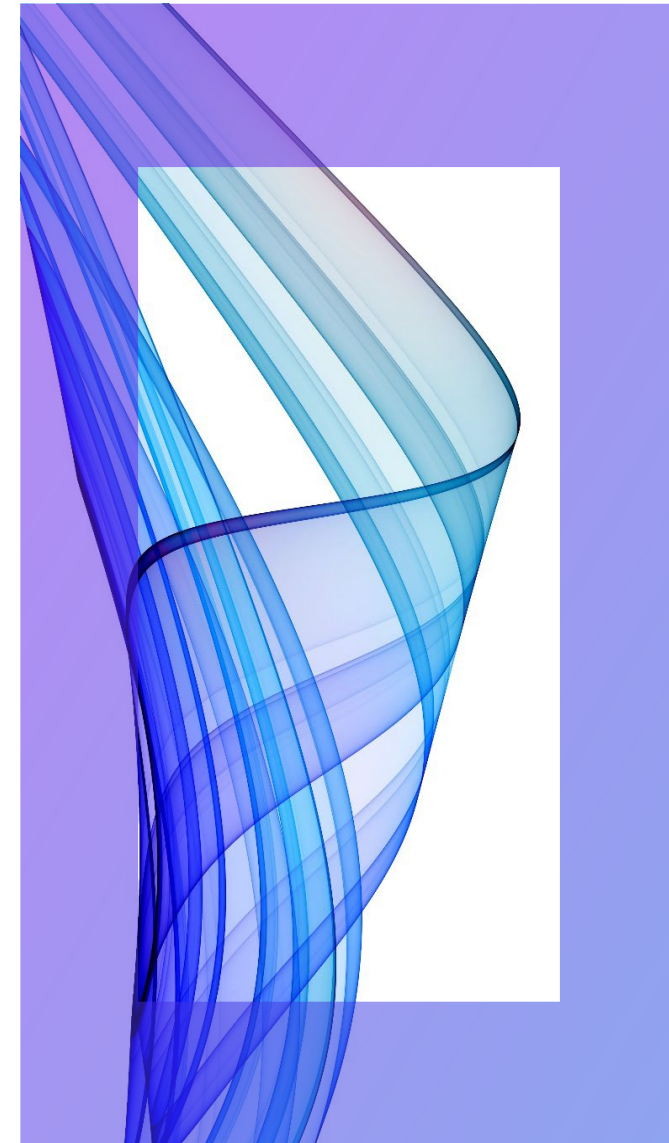
## Capital assets and commitments

### Our response

- We tested a sample of asset additions by agreeing amounts to invoices or other supporting documentation.
- We calculated expected amortization expense based on known amortization rates and compared the expected amortization expense to actual.
- We performed testing over the developer contributed tangible capital assets by obtaining reports of assets contributed during the year and evaluating the amount of revenue and assets recognized.
- We tested transfers from construction in progress to assets in use and confirmed the transfer occurred in the correct period and to the appropriate asset class.
- We verified the accuracy of the commitments disclosure by selecting a sample of contracts and spend to date to evaluate the remaining commitment.

### Significant findings

- Two audit adjustments were identified from our testing:
  - An asset worth \$655,549 was transferred from work in progress to in use during fiscal 2023, however it should have been transferred in fiscal 2021 when the asset was installed. We concur with management's assessment that the difference is not material and it is appropriate to recognize during fiscal 2023. Total amortization of \$196,665 would have been incurred in fiscal 2021 and 2022 if the asset had been transferred in fiscal 2021.
  - An asset that was donated to the City in 2022 had been valued at the time of donation based on best estimates developed internally. In early 2024 the City received a third party valuation of the donated asset which was \$665,756 less than the amount originally estimated. The City recognized an adjustment of \$665,756 to the value of the asset in fiscal 2023. The valuation adjustment should have been recorded in fiscal 2022 when the asset was donated. We concur with management's assessment that the difference is not material and it is appropriate to recognize during fiscal 2023.
- We noted no other issues as a result of our testing.





# Audit focus areas

We highlight findings in other areas of focus with a risk of material misstatement as identified in the Audit Plan as follows



