



**DRAFT**  
**2019 Consolidated Financial Statements**

**Fiscal Year Ending December 31, 2019**

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**City of West Kelowna  
December 31, 2019**

**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 consolidated financial statements to the management of the City of West Kelowna. The consolidated 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 consolidated financial statements.

The City of West Kelowna's independent auditors, KPMG LLP, are engaged to express an opinion as to whether these consolidated financial statements present fairly the City's consolidated 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 consolidated 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  
June 9, 2020

# INDEPENDENT AUDITORS' REPORT

To Mayor and Council of the City of West Kelowna

## ***Opinion***

We have audited the consolidated financial statements of the City of West Kelowna ("the City"), which comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets (debt) for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2019, and its consolidated results of operations, its consolidated changes in net financial assets (debt) 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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.



## ***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.

## ***Auditors' 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for

the purpose of expressing an opinion on the effectiveness of the 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 auditors' 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 auditors' 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.
- 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, Canada

June 9, 2020

**City of West Kelowna**  
**Consolidated statement of financial position**  
**December 31, 2019**

	2019	2018
<b>Financial assets</b>		
Cash and cash equivalents (Note 3)	\$ 56,060,232	\$ 52,328,208
Accounts receivable (Note 4)	<u>18,361,175</u>	<u>21,280,191</u>
	<u>74,421,407</u>	<u>73,608,399</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	8,179,785	11,253,727
Security deposits	9,777,243	8,984,020
Deferred revenue (Note 6)	16,969,234	16,670,876
Deferred development cost charges (Note 7)	16,036,488	11,967,830
Debt (Note 8)	<u>16,563,331</u>	<u>18,820,360</u>
	<u>67,526,081</u>	<u>67,696,813</u>
 Net financial assets	 <u>6,895,326</u>	 <u>5,911,586</u>
<b>Non-financial assets</b>		
Prepaid expenses and inventory	1,044,349	1,158,679
Tangible capital assets and work in progress (Note 9)	<u>377,344,351</u>	<u>374,105,915</u>
	<u>378,388,700</u>	<u>375,264,594</u>
 Accumulated surplus (Schedule 2)	 <u>\$ 385,284,026</u>	 <u>\$ 381,176,180</u>

Contingent liabilities and commitments (Notes 13 and 14)  
Subsequent event (Note 17)

Warren Everton, CPA, CMA  
Chief Financial Officer

Gord Milsom  
Mayor, City of West Kelowna

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**City of West Kelowna****Consolidated statement of operations and accumulated surplus****Year ended December 31, 2019**

	2019	2019 Budget (Note 16)	2018
<hr/>			
<b>Revenue</b>			
Taxation - net (Note 10)	\$ 34,603,407	\$ 34,722,873	\$ 32,557,061
Sales of service and regulatory fees	23,145,843	23,404,579	21,828,684
Government transfers (Note 11)	3,134,271	43,263,793	2,537,243
Other (Note 12)	8,845,263	21,321,669	21,211,985
<b>Total revenues</b>	<u>69,728,784</u>	<u>122,712,914</u>	<u>78,134,973</u>
<b>Expenses (Schedule 3)</b>			
General government services	16,133,306	16,531,491	15,076,639
Protective services	16,762,986	14,577,668	18,449,910
Transportation services	5,723,434	5,132,242	5,650,858
Environmental & health development services	5,205,409	5,914,288	4,545,176
Recreation and cultural services	7,965,619	7,740,822	7,591,393
Water services	7,470,497	7,691,449	6,970,545
Sewer services	5,977,993	6,673,992	5,861,558
Storm drainage	381,694	350,500	333,859
<b>Total expenses</b>	<u>65,620,938</u>	<u>64,612,452</u>	<u>64,479,938</u>
<b>Annual surplus</b>	4,107,846	58,100,462	13,655,035
Accumulated surplus, beginning of year	381,176,180	381,176,180	367,521,145
<b>Accumulated surplus, end of year</b>	<u>\$ 385,284,026</u>	<u>\$ 439,276,642</u>	<u>\$ 381,176,180</u>

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**City of West Kelowna****Consolidated statement of changes in net financial assets (debt)****Year ended December 31, 2019**

