



2022 DRAFT Financial Statements
And Independent Auditor's Report thereon

Fiscal Year Ending December 31, 2022

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**City of West Kelowna
December 31, 2022**

Management's Responsibility for Financial Reporting

The Council of the City of West Kelowna has delegated the responsibility for the integrity and objectivity of the financial information contained in the financial statements to the management of the City of West Kelowna. The financial statements which, in part, are based on informed judgments and estimates, have been prepared by management in accordance with Canadian public sector accounting standards, which have been applied on a basis consistent with that of the preceding year.

To assist in carrying out their responsibility, management maintains an accounting system and internal controls to provide reasonable assurance that transactions are executed and recorded in accordance with authorization, and that financial records are reliable for preparation of financial statements.

Mayor and Council oversee management's responsibilities for the financial reporting and internal control systems. Council annually reviews and approves the financial statements.

The City of West Kelowna's independent auditors, BDO Canada LLP, are engaged to express an opinion as to whether these financial statements present fairly the City's financial position, financial activities and cashflows in accordance with Canadian public sector accounting standards. Their opinion is based on procedures they consider sufficient to support such an opinion in accordance with Canadian generally accepted auditing standards.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and in accordance with Canadian public sector accounting standards.

Warren Everton, CPA, CMA
Chief Financial Officer
May 9th, 2023

Independent Auditor's Report

To the Mayor and Council of The City of West Kelowna

Opinion

We have audited the financial statements of the City of West Kelowna (the "City"), which comprise the statement of financial position as at December 31, 2022, and the statement of operations and accumulated surplus, the statement of changes in net financial assets (debt) and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2022, and its results of operations, its change in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unaudited Information

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of Schedule 4 of the financial statements.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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 City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Chartered Professional Accountants
Kelowna, British Columbia
May 9, 2023

City of West Kelowna
Statement of financial position
December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets		
Cash and cash equivalents (Note 3)	\$ 60,158,050	\$ 63,581,033
Accounts receivable (Note 4)	<u>26,809,329</u>	<u>20,753,267</u>
	<u>86,967,379</u>	<u>84,334,300</u>
Liabilities		
Accounts payable and accrued liabilities (Note 5)	17,440,543	13,357,029
Security deposits	16,282,929	12,800,404
Deferred revenue (Note 6)	5,282,731	13,596,463
Deferred development cost charges (Note 7)	15,782,777	19,989,460
Equipment debt (Note 8)	22,515,342	4,346,461
Long-term debt (Note 9)	<u>10,073,283</u>	<u>12,150,805</u>
	<u>87,377,605</u>	<u>76,240,622</u>
Net financial assets (debt)	<u>(410,226)</u>	<u>8,093,678</u>
Non-financial assets		
Prepaid expenses and inventory	1,629,194	2,445,152
Tangible capital assets and work in progress (Note 10)	<u>444,298,367</u>	<u>400,821,854</u>
	<u>445,927,561</u>	<u>403,267,006</u>
Accumulated surplus (Schedule 2)	<u>\$ 445,517,335</u>	<u>\$ 411,360,684</u>

Contingent liabilities and commitments (Notes 14 and 15)

Warren Everton, CPA, CMA
 Chief Financial Officer

Gord Milsom
 Mayor, City of West Kelowna

City of West Kelowna**Statement of operations and accumulated surplus****Year ended December 31, 2022, with comparative information for 2021**

	2022	2022 Budget (Note 17)	2021
Revenue			
Taxation - net (Note 11)	\$ 40,183,082	\$ 40,096,297	\$ 38,033,529
Sales of service and regulatory fees	28,033,956	26,285,206	27,067,227
Government transfers (Note 12)	25,810,851	44,180,795	9,520,677
Other (Note 13)	13,640,872	58,720,514	9,109,976
Total revenues	107,668,761	169,282,812	83,731,409
Expenses (Schedule 3)			
General government services	17,520,441	17,461,609	17,357,900
Protective services	19,078,112	18,924,074	17,401,094
Transportation services	6,748,334	6,144,358	5,722,473
Environmental & health development services	5,160,361	4,984,222	4,724,494
Recreation and cultural services	9,226,920	8,985,528	8,533,594
Water services	9,095,875	9,235,463	8,482,213
Sewer services	6,328,030	6,589,262	6,232,033
Storm drainage	354,037	484,907	317,469
Total expenses	73,512,110	72,809,423	68,771,270
Annual surplus	34,156,651	96,473,389	14,960,139
Accumulated surplus, beginning of year	411,360,684	411,360,684	396,400,545
Accumulated surplus, end of year	\$ 445,517,335	\$ 507,834,073	\$ 411,360,684

City of West Kelowna**Statement of changes in net financial assets (debt)****Year ended December 31, 2022, with comparative information for 2021**