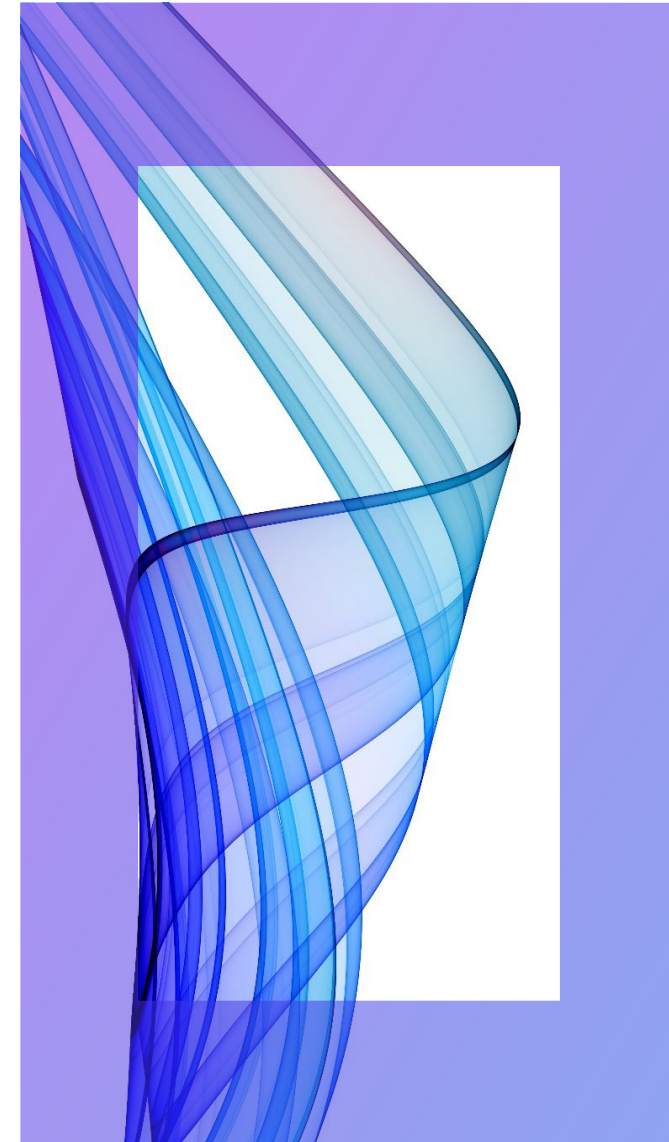
## Revenue and deferred revenue

### Our response

- We compared revenue balances on a financial statement account level to budget.
- We performed analytical procedures over property tax revenue, investment income, and user fees and sales of services.
- We performed substantive testing over government transfers by agreeing revenues to supporting documentation and cash receipt.
- We performed substantive testing over deferred revenue and deferred development cost charges by agreeing to supporting documents and cash receipts for amounts received in the year and by agreeing to related spend to support revenue recognition.

### Significant findings

- We noted no issues as a result of our testing.







# Audit focus areas

We highlight findings in other areas of focus with a risk of material misstatement as identified in the Audit Plan as follows



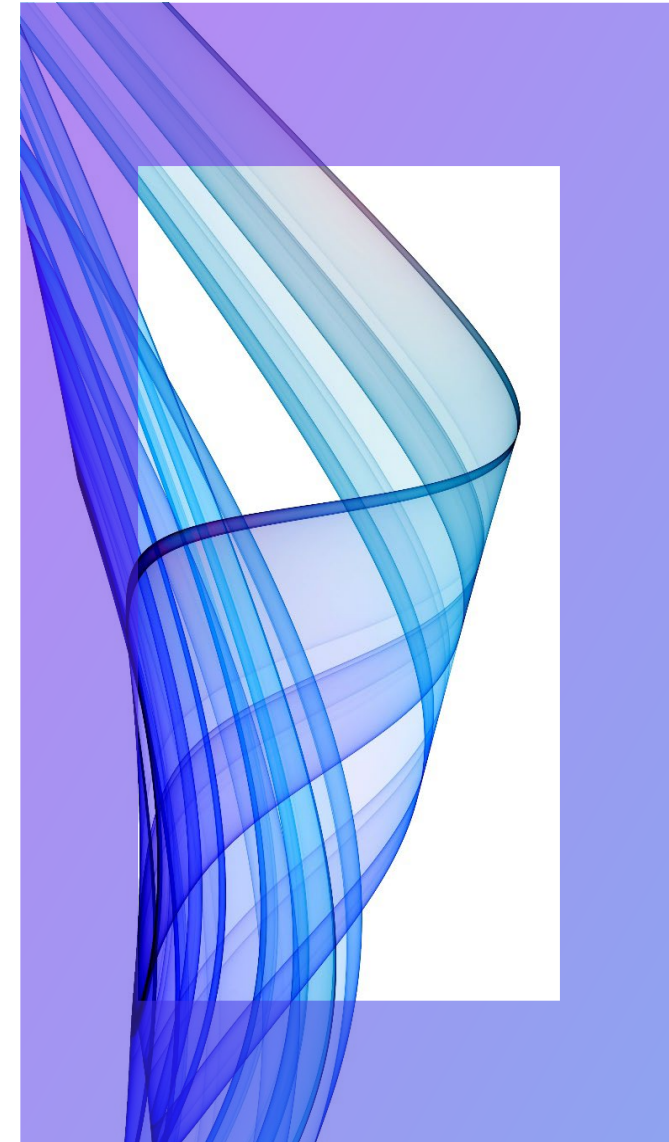
## Salaries and benefits

### Our response

- We updated our understanding of the payroll processes.
- We calculated expected payroll expense and payroll accruals based on known staff numbers and salary increases from prior year. In each case, our calculated expectation was within an acceptable range from the actual payroll expense, or payroll accrual recorded in the financial statements.
- We tested the completeness and accuracy of the underlying payroll data used in the development of our expectation including agreeing amounts to employment contracts.
- We tested the reliability of the underlying data used by the actuary in estimating the liability of future employee benefits.
- We performed a review of assumptions and methods used by the actuary in estimating the liability of future employee benefits to determine if the assumptions and methods used are reasonable and consistent with Public Sector Accounting Standards.

### Significant findings

- We noted no issues as a result of our testing.