	2019	2019 Budget (Note 16)	2018
<b>Annual surplus (deficit)</b>	<b>\$ 4,107,846</b>	<b>\$ 58,100,462</b>	<b>\$ 13,655,035</b>
Acquisition of tangible capital assets and work in progress	(15,106,946)	(79,997,325)	(26,352,313)
Amortization of tangible capital assets	11,856,221	11,856,220	11,125,328
Loss on disposal of tangible capital assets	12,289	-	8,100
Net change in prepaid expenses and inventory	<u>114,330</u>	<u>-</u>	<u>(230,979)</u>
 Increase (decrease) in financial assets	 983,740	 (10,040,643)	 (1,794,829)
 Net financial assets, beginning of year	 <u>5,911,586</u>	 <u>5,911,586</u>	 <u>7,706,415</u>
<b>Net financial assets, end of year</b>	<b><u>\$ 6,895,326</u></b>	<b><u>\$ (4,129,057)</u></b>	<b><u>\$ 5,911,586</u></b>

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**City of West Kelowna**  
**Consolidated statement of cash flows**  
**Year ended December 31, 2019**

	2019	2018
<b>Cash provided by (used for)</b>		
<b>Operating activities</b>		
Annual surplus	\$ 4,107,846	\$ 13,655,035
Adjustment for non cash items		
Amortization of tangible capital assets	11,856,221	11,125,328
Actuarial adjustment on debt	(709,199)	(640,210)
Acquisition of tangible capital assets through developer & donor contributions	-	(3,563,812)
Loss on disposal of tangible capital assets	12,289	8,100
(Increase) decrease in		
Accounts receivable	2,919,016	(4,293,141)
Prepaid expenses and inventory	114,330	(230,969)
Increase (decrease) in		
Accounts payable and accrued liabilities	(3,073,942)	4,917,424
Security deposits	793,223	1,390,211
Deferred development cost charges	4,068,658	(4,750,279)
Deferred revenue	298,358	824,500
	<u>20,386,800</u>	<u>18,442,177</u>
<b>Financing activities</b>		
Repayment of debt	(1,547,830)	(1,519,847)
	<u>(1,547,830)</u>	<u>(1,519,847)</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets and work in progress	(15,106,946)	(22,788,501)
	<u>(15,106,946)</u>	<u>(22,788,501)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<u>3,732,024</u>	<u>(5,866,171)</u>
Cash and cash equivalents, beginning of year	<u>52,328,208</u>	<u>58,194,379</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 56,060,232</u>	<u>\$ 52,328,208</u>
<b>Supplementary cash flow information</b>		
Interest paid	\$ 965,472	\$ 1,100,207



# City of West Kelowna

## Notes to the financial statements

### December 31, 2019

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#### 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.

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#### 2. Summary of significant accounting policies

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

##### a) Basis of consolidation

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.

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## City of West Kelowna

### Notes to the financial statements

#### December 31, 2019

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## 2. Summary of significant accounting policies (continued)

### d) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives according to an estimated useful life 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 drain	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.

### f) Prepaid expenses and inventory

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

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2019**

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**2. Summary of significant accounting policies (continued)**

**g) Debt**

Outstanding debenture 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.

**h) 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:

	<b>Demand notes</b>	<b>Cash deposits</b>	<b>2019</b>	<b>2018</b>
General Fund	\$ 350,582	\$ 164,450	\$ 515,032	\$ 511,288
Water Funds	11,423	5,607	17,030	16,902
Sewer Fund	496,094	266,252	762,346	854,946
	<u>\$ 858,099</u>	<u>\$ 436,309</u>	<u>\$ 1,294,408</u>	<u>\$ 1,383,136</u>

**i) 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.

**j) Revenue recognition**

Taxation revenues are recorded on the accrual basis and recognized in the year they are levied. 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, 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.

**k) Budget figures**

The budget figures are from the 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 16).

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2019**

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**2. Summary of significant accounting policies (continued)**

**l) 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. Significant areas requiring the use of management estimates relate to the determination of payroll liabilities, the measurement of an allowance for doubtful accounts receivable, 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.

**m) 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.

**n) 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 15 and Schedule 3.



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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2019**

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**3. Financial assets - Cash and cash equivalents**

Cash and cash equivalents held by the City include cash and term deposits with an average interest rate of 2.19%.