	2022	2022 Budget (Note 17)	2021
Annual surplus	\$ 34,156,651	\$ 96,473,389	\$ 14,960,139
Acquisition of tangible capital assets and work in progress	(56,180,024)	(141,743,412)	(28,646,380)
Amortization of tangible capital assets	12,562,803	12,562,803	12,695,805
Loss on disposal of tangible capital assets	140,708	-	478,162
Net change in prepaid expenses and inventory	815,958	-	(1,489,182)
Increase (decrease) in net financial assets	(8,503,904)	(32,707,220)	(2,001,456)
Net financial assets, beginning of year	8,093,678	8,093,678	10,095,134
Net financial assets (debt), end of year	\$ (410,226)	\$ (24,613,542)	\$ 8,093,678

City of West Kelowna

Statement of cash flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used for)		
Operating activities		
Annual surplus	\$ 34,156,651	\$ 14,960,139
Adjustment for non cash items		
Amortization of tangible capital assets	12,562,803	12,695,805
Actuarial adjustment on debt	(613,774)	(681,281)
Loss on disposal of tangible capital assets	140,708	478,162
(Increase) decrease in		
Accounts receivable	(6,056,062)	(1,975,143)
Prepaid expenses and inventory	815,958	(1,489,182)
Increase (decrease) in		
Accounts payable and accrued liabilities	4,083,514	(2,173,908)
Security deposits	3,482,524	3,043,027
Deferred development cost charges	(4,206,683)	564,402
Deferred revenue	(8,313,732)	(1,098,007)
	<u>36,051,907</u>	<u>24,324,014</u>
Financing activities		
Proceeds from debt	18,469,192	3,972,803
Repayment of debt	(1,764,058)	(1,610,594)
	<u>16,705,134</u>	<u>2,362,209</u>
Capital activities		
Acquisition of tangible capital assets and work in progress	(56,180,024)	(28,646,380)
Decrease in cash and cash equivalents	<u>(3,422,983)</u>	<u>(1,960,157)</u>
Cash and cash equivalents, beginning of year	<u>63,581,033</u>	<u>65,541,190</u>
Cash and cash equivalents, end of year	<u>\$ 60,158,050</u>	<u>\$ 63,581,033</u>
Supplementary cash flow information		
Interest paid	\$ 912,998	\$ 703,238

City of West Kelowna

Notes to the financial statements

December 31, 2022

1. Nature of operations

The City of West Kelowna ("the City") is a local government situated in the province of British Columbia, Canada. The City is subject to the laws and regulations of the provincial statutes of the *Community Charter*, the *Local Government Act*. West Kelowna was officially incorporated as Westside District Municipality on December 6, 2007. In 2008, the name was changed to District of West Kelowna. On June 26, 2015, West Kelowna was reclassified from District to Municipality. At that time, the City had become British Columbia's 51st city. The City provides community services to its taxpayers and is responsible for creating and maintaining an infrastructure to serve a population in excess of the full time residents.

2. Summary of significant accounting policies

The following is a summary of the City's significant accounting policies:

a) Segregation of Operations

The City's resources and operations are segregated into General, Water, Sewer, Storm Drainage, Statutory Reserve and Non-statutory Reserve Funds for accounting and financial reporting purposes. The financial statements include all of the accounts of these funds. All interfund transactions and balances have been eliminated within the financial statements.

b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting and are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards ("PSAS"). The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

c) Cash and cash equivalents

Management classifies all term deposits and highly liquid investments that are cashable on demand as cash equivalents.

City of West Kelowna

Notes to the financial statements

December 31, 2022

2. Summary of significant accounting policies (continued)

d) Tangible capital assets

Tangible capital assets are initially recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The City does not capitalize interest associated with the acquisition or construction of tangible capital assets. The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset class	Estimated useful life
Buildings	25-50 years
Building improvements	5-30 years
Computer	3-25 years
Infrastructure	3-20 years
Machinery	10-20 years
Office furniture and equipment	10-25 years
Roads	40 years
Sewer infrastructure	20-100 years
Sidewalks	50 years
Small tools and equipment	5-25 years
Solid waste carts	25 years
Storm drains	10-50 years
Vehicles	10-20 years
Water infrastructure	15-100 years

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

The City has numerous works of art located throughout the City which are not reflected in these financial statements due to the subjectivity as to their value.

Tangible capital assets constructed and contributed by developers are recorded at their fair value and are capitalized into tangible capital assets and reflected in the statement of operations and accumulated surplus as revenue.

e) Work in progress

Work in progress represents capital projects under construction but not yet completed and are recorded at cost. Work in progress is not amortized. Amortization of these assets will commence when the asset is put into service.

f) Prepaid expenses and inventory

Prepaid expenses consist of amounts paid related to future years' expenses. Inventory consists of supplies held for construction use and are recorded at lower of cost or replacement cost.

City of West Kelowna
Notes to the financial statements
December 31, 2022

2. Summary of significant accounting policies (continued)

g) Employee future benefits

The City and its employees make contributions to the Municipal Pension Plan. As this plan is a multi-employer plan, the City’s contributions are expensed as incurred.

Sick leave and other retirement benefits are also available to the City’s employees. The ALGEU Collective Agreement allows for the accumulation of sick leave to a maximum of 100 days, it is expensed in the year it is accumulated. Earned sick leave vests after 10 years of employment and is paid to a maximum of 50 days. Accrued earned sick leave and vacation pay is included in wages and payroll liabilities

h) Deferred development cost charges ("DCC's")

Pursuant to the provisions of the Local Government Act, DCC’s are held for the purpose for which the charges have been imposed. When the related costs are incurred, the DCC’s are recognized as revenue. Because these funds are restricted in nature they are shown as a liability.

i) Debt

Outstanding debt is reported net of applicable sinking fund balances.