# Audit focus areas

We highlight findings in other areas of focus with a risk of material misstatement as identified in the Audit Plan as follows



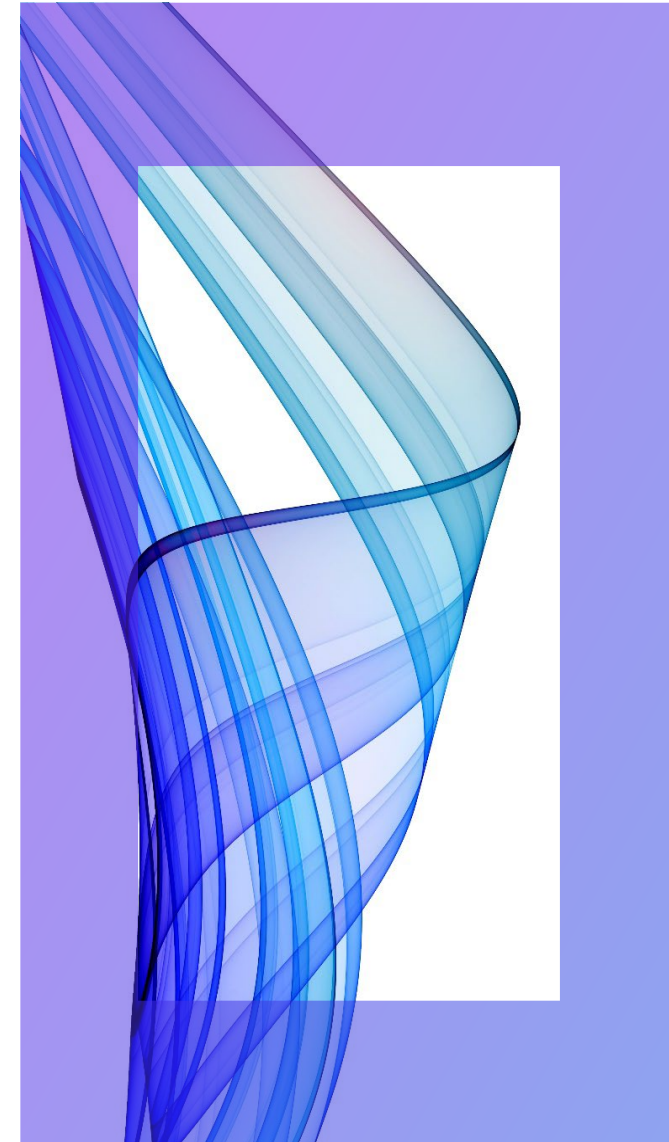
## Cash, investments and debt

### Our response

- We confirmed cash and investment balances held as at December 31, 2023 with the appropriate financial institutions and reviewed bank reconciliations for all key operating accounts to identify and verify any significant period end reconciling items.
- We confirmed debt balances held as at December 31, 2023 with the Municipal Finance Authority and performed recalculation of related balances and transactions in the financial statements and verified the accuracy of related disclosures.
- Management performed an assessment of the impact of adopting PS3450 *Financial Instruments* and PS 2601 *Foreign Currency Translation*. The City does not hold any financial instruments which are mandatorily held at fair value and did not make any policy decisions to hold other financial instruments at fair value. There was no impact to the valuation of any financial instruments on adoption of these standards.
- Management included appropriate additional disclosures on credit, liquidity and market risk in the financial statements in accordance with the requirements of the new standard.

### Significant findings

- One disclosure adjustment to reduce the gross amount borrowed and payments and actuarial allocations was recommended and accepted by management.
- We noted no other issues as a result of our testing.





# Audit focus areas

We highlight findings in other areas of focus with a risk of material misstatement as identified in the Audit Plan as follows



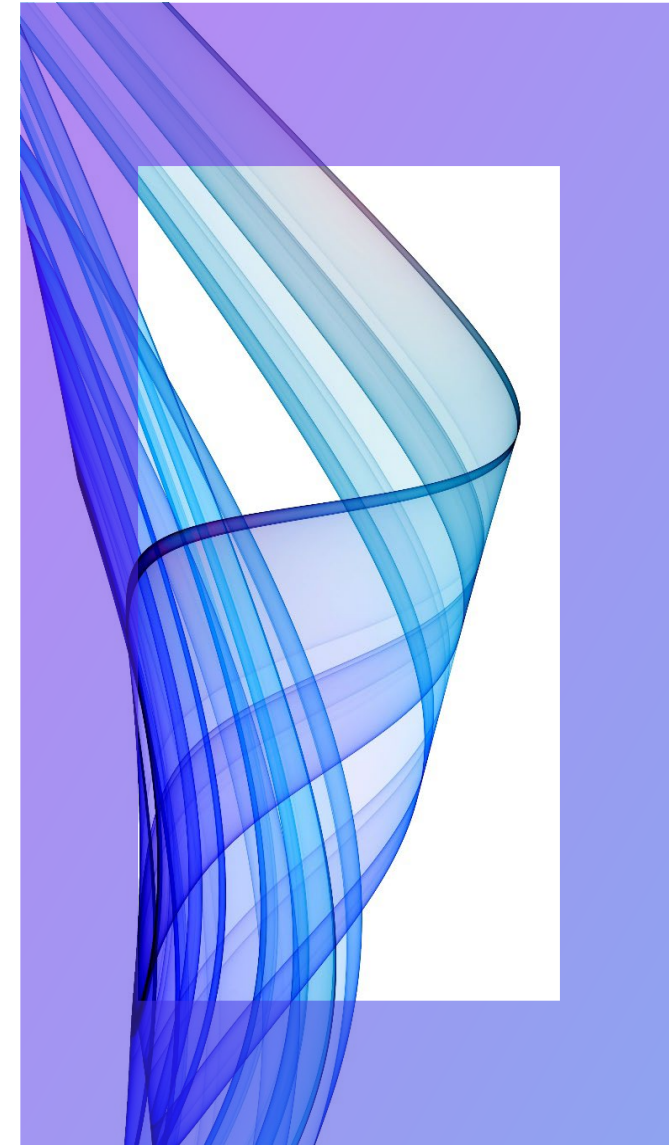
## Expenditures other than salaries and benefits

### Our response

- We performed a search for unrecorded liabilities by testing payments made subsequent to year end and assessing the completeness of liabilities and expenses.
- We compared actual expenses and liabilities to expectations taking into account known significant changes in operations and costs.

