



COUNCIL REPORT

To: Mayor and Council

Date: May 13, 2025

From: Ron Bowles, Chief Administrative Officer

File No: 1830-20

Subject: **2024 City of West Kelowna Financial Statements - Audited**

Report Prepared by: Lisa Siavashi, Financial Services Manager/Deputy Chief Financial Officer

Report Reviewed by: Warren Everton, Chief Financial Officer

RECOMMENDATION:

THAT Council accept the 2024 Financial Statements for the City of West Kelowna as attached in “Schedule 1” of the report dated May 13, 2025.

STRATEGIC AREA(S) OF FOCUS

Invest in Infrastructure – We will invest in building, improving and maintaining infrastructure to meet the needs of, and to provide a high quality of life for, current and future generations.

Pursue Economic Growth and Prosperity – We will work with stakeholders throughout the region to advocate for and support efforts aimed at helping West Kelowna businesses prosper. With a focus on the future, we will advance opportunities to expand our economy, increase employment, and develop the community in ways that contribute towards prosperity for all.

Strengthen Our Community – We will provide opportunities for the residents of West Kelowna to build connections, celebrate successes, embrace the community's strengths and diversity, address shared needs, and contribute to shaping the community's future.

Foster Safety and Well-Being – We will pursue through direct action, advocacy, and collaboration with local and regional service providers, investments in community health, needs-based housing, emergency preparedness, policing, and other services that foster safety and well-being in West Kelowna.

LEGISLATIVE REQUIREMENTS:

Section 167 of the *Community Charter* describes the financial reporting requirements for local governments. Municipal financial statements for a fiscal year must be prepared by

the Financial Officer and presented to Council for its acceptance. The 2024 financial statements are to be submitted to the Inspector of Municipalities by May 15th of the year following the end of the fiscal year.

These financial statements have been prepared in accordance with generally accepted accounting principles for local governments following recommendations and guidance provided by Public Sector Accounting Standards (PSAS). Our auditors, BDO Canada LLP, have audited the statements and provided a clean audit opinion.

BACKGROUND

This report presents the City of West Kelowna's Financial Statements for the year ended December 31, 2024, and provides highlights of the City's financial performance during 2024 and financial condition as of December 31, 2024.

The Financial Statements are intended to provide Council and the public an overview of the City's financial status at the end of the fiscal year and layout revenues, expenses and funding for the year.

The preparation, content and accuracy of the Financial Statements and all other information included in the financial report are the responsibility of management.

The 2024 Financial Statements have been audited by BDO Canada LLP whose role was to express an independent opinion on the fair presentation of the City's financial position and operating results and to confirm that the statements are free from material misstatement. The external auditor's opinion (in Schedule 1) is to provide assurance to third parties that the financial statements can be relied upon by all stakeholders.

The Financial Statements include the following individual statements:

Statement of Financial Position

The Statement of Financial Position is the municipal equivalent of the private sector's balance sheet. It highlights the City of West Kelowna's assets (both financial and non-financial) and liabilities.

Under liabilities, funds received for specific purposes under legislation, regulation, and agreements are listed. These funds are deferred as revenues until related expenses occur in the future. For instance, development charges and certain Federal and Provincial grant funding are not recognized as revenues until the projects are constructed

Temporary borrowing increased in 2024 due to additional construction funding needed for the treatment plant, City Hall, and Fire Hall 31. These amounts are shown under Short-term and Equipment Debt in the Liabilities section and detailed in Note 7. Once these projects are completed, the short-term financing for each of them will be converted to long-term debt.

The detailed breakdown of the accumulated surplus, including all its components, is reflected in Schedule 2 of the Financial Statements

Statement of Operations and Accumulated Surplus

The Statement of Operations and Accumulated Surplus is akin to the private sector's Statement of Income and Retained Earnings. It provides a summary of the revenues, expenses, and surplus for the reporting period, and outlines the change in accumulated surplus.

The 2024 budget values presented in this statement have been adjusted to reflect the differences between amounts budgeted on a "modified cash requirements" basis and amounts recorded in the financial statements on an accrual basis. Note 17 outlines the adjustments to the approved budget, particularly the exclusion of principal payments, and funding of tangible capital asset purchases. These adjustments to budgeted figures were required to provide comparative values based on the accrual basis of accounting.

Statement of Change in Net Financial Assets

The Statement of Net Financial Assets is unique to governments and focuses on the City's debt, adjusting for the tangible capital assets impact on the annual surplus. This involves deducting the costs to acquire assets, and adding back amortization charged during the year.

Net financial assets or net debt are terms defined by the Public Sector Accounting Standards (PSAS) and represent the difference between financial assets and liabilities (both shorter and longer term). Financial assets are defined as anything that could be used to cover existing liabilities or finance future operations. Net debt may be materially different than the amount of the City's outstanding long-term debt on the City's Statement of Financial Position, details of which are provided in Note 8 of the Financial Statements.

The notes to the statements provide further detail about the City's financial results and are an integral part of the statements.

DISCUSSION

2024 FINANCIAL HIGHLIGHTS

For 2024, the City had revenues of \$90.4M, expenses of \$90M, and a resulting annual accounting surplus of \$409,025. It is important to note that this "accounting surplus" is presented on an accrual accounting basis which includes water, sewer, operating and capital functions.