Interest on debt is charged to current operations. Interest charges are accrued for the period from the date of the latest interest payment to the end of the year.

j) Municipal Finance Authority debt reserve deposits

The City issues its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds are withheld by the Municipal Finance Authority as a debt reserve fund. The City also executes demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the Municipal Finance Authority. These amounts are contingent in nature and are not reflected in these accounts. The details of the cash deposits and demand notes at year end are as follows:

	Demand notes	Cash deposits	2022	2021
General Fund	\$ 350,582	\$ 174,501	\$ 525,083	\$ 521,270
Water Funds	11,423	5,950	17,373	17,243
Sewer Fund	275,527	153,352	428,879	530,759
	<u>\$ 637,532</u>	<u>\$ 333,803</u>	<u>\$ 971,335</u>	<u>\$ 1,069,272</u>

k) Reserve funds

Non-statutory reserves represent an appropriation of surplus for specific purposes. Reserves for future expenses represent funds that are available to temporarily finance operations until planned revenues (i.e. property taxes, grants, etc.) are received, or for other operating or capital purposes as determined by Council. Statutory reserves have been established by bylaw in accordance with the *Community Charter* and their use is restricted by legislation.

City of West Kelowna

Notes to the financial statements

December 31, 2022

2. Summary of significant accounting policies (continued)

l) Revenue recognition

Taxation revenues are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. Sale of services and regulatory fees are recognized when the service or product is provided by the City. Government transfers are recognized as revenue in the period that the transfer is authorized, eligibility criteria or stipulations, if any, have been met by the City, and a reasonable estimate of the amount to be received can be made. Other revenue from own services is recorded as it is earned and measurable. Amounts that have been received in advance of services being rendered are recorded as deferred revenue until the City discharges the obligation that led to the collection of funds.

m) Budget figures

The budget figures are from the City's 10-Year Financial Plan Bylaw, adopted before May 15th of each year. Subsequent amendments have been authorized by Council to reflect changes in the budget as required by law. Such amendments are not reflected in the financial statement budget figures (Note 17).

n) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts, and disclosure of, assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of management estimates relate to the determination of payroll liabilities, the existence and measurement of any contingent liabilities and tangible capital asset estimated useful life and related amortization expense. Actual results could differ from management's best estimates as additional information becomes available. Adjustments, if any, will be reflected in the financial statements in the period that the change in estimate is made, as well as the period of settlement if the amount is different.

o) Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the City is directly responsible and accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring.

City of West Kelowna
Notes to the financial statements
December 31, 2022

2. Summary of significant accounting policies (continued)

p) Segmented disclosure

A segment is defined as distinguishable activity of group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The City has provided definitions of segments as well as presented financial information in segmented format in Note 16 and Schedule 3.

3. Financial assets - Cash and cash equivalents

Cash and cash equivalents held by the City include cash with an average interest rate of 2.70% (2021 - 1.02%).

4. Financial assets - Accounts receivable

	2022	2021
Property taxes	\$ 3,640,119	\$ 2,911,626
Federal government	1,418,739	953,597
Provincial government	10,408,503	4,663,308
Other governments	43,811	865
Sewer	4,647,025	5,120,934
Utilities	5,119,142	6,396,959
Other	1,531,990	705,978
	<u>\$ 26,809,329</u>	<u>\$ 20,753,267</u>

5. Liabilities - Accounts payable and accrued liabilities

	2022	2021
Trade	\$ 7,419,540	\$ 4,439,869
Wages and payroll	3,713,796	3,788,992
Accrued liabilities	715,654	708,207
Other governments	5,531,621	4,231,078
Other	59,932	188,883
	<u>\$ 17,440,543</u>	<u>\$ 13,357,029</u>

City of West Kelowna
Notes to the financial statements
December 31, 2022

6. Liabilities - Deferred revenue

	2022	2021
Property taxes	\$ 4,099,633	\$ 4,017,386
Recreation program fees	277,254	175,591
Cemetery perpetual care fund	216,331	189,951
Utility fees	252,837	325,258
Other	436,676	8,888,277
	<u>\$ 5,282,731</u>	<u>\$ 13,596,463</u>

As at December 31, 2021, other deferred revenue included \$8,604,823 from the provincial government in respect of the City's 2018-2022 water infrastructure project, that was all recognized in 2022.