### Significant findings

We noted no issues as a result of our testing.



# Audit focus areas



## Asset retirement obligations

The City adopted PS 3280 *Asset Retirement Obligations* ("ARO") for the fiscal year ended December 31, 2023. This standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets. Under the new standard, an entity is required to review its tangible capital assets and identify any legal obligations associated with the retirement of those tangible capital assets (ex: removal of asbestos), estimate the future remediation cost, and record the future obligation as a corresponding depreciable asset and liability in the statement of financial position today. This significant new accounting standard has implications that have the potential to go beyond financial reporting, and will require organizations to think about how these future obligations will be funded. Management calculated the City's asset retirement obligation to be \$1.8M on adoption.

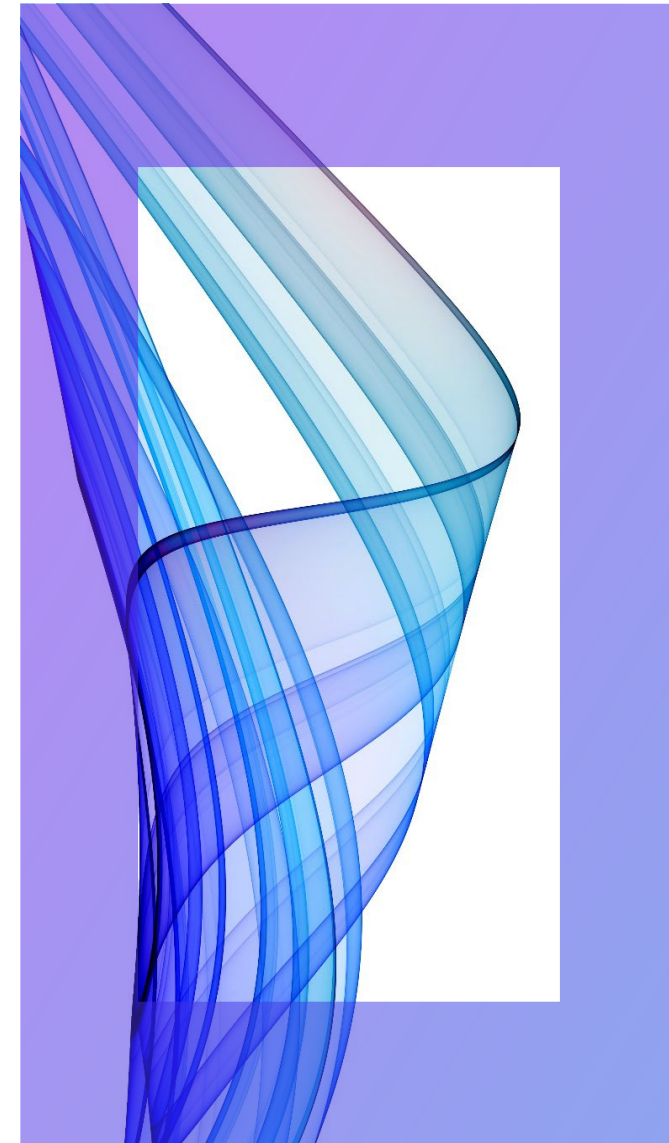
### Our response

- We obtained an understanding of management's process for adopting the standard through discussion with management and review of their scoping and measurement memo.
- We tested completeness of in-scope identified assets, through discussions with internal experts, review of external hazardous materials reports, and review of other external source documents to validate whether any AROs existed at the financial reporting date.
- We tested the accuracy of the calculations made by management to arrive at the estimated remediation cost, including sampling a number of buildings and validating the appropriateness of inputs and assumptions that feed into the calculations.
- We reviewed the related financial statement disclosures and accounting policies.
- We compared actual expenses and liabilities to expectations taking into account known significant changes in operations and costs.

### Significant findings

The City has applied the prospective transitional provisions on initial implementation of PS 3280. There was no impact to prior year comparative balances in the financial statements.

We noted no issues as a result of our audit procedures.





# Uncorrected misstatements

Uncorrected misstatements include financial presentation and disclosure omissions.



## Impact of uncorrected misstatements – Not material to the financial statements

- The management representation letter includes the Summary of Uncorrected Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial
- This includes the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.
- Based on both qualitative and quantitative considerations, management have decided not to correct certain misstatements and represented to us that the misstatements —individually and in the aggregate—are, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.
- We concur with management's representation that the uncorrected misstatements are not material to the financial statements. Accordingly, the uncorrected misstatements have no effect on our auditor's report.

Below is a summary of the impact of the uncorrected misstatements:

	Statement of operations	Financial position		
Description	Annual Surplus (Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Opening accumulated surplus (Decrease) Increase
Valuation of donated asset	665,756	-	-	(665,756)
Transfer of asset from work in progress to in use	-	(655,549) 655,549	-	-
<b>Total misstatements</b>	<b>665,756</b>	<b>-</b>	<b>-</b>	<b>(665,756)</b>



# Control deficiencies

## Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

## A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

## Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance

**We did not identify any significant deficiencies in internal control over financial reporting.**





# Significant accounting policies and practices

We also highlight the following:



## Significant accounting policies



- Management adopted PS 3280 *Asset Retirement Obligations* during the year using the prospective method. There were no issues noted as a result of adoption.
- Management adopted PS 3450 *Financial Instruments* and PS 2601 *Foreign Currency Translation* during the year. There were no issues noted as a result of adoption.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the City's transactions in relation to the period in which they were recorded, beyond those noted in relation to transfers of tangible capital assets.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.



