

**REGIONAL DISTRICT OF NANAIMO
SPECIAL BOARD MEETING
AGENDA**

Tuesday, May 14, 2019

3:00 P.M.

Board Chambers

This meeting will be recorded

Pages

1. CALL TO ORDER

2. APPROVAL OF THE AGENDA

3. INVITED PRESENTATIONS

- 3.1 Cory Vanderhorst, Regional Assurance Partner, MNP, re 2018 Consolidated Financial Statements and Audit Findings Report**

4. DELEGATIONS - AGENDA ITEMS

5. CORRESPONDENCE

6. REPORTS

- 6.1 2018 Consolidated Financial Statements and Audit Findings Report**

2

(All Directors - Weighted Vote)

That the consolidated financial statements of the Regional District of Nanaimo for the year ended December 31, 2018 be accepted as presented.

7. BUSINESS ARISING FROM DELEGATIONS

8. NEW BUSINESS

9. ADJOURNMENT

TO: Special Board **MEETING:** May 14, 2019
FROM: Manvir Manhas **FILE:** Not applicable
Manager, Capital Accounting &
Financial Reporting
SUBJECT: 2018 Consolidated Financial Statements and Audit Findings Report

RECOMMENDATION

1. That the consolidated financial statements of the Regional District of Nanaimo for the year ended December 31, 2018 be accepted as presented.

SUMMARY

The MNP LLP audit of the Regional District of Nanaimo (RDN) for the year ended December 31, 2018 is unqualified, assuring readers that based on the audit procedures conducted, the statements present fairly the financial position of the Regional District of Nanaimo as at December 31, 2018. MNP LLP has submitted their audit findings report to the Board to ensure the Board is informed of the audit results and the important issues and decisions that were made during the audit and financial statement preparation process.

The 2018 Consolidated Financial Statements have been prepared and audited within the framework of the accounting policies applicable to local governments in BC. The 2018 final operating results are as expected with no major variances. The RDN remains in sound financial health with a good balance of assets to liabilities and highly liquid cash reserves to meet annual costs.

BACKGROUND

The consolidated financial statements must be accepted by the Board by May 15th prior to the signing of the audit report and submission of the financial information to the Ministry.

Canadian auditing standards require that audit firms communicate the results of the audit process to the organization's board of directors for approval as well as to management staff. The audit findings report from MNP LLP (Attachment 1) summarizes key elements of the audit procedures, the roles and responsibilities of the auditors, and contains a discussion of their conclusions on the information included in the financial statements. There were no items requiring adjustment in 2018. As in prior years, the Independent Auditors' draft report (Attachment 2) is unqualified, assuring readers that, based on the audit procedures conducted, the statements present fairly the financial position of the RDN as at December 31, 2018. The report will be signed after final approval of the financial statements by the Board.

The consolidated financial statements (Attachment 3) present the financial position of the RDN as a whole incorporating the operating, reserve and capital funds based on Public Sector Accounting Board standards for governments as legislated under the *Local Government Act*. The consolidated financial statements allow the Board, the management team, and the public to assess the overall results of all of our activities for the fiscal year ending December 31, 2018.

Consolidated Statement of Financial Position (Page 3 of Attachment 3)

Total Financial Assets (cash, investments, accounts receivable) decreased from \$188.5 million to \$183.8 million largely due to a decrease in cash and cash equivalents as a result of the significant capital project work being undertaken such as the Southern Community Wastewater Secondary Treatment upgrade project at the Greater Nanaimo Pollution Control Centre that is currently underway. Cash and investments totaling \$111.2 million in 2018 represent the deferred revenue and reserve funds held for future infrastructure. Other jurisdictions debt receivable (debt incurred on behalf of the municipalities and the Vancouver Island Regional Library) increased from \$60.6 million to \$63.4 million due to new debt incurred on behalf of the City of Nanaimo and the City of Parksville.

Total Financial Liabilities (trade payables, debt, deferred revenue and other liabilities) increased from \$151.4 million to \$161.1 million mostly due to change in the long term debt and accounts payable. Long term debt increased by a net \$3.6 million and is comprised of new debt acquired for Nanoose Bay Bulk Water upgrades (Englishman River Joint Venture project \$2.85 million), City of Nanaimo (\$3.23 million) and the City of Parksville (\$4.0 million). This is offset by \$4.8 million in principal payments by the RDN and member municipalities. The accounts payable increased by \$4.0 million due to significant capital project work being undertaken as explained above.

Total Non-Financial Assets (tangible capital assets, prepaid expenses and inventories) increased from \$213.0 million to \$249.4 million due to a \$36.2 million investment in tangible capital assets.

Over the next few years, the RDN will see shifts in the asset and liability accounts as a result of the significant capital project work being undertaken. The approved 2019-2023 Financial Plan projected the debt to increase by up to \$60 million and reserves of up to \$73 million to be used towards funding over \$170 million in capital. Grant funding will continue to be pursued to offset the capital demands.

Unfunded Liabilities (Page 3 and Pages 16-17 of Attachment 3)

Unfunded liabilities are calculated for certain post retirement employee benefits and future costs to close and monitor the regional landfill. Recording the value of these future liabilities is a means of showing that there are financial obligations which are not completely captured in the annual activities of the Regional District.

At December 31, 2018 the unfunded liability balances were:

	Estimated obligation	Reserves
Employee retirement benefit	\$1,805,221	\$2,051,001
Employee other benefits	\$326,471	
Landfill closure costs	\$12,077,404	\$2,079,798
Landfill post closure maintenance costs	\$5,185,813	

Currently, the landfill closure and post closure costs are largely unfunded with a relatively small reserve. The 2019-2023 Financial Plan includes increased transfers to the landfill closure reserve. The funding for closure costs will be reviewed on an ongoing basis during future budget discussions for the Solid Waste service.

Accumulated Surplus (Page 3 and Page 20 of Attachment 3)

The Accumulated Surplus position increased by \$22.0 million to \$272.1 million in 2018. Items of note that contributed to this change are:

- The net investment in tangible capital assets increased by \$35.1 million to \$211.0 million (2017; \$175.9 million).
- Statutory Reserve Fund balances decreased \$7.7 million from \$65.1 million to \$57.4 million due to significant capital work that is currently underway such as the Secondary Treatment Project at the Greater Nanaimo Pollution Control Centre. Reserve funds play a significant role in executing the capital plans of the RDN. \$73.0 million is projected to be spent from reserves for capital over the next five years.

Consolidated Statement of Operations (Page 4 of Attachment 3)

This Consolidated Statement of Operations shows the sources of revenue and expenses of the RDN as a whole based on Public Sector Accounting Board standards. Items of note from the Consolidated Statement of Operations are discussed below.

Overall revenues increased by \$13.4 million from 2017 as a result of increased grant revenues and developer contributions which are impacted by the timing of capital projects. Capital projects use a drawdown accounting approach where grant revenues and developer contributions are recorded when project expenses are incurred. Revenues show increased taxation revenues of \$2.1 million and increased operating revenue of \$0.9 million. Higher than expected revenues across several services such as building inspection and solid waste were the source of operating revenues exceeding both budget and 2017 levels.

Year over year consolidated expenses increased from \$75.3 million in 2017 to \$78.2 million in 2018. The majority of the difference is attributed to general operating cost increases, the impact of the solid waste unfunded liability closure adjustments and transit service expansion that began in September 2017.

Actual expenses of \$78.2 million also exceeded the budget estimate of \$72.5 million. This is because, for year-end reporting purposes, costs for non-cash items such as amortization and unfunded liabilities are included in accordance with public sector accounting standards that are not included in budget figures.

Development Cost Charges (DCCs) Expended in 2018 (Page 34 of Attachment 3)

Local Governments are required, as per Section 569 of the *Local Government Act*, to annually report on the use of DCCs. The Schedule for Development Cost Charges outlines the amount of DCCs collected in the year, expenditures and the balance in the DCC reserve funds at the start and at the end of 2018.

ALTERNATIVES

1. That the 2018 consolidated financial statements of the Regional District of Nanaimo be approved.
2. Provide alternate direction to staff.

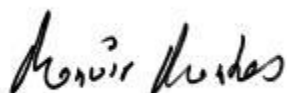
FINANCIAL IMPLICATIONS

The annual audit fee of \$27,300 is included in the Finance Department's 2018 budget. The post-employment benefit calculation was performed by an independent actuary which cost \$2,000 for 2018. There are no additional costs at this time.

STRATEGIC PLAN IMPLICATIONS

Focus On Service And Organizational Excellence - As We Invest In Regional Services We Look At Both Costs And Benefits - The RDN Will Be Effective And Efficient.

The Public Sector Accounting Board Standards for financial reporting and auditing require Board approval of final consolidated financial statements prior to the signing of the audit report. Compliance with this requirement directly supports the Board governing principle to *Be Transparent and Accountable*, which demands transparency in financial reporting and that Directors are accountable to the public. Based on feedback from MNP LLP, who have formally acknowledged the excellent cooperation of staff through the audit process, it is evident that this Board value has trickled through the organization, influencing how staff conduct themselves in their work. In addition, the auditors conclude that the financial sustainability of the RDN is healthy and trending in a positive direction.



Manvir Manhas
mmanhas@rdn.bc.ca

April 26, 2019

Reviewed by:

- J. Bradburne, Director of Finance
- D. Wells, General Manager, Corporate Services
- P. Carlyle, Chief Administrative Officer

Attachments:

1. 2018 RDN Audit Findings Report
2. 2018 RDN Independent Auditors' Draft Report
3. 2018 RDN Consolidated Financial Statements

**Regional District of Nanaimo
Report to the Board of Directors**

For the Year Ending December 31, 2018

For presentation at the Board of Directors meeting May 14, 2019

May 14, 2019

Members of the Board of Directors of Regional District of Nanaimo

Dear Members of the Board of Directors:

We are pleased to submit to you this report for discussion of our audit of the consolidated financial statements of Regional District of Nanaimo (the "Regional District") as at December 31, 2018 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of the Board of Directors.

We have completed our audit of the consolidated financial statements of the Regional District which has been carried out in accordance with Canadian generally accepted auditing standards.

Our Independent Audit Report will provide an unqualified opinion to the Board of Directors of the Regional District.

This report is intended solely for the information and use of the Board of Directors and management and should not be distributed to or used by any other parties than these specified parties.

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks in your business or all control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

We would like to express our appreciation for the excellent cooperation we have received from management and employees with whom we worked.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,

A handwritten signature in black ink that reads "MNP LLP". The letters are stylized and cursive.

MNP LLP
Chartered Professional Accountants

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INTRODUCTION

As auditors, we report to the Board of Directors on the results of our examination of the consolidated financial statements of Regional District of Nanaimo (the "Regional District") as at and for the year ended December 31, 2018. The purpose of this Audit Findings Report is to assist you, as members of the Board of Directors, in your review of the results of our audit. To facilitate in your understanding of our findings, Appendix A to this report summarizes our audit process.

Our report will discuss the status of our engagement, as well as communicate to you significant audit, accounting and reporting matters arising from our procedures. We hope that this report is of assistance to you, and we look forward to discussing our findings and answering your questions.

ENGAGEMENT STATUS

We have completed our audit of the consolidated financial statements of the Regional District and are prepared to sign our Independent Auditor's Report subsequent to completion of the following procedure:

- The Board of Directors' review and approval of the consolidated financial statements.

We expect to have the above procedure completed and to release our Audit Report on May 14, 2019. Our report, will provide an unqualified opinion.

SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

CHANGES FROM AUDIT SERVICE PLAN

There were no deviations from the Audit Service Plan previously presented to you.

AREAS OF AUDIT EMPHASIS

The following lists the key areas of our audit emphasis for your Regional District:

- The reasonableness of the estimate of the liability for landfill closure and post-closure maintenance costs.

Detailed information on Areas of Audit Emphasis is included as Appendix B to this report.

FINAL MATERIALITY

Materiality is a concept used to assess the significance of misstatements or omissions that are identified during the audit and is used to determine the level of audit testing that is carried out. The scope of our audit work is tailored to reflect the relative size of operations of the Regional District, and is affected by our assessment of materiality and audit risk.

Final materiality used for our audit was \$3,000,000 for December 31, 2018. This amount is calculated as 3% of total annual revenue.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

Our audit process focuses on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment allows us to concentrate our audit procedures on high risk areas and, where possible, place reliance on controls within the financial reporting system to reduce the extent of our testing.

It is important to note that our assessment was not, nor was it intended to be, sufficient to comment or conclude on the sufficiency of internal controls.

We are required under Canadian generally accepted auditing standards to communicate all significant deficiencies identified during an audit to the Board of Directors on a timely basis. However, we may not be aware of all significant deficiencies that do, in fact, exist.

While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency, no significant deficiencies in internal control have come to our attention.

DIFFICULTIES ENCOUNTERED

No significant limitations were placed on the scope or timing of our audit.

IDENTIFIED OR SUSPECTED FRAUD

Due to the inherent limitations of an audit and the nature of fraud, including attempts at concealment through forgery or collusion, an audit conducted in accordance with Canadian generally accepted auditing standards cannot be relied upon to detect fraud.