7. Liabilities - Deferred development cost charges ("DCC's")

	2022	2021
Balance, beginning of year	\$ 19,989,460	\$ 19,425,058
Contributions from developers	1,651,079	3,576,568
Interest on investments	475,737	229,339
Bylaw expenditures (Note 13)	(6,333,499)	(3,241,505)
Balance, end of year	<u>\$ 15,782,777</u>	<u>\$ 19,989,460</u>

DCC's are comprised of the following:

	2022	2021
Roads	\$ 3,744,592	\$ 8,631,930
Water	8,187,139	8,224,121
Parks	3,671,607	2,993,171
Sewer	108,319	95,809
Storm Sewer	71,120	44,429
	<u>\$ 15,782,777</u>	<u>\$ 19,989,460</u>

8. Liabilities - Short Term & Equipment debt

	Current interest rate (%)	Year of Maturity	Balance, beginning of year	Additions	Sinking fund payments	Actuarial adjustment	Balance, end of year
Short Term Debt							
MFA loan #0001-0	4.51	2025	\$ 247,435	\$ -	\$ 73,047	\$ -	\$ 174,388
MFA loan #0002-01	4.51	2026	883,618	-	182,721	-	700,897
MFA loan #0002-01	4.51	2026	142,873	-	29,544	-	113,329
MFA loan #0002-01	4.51	2026	72,535	-	14,999	-	57,536
MFA loan #0003-00	4.51	2027	-	714,374	-	-	714,374
MFA loan #0003-00	4.51	2027	-	1,154,818	-	-	1,154,818
MFA Bylaw #289	4.77	2026	3,000,000	12,000,000	-	-	15,000,000
MFA Bylaw #290	4.77	2027	-	4,600,000	-	-	4,600,000
			<u>\$ 4,346,461</u>	<u>\$ 18,469,192</u>	<u>\$ 300,311</u>	<u>-</u>	<u>\$ 22,515,342</u>

City of West Kelowna

Notes to the financial statements

December 31, 2022

8. Liabilities - Short Term & Equipment debt (continued)

Interest is charged on a daily floating rate basis and compounded monthly. Interest paid during the year was \$316,444 (2021 - \$19,275).

Estimated principal payments on short term debt, excluding Bylaws 289 and 290, for the duration of the term are as follows:

	2023	2024	2025	2026	2027
\$	616,742	\$ 647,331	\$ 632,759	\$ 597,534	\$ 420,976

Bylaws 289 and 290 are temporary interim borrowing loans (up to 5 year term) with interest only payments. When the interim period is complete, they will transfer into long-term debt with annual interest and principle repayments.

The maximum borrowing for each bylaw is as follows:

Bylaw 289 - Rose Valley Temporary Borrowing Agreement	\$23,500,000
Bylaw 290 - City Hall Temporary Borrowing Agreement	\$11,000,000

9. Liabilities - Long-term debt

	Current interest rate (%)	Year of Maturity	Balance, beginning of year	Additions	Sinking fund payments	Actuarial adjustment	Balance, end of year
General fund							
MFA issue #95	1.80	2025	\$ 864,842	\$ -	\$ 134,007	\$ 72,714	\$ 658,121
MFA issue #105	4.90	2029	4,092,488	-	277,414	166,735	3,648,339
			<u>4,957,330</u>	<u>-</u>	<u>411,421</u>	<u>239,449</u>	<u>4,306,460</u>
Water funds							
MFA issue #101	4.52	2027	94,503	-	8,228	6,019	80,256
MFA issue #103	4.65	2028	62,070	-	4,720	3,138	54,212
Province of BC	4.95	2027	4,164,105	-	675,813	-	3,488,292
			<u>4,320,678</u>	<u>-</u>	<u>688,761</u>	<u>9,157</u>	<u>3,622,760</u>
Sewer fund							
MFA issue #77	3.05	2022	146,346	-	57,913	88,433	-
MFA issue #79	2.10	2023	292,386	-	59,266	83,363	149,756
MFA issue #85	2.00	2024	208,058	-	28,795	37,203	142,060
MFA issue #85	2.00	2024	13,110	-	1,815	2,344	8,951
MFA issue #95	1.80	2025	242,598	-	37,591	20,397	184,610
MFA issue #95	4.43	2027	6,433	-	660	528	5,245
MFA issue #99	4.43	2027	423,666	-	43,433	34,787	345,446
MFA issue #101	4.52	2027	1,001,729	-	87,212	63,811	850,706
MFA issue #101	4.52	2027	234,636	-	20,428	14,947	199,261
MFA issue #101	4.52	2027	303,835	-	26,452	19,355	258,028
			<u>2,872,797</u>	<u>-</u>	<u>363,565</u>	<u>365,168</u>	<u>2,144,063</u>
Total long-term debt			<u>\$ 12,150,805</u>	<u>\$ -</u>	<u>\$ 1,463,747</u>	<u>\$ 613,774</u>	<u>\$ 10,073,283</u>

City of West Kelowna
Notes to the financial statements
December 31, 2022

9. Liabilities - Long-term debt (continued)

The requirements for future repayments of principal on existing debt for the next five years are as follows:

	2023	2024	2025	2026	2027
General Fund	\$ 411,421	\$ 411,421	\$ 411,421	\$ 277,414	\$ 277,414
Water Funds	724,771	760,553	798,139	837,619	441,679
Sewer Fund	<u>337,375</u>	<u>278,110</u>	<u>247,501</u>	<u>209,910</u>	<u>165,817</u>
	<u>\$ 1,473,567</u>	<u>\$ 1,450,084</u>	<u>\$ 1,457,061</u>	<u>\$ 1,324,943</u>	<u>\$ 884,910</u>