## Significant qualitative aspects of financial statement presentation and disclosure



- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.



## Significant accounting estimates



- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.

# Appendices

1

Other required communications

2

Management representation letter

3

Audit quality

4

New accounting standards

5

New auditing standards

6

Thought leadership and insights







# Appendix 1: Other required communications



## Auditor's report

Refer to the draft report attached to the financial statements.

## Engagement letter

A copy of the engagement letter and any subsequent amendments has been provided to management.



## Independence

As required by professional standards, we have considered all relationships between KPMG and the City that may have a bearing on independence. We confirm that we are independent with respect to the City within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation from January 1, 2023 up until the date of this report.

## Management representation letter

A copy of the management representation letter is attached.



# Appendix 2: Management representation letter

See attached management representation letter

KPMG LLP  
St. Andrew's Square II  
800-730 View Street  
Victoria BC  
V8W 3Y7

April 22, 2024

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of the City of Nanaimo ("the Entity") as at and for the period ended December 31, 2023.

***General:***

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

***Responsibilities:***

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated November 23, 2022, including for:

- a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
- b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:
  - the names of all related parties and information regarding all relationships and transactions with related parties;
  - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees of Council that may affect the financial statements. All significant actions are included in such summaries.
- c) providing you with unrestricted access to such relevant information.
- d) providing you with complete responses to all enquiries made by you during the engagement.

- e) providing you with additional information that you may request from us for the purpose of the engagement.
- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

***Internal control over financial reporting:***

2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

***Fraud & non-compliance with laws and regulations:***

3) We have disclosed to you:

- a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- b) all information in relation to fraud or suspected fraud that we are aware of that involves:
  - management;
  - employees who have significant roles in internal control over financial reporting;
  - or
  - others

where such fraud or suspected fraud could have a material effect on the financial statements.

- c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
- d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, whose effects should be considered when preparing financial statements.
- e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

***Subsequent events:***

4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

***Related parties:***

5) We have disclosed to you the identity of the Entity's related parties.

6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

***Estimates:***

8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

***Going concern:***

9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.

10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

***Misstatements:***

11) We approve the corrected misstatements identified by you during the audit described in Attachment II.

12) The effects of the uncorrected misstatements described in Attachment II are immaterial, both individually and in the aggregate, to the financial statements as a whole.

***Other information:***

13) We confirm that the final version of Annual Report 2023 will be provided to you when available, and prior to issuance by the Entity, to enable you to complete your required procedures in accordance with professional standards.

***Assets & Liabilities - General***

14) The City has satisfactory title to all owned assets.

15) We have no knowledge of any liens or encumbrances on assets and/or assets that have been pledged or signed as security for liabilities, performances of contracts, etc., not disclosed in the financial statements.

16) We have no knowledge of any plans or interactions that may materially affect the carrying value or classification of assets and liabilities.

17) All developer contributed assets accepted by the City have been included in the financial statements.

**Contractual Agreements:**

18) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance including violations or default of the covenants in the City's debt agreements.

**Environmental Matters:**

19) The City has appropriately recognized, measured and disclosed environmental matters in the financial statements.

**Non-Financial Assets:**

20) We have reviewed non-financial assets, including tangible capital assets, to be held and used, for impairment, whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable.

**Employee future benefits:**

21) The employee future benefits costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.

22) We have no knowledge of arrangement (contractual or otherwise) by which programs have been established to provide post-employment benefits, except as disclosed to you.

23) The significant accounting policies the City has adopted in applying PS 3255, Post-employment benefits, compensated absences and termination benefits (hereinafter referred to as "PS3255") are disclosed in the notes to the financial statements.

24) All arrangements (contractual or otherwise) by which programs have been established to provide post-employment benefits have been disclosed to you and included in the determination of pension and post-employment costs and obligations. This includes:

- a) pension and other retirement benefits expected to be provided after retirement to employees and their beneficiaries.
- b) post-employment benefits expected to be provided after employment but before retirement to employees and their beneficiaries. These benefits include unused sick leave and severance benefits.
- c) compensated absences for which it is expected employees will be paid. These benefits include accumulated sick days, and termination benefits.

25) The post-employment benefit costs, assets and obligation have been determined, accounted for and disclosed in accordance with PS 3255. In particular:

- a) each of the best estimate assumptions used reflects management's judgment of the most likely set of conditions affecting future events; and

- b) the best estimate assumptions used are, as a whole, consistent within themselves, and with the valuation method adopted for purposes of this evaluation.

26) The assumptions included in the actuarial valuation are those that management instructed Nexus Actuarial Consultants Ltd. ("Nexus") to use in computing amounts to be used by us in determining pension costs and obligations and in making required disclosures in the above-names financial statements, in accordance with PS 3255.

27) In arriving at these assumptions, management has obtained the advice of Nexus, but has retained the final responsibility for them.

28) The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.

29) All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension and other post-employment benefit costs.