While our audit cannot be relied upon to detect all instances of fraud, no incidents of fraud, or suspected fraud, came to our attention in the course of our audit.

IDENTIFIED OR SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS

Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the consolidated financial statements.

MATTERS ARISING IN CONNECTION WITH RELATED PARTIES

No significant matters arose during the course of our audit in connection with related parties of the Regional District.

GOING CONCERN

We have not identified any material uncertainties related to events or conditions that may cast significant doubt on the Regional District's ability to continue as a going concern.

We are of the opinion that the going concern assumption is appropriate in preparation of the consolidated financial statements.

AUDITOR'S VIEWS OF SIGNIFICANT ACCOUNTING PRACTICES

The application of Canadian public sector accounting standards allows and requires the Regional District to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.

As auditors, we are uniquely positioned to provide open and objective feedback regarding your Regional District's accounting practices, and have noted the following items during the course of our audit that we wish to bring to your attention.

Accounting Policies

- The accounting policies used by the Regional District are appropriate and have been consistently applied.

Accounting Estimates

Landfill liability

- The unfunded liabilities for landfill closure costs and post-closure monitoring costs represent a significant liability in the Regional District's financial statements. For 2018 the estimate for landfill closure costs was \$12,077,404 (2017 - \$9,677,527), and for post closure maintenance costs was \$5,185,813 (2017 - \$5,601,807) for a total landfill liability of \$17,263,217 (2017 - \$15,279,334). These costs are an estimate, based on factors such as landfill capacity, remaining unused capacity, projected future costs to close and to monitor the site, and an appropriate discount rate used to determine a present value of these future costs. It is important to note that the landfill remaining unused capacity amount used in the calculation is based on the impact of board-approved capital projects as at the reporting date. Projects not yet approved that may further increase capacity and useful life are not factored into the calculation.

Changes to the underlying assumptions and estimates or legislative changes in the new term could have a material impact on the provision recognized. We have concluded that the accounting related to the Landfill Closure and Post-Closure Liabilities was appropriate.

Employee future benefits

- Employee retirement benefits include payouts of accumulated, unused sick leave upon an employee's retirement. As at December 31, 2018, the estimated sick leave liability was \$1,805,221 (2017 - \$1,797,849). An expense and corresponding liability is recorded now for the estimate of the future costs of these payouts, related to current service by current employees. This liability is an estimate, based on factors such as number of current employees in various age groups, number of recent employees over age 40 who have been employed with the Regional District until retirement, and an appropriate discount rate used to determine a present value of these future costs. Changes to the underlying assumptions and estimates or union contract changes in the new term could have a material impact on the reserve recorded. The estimate also includes assumptions regarding retirement dates, hours worked and sick time. We have concluded that the accounting related to Employee Retirement Benefits was appropriate. This estimate is calculated by an actuary hired by the Regional District.

Financial Statement Disclosures

The disclosures made in the notes to the consolidated financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the consolidated financial statements.

MATTERS ARISING FROM DISCUSSIONS WITH MANAGEMENT

We would like to formally acknowledge the cooperation and assistance we received from the management and staff of the Regional District.

There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.

SIGNIFICANT DIFFERENCES

No significant differences were proposed to management with respect to the December 31, 2018 consolidated financial statements.

MODIFICATIONS TO THE INDEPENDENT AUDITOR'S REPORT

As discussed earlier, our independent auditor's report will provide an unqualified opinion to the Board of Directors.

MANAGEMENT REPRESENTATIONS

We have requested certain written representations from management, which represent a confirmation of certain oral representations given to us during the course of our audit.

AUDITOR INDEPENDENCE

We are aware of the following relationship between the Regional District and MNP that, in our professional judgment, may reasonably be thought to bear on our independence. The following relationship represents matters that have occurred from January 1, 2018 to May 14, 2019.

During the year, MNP was engaged to perform an IT procurement review with respect to computer hardware contracts. To safeguard our independence, the work was performed by MNP's Advisory team based in Victoria, with no involvement by the audit team.

During the year, MNP was engaged to assist the Regional District with a financial analysis of the Nanaimo Recycle Exchange's funding request. No information from that project would impact the Regional District's current consolidated financial statement results. As a result, there is no independence threat.

MNP's valuations team was also engaged during the year to assist the Regional District with financial due diligence on its organic waste processing contract. To safeguard our independence, the work was performed by MNP's valuation team based in Vancouver, with no involvement on the audit team.

In addition, final quality control review on the audit was performed by an MNP partner in our Abbotsford office.

We confirm to the Board of Directors that we are independent of the Regional District. Our letter to the Board of Directors discussing our independence is included as part of the additional materials attached to this report.

APPENDIX A – MNP Audit Process

Our audit was carried out in accordance with Canadian generally accepted auditing standards, and included a review of all significant accounting and management reporting systems, with each material year end balance, key transaction and other events considered significant to the consolidated financial statements considered separately.

Our audit process focused on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment enabled us to concentrate our audit procedures on the areas where differences were most likely to arise. Our assessment was not, nor was it intended to be, sufficient to conclude on the effectiveness or efficiency of internal controls.

During the course of our audit, we have:

- Examined, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessed the accounting principles used and significant estimates made by management;
- Obtained an understanding of the Regional District and its environment, including management's internal controls (regardless of whether we relied on them for the purpose of the audit), sufficient to identify and assess the risks of material misstatement of the consolidated financial statements and to design and perform audit procedures;
- Reviewed and assessed those accounting systems deemed necessary to support our audit opinion;
- Evaluated the overall consolidated financial statement presentation;
- Performed a subsequent events review with management;
- Reviewed and assessed the status of contingencies, commitments and guarantees;
- Reviewed and assessed exposure to environmental liabilities.

We have obtained written representations from management, included as additional materials following this report, in order to confirm oral representations given to us and reduce the possibility of misunderstanding. Specifically, we have obtained written confirmation of significant representations provided on matters that are:

- Directly related to items that are material, either individually or in the aggregate, to the consolidated financial statements;
- Not directly related to items that are material to the consolidated financial statements, but are significant, either individually or in the aggregate, to the engagement; and
- Matters relevant to management judgments or estimates that are material, either individually or in the aggregate, to the consolidated financial statements.

APPENDIX B – Areas of Audit Emphasis

The reasonableness of the estimate of the liability for landfill closure and post-closure maintenance costs:

We reviewed the data and assumptions for the calculation with management in the finance and solid waste departments. We noted that the liability is based on consultants' current data and management's best estimate of future costs. We did not note any errors in the calculation of this liability.

May 14, 2019

The Board of Directors
Regional District of Nanaimo
6300 Hammond Bay Road
Nanaimo, BC V9T 6N2

Dear Members of the Board of Directors:

We have been engaged to audit the consolidated financial statements of Regional District of Nanaimo ("the Regional District") as at December 31, 2018 and for the year then ended.

CAS 260 *Communication With Those Charged With Governance* requires that we communicate with you matters that are significant to our engagement. One such matter is relationships between the Regional District and its related entities or persons in financial reporting oversight roles at the Regional District and MNP LLP and any affiliates ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Standard requires us to consider relevant rules and related interpretations prescribed by the appropriate professional accounting body and applicable legislation, covering such matters as:

- (a) Holding a financial interest, either directly or indirectly, in a client;
- (b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client or a related entity;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or a related entity;
- (d) Economic dependence on a client; and
- (e) Provision of non-assurance services in addition to the audit engagement.

We are aware of the following relationships between the Regional District and MNP that, in our professional judgment, may reasonably be thought to bear on our independence. The following relationships represent matters that have occurred from January 1, 2018 to May 14, 2019.

During the year, MNP was engaged to perform an IT procurement review with respect to computer hardware contracts. To safeguard our independence, the work was performed by MNP's Advisory team based in Victoria, with no involvement by the audit team.

During the year, MNP was engaged to assist the Regional District with a financial analysis of the Nanaimo Recycle Exchange's funding request. No information from that project would impact the Regional District's current consolidated financial statement results. As a result, there is no independence threat.

MNP's valuations team was also engaged during the year to assist the Regional District with financial due diligence on its organic waste processing contract. To safeguard our independence, the work was performed by MNP's valuation team based in Vancouver, with no involvement on the audit team.

In addition, final quality control review on the audit was performed by an MNP partner in our Abbotsford office.

This report is intended solely for the use of the Board of Directors, management and others within the Regional District and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Sincerely,



MNP LLP
Chartered Professional Accountants

Independent Auditor's Report

To the Members of the Board of the Regional District of Nanaimo:

Opinion

We have audited the consolidated financial statements of the Regional District of Nanaimo (the "Regional District"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows and related schedules on pages 25 to 34 for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Regional District as at December 31, 2018, and the results of its consolidated operations and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Regional District in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Other Matter

The supplementary information on pages 35 to 49 have been presented for purposes of additional analysis and are unaudited. We do not express an opinion on these schedules because our examination did not extend to the detailed information therein.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Regional District'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 Regional District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regional District's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated 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 consolidated 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 Regional District'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 Regional District'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 consolidated 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 Regional District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Regional District to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

Nanaimo, British Columbia

May 14, 2019

Chartered Professional Accountants



Management's Responsibility

To the Members of the Board of the Regional District of Nanaimo:

This statement is provided to clarify and outline the roles and responsibilities of the management team, the elected Board of Directors and the independent auditors in relation to the preparation and review of the Regional District of Nanaimo's annual financial results.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Regional Board of Directors is composed entirely of Directors who are neither management nor employees of the Regional District. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for delegating the authority for approval of the consolidated financial statements. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management. The Board is also responsible for recommending the appointment of the Regional District's external auditors. The external auditors have full and free access to the Board and management to discuss their audit findings.

MNP LLP, an independent firm of Chartered Professional Accountants, has been appointed by the Regional Board of Directors to audit the consolidated financial statements and report to them; their report follows.

April 23, 2019

A handwritten signature in blue ink, appearing to read "J. Bradburn", is written over a horizontal line.

Director of Finance

**REGIONAL DISTRICT OF NANAIMO
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018**

		<u>2018</u>	<u>2017</u>
Financial Assets			
Cash and cash equivalents	(Note 2)	\$ 72,294,954	\$ 84,180,386
Portfolio investments	(Note 4)	38,958,504	34,193,566
Accounts receivable	(Note 3)	9,191,113	8,925,705
Other jurisdictions debt receivable	(Note 12)	63,393,569	60,630,952
Other assets	(Note 5)	25,578	579,903
		<u>183,863,718</u>	<u>188,510,512</u>
Financial Liabilities			
Accounts payable	(Note 7)	11,641,834	7,534,004
Other liabilities	(Note 8)	4,417,209	4,433,281
Unfunded liabilities	(Note 9)	17,343,908	15,088,181
Deferred revenue	(Note 10)	28,026,410	28,663,666
Short-term loans	(Note 6)	644,128	277,473
Long-term debt	(Note 11)	99,074,842	95,489,278
		<u>161,148,331</u>	<u>151,485,883</u>
Net Financial Assets		<u>\$ 22,715,387</u>	<u>\$ 37,024,629</u>
Non-financial Assets			
Tangible capital assets	(Note 13)	247,356,919	211,111,824
Inventories		48,131	47,831
Prepaid expenses		1,988,931	1,896,230
		<u>249,393,981</u>	<u>213,055,885</u>
Accumulated Surplus	(Note 15)	<u>\$ 272,109,368</u>	<u>\$ 250,080,514</u>
Contingent Liabilities (Note 21)			
Commitments (Note 27)			

APPROVED:



Jeannie Bradburne, CPA, CGA, MBA
Director of Finance

The accompanying notes are an integral part of these consolidated financial statements

REGIONAL DISTRICT OF NANAIMO
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budget</u> (Note 17)	<u>2018</u>	<u>2017</u>
Revenue			
Property taxes	\$ 50,174,213	\$ 50,174,213	\$ 48,026,015
Operating revenues	23,294,734	25,622,661	24,712,090
Government transfers and grants (Note 14)	20,085,544	14,361,310	9,287,684
Developer contributions	6,415,610	5,523,891	2,535,951
Other income	1,920,309	2,270,728	1,111,434
Portfolio investment income	75,000	782,014	527,288
Other investment income	75,000	891,472	367,376
Payments in lieu of taxes	149,290	595,566	197,398
	<u>102,189,700</u>	<u>100,221,855</u>	<u>86,765,236</u>
Expenses			
General Government	3,484,094	3,944,873	3,761,080
Strategic and Community Development	4,746,014	3,654,080	3,304,814
Wastewater and Solid Waste Management	21,623,141	26,522,152	26,217,493
Water, Sewer, and Street lighting	4,985,648	5,709,202	5,566,153
Public Transportation	20,838,947	21,272,863	19,601,485
Protective Services	5,816,894	5,833,445	5,471,779
Parks, Recreation, and Culture	11,031,605	11,256,386	11,438,820
	<u>72,526,343</u>	<u>78,193,001</u>	<u>75,361,624</u>
Surplus for the year	\$ 29,663,357	\$ 22,028,854	\$ 11,403,612
Accumulated surplus, Beginning of the year	250,080,514	250,080,514	238,676,902
Accumulated surplus, End of the year (Note 15)	<u>\$ 279,743,871</u>	<u>\$ 272,109,368</u>	<u>\$ 250,080,514</u>