10. Tangible capital assets and work in progress

	2022	2021
	Net book value	Net book value
General		
Land	\$ 111,263,279	\$ 110,873,279
Buildings	29,037,316	27,954,791
Equipment	10,456,720	10,363,847
Engineering structures	<u>116,552,099</u>	<u>111,948,894</u>
	267,309,414	261,140,811
Water infrastructure	60,733,816	58,186,798
Sewer infrastructure	<u>49,508,914</u>	<u>49,948,240</u>
Tangible capital assets	<u>\$ 377,552,144</u>	<u>\$ 369,275,849</u>
Work in progress	<u>\$ 66,746,223</u>	<u>\$ 31,546,005</u>
Tangible capital assets and work in progress (Schedule 1)	<u>\$ 444,298,367</u>	<u>\$ 400,821,854</u>

Additions to work in progress for the year totaled \$41,563,859 (2021- \$31,013,673).

City of West Kelowna
Notes to the financial statements
December 31, 2022

11. Taxation - net

Taxation revenue comprises the following amounts collected less transfers to other governments:

	2022	2021
General municipal purposes	\$ 40,183,082	\$ 38,033,529
Collections for other governments		
Provincial Government - Schools	19,095,149	17,357,482
Central Okanagan Regional Hospital District	3,150,823	2,995,857
Regional District of the Central Okanagan	4,111,417	3,876,586
British Columbia Assessment Authority	548,574	490,693
Municipal Finance Authority	3,001	2,302
	<u>67,092,046</u>	<u>62,756,449</u>
Transfers to other governments		
Provincial Government - Schools	(19,095,149)	(17,357,482)
Central Okanagan Regional Hospital District	(3,150,823)	(2,995,857)
Regional District of the Central Okanagan	(4,111,417)	(3,876,586)
British Columbia Assessment Authority	(548,574)	(490,693)
Municipal Finance Authority	(3,001)	(2,302)
	<u>(26,908,964)</u>	<u>(24,722,920)</u>
	<u>\$ 40,183,082</u>	<u>\$ 38,033,529</u>

12. Government transfers

	2022	2021
Provincial unconditional transfers (repayments)		
Other	442,414	322,647
	<u>442,414</u>	<u>322,647</u>
Provincial conditional transfers		
Okanagan Basin Water Board grant	23,353	27,084
Clean water fund grant	22,346,516	5,779,699
Other	564,906	195,908
	<u>22,934,775</u>	<u>6,002,691</u>
Federal unconditional transfers		
Traffic fine revenue sharing grant and Federal grants	938,571	269,956
	<u>938,571</u>	<u>269,956</u>
Federal conditional transfers		
Gas tax community works fund	1,495,091	2,925,383
	<u>1,495,091</u>	<u>2,925,383</u>
Total transfers from other governments	<u>\$ 25,810,851</u>	<u>\$ 9,520,677</u>

City of West Kelowna

Notes to the financial statements

December 31, 2022

13. Revenue - other

	2022	2021
DCC contributions (Note 7)	\$ 6,333,499	\$ 3,241,505
Cost recoveries	777,636	923,760
Development permits	2,839,630	2,314,327
Interest	1,300,222	444,923
Actuarial adjustment on long-term debt (Note 9)	613,775	681,281
Licenses and permits	309,330	225,281
Penalties and interest on taxes	673,085	651,806
Rentals	374,108	306,800
Donations	31,598	24,447
Other	387,989	295,846
	<u>\$ 13,640,872</u>	<u>\$ 9,109,976</u>

The City has entered into contracts or agreements in the normal course of operations that it expects will result in the realization of assets and revenues in future fiscal years. The amounts these agreements are shown in Rentals above.

14. Contingent liabilities

Regional District of Central Okanagan

Regional District debt is, under the provisions of the Local Government Act, a direct, joint and several liability of the City and each member municipality within the Regional District, including the City of West Kelowna. The loan agreements with the Regional District of Central Okanagan and the Municipal Finance Authority provide that if at any time the scheduled payments provided for in the agreements are not sufficient to meet the Authority's obligation with respect to such borrowing, the resulting deficiency becomes a liability of the member municipalities. As at December 31, 2022, the City does not anticipate being required to assume any of the Regional District's debt.

Municipal Insurance Association

The City is a participant in the Municipal Insurance Association of British Columbia (the "Association"). Should the Association pay out claims in excess of premiums received, it is possible that the City, along with the other participants, would be required to contribute towards the deficit. Management does not consider external payments under this contingency to be likely and therefore no amounts have been accrued.

Legal actions

The nature of the City's operations are such that the City is subject to potential or ongoing litigation, the outcome of which is not determinable at this time. Accordingly, no provision has been made in the accounts for these actions. The amount of loss, if any, arising from ongoing litigation will be recorded in the accounts in the period in which the loss is realized. The City has insurance policies and financial reserves to offset associated risks.