**Segment Disclosures:**

30) The City's operating segments have been appropriately identified and the related segment and enterprise-wide disclosures have been made in the financial statements in accordance with the relevant financial reporting framework. The operating segment information disclosed in the financial statements is consistent with the form and content of the information used by the City's chief operating decision maker for the purposes of assessing performance and making operating decisions about the City's individual operations. All significant differences in measures used to determine segment income have been appropriately identified and described in the disclosures of segment information in accordance with the relevant financial reporting framework.

**Experts/Specialists:**

31) The information provided by us to Nexus, and used in the work and findings of Nexus, is complete and accurate. We agree with Nexus's findings in evaluating the accuracy and completeness of employee future benefits and have adequately considered their qualifications in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give nor cause any instructions to be given to Nexus with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on Nexus's independence and objectivity.

**Non-SEC registrants or non-reporting issuers:**

32) We confirm that the City is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).

33) We also confirm that the financial statements of the City will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

**Other:**

34) Expenditures will be appropriately authorized and actual expenditures will not exceed budgeted expenditures detailed in the budget bylaw.

35) All reserve transactions have been appropriately approved, in accordance with applicable legislation and are appropriately credited to or charged against fund balances. Reserve amounts represent only those amounts that are available for use at the City's discretion and do not include restrictions on use by third parties

36) All transfers out of statutory reserves have been conducted in accordance with the approved bylaws.

Yours very truly,

---

Dale Lindsay, Chief Administrative Officer

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Laura Mercer, General Manager, Corporate Services

Cc: Finance and Audit Committee



## ***Attachment I – Definitions***

### ***Materiality***

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Information is obscured if it is communicated in a way that would have a similar effect for users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

### ***Fraud & error***

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

***Attachment II – Summary of Audit Misstatements Schedule***

**Year ended December 31, 2023**

**Summary of Corrected Audit Misstatements**

The gross amount of borrowed debt and the payments and actuarial allocations was reduced by \$1,593,415

**Year ended December 31, 2023**

**Summary of Uncorrected Audit Misstatements**

	Statement of operations	Financial position		
Description	Annual Surplus (Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Opening accumulated surplus (Decrease) Increase
Valuation of donated asset	665,756	-	-	(665,756)
Transfer of asset from work in progress to in use	-	(655,549) 655,549	-	-
<b>Total misstatements</b>	<b>665,756</b>	-	-	<b>(665,756)</b>

Year ended December 31, 2022

Summary of Uncorrected Audit Misstatements

	Statement of operations	Financial position		
Description	Annual Surplus (Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Opening accumulated surplus (Decrease) Increase
Valuation of donated asset	(665,756)	(665,756)	-	-
Transfer of asset from work in progress to in use	-	(655,549) 655,549	-	-
<b>Total misstatements</b>	<b>(665,756)</b>	<b>(665,756)</b>	-	-



# Appendix 3: Audit quality - How do we deliver audit quality?

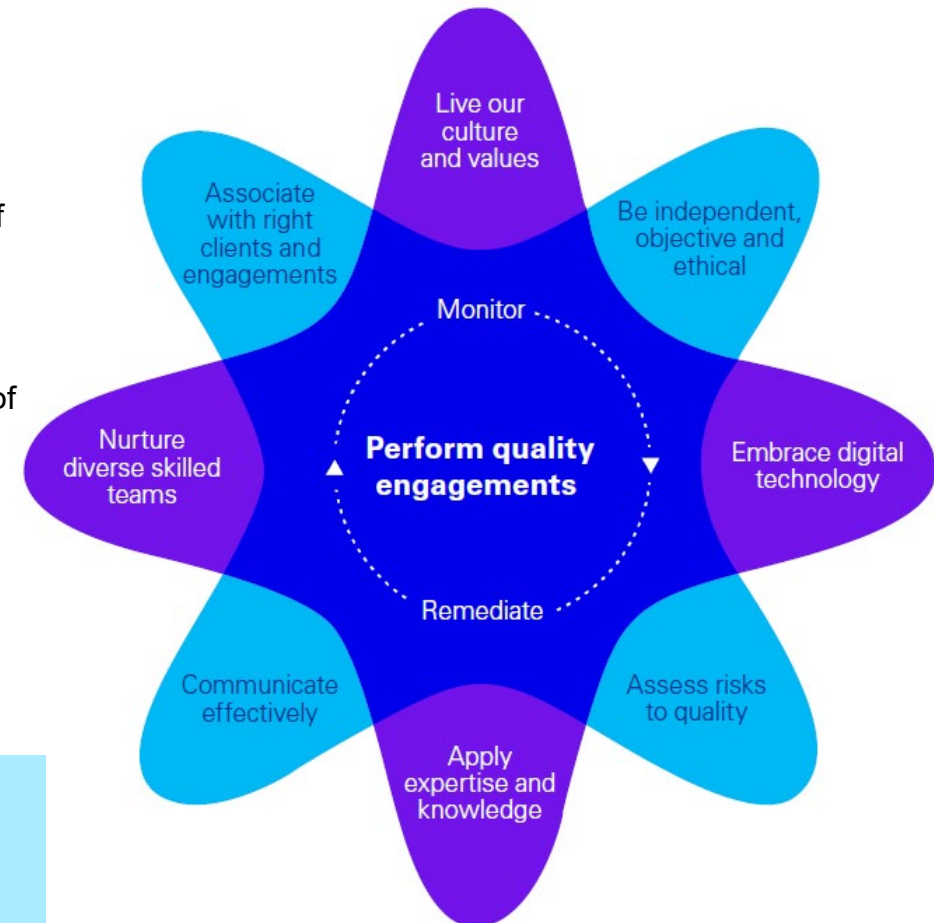
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Our Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

 [KPMG 2023 Audit Quality and Transparency Report](#)

We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.