**4. Financial assets - Accounts receivable**

Accounts receivable are recorded net of an allowance for doubtful accounts and are comprised of the following:

	2019	2018
Property taxes	\$ 2,926,110	\$ 2,620,564
Federal government	422,705	1,040,888
Provincial government	4,515,245	6,680,491
Other governments	743	3,280
Sewer funds	6,037,871	6,484,315
Utilities	4,102,153	3,774,146
Other	356,348	676,507
	<u>\$ 18,361,175</u>	<u>\$ 21,280,191</u>

**5. Liabilities - Accounts payable and accrued liabilities**

	2019	2018
Trade	\$ 4,422,962	\$ 3,874,951
Wages and payroll	2,159,573	1,799,369
Accrued liabilities	673,012	1,811,210
Other governments	645,316	3,577,559
Other	278,922	190,638
	<u>\$ 8,179,785</u>	<u>\$ 11,253,727</u>

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2019**

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**6. Liabilities - Deferred revenue**

Deferred revenue is comprised of the following:

	2019	2018
Property taxes	\$ 2,979,148	\$ 2,475,229
Recreation program fees	196,491	148,646
Cemetery perpetual care fund	148,106	135,201
Utility fees	171,456	150,118
Other	13,474,033	13,761,682
	<u>\$ 16,969,234</u>	<u>\$ 16,670,876</u>

As at December 31, 2019, other deferred revenue includes \$13,378,656 (2018 - \$13,041,600) in respect of the City's 2018-2022 water infrastructure project.

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

Pursuant to the provisions of the Local Government Act, DCC's are held in statutory reserve funds 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.

	2019	2018
Balance, beginning of year	\$ 11,967,830	\$ 16,718,109
Contributions from developers	4,952,674	3,883,482
Interest on investments	270,728	263,475
Bylaw expenditures	(1,154,744)	(8,897,236)
Balance, end of year	<u>\$ 16,036,488</u>	<u>\$ 11,967,830</u>

DCC's are comprised of the following:

	2019	2018
Roads	\$ 8,158,718	\$ 6,590,408
Water	6,673,224	5,417,740
Parks	1,155,612	(200,141)
Sewer	48,699	45,325
Storm Sewer	235	114,498
	<u>\$ 16,036,488</u>	<u>\$ 11,967,830</u>



**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2019**

**8. Liabilities - Debt**

	Current interest rate (%)	Year of Maturity	Balance, beginning of year	Additions	Sinking fund payments	Actuarial adjustment	Balance, end of year
<b>General fund</b>							
MFA issue #95	1.80	2025	\$ 1,443,018	\$ -	\$ 120,896	\$ 64,596	\$ 1,257,526
MFA issue #105	2.25	2029	5,325,042	-	277,414	117,433	4,930,195
			<u>6,768,060</u>	<u>-</u>	<u>398,310</u>	<u>182,029</u>	<u>6,187,721</u>
<b>Water funds</b>							
MFA issue #101	2.25	2027	134,041	-	8,228	4,438	121,375
MFA issue #103	2.65	2028	83,878	-	4,720	2,267	76,891
Province of BC	4.95	2027	6,003,112	-	583,116	-	5,419,996
			<u>6,221,031</u>	<u>-</u>	<u>596,064</u>	<u>6,705</u>	<u>5,618,262</u>
<b>Sewer fund</b>							
MFA issue #70	2.10	2019	12,527	-	5,536	6,991	-
MFA issue #71	2.10	2019	38,255	-	16,906	21,349	-
MFA issue #71	2.10	2019	81,761	-	36,133	45,628	-
MFA issue #73	1.67	2020	11,108	-	2,516	2,916	5,676
MFA issue #73	1.67	2020	231,445	-	52,425	60,751	118,269
MFA issue #74	1.75	2021	139,417	-	19,295	24,929	95,193
MFA issue #74	1.75	2021	36,646	-	5,072	6,553	25,021
MFA issue #74	1.75	2021	43,049	-	5,958	7,698	29,393
MFA issue #74	1.75	2021	15,297	-	2,117	2,735	10,445
MFA issue #74	1.75	2021	16,498	-	2,283	2,950	11,265
MFA issue #74	1.75	2021	30,768	-	4,258	5,502	21,008
MFA issue #75	1.75	2021	5,681	-	786	1,016	3,879
MFA issue #75	1.75	2021	207,594	-	28,730	37,120	141,744
MFA issue #75	1.75	2021	83,475	-	11,553	14,926	56,996
MFA issue #77	1.75	2022	544,887	-	57,915	68,506	418,466
MFA issue #79	2.25	2023	680,797	-	59,265	63,942	557,590
MFA issue #85	2.25	2024	387,788	-	28,795	28,217	330,776