City of West Kelowna

Notes to the financial statements

December 31, 2022

14. Contingent liabilities (continued)

Pension

The City 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 defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2021, the plan has about 227,000 active members and approximately 118,000 retired members. Active members include approximately 42,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

The City paid \$2,086,488 (2021-\$2,019,984) for employer contributions while employees contributed \$1,793,554 (2021-\$1,665,899) to the plan in fiscal 2022.

The next valuation will be as at December 31, 2024 with results available later in 2025.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the plan.

15. Commitments

The City has entered into various operating leases for equipment and payments under contracts for services with terms varying from one to five years. The total lease commitments payable in each of the next four years are as follows:

2023	\$ 2,685,762
2024	\$ 2,404,345
2025	\$ 2,324,343
2026	\$ 30,000
	<u>\$ 7,444,450</u>

City of West Kelowna

Notes to the financial statements

December 31, 2022

15. Commitments (continued)

Letters of Credit

The City is holding letters of credit in the amount of \$15,077,846 (2021-\$15,669,034), which are received as security related to performance deposits.

Operating Line

The City has revolving credit facilities with one Canadian chartered bank providing for borrowing of up to \$6,000,000. The facilities bear interest at the bank prime rate less 0.5% and are due on demand. As at December 31, 2022, the \$nil (2021 - \$nil) has been drawn on these facilities.

16. Segmented information

The City of West Kelowna is a diversified municipal government that provides a wide range of services to its citizens. The City's operations and activities are organized and reported by funds and departments. The General Fund reports on operations, funded primarily by property taxes, which include services provided by the City such as general government services, protective services, transportation services, environmental health and developmental services, and recreation and cultural services. The utility operations are comprised of the water, sewer and storm drainage systems, each accounting for its own operations and programs within their own funds. Operating results reported by the following segments are included in Schedule 3.

The various segments are described as follows:

a) General government services

This segment is responsible for a number of different functions including Legislative Services, Administration, Finance and Information Services. Legislative services involves staff working closely with Council and community partners to coordinate the delivery of a wide range of functions and services. Administration is responsible for the Human Resources function, which oversees the recruitment and retention of people, management of labour relations, administration of collective agreements, employee compensation and benefit programs, staff training and development, employee health and safety and Work Safe BC regulations. Finance is responsible for the requisition of tax revenues from the Province and other taxing authorities and all treasury and accounting functions. Information Services includes an all-encompassing computer database and mapping system for properties in the City, which is used by City departments, other government agencies and members of the public.

City of West Kelowna
Notes to the financial statements
December 31, 2022

16. Segmented information (continued)

b) Protective services

This segment is responsible for all the various services provided by the RCMP, Fire Services and Bylaw Enforcement designed to protect the lives and property of both citizens and visitors with a focus on emergency response, law enforcement, search and rescue, education and prevention.

c) Transportation services

This segment is responsible for roads and maintenance, street lighting, traffic management and transit system.

d) Environmental health and development services

This segment is responsible for delivering health, planning and development services to the City. The specific functions include planning, building permits and inspections, business licensing, design and engineering services as well as tourism and economic development.

e) Recreation and cultural services

This segment is responsible for recreational program design, delivery and management, municipal facilities/parks development and maintenance and museum operations, as well as coordination of many recreational/sporting activities and groups.

f) Water services

This segment is responsible for the operation and maintenance of the five water systems that provide water services to the residents and businesses within the municipal boundaries of the City.

g) Sewer services

This segment is responsible for the operation and maintenance of the sewer collection system within the municipal boundaries of the City.

h) Storm drainage

This segment is responsible for the operation and maintenance of the storm drainage collection system within the municipal boundaries of the City.

City of West Kelowna
Notes to the financial statements
December 31, 2022

17. Budget

The budget amounts presented reflect the statutory financial plan as adopted by Council on April 5, 2022, adjusted for amortization and other items for comparability with the actual results. The following table reconciles the balanced statutory financial plan to the budget surplus reported on the statement of operations and accumulated surplus.

Surplus as per 10 year Financial Plan Bylaw No. 0292, 2022	\$ -
Adjust for non-operating items included in Financial Plan:	
Acquisition of tangible capital assets	141,743,412
Repayment of principal portion of long-term debt	1,463,747
Net transfers from reserves	<u>(34,170,967)</u>
	<u>109,036,192</u>
Adjust for operating items excluded in Financial Plan:	
Amortization	<u>(12,562,803)</u>
Budget surplus as per the statement of operations and accumulated surplus	\$ <u>96,473,389</u>

City of West Kelowna
Schedule 1 - Schedule of tangible capital assets and work in progress
December 31, 2022