**Doing the right thing. Always.**



# Appendix 4: Current developments

## Changes to accounting standards

Standard	Summary and implications
<b>Revenue</b>	<ul style="list-style-type: none"> <li>The new standard PS 3400 <i>Revenue</i> is effective for fiscal years beginning on or after April 1, 2023.</li> <li>The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement.</li> <li>The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.</li> <li>The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when the City records the revenue and an event has happened that gives the public sector entity the right to the revenue.</li> </ul>
<b>Public Private Partnerships</b>	<ul style="list-style-type: none"> <li>The new standard PS 3160 <i>Public private partnerships</i> is effective for fiscal years beginning on or after April 1, 2023.</li> <li>The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership.</li> <li>The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the public private partnership ends.</li> <li>The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure.</li> <li>The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.</li> <li>The standard can be applied retroactively or prospectively.</li> </ul>
<b>Purchased Intangibles</b>	<ul style="list-style-type: none"> <li>The new Public Sector Guideline 8 <i>Purchased intangibles</i> is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted.</li> <li>The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles.</li> <li>Narrow scope amendments were made to PS 1000 <i>Financial statement concepts</i> to remove the prohibition to recognize purchased intangibles and to PS 1201 <i>Financial statement presentation</i> to remove the requirement to disclose purchased intangibles not recognized.</li> <li>The guideline can be applied retroactively or prospectively.</li> </ul>



# Appendix 4: Current developments

## Changes to accounting standards (continued)

Standard	Summary and implications
<b>Employee benefits</b>	<ul style="list-style-type: none"> <li>• The Public Sector Accounting Board has initiated a review of sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>.</li> <li>• The intention is to use principles from International Public Sector Accounting Standard 39 <i>Employee benefits</i> as a starting point to develop the Canadian standard.</li> <li>• Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.</li> <li>• The proposed section PS 3251 <i>Employee benefits</i> will replace the current sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively.</li> <li>• This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations.</li> <li>• The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.</li> </ul>



# Appendix 4: Current developments

## Changes to accounting standards (continued)

Standard	Summary and implications
<b>Concepts Underlying Financial Performance</b>	<ul style="list-style-type: none"> <li>The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted.</li> <li>The framework provides the core concepts and objectives underlying Canadian public sector accounting standards.</li> <li>The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.</li> </ul>
<b>Financial Statement Presentation</b>	<ul style="list-style-type: none"> <li>The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted.</li> <li>The proposed section includes the following: <ul style="list-style-type: none"> <li>Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.</li> <li>Separating liabilities into financial liabilities and non-financial liabilities.</li> <li>Restructuring the statement of financial position to present total assets followed by total liabilities.</li> <li>Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).</li> <li>Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”.</li> <li>A new provision whereby an entity can use an amended budget in certain circumstances.</li> <li>Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.</li> </ul> </li> <li>The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.</li> </ul>



# Appendix 4: Current developments (continued)

## Tax updates

Topic	Summary
<b>Enhanced trust reporting measures</b>	<ul style="list-style-type: none"> <li>On December 15, 2022, Bill C-32 was passed into law incorporating enhanced trust reporting measures.</li> <li>NPOs that hold funds or other assets in trust on behalf of others, including bare trust arrangements will be required to disclose specific information on these trusts.</li> <li>This disclosure will be required for fiscal years ending after December 30, 2023.</li> <li>An NPO may be subject to penalties if it fails to collect and file the information related to the trust.</li> <li>NPOs should review any trust arrangements it uses either for itself or on behalf of others.</li> <li>Given the extent of changes and severity of penalties for non-compliance, affected NPOs are recommended to start gathering information early and consult with their auditors or tax professionals ahead of preparation of T3 returns.</li> <li>CRA announced they will not require registered charities to file the T3, for internal trusts.               <ul style="list-style-type: none"> <li>Internal trusts are those created when a charity:                   <ul style="list-style-type: none"> <li>receives property as a gift that is subject to certain legally enforceable terms and conditions; and,</li> <li>holds that property as the trustee of the trust.</li> </ul> </li> </ul> </li> <li>Download this edition of KPMG's <a href="#">TaxNewsFlash</a> to learn more, including information about limited relief provided by CRA in November 2023 – <a href="#">Additional TaxNewsFlash</a>.</li> </ul>





# Appendix 5: Changes to auditing standards

Effective for periods beginning on or after December 15, 2022

## ISA/CAS 220

.....  
(Revised) Quality management for an audit of financial statements

## ISQM1/CSQM1

.....  
Quality management for firms that perform audits or reviews of financial statements or other assurance or related services engagements

## ISQM2/CSQM2

.....  
Engagement quality reviews

Effective for periods beginning on or after December 15, 2023

None noted at this time that are applicable to the audit of the entity



# Appendix 6: Thought leadership and insights

## Thought leadership - Boards, Audit Committees and C-Suite

### Global Economic Outlook

We may be only part-way through 2023, but the phrase that has overwhelmingly dominated conversations – from board rooms to political chambers and Main Streets – has been the cost-of-living crisis. In recent years, the world has faced waves of challenges, from the pandemic to the invasion of Ukraine, to the unfolding bank liquidity challenges amidst skittish depositors. The impact of such a lengthy period of uncertainty is being felt by everyone and that's reflected in KPMG's latest Global Economic Outlook.