Revenues

While the annual budget process focuses primarily on property tax increases, it must be emphasized that property taxes are only one of the City's many revenue sources. Other major revenue sources are:

Sales of Service and Other Revenue

- Sewer Service user fees, actual \$6.64M, budget \$6.4M (includes RDCO charge).
- Water Service user fees, actual \$15.2M, budget was \$14.8M. The increase is due to user growth and increased fees in anticipation of debt servicing costs and capital needs.
- Solid Waste Collection user fees' actual revenue was \$2.4M and budget was \$2.2M. Materials Management BC (recycling) funds received \$467K, budget was \$400K and is now included with Government Transfers.
- Transit user fee, actual result \$830K, with budget at \$770K.
- Building permits actual \$2.4M, and budget at \$2.5M.
- Fire Servicing Agreement with Westbank First Nation earned \$3.1M, with budget matching.
- Interest Revenue: actual earnings were \$3M, and the budget was \$961K. Budgeted figures are normally quite conservative due to interest rate fluctuations.

Expenditures

Expenditure variance comments by major program area are as follows:

- Fire Services core expenses over budget by \$1.1M (mostly due to retroactive remuneration and overtime).
- Public Works over budget \$417K (due to unexpected hazard tree removal costs and staff investigating possibility for EMBC reimbursement)
- Transit expenses over budget by \$675K (final budget from BC transit was received after CWK budget was finalized)
- Solid Waste over budget by \$180K (due to contract and tipping expenses)
- Water fund expenditures exceeded budget by \$6.2M in 2024. That drops by \$2.8M when accounting for non-cash entries for amortization. Additionally, \$1.1M is for interest on temporary borrowing for the Rose Valley water treatment plant and \$700K went towards water meter replacements. With pricing changes in the year, the water fund saw \$688K in unexpected increases in chemical costs and \$440K in increased contract expenses. As surpluses are regularly transferred to reserve in both the water and sewer funds, deficits ultimately reduce any additional amount that may have been transferred to the reserve.
- The financial statements suggest the sewer fund as over budget. However, this is primarily due to non-cash items including \$1.1M for amortization, \$150K for new asset retirement obligations, and \$200K for actuarial adjustments.

Additional Financial Highlights

1. Acquisitions of Tangible Capital Assets comparison by year:

	2024	2023	2022
General Fund	33,788,443	10,717,694.54	15,744,121
Water Fund	309,762	61,755,432.65	4,578,934
Sewer Fund	36,223	-	656,751
	\$ 34,134,428	\$ 72,473,127	\$ 20,979,806

Capital acquisitions for 2024 included \$24M for the new City Hall, \$1.5M in machinery and equipment, \$6.6M in roads, sidewalks, and infrastructure.

2. Reserves and DCCs:

December 31, 2024 Reserve Balances and DCCs	
	2024 Year End Balance
<u>Reserves</u>	
Capital - General	12,049,683
Capital - Water	13,287,026
Capital - Sewer	2,318,477
Community projects (Gas Tax)	4,669,284
Growing Communities	8,639,122
Equipment Replacement	6,428,685
Fire	287,561
Future expenses	2,200,434
Infrastructure	718,121
Municipal Facilities	2,312,852
Other	1,709,996
Policing	1,460,977
Property Acquisition	550,884
Recreation	675,176
Road Maintenance & Snow Clearing	933,245
Storm Drainage	223,858
Total reserves	\$ 58,465,381
Total DCCs Available	19,394,497
Total Reserves and DCCs	\$ 77,859,877
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Future City Works (Offset to Accumulated Surplus Acct)	(30,796,864.23)

The Future City Works liability account has been separated out from capital reserves in the “Other” category since it is not a true reserve but a balancing item that recognizes capital funding revenues into accumulated surplus as they are received and then later reduces surplus when capital projects are completed and transferred to TCA (tangible capital asset) listings. With the completion of the Rose Valley Water Treatment Plant in 2023, its full value was recognized and transferred out of annual surplus, reducing the 2022 balance of \$34,156,651 down to (\$14,251,422). In 2024, this balance was further reduced with the recognition of the new City Hall. Once the long-term debt funding is received for both projects, this account will start to return to a positive position.

FINANCIAL IMPLICATIONS

The annual surplus each year can be comprised of both cash and non-cash transactions. Cash items include grant, DCC and other revenues and examples of non-cash transactions can be the recognition of gain on sale of assets, donations of infrastructure from developers, and actuarial adjustments on the MFA debt. The reconciliation of the annual surplus from operations includes reductions for committed cash items, removal of the non-cash items and adding back recoverable expenses and debt interest payments to be funded from reserves.

For 2024 the annual surplus breaks down as follows:

2024 Annual General Fund Surplus Reconciliation	\$ 409,025
Less Cash Items Appropriated to Reserve	
Grant Revenue (Note 12 Government Transfers)	(1,706,182)
DCC Revenue (Note 13 Other Revenue)	(360,317)
Less Non-cash Items	
Actuarial Adjustment (Note 8)	(497,859)
Statement of Operations Items Outstanding	
Add back Short Term Interest to be funded from reserves	1,950,485
2024 Net Deficit	\$ (204,848)

General operating surpluses accumulated over the years are kept in a separate reserve. When necessary, Council has approved transferring a portion of these funds to other reserves or using them to fund capital projects. It is important to maintain a balance in this reserve to offset any deficits that may occur, such as in 2024. If a large deficit is anticipated in a given year Council will be notified before the end of the year when operations can still be adjusted to mitigate any such deficit.

PowerPoint: Yes ☒ No ☐

Attachments:

Schedule 1 - 2024 City of West Kelowna Financial Statements