	Equipment								Engineering structures							Total
	Land	Buildings & Improvements	Computer	Machinery	Office furniture & equipment	Small tools & equipment	Vehicles	Solid waste carts	Infrastructure	Roads	Sidewalks	Storm drains	Water Infrastructure	Sewer Infrastructure		
Cost, beginning of year	\$110,873,279	\$ 44,546,040	\$ 2,990,541	\$ 3,949,430	\$ 839,496	\$ 3,378,090	\$11,563,535	\$ 1,537,145	\$ 17,023,398	\$252,349,167	\$ 9,872,950	\$ 6,021,243	\$ 94,716,625	\$ 68,919,280	\$ 628,580,219	
Additions	390,000	2,221,251	179,776	54,838	22,078	144,209	1,481,537	-	519,860	9,803,405	1,127,874	50,000	4,328,229	656,751	20,979,808	
Disposals	-	-	-	-	-	-	(48,998)	-	-	(687,646)	-	-	-	-	(736,644)	
Cost, end of year	<u>111,263,279</u>	<u>46,767,291</u>	<u>3,170,317</u>	<u>4,004,268</u>	<u>861,574</u>	<u>3,522,299</u>	<u>12,996,074</u>	<u>1,537,145</u>	<u>17,543,258</u>	<u>261,464,926</u>	<u>11,000,824</u>	<u>6,071,243</u>	<u>99,044,854</u>	<u>69,576,031</u>	<u>648,823,383</u>	
Accumulated amortization, beginning of year	-	16,591,251	2,448,441	1,957,396	622,372	1,647,674	6,426,751	791,756	5,866,265	162,460,088	2,715,844	2,275,666	36,529,827	18,971,039	259,304,370	
Amortization	-	1,138,724	306,116	254,182	16,985	488,778	662,018	61,486	1,005,240	5,242,903	210,839	662,243	1,781,211	1,096,078	12,562,803	
Disposals	-	-	-	-	-	-	(48,998)	-	-	(546,936)	-	-	-	-	(595,934)	
Accumulated amortization, end of year	<u>-</u>	<u>17,729,975</u>	<u>2,754,557</u>	<u>2,211,578</u>	<u>639,357</u>	<u>2,136,452</u>	<u>7,039,771</u>	<u>853,242</u>	<u>6,871,505</u>	<u>167,156,055</u>	<u>2,926,683</u>	<u>2,573,909</u>	<u>38,311,038</u>	<u>20,067,117</u>	<u>271,271,239</u>	
Net book value, end of year	<u>\$111,263,279</u>	<u>\$ 29,037,316</u>	<u>\$ 415,760</u>	<u>\$ 1,792,690</u>	<u>\$ 222,217</u>	<u>\$ 1,385,847</u>	<u>\$ 5,956,303</u>	<u>\$ 683,903</u>	<u>\$ 10,671,753</u>	<u>\$ 94,308,871</u>	<u>\$ 8,074,141</u>	<u>\$ 3,497,334</u>	<u>\$ 60,733,816</u>	<u>\$ 49,508,914</u>	<u>\$ 377,552,144</u>	
Work in progress	<u>\$ -</u>	<u>\$ 10,942,847</u>	<u>\$ 397,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,341</u>	<u>\$ 100,669</u>	<u>\$ -</u>	<u>\$ 903,569</u>	<u>\$ 466,129</u>	<u>\$ 1,252,511</u>	<u>\$ 798,785</u>	<u>\$ 51,446,972</u>	<u>\$ 377,952</u>	<u>\$ 66,746,223</u>	
Tangible capital assets and work in progress	<u>\$111,263,279</u>	<u>\$ 39,980,163</u>	<u>\$ 813,208</u>	<u>\$ 1,792,690</u>	<u>\$ 222,217</u>	<u>\$ 1,445,188</u>	<u>\$ 6,056,972</u>	<u>\$ 683,903</u>	<u>\$ 11,575,322</u>	<u>\$ 94,775,000</u>	<u>\$ 9,326,652</u>	<u>\$ 4,296,119</u>	<u>\$ 112,180,788</u>	<u>\$ 49,886,866</u>	<u>\$ 444,298,367</u>	

City of West Kelowna
Schedule 2 - Schedule of accumulated surplus
December 31, 2022

	Balance, beginning of year	Transfer to	Transfer from	Interest	Balance, end of year
Reserves					
Capital - general	6,743,203	3,953,784	(3,492,263)	178,434	7,383,158
Capital - water	7,740,902	2,719,636	(2,255,975)	218,533	8,423,096
Capital - sewer	1,030,371	526,318	(529,829)	28,210	1,055,070
Community projects	5,058,818	1,505,266	(1,203,981)	140,655	5,500,758
Equipment replacement	3,372,056	1,765,000	(727,895)	108,806	4,517,967
Fire	251,663	-	-	6,795	258,458
Future expenses	1,830,727	485,000	(544,685)	48,624	1,819,666
Infrastructure	-	1,095,592	(845,169)	13,244	263,667
Municipal facilities	7,062,421	1,200,000	(213,688)	204,860	8,253,593
Other	18,966,263	48,983,026	(28,545,777)	50,142	39,453,654
Policing	714,875	315,069	(22,078)	23,257	1,031,123
Property acquisition	482,115	-	-	13,017	495,132
Recreation	400,198	107,116	(114,556)	10,705	403,463
Road maintenance and snow clearing	816,745	-	-	22,052	838,797
Storm drainage	139,595	-	-	3,769	143,364
	<u>54,609,952</u>	<u>62,655,807</u>	<u>(38,495,896)</u>	<u>1,071,103</u>	<u>79,840,966</u>
Investment in non-financial assets					
Investment in tangible capital assets	<u>356,750,732</u>	<u>21,488,440</u>	<u>(12,562,803)</u>	<u>-</u>	<u>365,676,369</u>
Accumulated surplus	<u>\$411,360,684</u>	<u>\$ 84,144,247</u>	<u>\$ (51,058,699)</u>	<u>\$ 1,071,103</u>	<u>\$445,517,335</u>