The accompanying notes are an integral part of these consolidated financial statements

**REGIONAL DISTRICT OF NANAIMO
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budget</u> (Note 17)	<u>2018</u>	<u>2017</u>
Surplus for the year	\$ 29,663,357	\$ 22,028,854	\$ 11,403,612
Acquisition of tangible capital assets	(72,943,091)	(43,667,027)	(20,700,693)
Amortization of tangible capital assets	-	7,335,406	7,216,168
Proceeds on disposal of tangible capital assets	-	37,082	444,701
Loss on disposal of tangible capital assets	-	49,444	155,258
Change in prepaid expenses	-	(92,701)	(481,462)
Change in inventories	-	(300)	(4,432)
Decrease in Net Financial Assets	(43,279,734)	(14,309,242)	(1,966,848)
Net Financial Assets, Beginning of the year	37,024,629	37,024,629	38,991,477
Net Financial Assets, End of the year (Pg. 3)	<u>\$ (6,255,105)</u>	<u>\$ 22,715,387</u>	<u>\$ 37,024,629</u>

The accompanying notes are an integral part of these consolidated financial statements

**REGIONAL DISTRICT OF NANAIMO
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
Operating Transactions		
Surplus for the year	\$ 22,028,854	\$ 11,403,612
Non-cash items included in surplus		
Amortization of tangible capital assets	7,335,406	7,216,168
Contributed tangible capital assets	-	(2,266,000)
Loss on disposal of tangible capital assets	49,444	155,258
Debt actuarial adjustments	(401,611)	(347,372)
Change in non-cash working capital balances related to operations		
Increase in accounts receivable	(265,408)	(2,779,902)
(Decrease) Increase in other assets	554,325	(485,674)
Increase in accounts payable	4,107,831	1,239,534
(Decrease) Increase in deferred revenues	(637,256)	7,926,583
Decrease in other liabilities	(16,072)	(96,573)
Increase in prepaid expenses	(92,701)	(481,462)
Increase in inventory	(300)	(4,432)
Increase in unfunded liabilities	2,255,727	2,290,730
Cash provided by operating transactions	<u>34,918,239</u>	<u>23,770,470</u>
Capital Transactions		
Acquisition of tangible capital assets	(43,667,027)	(18,434,693)
Proceeds on disposal of tangible capital assets	37,082	444,701
Cash used in capital transactions	<u>(43,629,945)</u>	<u>(17,989,992)</u>
Investment Transactions		
Cash provided by (used in) investment transactions	<u>(4,764,938)</u>	<u>(2,633,826)</u>
Financing Transactions		
Short and long-term debt issued	3,325,512	16,779,875
Repayment of short and long-term debt	(1,734,300)	(1,172,801)
Cash provided by financing transactions	<u>1,591,212</u>	<u>15,607,074</u>
Net change in cash and cash equivalents	(11,885,432)	18,753,726
Cash and cash equivalents, Beginning of the year	84,180,386	65,426,660
Cash and cash equivalents, End of the year (Pg. 3)	(Note 2) \$ 72,294,954	\$ 84,180,386

The accompanying notes are an integral part of these consolidated financial statements

REGIONAL DISTRICT OF NANAIMO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2018

The Regional District was incorporated in 1967 under the provisions of the British Columbia Municipal Act. Its principal activities are the provision of district wide local government services to the residents of seven electoral areas and four municipalities within its boundaries. These services include general government administration, bylaw enforcement, planning and development services, building inspection, fire protection and emergency response planning, public transportation, parks and recreation, water supply and sewage collection, wastewater disposal, solid waste collection and disposal, and street lighting.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The Regional District follows Canadian public sector accounting standards issued by the Public Sector Accounting Board (PSAB) of CPA Canada.

Consolidated financial statements have been prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB). The consolidated financial statements include the activities related to all funds belonging to the one economic entity of the Regional District. In accordance with those standards, inter-departmental and inter-fund transactions have been removed to ensure financial activities are recorded on a gross basis. The consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements include the Regional District of Nanaimo's proportionate share of the Arrowsmith Water Service (a joint venture agreement with the City of Parksville and Town of Qualicum Beach) and the Englishman River Water Service (a joint venture agreement with the City of Parksville). The Regional District's share of the joint ventures is accounted for on a proportionate basis as follows:

Arrowsmith Water Service	22.4%
Englishman River Water Service	26.0%

Any inter-entity transactions are eliminated on consolidation.

(b) Cash and cash equivalents

Cash equivalents are carried at cost and have a maturity period of less than three months.

(c) Portfolio investments

Portfolio investments are carried at cost less any amortized premium and have a maturity period of greater than one year. It is the intention of the Regional District to hold these instruments to maturity. Any premium has been amortized on a straight-line basis using the earlier of the date of maturity or call date.

(d) Non-Financial Assets

i. Tangible capital assets

Tangible capital assets are physical assets that are to be used on a continuing basis, are not for sale in the ordinary course of operations and have useful economic lives extending beyond a single year. Section 3150 of Public Sector Accounting Handbook requires governments to record and amortize the assets over their estimated useful lives. Tangible capital assets are reported at historical cost and include assets financed through operating budgets, short-term and long-term debt, and leases. Tangible capital assets, when acquired, are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset.

REGIONAL DISTRICT OF NANAIMO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of the tangible capital asset less any estimated residual value is amortized on a straight-line basis over estimated useful lives as follows:

Asset Category	Useful Life Range (years)
Land	n/a
Land Improvements	15 - 50
Building	20 - 50
Equipment, Furniture & Vehicles	5 - 20
Engineering Structures	
Water	25 - 75
Sewer	45 - 75
Wastewater	30 - 75
Solid Waste	20 - 50
Transportation	20 - 50

In the year of acquisition and in the year of disposal, amortization is recorded as half of the annual expense for that year. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of tangible capital assets

Tangible capital assets received as contributions (examples are parklands as a result of subdivision, donated land and infrastructure built by property developers which is transferred to the Regional District) are recorded as assets and revenues at their fair value at the date of receipt.

iii. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(e) Debt servicing cost

Interest is recorded on an accrual basis.

(f) Financial Instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, portfolio investments, other jurisdictions debt receivable, short-term loans, accounts payable, other liabilities and long-term debt. Unless otherwise noted, it is management's opinion that the Regional District is not exposed to significant interest, currency or credit risk arising from these financial instruments.

REGIONAL DISTRICT OF NANAIMO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Revenue recognition

Revenues are recorded on an accrual basis and are recognized in the period in which they are earned.

Property tax revenues and payments in lieu are recognized as revenue when levied. Operating revenues such as user fees, tipping fees, garbage, and recycling collection fees are recognized when charged to the customer, when amounts are measurable and when collectability is reasonably assured. Interest on investments is recorded when earned on an accrual basis. Development cost contributions are recorded as deferred revenues when received and recognized as revenue in the year in which the associated expenses are incurred. Donations of tangible assets are recognized as revenue on the date of receipt. Other revenues are recognized as revenue when amounts can be reasonably estimated and collectability is reasonably assured.

The Regional District recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Regional District recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

(h) Expense recognition

Operating expenses are recorded on an accrual basis. Expenses under the accrual basis are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.

Estimates of employee future benefits are recorded as expenses in the year they are earned. Landfill closure and post closure costs are recognized as costs as landfill capacity is used.

(i) Contingent liabilities

Contingent liabilities are recognized in accordance with PS 3300, which requires that an estimate be recorded when it is likely that a future event will confirm that a liability has been incurred by the financial statement date and that the amount can be reasonably estimated.

(j) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Significant areas requiring management estimates are the determination of employee retirement benefits, landfill closure and post closure liabilities, likelihood of collection of accounts receivable, useful lives of tangible capital assets and provisions for contingencies. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the Regional District is responsible for. Actual results may vary from those estimates and adjustments will be reported in operations as they become known. Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provisions recognized.

REGIONAL DISTRICT OF NANAIMO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Regional District is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2018.

At each financial reporting date, the Regional District reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Regional District continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(l) Adoption of new accounting pronouncements

PS 2200 Related Party Disclosures

Effective January 1, 2018, the Regional District adopted the recommendations relating to PS 2200 *Related Party Disclosures*, as set out in the CPA Canada public sector accounting standards. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

This new Section defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

There was no material impact on the consolidated financial statements of adopting the new Section.

PS 3210 Assets

Effective January 1, 2018, the Regional District adopted the recommendations relating to PS 3210 *Assets*, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

The new Section provides guidance for applying the definition of assets set out in PS 1000 *Financial Statement Concepts*. The main features of this standard are as follows:

Assets are defined as economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained.

Economic resources can arise from such events as agreements, contracts, other government's legislation, the government's own legislation, and voluntary contributions.

The public is often the beneficiary of goods and services provided by a public sector entity. Such assets benefit public sector entities as they assist in achieving the entity's primary objective of providing public goods and services.

A public sector entity's ability to regulate an economic resource does not, in and of itself, constitute control of an asset if the interest extends only to the regulatory use of the economic resource and does not include the ability to control access to future economic benefits.

REGIONAL DISTRICT OF NANAIMO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A public sector entity acting as a trustee on behalf of beneficiaries specified in an agreement or statute is merely administering the assets, and does not control the assets, as future economic benefits flow to the beneficiaries.

An economic resource may meet the definition of an asset but would not be recognized if there is no appropriate basis for measurement and a reasonable estimate cannot be made, or if another Handbook Section prohibits its recognition. Information about assets not recognized should be disclosed in the notes.

There was no material impact on the consolidated financial statements of adopting the new Section.

PS 3320 Contingent Assets

Effective January 1, 2018, the Regional District adopted the recommendations relating to PS 3320 *Contingent Assets*, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

The new Section establishes disclosure standards on contingent assets. The main features of this Standard are as follows:

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset.

Passing legislation that has retroactive application after the financial statement date cannot create an existing condition or situation at the financial statement date.

Elected or public sector entity officials announcing public sector entity intentions after the financial statement date cannot create an existing condition or situation at the financial statement date.

Disclosures should include existence, nature, and extent of contingent assets, as well as the reasons for any non-disclosure of extent, and the basis for any estimates of extent made.

When a reasonable estimate can be made, disclosure should include a best estimate and a range of possible amounts (or a narrower range of more likely amounts), unless such a disclosure would have an adverse impact on the outcome.

There was no material impact on the consolidated financial statements of adopting the new Section.

PS 3380 Contractual Rights

Effective January 1, 2018, the Regional District adopted the recommendations relating to PS 3380 *Contractual Rights*, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

This new Section establishes disclosure standards on contractual rights and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Standard are as follows:

REGIONAL DISTRICT OF NANAIMO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.

Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.

Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

Disclosures should include descriptions about nature, extent, and timing.

There was no material impact on the consolidated financial statements of adopting the new Section.

PS 3430 Restructuring Transactions

In June 2015, new PS 3430 Restructuring Transactions was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section establishes disclosure standards on restructuring transactions. The main features of this Standard are as follows:

A restructuring transaction is defined separately from an acquisition. The key distinction between the two is the absence of an exchange of consideration in a restructuring transaction.

A restructuring transaction is defined as a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities that does not involve an exchange of consideration.

Individual assets and liabilities transferred in a restructuring transaction are derecognized by the transferor at their carrying amount and recognized by the recipient at their carrying amount with applicable adjustments.

The increase in net assets or net liabilities resulting from recognition and derecognition of individual assets and liabilities received from all transferors, and transferred to all recipients in a restructuring transaction, is recognized as revenue or as an expense.

Restructuring-related costs are recognized as expenses when incurred.

Individual assets and liabilities received in a restructuring transaction are initially classified based on the accounting policies and circumstances of the recipient at the restructuring date.

The financial position and results of operations prior to the restructuring date are not restated.

Disclosure of information about the transferred assets, liabilities and related operations prior to the restructuring date by the recipient is encouraged but not required.

The Section is effective for new restructuring transactions that occur in fiscal periods beginning on or after April 1, 2018. Earlier adoption is permitted.

The Regional District does not expect application of the new Standard to have a material effect on the consolidated financial statements.

REGIONAL DISTRICT OF NANAIMO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PS 3420 Inter-entity Transactions

Effective January 1, 2018, the Regional District adopted the recommendations relating to PS 3420 *Inter-entity Transactions*, as set out in the CPA Canada public sector accounting standards. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

The new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

The main features of the new Section are:

- i. Under a policy of cost allocation, revenues and expenses are recognized on a gross basis.
- ii. Transactions are measured at the carrying amount, except in specific circumstances.
- iii. A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice.
- iv. The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.
- v. Inter-entity transactions are considered in conjunction with PS 2200 *Related Party Disclosures*.