[Click here](#) to access KPMG's portal.

### 2023 CEO Outlook

While CEOs maintain confidence in the future of the global economy, their views on what constitutes a risk to their business have shifted significantly. The persistent flux in global politics, trade dynamics and international relations has required a new level of resilience from CEOs. They are reassessing their strategic priorities, focusing on the rise of generative AI, talent management and high stakeholder expectations in addressing environmental, social and government (ESG) issues.

[Click here](#) to access KPMG's portal.

### Board Leadership Centre

KPMG in Canada Board Leadership Centre engages with directors, board members and business leaders to discuss timely and relevant boardroom challenges and deliver practical thought leadership on risk and strategy, talent and technology, globalization and regulatory issues, financial reporting and more.

[Click here](#) to access KPMG's portal.



# Appendix 6: Thought leadership and insights (continued)

## Thought leadership - Boards, Audit Committees and C-Suite

### Momentum

Offering curated insights for management, boards and audit committees, our quarterly newsletter provides the latest thought leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

[Click here](#) to access KPMG's portal.

### Accelerate

Our annual article series, developed by KPMG subject matter experts, which tackles the most pressing risks and opportunities that face audit committees, boards and management teams across the country. The focus areas for 2024 include:

- Economic uncertainty
- Cyber risk
- Digital transformation
- Talent retention
- Mandatory ESG reporting

[Click here](#) to access KPMG's portal.



# Appendix 6: Thought leadership and insights

## What is ESG?

ESG is a framework to integrate environmental, social and governance risks and opportunities into an organization's strategy to build long term financial sustainability and create value. ESG includes a wide range of non-financial scoring categories, used by investors and other stakeholders to assess the impact of an organisation's products and business practices on sustainability and social causes.

### Environmental

#### Our IMPACT on our planet

- Climate change
- Greenhouse gas (GHG) emissions
- Natural resource depletion
- Waste and pollution
- Deforestation
- Hazardous materials
- Biodiversity

### Social

#### Our IMPACT in our communities

- Working conditions, including slavery and child labour
- Impact on local communities
- Conflict regions
- Health and safety
- Employee diversity, equity, and inclusion
- Product mis-selling
- Data protection

### Governance

#### Our conduct

- Executive pay
- Bribery and corruption
- Political lobbying and donations
- Board diversity and structure
- Tax strategy
- Data breaches

ESG strategies can help entities deliver long-term value through effective engagement with all stakeholders – generating trust and a competitive advantage.



# Appendix 6: Thought leadership and insights (continued)

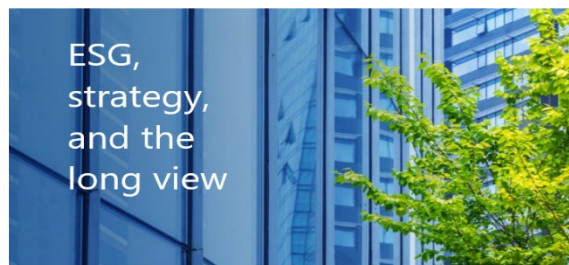
## Thought leadership – Environmental, social and governance (“ESG”)

Note: Click on images to visit document link.



CoP26 made progress towards tackling climate change, but there is much more to do.

At KPMG, we're committed to accelerating the changes required to fight climate change.



This highlights a five-part framework to help organizations shape the total impact of strategy and operations on performance both externally, and internally.



You can't go green without blue

The blue economy is critical to all companies' ESG ambitions



The Green City outlines the need of the cities and the buildings in them to reflect climate consciousness.

The link provides guidance on what that looks like and the first steps to meeting those objectives.



This report outlines the updates in regulatory sustainability reporting.

Its focus is comparing and contrasting proposals from the ISSB, EFRAG, and the SEC.

In this report, KPMG considers how leading corporations and investors can take action to capture the value that can be found in a healthy, sustainable ocean economy.



# Appendix 6: Thought leadership and insights (continued)

## Thought leadership – Environmental, social and governance (“ESG”) (continued)

Note: Click on images to visit document link.

### How the 'S' in ESG is changing the way we do business

The social component of ESG calls for more heart, empathy and interconnectedness

The "S" in ESG is becoming critical as people and organizations become more conscious about how the social aspect of business will impact their future.

This article touches on the social movements driving business change.

### Climate change, human rights and institutional investors

The adverse impacts to people from a changing climate will create risks for institutional investors throughout the value chain

As the severity of climate impacts increase, so do the socio-economic disruptions due to the risk and fall of climate impacted sectors and projects.

This article breaks down the impact on institutional investors.

### The numbers that are changing the world

Revealing the growing appetite for responsible investing

This article outlines how ESG is impacting valuation and performance of the underlying companies institutional investors have a stake in.

Market statistics highlight the issues surrounding responsible investment.

### KPMG's Climate Change Financial Reporting Resource Centre

KPMG's climate change resource centre provides FAQs to help you identify the potential financial statement impacts for your business.

[Click here](#) to access KPMG's portal.

### A closer look at the GHG Protocol

Chartered Professional Accountants of Canada (CPA Canada) and the Institute for Sustainable Finance (ISF) produced a 23-page report ([click here](#)) on the GHG Protocol. The report looks to inform potential preparers and users of emissions disclosure; policy makers; standard setters; regulators; and others, and to spur important additional research into key aspects of emissions disclosure and standards that require closer attention.





<https://kpmg.com/ca/en/home.html>

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