City of West Kelowna
Schedule 3 - Schedule of segment disclosure
December 31, 2022

	General Fund								2022 Totals	2021 Totals
	General government services	Protective services	Transportation services	Environmental health & development services	Recreation & cultural services	Water services	Sewer services	Storm drainage		
Revenue										
Taxation-net	\$ 12,059,300	\$ 13,131,441	\$ 4,604,779	\$ 3,551,872	\$ 6,350,879	\$ -	\$ -	\$ 484,811	\$ 40,183,082	\$ 38,033,529
Sale of services and regulatory fees	-	2,463,930	883,740	3,150,450	1,871,170	13,697,613	5,967,053	-	28,033,956	27,067,227
Government transfers	3,168,603	271,925	454	-	-	22,346,516	23,353	-	25,810,851	9,520,677
Other	3,132,499	803,038	5,728,773	2,879,473	19,333	648,129	429,627	-	13,640,872	9,109,976
Total revenue	18,360,402	16,670,334	11,217,746	9,581,795	8,241,382	36,692,258	6,420,033	484,811	107,668,761	83,731,409
Expenses										
Amortization of tangible assets	9,514,074	-	-	47,964	-	1,904,687	1,096,078	-	12,562,803	12,695,805
Building and grounds maintenance	386,194	119,745	-	-	337,729	276,879	4,810	-	1,125,357	1,045,009
Civic grants	130,939	-	-	-	-	-	-	-	130,939	360,765
Contract services	553,102	404,173	2,613,626	2,397,581	1,625,760	947,976	4,011,994	120,323	12,674,535	11,471,603
Interest on long-term debt	302,176	-	-	-	-	404,297	206,525	-	912,998	703,238
Equipment maintenance and fuel	799,820	291,986	212,327	15,624	288,447	555,775	16,603	47,729	2,228,311	1,973,637
Library	-	-	-	-	1,636,180	-	-	-	1,636,180	1,596,395
Recoverable Emergency Operations	-	341,866	-	-	-	-	-	-	341,866	754,691
RCMP E-Division Contract	-	5,802,769	-	-	-	-	-	-	5,802,769	4,516,676
Supplies, small tools and equipment	619,916	495,556	209,059	161,920	460,077	1,098,298	121,575	36,790	3,203,191	2,779,811
Transit	-	-	2,308,703	-	-	-	-	-	2,308,703	1,796,676
Utilities	206,181	136,583	271,016	7,268	891,203	505,816	59,470	-	2,077,537	1,975,925
Wages, benefits & professional development	5,008,039	11,485,434	1,133,603	2,530,004	3,987,524	3,402,147	810,975	149,195	28,506,921	27,101,039
Total expenses	17,520,441	19,078,112	6,748,334	5,160,361	9,226,920	9,095,875	6,328,030	354,037	73,512,110	68,771,270
Annual surplus (deficit) for the year	\$ 839,961	\$ (2,407,778)	\$ 4,469,412	\$ 4,421,434	\$ (985,538)	\$ 27,596,383	\$ 92,003	\$ 130,774	\$ 34,156,651	\$ 14,960,139

City of West Kelowna

Schedule 4 - Provincial COVID-19 Restart Grant (unaudited)

December 31, 2022

The COVID-19 Restart Grant was received by the Provincial Government in 2020 and was included as Provincial Grant Revenue and transferred to a reserve to cover expenses and reduced revenue over the next 4 years. The schedule provides disclosure of funds received, spent and remaining over the corresponding years.

Safe Restart Grant (as of December 31, 2021)	<u>2020 (actual)</u>	<u>2021 (actual)</u>	<u>2022 (actual)</u>	<u>2023</u>
Grant Total Carryforward	\$ 4,602,000	\$ 3,352,000	\$ 2,829,150	\$ 2,002,033
Usage Areas:	-	-	-	-
COVID-19 Expenses	411,000	65,971	47,006	50,000
Facilities and Recreation revenue shortfall	400,000	-	101,851	100,000
Paperless and ERP Projects Operating Side	-	139,979	423,885	350,000
Other reduced revenues	439,000	200,000	154,375	100,000
Operating Budget	<u>\$ 1,250,000</u>	<u>\$ 405,950</u>	<u>\$ 727,117</u>	<u>600,000</u>
Capital Budget / Projects	-	116,900	100,000	1,400,000
Balance of Grant (available for future years)	<u>\$ 3,352,000</u>	<u>\$ 2,829,150</u>	<u>\$ 2,002,033</u>	<u>\$ 2,033</u>

The pandemic continues to provide uncertainty over the City's future cash flows, and may have a significant impact on the City's future operations. Potential impacts on the City's business could include future decreases in revenue, impairment of investments or reduction in investment income, and delays in completing capital project work. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effects of the City is not known at this time and as such the above schedule of how these grant funds are proposed to be spent may change.