There was no material impact on the consolidated financial statements of adopting the new Section.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of cash on hand, cash on deposit at financial institutions and investments held in the Municipal Finance Authority of British Columbia investment funds.

	<u>2018</u>	<u>2017</u>
Cash	\$ 34,224,626	\$ 46,711,631
Cash equivalents	38,070,328	37,468,755
	<u>\$ 72,294,954</u>	<u>\$ 84,180,386</u>

3. ACCOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
Province of British Columbia	\$ 268,731	\$ 314,588
Government of Canada	2,128,518	971,278
Regional and local governments	955,112	654,769
BC Transit Annual Operating Agreement	2,800,997	1,001,008
Accrued investment interest	196,322	240,029
Developer DCC instalments/contributions	243,000	2,834,716
Other trade receivables	2,598,433	2,909,317
	<u>\$ 9,191,113</u>	<u>\$ 8,925,705</u>

REGIONAL DISTRICT OF NANAIMO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2018

4. PORTFOLIO INVESTMENTS

	<u>2018</u>	<u>2017</u>
Investments at cost less amortized premium	\$ <u>38,958,504</u>	\$ <u>34,193,566</u>

As at December 31, 2018, the following investments were held by the Regional District:

Investment		Amortized Purchase Price	Accrued Interest	Total Book Value	Market Value at December 31, 2018
BNS	2.81% deposit note	\$ 5,180,568	\$ 1,595	\$ 5,182,164	\$ 5,180,568
TD	2.39% deposit note	5,089,488	51,655	5,141,142	5,141,142
CCCU	2.85% deposit note	3,174,293	744	3,175,036	3,174,293
BMO	3.14% coupon note	3,000,000	13,678	3,013,678	2,999,788
AGROVE	2.45% deposit note	2,966,649	41,220	3,007,869	3,007,869
TD	1.50% extendible note	2,500,000	9,247	2,509,247	2,395,122
BMO	1.85% extendible note	2,802,000	9,089	2,811,089	2,767,308
BMO	1.60% extendible note	2,050,000	6,580	2,056,580	2,004,987
BMO	2.15% extendible note	2,000,000	1,849	2,001,849	1,927,961
TD	2.00% extendible note	2,000,000	15,995	2,015,995	1,973,961
BMO	2.50% extendible note	2,000,000	7,123	2,007,123	1,990,709
BMO	2.00% extendible note	1,515,000	7,397	1,522,397	1,504,556
TD	2.00% extendible note	1,500,000	7,775	1,507,775	1,490,801
CONEXUS	2.85% deposit note	995,000	7,847	1,002,847	1,002,847
CONEXUS	2.85% deposit note	995,000	7,458	1,002,458	1,002,458
CONEXUS	2.85% deposit note	995,000	7,070	1,002,070	1,002,070
TD	1.00% deposit note	195,506	-	195,506	195,365
		\$ <u>38,958,504</u>	\$ <u>196,322</u>	\$ <u>39,154,826</u>	\$ <u>38,761,806</u>

5. OTHER ASSETS

	<u>2018</u>	<u>2017</u>
Security deposits for building or development permit applications	\$ <u>25,578</u>	\$ <u>579,903</u>

REGIONAL DISTRICT OF NANAIMO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2018

6. SHORT-TERM LOANS

During 2018, the Regional District entered into one additional short-term loan agreement totalling \$475,000 with the Municipal Finance Authority. In 2018, principal payments of \$108,345 were made. The maturity dates of the loans range between 1 to 5 years. The interest rates for these loans are variable, which at December 31 was 2.79%.

	<u>2018</u>	<u>2017</u>
Compactor	\$ -	\$ 43,121
Land - Community Parks EA B	112,800	150,400
Trailer and Kubota	3,676	8,952
Land - Community Parks EA F	60,000	75,000
Fire Trucks - Errington Volunteer Fire Department	467,652	-
	<u>\$ 644,128</u>	<u>\$ 277,473</u>

Short-term loan payments for the next five years are:

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>TOTAL</u>
\$146,930	\$145,645	\$148,004	112,797	\$90,752	<u>\$644,128</u>

7. ACCOUNTS PAYABLE

	<u>2018</u>	<u>2017</u>
Payable to Federal Government	\$ 222,731	\$ 198,935
Payable to Provincial Government	831,091	785,638
Payable to other local governments	159,037	1,119,919
Trade and other payables	10,428,975	5,429,512
	<u>\$ 11,641,834</u>	<u>\$ 7,534,004</u>

8. OTHER LIABILITIES

	<u>2018</u>	<u>2017</u>
Wages and benefits payable	\$ 1,738,230	\$ 1,711,006
Retirement benefits payable - see note 9(a) i	2,051,001	2,243,138
Permit deposits	627,978	479,137
	<u>\$ 4,417,209</u>	<u>\$ 4,433,281</u>

REGIONAL DISTRICT OF NANAIMO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2018

9. UNFUNDED LIABILITIES

Unfunded liabilities represent the estimated amount of cumulative future expenses required to meet obligations which result from current operations. These liabilities are related to contractual employment obligations and landfill operations which are governed by Provincial statute. Special reserves which have been set aside to meet those obligations are described below.

(a) Employee Benefits

- i. Retirement Benefits - The Regional District provides vested sick leave benefits to its employees who retire where they can qualify for a one time payout of up to 60 days of their accumulated unused sick leave. The amount recorded for these benefits is based on an actuarial evaluation done by an independent firm using a projected benefit actuarial valuation method prorated on service. The actuarial valuation was calculated at December 31, 2018.

The accrued post-employment benefits are as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 1,797,849	\$ 1,777,474
Current service costs	161,076	149,400
Benefits paid	(178,123)	(156,899)
Interest cost	50,011	54,096
Amortization of Net Actuarial Loss/ (Gain)	(25,592)	(26,222)
Balance, end of year	<u>\$ 1,805,221</u>	<u>\$ 1,797,849</u>

The significant actuarial assumptions adopted in measuring the Regional District's post-employment benefits are as follows:

	<u>2018</u>	<u>2017</u>
Discount Rate	3.30%	2.90%
Expected Inflation Rate and Wage & Salary Increases	2.50%	2.50%
Retirement benefits payable	<u>2018</u>	<u>2017</u>
Balance reported in Note 8	\$ 2,051,001	\$ 2,243,138
Consolidation adjustment for actuarial valuation	(245,780)	(445,289)
Accrued benefit balance, end of year	<u>\$ 1,805,221</u>	<u>\$ 1,797,849</u>

- ii. Other – Includes vacation pay adjustments and statutory and other benefits provided for in the collective agreement and which are paid in the normal course of business in the following year. The vacation pay liability at December 31, 2018 is \$128,143 (2017, \$109,294). The statutory benefits liability at December 31, 2018 is \$198,329 (2017, \$144,842).

(b) Landfill Closure and Post Closure Maintenance Costs

In accordance with PS 3270, liabilities with respect to permanently closing and monitoring a landfill are incurred as landfill capacity is used. Landfill Closure costs include placing a permanent cover over the face of the landfill. Post Closure Maintenance costs include landfill gas monitoring, leachate collection system operation and general site maintenance for a period of 200 years after the landfill is permanently closed.

REGIONAL DISTRICT OF NANAIMO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2018

9. UNFUNDED LIABILITIES (CONTINUED)

- i. Landfill Closure costs - are estimated based on the open area of the remaining unused capacity of the landfill site. In 2009, a revised design and operations plan was approved for the landfill which provides additional airspace for future needs. This plan extended the estimated life of the landfill to 2030 which has since been updated to 2042 based on most recent usage data. The plan includes remediation and reuse of previously filled areas as well as extending perimeter berms for the development of new airspace.

At December 31, 2018, there were approximately 1,610,994 cubic meters of airspace available for waste and daily cover. Landfill Closure costs are estimated at \$12,077,404 (2017, \$9,677,527). As at December 31, 2018, \$2,079,798 (2017, \$1,843,650) has been set aside in reserves for this purpose. The balance of Landfill Closure costs are expected to be funded by a combination of future reserve account contributions, operating budgets and/or borrowing.

- ii. Post Closure Maintenance costs – are costs estimated to manage the closed landfill for a statutory period of 200 years (increased from 25 years in 2015). Post Closure Maintenance costs are estimated using a number of factors including the percentage of landfill capacity already filled, the probable closure date, the regulated monitoring period, the estimated annual maintenance costs and a present value discount rate which is the difference between the long-term MFA borrowing rate and the 5 year average Consumer Price Index. The current estimate for annual Post Closure Maintenance costs are \$575,000 for year 1-5; \$475,000 for year 6-10; \$275,000 for year 11-25; and \$100,000 for year 26-200. Total Post Closure Maintenance costs are estimated to be \$5,185,813 (2017, \$5,601,807) based on 66% of the total landfill capacity being filled at this date, a 24 year lifespan to 2042, final closure in 2043, and a discount rate of 1.63%. Post Closure Maintenance costs are expected to be funded by annual budget appropriations in the years in which they are incurred.

The remaining liability to be recognized is estimated to be \$8,893,172 (2017, \$7,871,171) based on the remaining capacity of 1,610,994 cubic meters of airspace, which is 34% of the total landfill capacity.

<u>Unfunded Liability Balances</u>	<u>2018</u>	<u>2017</u>
Employee Retirement Benefits	\$ (245,780)	\$ (445,289)
Employee Other Benefits	326,471	254,136
Landfill Closure Costs	12,077,404	9,677,527
Post Closure Maintenance Costs	5,185,813	5,601,807
Unfunded Liability	<u>\$ 17,343,908</u>	<u>\$ 15,088,181</u>
Reserves On Hand	<u>\$ 2,079,798</u>	<u>\$ 1,843,650</u>

10. DEFERRED REVENUE

	<u>December 31,</u> <u>2017</u>	<u>Restricted</u> <u>Inflows</u>	<u>Revenue</u> <u>Recognized</u>	<u>December 31,</u> <u>2018</u>
Development Cost Charges	\$ 17,424,967	\$ 3,803,580	\$ (5,459,058)	\$ 15,769,489
Gas Tax Revenue Transfer program – Community Works Fund	8,310,258	1,912,630	(841,875)	9,381,013
Clean Water/Wastewater Revenue Transfer program	2,414,272	43,815	-	2,458,087
Other	514,169	71,515	(167,863)	417,821
	<u>\$ 28,663,666</u>	<u>\$ 5,831,540</u>	<u>\$ (6,468,796)</u>	<u>\$ 28,026,410</u>

REGIONAL DISTRICT OF NANAIMO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2018

10. DEFERRED REVENUE (CONTINUED)

Development Cost Charges - are amounts collected or payable as a result of new subdivision or building developments under the authority of Section 559 of the *Local Government Act*. The purpose of Section 559 is to collect funds for infrastructure which will be built as a result of population growth. Development Cost Charge bylaws have been enacted for the future expansion of wastewater treatment facilities, sewer, water and a bulk water system.

Community Works Fund - is a component of the federal government's "Investing in Canada Program" which was established to transfer a portion of gas tax revenues to local governments to address infrastructure deficits. Additional information on the Regional District of Nanaimo's use of the Community Works Fund grants is included in the schedule on Pg. 35.

11. LONG-TERM DEBT

Debt is recorded and payable in Canadian dollars. It is the current policy of the Municipal Finance Authority to secure debt repayable only in Canadian dollars.

Details of long-term debt, including debt issue numbers, maturity dates, interest rates and outstanding amounts, are summarized in the Schedule of Long-Term Debt on pages 28 to 31.

	<u>2018</u>	<u>2017</u>
Long-Term debt - Regional District services	\$ 35,681,273	\$ 34,858,326
Vancouver Island Regional Library	14,363,594	14,785,940
Member municipalities	<u>49,029,975</u>	<u>45,845,012</u>
Total Long-Term Debt	<u>\$ 99,074,842</u>	<u>\$ 95,489,278</u>

Payments of principal on issued debt of the Regional District, not including member municipalities, for the next five years are:

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Thereafter</u>	<u>TOTAL</u>
\$2,038,970	\$2,034,934	\$2,035,047	\$1,966,777	\$1,963,871	\$25,641,674	<u>\$35,681,273</u>

12. OTHER JURISDICTIONS DEBT RECEIVABLE

Pursuant to the *Local Government Act*, the Regional District acts as the agency through which its member municipalities and other jurisdictions borrow funds from the Municipal Finance Authority. The annual cost of servicing this debt is recovered entirely from the borrowing jurisdiction. However, the Regional District is joint and severally liable for this debt in the event of default.

	<u>2018</u>	<u>2017</u>
Town of Qualicum Beach	\$ 3,240,555	\$ 3,703,491
City of Parksville	4,837,242	1,258,210
City of Nanaimo	40,952,178	40,883,311
Vancouver Island Regional Library	<u>14,363,594</u>	<u>14,785,940</u>
	<u>\$ 63,393,569</u>	<u>\$ 60,630,952</u>

REGIONAL DISTRICT OF NANAIMO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2018

13. TANGIBLE CAPITAL ASSETS

Net Book Value	<u>2018</u>	<u>2017</u>
Land	\$ 43,190,799	\$ 42,610,826
Land improvements	10,896,759	11,191,795
Buildings	30,387,874	31,821,555
Engineered structures	94,203,199	97,312,780
Equipment, furniture and vehicles	10,870,848	8,415,197
Assets under construction	57,807,440	19,759,671
	<u>\$ 247,356,919</u>	<u>\$ 211,111,824</u>

The Consolidated Schedule of Tangible Capital Assets (Pg. 27) provides details of acquisitions, disposals and amortization for the year.

14. GOVERNMENT TRANSFERS AND GRANTS

	<u>2018</u>	<u>2017</u>
Federal Government		
Operating transfers	\$ 349,023	\$ 924,166
Capital transfers	<u>7,133,951</u>	<u>1,560,519</u>
	<u>\$ 7,482,974</u>	<u>\$ 2,484,685</u>
Provincial Government		
Operating transfers	\$ 6,374,154	\$ 5,940,806
Capital transfers	<u>504,182</u>	<u>862,193</u>
	<u>\$ 6,878,336</u>	<u>\$ 6,802,999</u>
Total Government Transfers and Grants	<u>\$ 14,361,310</u>	<u>\$ 9,287,684</u>

REGIONAL DISTRICT OF NANAIMO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2018

15. ACCUMULATED SURPLUS

The financial operations of the Regional District are divided into three funds: capital fund, general revenue fund and reserve fund. For accounting purposes, each fund is treated as a separate entity.

General Revenue Fund – represents the accumulated operating surplus of the Regional District which has not otherwise been allocated by the Board as reserves for special purposes.

Capital Fund – represents amounts which have been expended by or returned to the General Revenue Fund or a Reserve Fund for the acquisition of tangible capital assets and includes related debt and refunds of debenture debt sinking fund surpluses.

Reserves - represents that portion of the accumulated operating surplus that has been set aside to fund future expenses. It includes both statutory reserves created by bylaw under the authority of the *Local Government Act* and reserve accounts, which may be used by the Board without legislative restrictions.

The Accumulated Surplus consists of individual fund surpluses (deficits) and reserves as follows:

	<u>2018</u>	<u>2017</u>
Unappropriated Surplus (Page 36)	13,053,647	12,297,424
Appropriated Surplus		
Reserve for future expenditures	4,863,180	3,906,208
Landfill closure	2,079,798	1,843,650
Property insurance deductible-fire departments	31,588	31,010
Liability insurance deductible	156,041	153,187
Regional Sustainability Initiatives	12,693	12,467
Dashwood Fire	10,144	453
San Pareil Boundary Amendment	10,263	10,097
Regional parks and trails donations	69,462	57,921
Vehicle fleet replacement (various departments)	553,235	1,007,139
	<u>20,840,051</u>	<u>19,319,556</u>
Net investment in Tangible capital assets (Note 16)	211,031,519	175,976,025
Capital Fund advances	171,261	4,779,379
Unfunded liabilities	<u>(17,343,908)</u>	<u>(15,088,181)</u>
	<u>214,698,923</u>	<u>184,986,779</u>
Restricted Reserve Funds (Page 33)	<u>57,410,445</u>	<u>65,093,735</u>
Accumulated Surplus (Page 3)	<u>\$ 272,109,368</u>	<u>\$ 250,080,514</u>

REGIONAL DISTRICT OF NANAIMO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2018

16. NET INVESTMENT IN TANGIBLE CAPITAL ASSETS

Net investment in tangible capital assets represents the historic cost of capital expenses less debt obligations incurred to purchase and develop the infrastructure.

	<u>2018</u>	<u>2017</u>
Tangible capital assets (Pg. 3)	\$ 247,356,919	\$ 211,111,824
Short-term loans (Pg. 3)	(644,128)	(277,473)
Long-term debt - Regional District only (Note 11)	(35,681,273)	(34,858,326)
Net investment in Tangible capital assets (Note 15)	<u>\$ 211,031,519</u>	<u>\$ 175,976,025</u>

17. BUDGET FIGURES

Budget figures represent the Financial Plan Bylaw adopted by the Board on March 27, 2018. The financial plan includes capital expenses but does not include amortization expense. The financial plan forms the basis for taxation and fees and charges rates which may be required for a particular year. The following reconciliation of the budgeted "Surplus for the year" shown on Pg. 4 is provided to show which items must be added or removed to reflect to the budgeted financial plan values which are shown compared to actual expenses on Pg. 36 (General Revenue Fund Schedule of Revenue and Expenses).

	<u>2018 Budget</u>
Budgeted Surplus for the year (Pg. 4)	\$ 29,663,357
Add:	
Transfers from reserves	37,241,862
Proceeds of borrowing	15,119,726
Prior year operating surplus	12,146,812
Less:	
Capital expenses	(72,943,091)
Prior Year consolidation adjustments	
Debt principal repayments/actuarial adjustments	
Budgeted principal payments	\$ 4,958,635
Add: Actuarial Adjustments	401,611
Less: Principal payments for member municipalities	<u>(3,188,064)</u>
Transfer to reserves	<u>(10,433,016)</u>
Consolidated Budgeted Surplus, per Regional District of Nanaimo Financial Plan Bylaw No. 1771 (Pg. 36)	<u>\$ 8,623,468</u>

18. MUNICIPAL FINANCE AUTHORITY RESERVE DEPOSITS

The Regional District secures its long-term borrowing through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds are retained by the Authority as a debt reserve fund. As at December 31, 2018, the Regional District had debt reserve funds of \$545,125 (2017, \$535,176).

REGIONAL DISTRICT OF NANAIMO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2018

19. NORTH ISLAND 9-1-1 CORPORATION

A 9-1-1 emergency call answering service is provided by the North Island 9-1-1 Corporation, which is owned by the Regional Districts of Comox Valley, Strathcona, Mount Waddington, Alberni Clayoquot, Nanaimo, and Powell River. The shares in the corporation are owned as follows:

Alberni Clayoquot	3 shares
Comox Valley	6 shares
Strathcona	4 shares
Mount Waddington	1 share
Nanaimo	5 shares
Powell River	2 shares

The Regional District's investment in shares of the North Island 9-1-1 Corporation is recorded at cost as it does not fall under the definition of a government partnership (PS 3060.06). The Regional District's share of the corporation is equal to 23.8% and the degree of control is proportionate to the ownership share. As no benefits are expected from the ownership, it has not been accounted for as an equity investment.

20. PENSION LIABILITY

The Regional District of Nanaimo and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer contributory pension plan. Basic pension benefits are based on a formula. As at December 31, 2018, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from the local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and the 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.

The most recent valuation for the Municipal Pension Plan was at December 31, 2015, indicated a \$2.224 billion funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1.927 billion was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The Regional District of Nanaimo paid \$2,175,914 (2017, \$2,036,380) for employer contributions to the Plan in fiscal 2018.

	<u>2018</u>	<u>2017</u>
Employer Portion	\$ 2,175,914	\$ 2,036,380
Employee Portion	<u>1,921,741</u>	<u>1,782,863</u>
	<u>\$ 4,097,655</u>	<u>\$ 3,819,243</u>

21. CONTINGENT LIABILITIES

Contingent liabilities are recognized by the Regional District in accordance with PS 3300.15. As at December 31, 2018, there were outstanding claims against the Regional District, however, no liability has been accrued because amounts are undeterminable and the likelihood of the Regional District having to make payment is uncertain.

REGIONAL DISTRICT OF NANAIMO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2018

22. ENVIRONMENTAL REGULATIONS

The Regional District is subject to environmental regulations which apply to a number of its operations. These regulations may require future expenses to meet applicable standards and subject the Regional District to possible penalties for violations. Amounts required to meet these obligations will be charged to operations when incurred and/or when they can be reasonably estimated.

23. EXPENSES BY OBJECT

	<u>Budget</u>	<u>2018</u>	<u>2017</u>
Operating goods and services	\$ 36,984,174	\$ 33,994,163	\$ 34,053,190
Wages and benefits	34,034,730	33,100,265	30,547,859
Debt interest	1,507,439	1,507,439	1,253,676
Amortization expense	-	7,335,406	7,216,168
Unfunded expenditures (Note 9)	-	2,255,728	2,290,731
Total Expenditures by Object	<u>\$ 72,526,343</u>	<u>\$ 78,193,001</u>	<u>\$ 75,361,624</u>

24. ARROWSMITH WATER SERVICE AND ENGLISHMAN RIVER WATER SERVICE JOINT VENTURES

The Arrowsmith Water Service (AWS) was formed in 1996 as a joint venture between the Regional District of Nanaimo, the City of Parksville and the Town of Qualicum Beach. The AWS was established to develop a bulk water supply available to the participants in the service and to construct the Arrowsmith Dam as a first step in that development as well as to provide for protection of the fisheries habitat of the Englishman River.

The Englishman River Water Service (ERWS) is a joint venture between the City of Parksville and the Regional District of Nanaimo, formed to secure a bulk water supply from the Englishman River. This regional partnership supplements existing well supply sources owned and operated by the City of Parksville and Nanoose Bay Peninsula Water Service Area. The ERWS development plan includes a new river water supply intake, new water treatment plant and distribution system.

Financial results and budget for the joint ventures are consolidated in the Regional District of Nanaimo's financial statements proportionately based on the joint venture agreements: 22.4% of the Arrowsmith Water Service and 26% of the Englishman River Water Service.

The following table summarizes the financial statements of the two joint ventures.

	<u>Arrowsmith Water Service 2018</u>	<u>Englishman River Water Service 2018</u>
Financial assets	\$ 369,630	\$ 3,127,772
Non-financial assets	<u>6,457,416</u>	<u>33,855,482</u>
Accumulated surplus	<u><u>6,827,046</u></u>	<u><u>36,983,254</u></u>
Revenues		
Joint venturer contributions	\$ 110,087	\$ 6,341,942
Capital grant	<u>-</u>	<u>4,492,229</u>
	110,087	10,834,171
Expenses		
Operating	<u>80,087</u>	<u>16,708</u>
Annual surplus (deficit)	<u><u>\$ 30,000</u></u>	<u><u>\$ 10,817,463</u></u>

REGIONAL DISTRICT OF NANAIMO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 2018

25. CONTAMINATED SITES

At the reporting date, only one site was identified as potentially contaminated due to past industrial use at this site and on the neighbouring property; these findings remain unchanged from the December 31, 2015 year end. For this site there is insufficient information to determine whether contamination exceeding the relevant environmental standard is likely to exist, or whether remediation is required. The future cost and responsibility for remediation of this site is not currently determinable.

26. SUBSEQUENT EVENTS

On March 26, 2019, the decision was made to discontinue the Bowser Village Centre Sewer Servicing project. The RDN was awarded a joint Federal and Provincial Clean Water and Wastewater Fund of up to \$7.6 million, with \$2.4 million being received in 2017. Development Cost Charges towards the project in the amount of \$2.6 million were received in 2018. Project funding will be returned in 2019, and the design cost of \$0.3 million will be written off.

27. COMMITMENTS

As at December 31, 2018, the regional district had the following significant commitments:

NAC Constructors Ltd. – for the Greater Nanaimo Pollution Control Centre Secondary Treatment Upgrade. Scheduled for completion in 2019, this project has a remaining commitment of \$26,974,439.

Circular Waste British Columbia Inc. – for the Solid Waste Organics Processing Agreement. This 20-year agreement, which expires December 7, 2038, provides for a minimum payment of \$1,350,000 in the first year and is adjusted for inflation in each of the subsequent years.

28. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

**REGIONAL DISTRICT OF NANAIMO
CONSOLIDATED SCHEDULE OF REVENUE AND EXPENSES BY SEGMENT
as at December 31, 2018**

PS2700 requires that governments define and disclose additional information related to its activities, by segment. Regional Districts are required by the Local Government Act to charge or allocate all expenses directly or reasonably attributable to a service, to that service. The information in these financial statements conforms in all respects to the requirements of the Local Government Act.

For the purposes of PS2700 the segmented information above corresponds to the classification of expenses shown on the Consolidated Statement of Operations. The expense classifications on the Consolidated Statement of Operations represent the major activities provided by the Regional District of Nanaimo.

The following activities are included in the segments shown on Pg. 26:

General Government includes overall administration, legislative services including elections and feasibility studies. These services are paid for by multiple member jurisdictions of the Regional District and affect most taxpayers residing in the Regional District of Nanaimo. Schedule A on Pg. 37 of this report provides additional details with respect to revenues and expenditures for services falling under General Government.

Strategic and Community Development includes community and regional land use planning, house numbering and building inspection. Planning & Development services are largely paid for by Electoral Areas of the Regional District of Nanaimo. Schedules B and B-1 on Pgs. 38-39 of this report provide additional details with respect to revenues and expenditures for each of these services.

Wastewater and Solid Waste includes sewage treatment plants and solid waste disposal activities, including programs for garbage collection and recycling. The Regional District operates two treatment plants in both the northern and southern portions of the Regional District. A solid waste landfill and transfer station are funded at a regional level, with garbage collection & recycling services provided in areas outside of the City of Nanaimo. Detailed revenue and expenditure information on wastewater treatment plants is found on Schedule C-1, Pg. 41 of this report. Detailed revenue and expenditure information on solid waste management is found on Schedule C, Pg. 40.

Water, Sewer, and Street lighting includes neighbourhood water supply, sewage collection systems and street lights. Only taxpayers within these areas pay for the service. Detailed revenue and expenditure information on these services can be found on Schedules C-2, C-3 and C-4 (Pgs. 42-44) of this report.

Public Transportation includes conventional and HandyDart bus service. Public transit services are available to the City of Nanaimo, City of Parksville, Town of Qualicum Beach, Electoral Area G and portions of Electoral Areas A, E and C. Detailed revenue and expenditure information on transportation services is found on Schedule E, Pg. 47 of this report.

Protective Services includes volunteer and contract fire protection services, emergency planning, bylaw enforcement and the Regional District's participation in E911 services. Detailed revenue and expenditure information on protective services is found on Schedules E-1 and E-2, Pgs. 48-49 of this report.

Parks, Recreation, and Culture includes operations and development of community and regional parks, provision of recreation programming, operation of a multiplex arena and aquatic centre and includes some services provided by agreement with municipalities within the Regional District of Nanaimo. Detailed revenue and expenditure information on parks, recreation & culture services is found on Schedules D and D-1, Pgs. 45-46 of this report.

REGIONAL DISTRICT OF NANAIMO
CONSOLIDATED SCHEDULE OF REVENUE AND EXPENSES BY SEGMENT
as at December 31, 2018

	General Government	Strategic & Community Development	Wastewater & Solid Waste	Water, Sewer & Street lighting	Public Transportation	Protective Services	Parks, Recreation & Culture	2018 Total	2017 Total
Revenues									
Property taxes	\$ 2,376,586	\$ 2,171,638	\$ 13,430,531	\$ 4,935,455	\$ 10,416,051	\$ 6,004,615	\$ 10,839,337	\$ 50,174,213	\$ 48,026,015
Operating revenues	20,327	1,845,475	15,160,038	1,600,257	5,048,285	164,835	1,783,444	25,622,661	24,712,090
Government transfers and grants	372,860	213,120	6,363,901	1,047,056	5,954,301	103,608	306,464	14,361,310	9,287,684
Developer contributions	-	-	5,483,168	8,420	-	-	32,303	5,523,891	2,535,951
Other income	437,756	10,236	1,027,829	270,276	40,190	297,099	187,342	2,270,728	1,111,434
Investment income	510,553	18,621	729,912	102,206	77,526	69,298	165,370	1,673,486	894,664
Payment in lieu of taxes	83,394	10,259	252,297	75	207,555	14,627	27,359	595,566	197,398
	<u>3,801,476</u>	<u>4,269,349</u>	<u>42,447,676</u>	<u>7,963,745</u>	<u>21,743,908</u>	<u>6,654,082</u>	<u>13,341,619</u>	<u>100,221,855</u>	<u>86,765,236</u>
Expenses									
Operating goods & services	(956,104)	1,114,740	13,333,708	2,832,857	8,214,479	4,313,773	5,140,710	33,994,163	34,053,190
Wages and benefits	4,272,380	2,522,710	6,510,088	1,641,133	12,714,225	804,544	4,635,185	33,100,265	30,547,859
Debt interest	-	-	577,372	352,848	-	170,713	406,506	1,507,439	1,253,676
Amortization expense	356,751	16,631	4,117,101	882,363	344,159	544,416	1,073,985	7,335,406	7,216,168
Unfunded expenses	271,845	-	1,983,883	-	-	-	-	2,255,728	2,290,731
	<u>3,944,872</u>	<u>3,654,081</u>	<u>26,522,152</u>	<u>5,709,201</u>	<u>21,272,863</u>	<u>5,833,446</u>	<u>11,256,386</u>	<u>78,193,001</u>	<u>75,361,624</u>
Surplus (deficit) for the year	<u>\$ (143,396)</u>	<u>\$ 615,268</u>	<u>\$ 15,925,524</u>	<u>\$ 2,254,544</u>	<u>\$ 471,045</u>	<u>\$ 820,636</u>	<u>\$ 2,085,233</u>	<u>\$ 22,028,854</u>	<u>\$ 11,403,612</u>

REGIONAL DISTRICT OF NANAIMO
CONSOLIDATED SCHEDULE OF REVENUE AND EXPENSES BY SEGMENT
as at December 31, 2017

	General Government	Strategic & Community Development	Wastewater & Solid Waste	Water, Sewer & Street lighting	Public Transportation	Protective Services	Parks, Recreation & Culture	2017 Total	2016 Total
Revenues									
Property taxes	\$ 1,848,448	\$ 2,279,592	\$ 13,257,879	\$ 4,721,047	\$ 10,059,399	\$ 5,389,851	\$ 10,469,799	\$ 48,026,015	\$ 45,498,181
Operating revenues	-	1,658,064	14,832,546	1,533,423	4,613,062	320,412	1,754,583	24,712,090	22,975,645
Government transfers and grants	490,057	109,992	732,834	1,317,404	5,647,224	-	990,173	9,287,684	15,735,117
Developer contributions	130,718	-	96,142	33,891	-	-	2,275,200	2,535,951	4,853,756
Other income	199,659	11,865	345,991	191,922	17,003	256,459	88,535	1,111,434	923,198
Investment income	301,018	8,561	378,402	49,206	39,026	38,410	80,041	894,664	949,436
Payment in lieu of taxes	77,470	5,876	51,372	66	43,306	12,375	6,933	197,398	319,413
	<u>3,047,370</u>	<u>4,073,950</u>	<u>29,695,166</u>	<u>7,846,959</u>	<u>20,419,020</u>	<u>6,017,507</u>	<u>15,665,264</u>	<u>86,765,236</u>	<u>91,254,746</u>
Expenses									
Operating goods & services	(992,070)	1,101,648	13,676,468	2,843,012	8,611,633	4,107,260	5,548,349	34,053,190	31,956,377
Wages and benefits	4,197,736	2,184,435	5,979,112	1,531,255	10,645,741	688,353	4,478,117	30,547,859	29,012,116
Debt interest	-	-	368,630	310,292	-	168,065	406,689	1,253,676	1,018,253
Amortization expense	352,495	18,731	4,105,471	881,594	344,111	508,101	1,005,665	7,216,168	6,846,859
Unfunded expenses	202,919	-	2,087,812	-	-	-	-	2,290,731	230,538
	<u>3,761,080</u>	<u>3,304,814</u>	<u>26,217,493</u>	<u>5,566,153</u>	<u>19,601,485</u>	<u>5,471,779</u>	<u>11,438,820</u>	<u>75,361,624</u>	<u>69,064,143</u>
Surplus (deficit) for the year	<u>\$ (713,710)</u>	<u>\$ 769,136</u>	<u>\$ 3,477,673</u>	<u>\$ 2,280,806</u>	<u>\$ 817,535</u>	<u>\$ 545,728</u>	<u>\$ 4,226,444</u>	<u>\$ 11,403,612</u>	<u>\$ 22,190,603</u>

See notes to consolidated financial statements

**REGIONAL DISTRICT OF NANAIMO
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
AS AT DECEMBER 31, 2018**

	Land	Land Improvements	Buildings	Engineered Structures	Equipment, Furniture & Vehicles	Assets Under Construction	Total 2018	Total 2017
COST								
Balance, beginning of year	\$ 42,610,826	\$ 13,679,456	\$ 52,033,552	\$ 160,320,668	\$ 24,574,562	\$ 19,759,671	\$ 312,978,735	\$ 293,099,822
Add:								
Additions	579,973	127,498	146,854	691,107	3,992,275	38,129,320	43,667,027	20,700,693
Less:								
Disposals	-	-	-	-	357,506	81,551	439,057	821,780
Balance, end of year	<u>43,190,799</u>	<u>13,806,954</u>	<u>52,180,406</u>	<u>161,011,775</u>	<u>28,209,331</u>	<u>57,807,440</u>	<u>356,206,705</u>	<u>312,978,735</u>
ACCUMULATED AMORTIZATION								
Balance, beginning of year	\$ -	\$ 2,487,661	\$ 20,211,997	\$ 63,007,888	\$ 16,159,365	\$ -	101,866,911	\$ 94,872,562
Add:								
Amortization	-	422,534	1,580,535	3,800,688	1,531,649	-	7,335,406	7,216,168
Less:								
Accumulated amortization on disposals	-	-	-	-	352,531	-	352,531	221,819
Balance, end of year	<u>-</u>	<u>2,910,195</u>	<u>21,792,532</u>	<u>66,808,576</u>	<u>17,338,483</u>	<u>-</u>	<u>108,849,786</u>	<u>101,866,911</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 43,190,799</u>	<u>\$ 10,896,759</u>	<u>\$ 30,387,874</u>	<u>\$ 94,203,199</u>	<u>\$ 10,870,848</u>	<u>\$ 57,807,440</u>	<u>\$ 247,356,919</u>	<u>\$ 211,111,824</u>

See notes to consolidated financial statements

REGIONAL DISTRICT OF NANAIMO
LONG-TERM DEBT SUMMARY BY FUNCTION
DECEMBER 31, 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
REGIONAL DISTRICT					
RAVENSONG AQUATIC CENTRE	313,224	-	-	-	\$ -
OCEANSIDE PLACE ARENA	3,954,686	3,580,996	3,192,358	2,788,175	2,367,824
REGIONAL PARKS	1,984,688	1,912,964	1,838,371	1,760,795	1,680,115
COMMUNITY PARKS	310,004	285,373	259,679	232,873	204,906
WASTEWATER MANAGEMENT			5,000,000	19,813,921	19,064,025
FIRE PROTECTION	4,352,441	4,160,535	4,189,644	3,994,473	3,791,669
SEWER SERVICES	1,822,604	1,956,994	1,848,406	1,735,515	1,618,149
WATER SUPPLY SERVICES	2,891,369	2,587,690	3,176,528	4,532,574	6,954,583
VANCOUVER ISLAND REGIONAL LIBRARY	<u>15,957,989</u>	<u>15,582,525</u>	<u>15,192,042</u>	<u>14,785,940</u>	<u>14,363,594</u>
TOTAL REGIONAL DISTRICT	31,587,005	30,067,078	34,697,031	49,644,266	50,044,866
MEMBER MUNICIPALITIES	<u>52,213,097</u>	<u>53,520,830</u>	<u>49,751,819</u>	<u>45,845,012</u>	<u>49,029,976</u>
TOTAL LONG-TERM DEBT (Pg. 3)	<u><u>83,800,102</u></u>	<u><u>83,587,908</u></u>	<u><u>84,448,850</u></u>	<u><u>95,489,278</u></u>	<u><u>\$ 99,074,842</u></u>

See notes to consolidated financial statements

**REGIONAL DISTRICT OF NANAIMO
SCHEDULE OF LONG-TERM DEBT
DECEMBER 31, 2018**

FUNCTION	ISSUER	FUNDS	BYLAW NUMBER	MATURITY DATE	INTEREST RATE	ORIGINAL VALUE	2018 DEBT O/S	2017 DEBT O/S
OCEANSIDE PLACE ARENA								
MFA 97	CDN	1365	Apr 19,2023	4.830	6,470,646	2,367,824	2,788,175	
TOTAL OCEANSIDE PLACE ARENA						6,470,646	2,367,824	2,788,175
REGIONAL PARKS								
MFA 126	CDN	1629	Sep 26,2033	3.850	2,053,653	1,680,115	1,760,795	
TOTAL REGIONAL PARKS						2,053,653	1,680,115	1,760,795
COMMUNITY PARKS								
ELECTORAL AREA B								
MFA 78	CDN	1299	Dec 03, 2022	2.250	100,000	28,454	34,741	
MFA 79	CDN	1303	Jun 03, 2023	5.250	80,000	27,793	32,583	
MFA 81	CDN	1304	Apr 22, 2024	4.900	80,000	32,583	37,145	
MFA 93	CDN	1305	Apr 06, 2025	5.100	80,000	32,676	36,891	
MFA 97	CDN	1306	Apr 19, 2026	4.660	80,000	39,633	43,768	
MFA 101	CDN	1307	Apr 11, 2027	2.250	80,000	43,768	47,745	
TOTAL COMMUNITY PARKS						500,000	204,906	232,873
FIRE PROTECTION SERVICES								
MEADOWOOD FIRE								
MFA 110	CDN	1587	Apr 08, 2030	4.500	1,773,410	1,224,664	1,303,033	
NANAIMO RIVER FIRE								
MFA 99	CDN	1488	Apr 19,2027	4.430	20,761	10,285	11,358	
NANOOS BAY FIRE								
MFA 130	CDN	1617	Oct 14, 2034	3.000	2,790,000	2,392,136	2,497,528	
COOMBS-HILLIERS FIRE								
MFA 139	CDN	1538	Oct 5, 2026	2.100	200,000	164,584	182,554	
TOTAL FIRE PROTECTION SERVICES						4,784,171	3,791,669	3,994,473
SEWER SERVICES								
BARCLAY CRESCENT SEWER								
MFA 102	CDN	1486	Dec 01, 2027	4.820	895,781	490,086	534,615	
CEDAR SEWER								
MFA 106	CDN	1571	Oct 13, 2029	4.130	926,180	597,026	639,592	
MFA 106	CDN	1572	Oct 13, 2029	4.130	27,200	17,533	18,784	
MFA 106	CDN	1573	Oct 13, 2029	4.130	108,800	70,134	75,134	
MFA 106	CDN	1574	Oct 13, 2029	4.130	61,200	39,450	42,263	
MFA 110	CDN	1584	Apr 08, 2030	4.500	232,286	160,410	170,675	
MFA 117	CDN	1626	Oct 12, 2031	3.250	51,620	37,928	40,122	
						1,407,286	922,481	986,570
HAWTHORNE RISE SEWER								
MFA 131	CDN	1696	Apr 8, 2035	2.200	173,300	154,265	160,829	
REID ROAD SEWER								
MFA 133	CDN	1709	Oct 2, 2035	2.750	57,650	51,318	53,501	
TOTAL SEWER SERVICES						\$ 2,534,017	\$ 1,618,149	\$ 1,735,515

See notes to consolidated financial statements

**REGIONAL DISTRICT OF NANAIMO
SCHEDULE OF LONG-TERM DEBT
DECEMBER 31, 2018**

FUNCTION	ISSUER	FUNDS	BYLAW NUMBER	MATURITY DATE	INTEREST RATE	ORIGINAL VALUE	2018 DEBT O/S	2017 DEBT O/S	
WATER - SAN PAREIL									
	MFA 81	CDN	1367	Apr 22, 2019	4.900	89,476	8,210	16,029	
	MFA 97	CDN	1395	Apr 19, 2021	4.660	40,000	9,984	13,059	
	MFA 106	CDN	1395	Oct 13, 2024	4.130	94,439	44,526	50,981	
	MFA 117	CDN	1395	Oct 12, 2026	3.250	49,056	29,706	32,806	
						272,971	92,426	112,875	
WATER - SAN PAREIL FIRE IMPROVEMENTS									
	MFA 127	CDN	1689	Apr 07, 2034	3.300	1,114,600	955,654	997,758	
						1,114,600	955,654	997,758	
WATER - DRIFTWOOD									
	MFA 80	CDN	1301	Oct 03, 2023	4.900	100,614	34,954	40,979	
						100,614	34,954	40,979	
WATER - MELROSE TERRACE									
	MFA 103	CDN	1539	Apr 23, 2018	4.650	14,349	-	1,701	
						14,349	-	1,701	
BULK WATER - FRENCH CREEK									
	MFA 69	CDN	1127	Sep 24, 2018	4.650	503,655	-	38,490	
						503,655	-	38,490	
BULK WATER - NANOOSE									
	MFA 69	CDN	1128	Sep 24, 2018	4.650	864,095	-	66,035	
	MFA 74	CDN	1226	Jun 01, 2021	5.900	2,195,223	479,701	624,621	
	MFA 80	CDN	1239	Oct 03, 2023	4.900	176,295	61,246	71,802	
	MFA 142	CDN	1242	Oct 04, 2037	3.150	168,875	162,590	168,875	
	MFA 142	CDN	1244	Oct 04, 2037	3.150	1,476,000	1,421,070	1,476,000	
	MFA 146	CDN	1243	Sep 19, 2038	3.200	2,536,370	2,536,370	-	
	MFA 146	CDN	1245	Sep 19, 2038	3.200	314,142	314,142	-	
						7,731,000	4,975,119	2,407,333	
NANOOSE BAY PENINSULA WATER									
	MFA 139	CDN	1723	Oct 05, 2036	2.100	350,000	323,558	336,975	
	MFA 139	CDN	1750	Oct 05, 2036	2.100	557,200	515,105	536,463	
						907,200	838,663	873,438	
WESTURNE HEIGHTS									
	MFA 142	CDN	1720	Oct 04, 2037	3.150	60,000	57,767	60,000	
						60,000	57,767	60,000	
	TOTAL WATER SUPPLY MANAGEMENT						10,704,389	6,954,583	4,532,574
WASTEWATER SERVICES									
SOUTHERN COMMUNITY WASTEWATER									
	MFA 139	CDN	1742	Oct 05, 2036	2.100	5,000,000	4,622,261	4,813,921	
	MFA 142	CDN	1762	Oct 04, 2037	3.150	15,000,000	14,441,764	15,000,000	
	TOTAL WASTWATER MANAGEMENT						20,000,000	19,064,025	19,813,921
DEBT HELD FOR OTHER JURISDICTIONS									
VANCOUVER ISLAND REGIONAL LIBRARY									
	MFA 117	CDN	1634	Oct 12, 2041	3.250	8,000,000	6,873,381	7,053,867	
	MFA 126	CDN	1674	Sep 26, 2038	3.850	8,610,000	7,490,213	7,732,073	
	TOTAL - VANCOUVER ISLAND REGIONAL LIBRARY						\$ 16,610,000	\$ 14,363,594	\$ 14,785,940
TOTAL LONG-TERM DEBT - REGIONAL DISTRICT							\$ 63,656,876	\$ 50,044,866	\$ 49,644,266

See notes to consolidated financial statements

**REGIONAL DISTRICT OF NANAIMO
SCHEDULE OF LONG-TERM DEBT
DECEMBER 31, 2018**

FUNCTION	ISSUER	FUNDS	BYLAW NUMBER	MATURITY DATE	INTEREST RATE	ORIGINAL VALUE	2018 DEBT O/S	2017 DEBT O/S
CITY OF PARKSVILLE								
	MFA 68	CDN	1109	Mar 24, 2018	4.650	1,200,000	-	91,706
	MFA 69	CDN	1129	Sep 24, 2018	4.650	1,970,000	-	150,550
	MFA 74	CDN	1227	Jun 01, 2021	5.900	290,000	63,371	82,516
	MFA 75	CDN	1238	Dec 01, 2021	5.690	1,050,000	229,446	298,763
	MFA 78	CDN	1283	Dec 03, 2022	2.250	765,000	217,670	265,767
	MFA 93	CDN	1420	Apr 06, 2025	5.100	800,000	326,755	368,908
	MFA 145	CDN	1745	Apr 23, 2043	3.150	4,000,000	4,000,000	-
TOTAL CITY OF PARKSVILLE						10,075,000	4,837,242	1,258,210
TOWN OF QUALICUM BEACH								
	MFA 136	CDN	1729	Nov 30, 2025	2.750	4,629,364	3,240,555	3,703,491
TOTAL TOWN OF QUALICUM BEACH						4,629,364	3,240,555	3,703,491
CITY OF NANAIMO								
	MFA 72	CDN	1197	Jun 01, 2020	6.450	4,500,000	658,564	966,732
	MFA 73	CDN	1219	Dec 01, 2020	6.360	4,100,000	600,025	880,801
	MFA 99	CDN	1489	Oct 19, 2026	4.430	15,000,000	7,431,107	8,206,571
	MFA 101	CDN	1489	Apr 11, 2027	2.250	15,000,000	8,206,571	8,952,209
	MFA 102	CDN	1530	Dec 01, 2027	2.250	3,750,000	2,051,643	2,238,052
	MFA 126	CDN	1688	Sep 26, 2033	3.850	13,300,000	10,880,868	11,403,371
	MFA 127	CDN	1694	Apr 07, 2034	3.300	9,200,000	7,888,046	8,235,575
	MFA 146	CDN	1774	Sep 19, 2038	3.200	3,235,354	3,235,354	-
TOTAL CITY OF NANAIMO						68,085,354	40,952,179	40,883,311
TOTAL LONG-TERM DEBT - MEMBER MUNICIPALITIES						\$ 82,789,718	\$ 49,029,976	\$ 45,845,012
TOTAL LONG-TERM DEBT						\$ 146,446,594	\$ 99,074,842	\$ 95,489,278

See notes to consolidated financial statements

RESERVE ACCOUNT ACTIVITY - 2018
SCHEDULE OF STATUTORY RESERVE FUND ACTIVITY AND FUND BALANCES
AS AT DECEMBER 31, 2018

	Balance December 31, 2017	Interest Income	Contributions by Developers & Others	MFA surplus and refunds	Contributions from/(to) Operating Fund	Transfers to Capital Funds	Feasibility, legal & other costs or transfers	Balance December 31, 2018
2018 ACTIVITY								
Feasibility Studies	\$ 173,429	-	-	-	16,240	-	-	\$ 189,669
Administration Information Systems/Building	\$ 2,287,506	43,201	-	-	182,945	(97,010)	-	\$ 2,416,642
Local Government Elections	\$ 54,611	1,017	-	-	-	-	-	\$ 55,628
Regional Growth Strategy	\$ 159,973	3,430	-	-	50,000	-	-	\$ 213,403
Building Inspection	\$ 345,095	7,329	-	-	100,000	-	-	\$ 452,424
Community Planning	\$ 312,593	6,387	-	-	(15,000)	-	-	\$ 303,980
Carbon Action Revenue Incentive Program	\$ 404,174	8,445	101,643	-	(11,840)	-	-	\$ 502,422
Carbon Neutral	\$ 54,066	1,007	-	-	-	-	-	\$ 55,073
Hazardous Properties	\$ -	244	-	-	27,058	-	-	\$ 27,302
	<u>\$ 3,791,447</u>	<u>\$ 71,060</u>	<u>\$ 101,643</u>	<u>\$ -</u>	<u>\$ 349,403</u>	<u>-\$ 97,010</u>	<u>\$ -</u>	<u>\$ 4,216,543</u>
Wastewater & Solid Waste Management								
Solid Waste Management	\$ 2,635,516	58,577	-	-	1,341,430	(83,625)	-	\$ 3,951,898
Solid Waste Collection & Recycling	\$ 427,219	8,911	-	-	100,000	-	-	\$ 536,130
Nanoose Wastewater	\$ 1,036,786	20,216	-	-	176,000	-	-	\$ 1,233,002
Northern Community Wastewater	\$ 11,948,795	243,615	24,110	-	2,382,379	(41,534)	-	\$ 14,557,365
Southern Community Wastewater	\$ 23,208,330	358,149	-	-	2,125,000	(17,402,114)	-	\$ 8,289,365
Duke Point Wastewater	\$ 215,991	4,295	-	-	30,000	-	-	\$ 250,286
	<u>\$ 39,472,637</u>	<u>693,763</u>	<u>24,110</u>	<u>-</u>	<u>6,154,809</u>	<u>(17,527,273)</u>	<u>-</u>	<u>\$ 28,818,046</u>
Water, Sewer & Street lighting								
Surfside Sewer	\$ 8,054	268	-	-	15,000	-	-	\$ 23,322
Pacific Shores Sewer	\$ 54,506	1,087	-	-	8,000	-	-	\$ 63,593
French Creek Sewer	\$ 490,493	9,345	8,420	-	-	-	-	\$ 508,258
Cedar Sewer Collection	\$ 86,975	1,980	-	-	40,000	-	-	\$ 128,955
Barclay Cres Sewer	\$ 5,014	39	-	-	10,000	-	-	\$ 15,053
Cedar Estates Stormwater	\$ 22,803	470	-	-	5,000	-	-	\$ 28,273
Englishman River Stormwater	\$ 26,300	544	-	-	6,000	-	-	\$ 32,844
French Creek Water	\$ 188,769	3,525	-	-	10,000	(13,220)	-	\$ 189,074
Madrona Water	\$ 215,021	4,006	-	-	-	-	-	\$ 219,027
Surfside Water	\$ 3,511	11	-	-	17,850	-	-	\$ 21,372
Decourcey Water	\$ 18,328	360	-	-	3,000	-	-	\$ 21,688
Melrose Water	\$ 11,202	241	-	-	6,196	-	-	\$ 17,639
Nanoose Bay Peninsula Water	\$ 780,975	16,195	-	-	200,000	(10,777)	-	\$ 986,393
Nanoose Bay Water	\$ 66,699	1,243	-	-	-	-	-	\$ 67,942
Englishman River Water	\$ 290,072	5,720	-	-	35,000	-	-	\$ 330,792
San Pareil Water	\$ 27,817	1,147	-	-	70,000	-	-	\$ 98,964
Whiskey Creek Water	\$ 39,825	1,019	-	-	25,000	(8,900)	-	\$ 56,944
Nanoose AWS Bulk Water	\$ 1,804,870	38,025	-	-	734,964	(299,489)	-	\$ 2,278,370

See notes to consolidated financial statements

RESERVE ACCOUNT ACTIVITY - 2018
SCHEDULE OF STATUTORY RESERVE FUND ACTIVITY AND FUND BALANCES
AS AT DECEMBER 31, 2018

	Balance December 31, 2017	Interest Income	Contributions by Developers & Others	MFA surplus and refunds	Contributions from/(to) Operating Fund	Transfers to Capital Funds	Feasibility, legal & other costs or transfers	Balance December 31, 2018
French Creek AWS Bulk Water	\$ 805,517	13,985		-	(35,379)		-	\$ 784,123
Westurne Heights Water	\$ -	55			8,000			\$ 8,055
Drinking Water/Watershed Protection	\$ 45,500	1,073	-	-	25,000	-	-	\$ 71,573
Englishman River Street lighting	\$ 8,346	133	-	-	500	-	-	\$ 8,979
Fairwinds Street lighting	\$ 34,684	664	-	-	2,000	-	-	\$ 37,348
Morningstar Street lighting	\$ 10,693	181	-	-	(3,700)	-	-	\$ 7,174
Rural EA E & G Street lighting	\$ 13,016	237	-	-	(1,000)	-	-	\$ 12,253
	<u>\$ 5,058,990</u>	<u>101,553</u>	<u>8,420</u>	<u>-</u>	<u>1,181,431</u>	<u>(332,386)</u>	<u>-</u>	<u>\$ 6,018,008</u>
Public Transportation								
Transit	\$ 3,736,425	73,441		-	550,000	(14,271)	-	\$ 4,345,595
Descanso Bay Emergency Wharf	\$ 14,532	264	-	-		-	-	\$ 14,796
Green's Landing Wharf	\$ 203,762	3,821						\$ 207,583
	<u>\$ 3,954,719</u>	<u>77,526</u>	<u>-</u>	<u>-</u>	<u>550,000</u>	<u>(14,271)</u>	<u>-</u>	<u>\$ 4,567,974</u>
Protective Services								
Coombs Hilliers Fire	\$ 711,814	11,947	-	-	351,456	(383,867)	-	\$ 691,350
Errington Fire	\$ 831,902	4,720	-	-	160,570	(807,675)	-	\$ 189,517
Extension Fire	\$ 574,723	11,009	-	-	52,273	-	-	\$ 638,005
Nanoose Fire	\$ 323,786	6,622	-	-	193,022	(62,273)	-	\$ 461,157
Dashwood Fire	\$ 499,730	10,016	30,000	-	269,936	(193,489)	-	\$ 616,193
Bow Horn Bay Fire	\$ 411,142	8,112	-	-	54,186	-	-	\$ 473,440
Nanaimo River Fire	\$ 155,909	3,052	-	-	16,160	-	-	\$ 175,121
Cassidy Waterloo Fire	\$ 268,995	5,667	-	-	98,162	(15,096)	-	\$ 357,728
Emergency Planning	\$ 93,191	2,133	-	-	45,000	(4,543)	-	\$ 135,781
Bylaw Enforcement	\$ 122,396	2,172	-	-	17,210	-	-	\$ 141,778
District 68 911 Service	\$ 129,866	2,346	-	-	-	(11,636)	-	\$ 120,576
	<u>\$ 4,123,454</u>	<u>67,796</u>	<u>30,000</u>	<u>-</u>	<u>1,257,975</u>	<u>(1,478,579)</u>	<u>-</u>	<u>\$ 4,000,646</u>
Parks, Recreation & Culture								
Area A Recreation & Culture	\$ 615,088	13,033	-	-	175,000	-	-	\$ 803,121
Area B Recreation	\$ 61,807	1,260		-	12,000	-	-	\$ 75,067
Extension Recreation	\$ 35,671	659	-	-	-	-	(453)	\$ 35,877
Community Parks	\$ 906,102	17,503	-	-	102,000	(90,087)	-	\$ 935,518
Regional Parks Capital	\$ 3,606,871	62,901	-	-	751,214	(689,543)	-	\$ 3,731,443
Regional Parks Development	\$ 70,286	2,210	-	-	30,000	-	-	\$ 102,496
Recreation & Culture	\$ 1,738,478	36,677	-	-	738,400	(129,464)	-	\$ 2,384,091
Parkland Acquisition	\$ 1,658,185	31,127	32,303		-			\$ 1,721,615
	<u>\$ 8,692,488</u>	<u>165,370</u>	<u>32,303</u>	<u>-</u>	<u>1,808,614</u>	<u>(909,094)</u>	<u>(453)</u>	<u>\$ 9,789,228</u>
TOTAL ALL RESERVE FUNDS	<u>\$ 65,093,735</u>	<u>1,177,068</u>	<u>196,476</u>	<u>-</u>	<u>11,302,232</u>	<u>(20,358,613)</u>	<u>(453)</u>	<u>\$ 57,410,445</u>

See notes to consolidated financial statements

**REGIONAL DISTRICT OF NANAIMO
SCHEDULE OF DEVELOPMENT COST CHARGES
RESERVE ACCOUNT BALANCES-DEC 31, 2018**

ACTIVITY	Northern Wastewater DCCs (1)	Southern Wastewater DCCs (2)	Bulk Water DCCs (3)	Sewer DCCs (4)	Total 2018	Total 2017
ASSETS:						
Due from Revenue Fund	\$ 10,900,332	\$ 768,866	\$ 800,757	\$ 3,140,467	\$ 15,610,422	\$ 18,960,561
Developer Installments Receivable	-	159,067	-	-	159,067	122,591
DEFERRED REVENUE BALANCE (Note 10)	<u>10,900,332</u>	<u>927,933</u>	<u>800,757</u>	<u>3,140,467</u>	<u>15,769,489</u>	<u>19,083,152</u>
ACTIVITY:						
Balance, Beginning of the year	9,042,500	4,585,287	776,135	3,021,045	17,424,967	12,070,854
Add:						
Contribution by developers & others	1,754,564	1,674,811	10,048	\$62,860.72	3,502,284	5,255,743
Interest earned	180,480	49,682	14,573	56,561	301,296	127,503
Less:						
Transfer DCCs to Revenue Fund	(77,213)	(5,381,845)		-	(5,459,058)	(29,133)
BALANCE, End of the year	<u>\$ 10,900,331</u>	<u>\$ 927,935</u>	<u>\$ 800,756</u>	<u>\$ 3,140,467</u>	<u>\$ 15,769,489</u>	<u>\$ 17,424,967</u>

- (1) Northern Wastewater DCC collection areas include the City of Parksville, Town of Qualicum Beach, portions of Electoral Area G and portions of Electoral Area E.
- (2) Southern Wastewater DCC collection areas include the City of Nanaimo and the District of Lantzville.
- (3) Bulk Water service areas have been established in the French Creek area of Electoral Area G and the Nanoose Bay Peninsula in Electoral Area E.
- (4) Sewer DCC collection area includes properties in Electoral Area A (Cedar) and G (French Creek).

REGIONAL DISTRICT OF NANAIMO
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
GAS TAX REVENUE TRANSFER PROGRAMS
DECEMBER 31, 2018
(UNAUDITED)

	COMMUNITY WORKS PROGRAM²	OTHER GAS TAX PROGRAMS³	TOTAL 2018	TOTAL 2017
Opening balance of unspent (spent) funds	\$ 8,310,258	\$ -	\$ 8,310,258	\$ 6,130,430
Add:				
Amount received during the year	1,756,237	5,100,000	6,856,237	3,698,687
Interest earned	156,393	-	156,393	67,153
Less:				
Amount spent on projects (Notes 2 & 3)	(841,875)	(6,000,000)	(6,841,875)	(1,586,012)
Closing balance of unspent (spent) funds	<u>\$ 9,381,013</u>	<u>\$ (900,000)</u>	<u>\$ 8,481,013</u>	<u>\$ 8,310,258</u>
	(see note 10)	(see note 3)		

Notes to Schedule:**1. Gas Tax Revenue Transfer Programs**

The Government of Canada, through the Union of BC Municipalities (UBCM), transfers Gas Tax Revenue funds to local governments in British Columbia. The use of funding is established by agreements between the local government and the UBCM. Funding may be used towards public transit, disaster mitigation, recreational, water, wastewater and solid waste infrastructure and asset management or capacity building projects, as specified in the agreements.

2. Community Works Program 2018 Activity

The Regional District applied \$153,000 towards park and trail projects at Huxley Community Park, E&N Regional Trail, the Gabriola Village Trail, and Dunsmuir Community Park. In addition, \$41,000 was expended on recreation facilities, \$81,000 on water system infrastructure, and \$296,000 on wastewater facilities. \$256,000 was spent on capital upgrades at the following Community Halls: Lighthouse; Nanoose Place; Rollo Senior Centre, Little Qualicum and Cedar. As well, \$10,000 was applied towards the purchase of a new Gabriola Community Bus.

3. Other Gas Tax Programs 2018 Activity

Under this portion of the program, expenditures are reimbursed on a claims made basis. In 2018, the following projects were completed during the year:

<u>Project</u>	<u>Year Approved</u>	<u>Total Project value</u>	<u>Approved Grant</u>	<u>Grant Amount Expended to date</u>	<u>Amount Received to date</u>
Regionally Significant Strategic Priorities Fund					
Greater Nanaimo Pollution Control Centre -					
Secondary Treatment Upgrade	2018	78,979,127	6,000,000	6,000,000	5,100,000
Total Other Gas Tax Program Activity		<u>\$ 78,979,127</u>	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 5,100,000</u>

**REGIONAL DISTRICT OF NANAIMO
GENERAL REVENUE FUND
SCHEDULE OF REVENUE AND EXPENSES
as at December 31, 2018
(UNAUDITED)**

	Corporate Services (Schedule A)	Strategic & Community Development (Schedule B)	Regional & Community Utilities (Schedule C)	Recreation & Parks Services (Schedule D)	Transportation & Emergency Services (Schedule E)	Actual 2018	Budget 2018	Actual 2017
REVENUES								
Tax requisition	\$ 4,560,777	\$ 2,401,480	\$ 19,395,804	\$ 10,839,337	\$ 16,168,924	\$ 53,366,322	\$ 53,366,322	\$ 50,044,837
Government transfers & grants	372,860	213,120	7,410,957	306,464	6,057,909	14,361,310	20,088,044	9,287,684
Payments in lieu of taxes	83,394	11,164	252,372	27,359	221,277	595,566	146,790	197,398
Investment income	446,104	-	-	-	-	446,104	150,000	269,174
Operating revenues	20,327	1,980,976	7,549,347	1,783,444	5,077,619	16,411,713	15,755,723	15,757,906
Disposal fees	-	-	9,228,498	-	-	9,228,498	8,200,000	9,183,048
Other revenues	10,969,052	1,278,267	33,854,291	1,301,022	4,132,964	51,535,596	73,189,006	28,556,125
	16,452,514	5,885,007	77,691,269	14,257,626	31,658,693	145,945,109	170,895,885	113,296,172
EXPENSES								
General administration	196,549	398,616	1,819,837	616,361	1,528,510	4,559,873	4,733,549	4,366,160
Professional fees	343,673	446,791	994,132	130,111	143,950	2,058,657	3,306,734	1,655,189
Community grants	116,340	-	-	-	-	116,340	131,940	730,367
Legislative	745,940	-	-	8	-	745,948	769,731	462,439
Program costs	-	188,612	150,656	669,533	20,793	1,029,594	1,417,666	1,091,895
Vehicle and Equip operating	225,625	88,567	2,036,679	163,918	5,106,578	7,621,367	7,499,288	7,016,525
Building operating	404,015	37,313	1,516,463	712,070	467,067	3,136,928	3,329,755	3,122,063
Other operating	1,295,795	679,591	10,733,341	978,541	3,704,036	17,391,304	18,708,613	16,041,217
Wages & benefits	4,272,380	2,804,880	8,151,221	4,635,185	13,236,599	33,100,265	34,034,730	30,547,859
Capital expenses	355,653	40,736	40,262,602	1,406,406	1,962,390	44,027,787	72,943,091	19,314,823
	7,955,970	4,685,106	65,664,931	9,312,133	26,169,923	113,788,063	146,875,097	84,348,537
OPERATING SURPLUS	8,496,544	1,199,901	12,026,338	4,945,493	5,488,770	32,157,046	24,020,788	28,947,635
Debt retirement								
- interest	2,593,741	-	930,220	406,506	170,713	4,101,180	4,778,205	4,260,584
- principal	3,188,060	-	1,138,218	417,350	178,738	4,922,366	4,958,634	4,376,812
Reserve contributions	357,218	756,055	9,190,573	2,667,561	2,091,162	15,062,569	10,433,016	12,657,542
Transfers to other govts	2,455,444	70,000	-	1,780,274	3,008,990	7,314,708	7,374,277	7,518,341
	8,594,463	826,055	11,259,011	5,271,691	5,449,603	31,400,823	27,544,132	28,813,279
CURRENT YEAR SURPLUS (DEFICIT)	(97,919)	373,846	767,327	(326,198)	39,167	756,223	(3,523,344)	134,356
Prior year's surplus applied	1,144,342	1,713,657	5,474,439	1,721,590	2,243,396	12,297,424	12,146,812	12,163,068
NET OPERATING SURPLUS	\$ 1,046,423	\$ 2,087,503	\$ 6,241,766	\$ 1,395,392	\$ 2,282,563	\$ 13,053,647	\$ 8,623,468	\$ 12,297,424

See notes to consolidated financial statements