**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2019**

**8. Liabilities - Long-term debt (continued)**

MFA issue #85	2.25	2024	\$ 24,437	\$ -	\$ 1,815	\$ 1,778	\$ 20,844
MFA issue #95	1.80	2025	404,784	-	33,913	18,120	352,751
MFA issue #99	1.75	2027	9,731	-	660	396	8,675
MFA issue #99	1.75	2027	640,735	-	43,433	26,105	571,197
MFA issue #101	2.25	2027	1,420,831	-	87,212	47,047	1,286,572
MFA issue #101	2.25	2027	332,804	-	20,428	11,020	301,356
MFA issue #101	2.25	2027	430,954	-	26,452	14,270	390,232
			<u>5,831,269</u>	<u>-</u>	<u>553,456</u>	<u>520,465</u>	<u>4,757,348</u>
Total long-term debt			<u>\$ 18,820,360</u>	<u>\$ -</u>	<u>\$ 1,547,830</u>	<u>\$ 709,199</u>	<u>\$ 16,563,331</u>

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

	2020	2021	2022	2023	2024
General Fund	\$ 398,310	\$ 398,310	\$ 398,310	\$ 398,310	\$ 398,310
Water Funds	625,456	656,330	688,760	722,825	758,607
Sewer Fund	494,879	439,938	359,886	301,971	242,707
	<u>\$ 1,518,645</u>	<u>\$ 1,494,578</u>	<u>\$ 1,446,956</u>	<u>\$ 1,423,106</u>	<u>\$ 1,399,624</u>

**9. Tangible capital assets and work in progress**

Tangible capital assets and work in progress are comprised of the following:

	2019 Net book value	2018 Net book value
<b>General</b>		
Land	\$ 110,188,962	\$ 108,667,254
Buildings	29,826,398	26,469,711
Equipment	7,179,398	6,420,355
Engineering structures	<u>112,709,871</u>	<u>115,646,150</u>
	259,904,629	257,203,470
<b>Water infrastructure</b>	60,851,046	59,985,666
<b>Sewer infrastructure</b>	<u>51,918,690</u>	<u>52,833,275</u>
<b>Tangible capital assets</b>	<u>\$ 372,674,365</u>	<u>\$ 370,022,411</u>
<b>Work in progress</b>	<u>\$ 4,669,986</u>	<u>\$ 4,083,501</u>
<b>Tangible capital assets and work in progress (Schedule 1)</b>	<u>\$ 377,344,351</u>	<u>\$ 374,105,912</u>

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2019**

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**10. Taxation - net**

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

	2019	2018
General municipal purposes	\$ 34,603,407	\$ 32,557,061
Collections for other governments		
Provincial Government - Schools	15,768,358	14,895,183
Central Okanagan Regional Hospital District	2,658,959	2,600,869
Regional District of the Central Okanagan	3,553,276	3,378,614
British Columbia Assessment Authority	436,254	422,112
Municipal Finance Authority	2,153	1,976
	<u>57,022,407</u>	<u>53,855,815</u>
Transfers to other governments		
Provincial Government - Schools	(15,768,358)	(14,895,183)
Central Okanagan Regional Hospital District	(2,658,959)	(2,600,869)
Regional District of the Central Okanagan	(3,553,276)	(3,378,614)
British Columbia Assessment Authority	(436,254)	(422,112)
Municipal Finance Authority	(2,153)	(1,976)
	<u>(22,419,000)</u>	<u>(21,298,754)</u>
	<u>\$ 34,603,407</u>	<u>\$ 32,557,061</u>

**11. Government transfers**

	2019	2018
Provincial unconditional transfers (repayments)		
Sewer grants	-	(10,539)
Other	64,600	83,061
	<u>64,600</u>	<u>72,522</u>
Provincial conditional transfers		
Okanagan Basin Water Board grant	(25,730)	67,422
Other	50,000	143,900
	<u>24,270</u>	<u>211,322</u>
Federal unconditional transfers		
Traffic fine revenue sharing grant and Federal grants	578,691	450,205
Federal conditional transfers		
Gas tax community works fund	2,466,710	1,803,194
<b>Total transfers from other governments</b>	<u><b>\$ 3,134,271</b></u>	<u><b>\$ 2,537,243</b></u>

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2019**

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**12. Revenue - other**

	2019	2018
DCC contributions (Note 7)	\$ 1,154,746	\$ 8,897,236
Cost recoveries	2,057,465	4,243,431
Development permits	1,614,732	1,301,231
Interest	970,280	874,386
Actuarial adjustment on long-term debt (Note 8)	709,197	640,212
Licenses and permits	281,949	257,875
Penalties and interest on taxes	525,502	482,924
Rentals	532,052	533,665
Donations	816,812	3,639,953
Other	182,528	341,072
	<u>\$ 8,845,263</u>	<u>\$ 21,211,985</u>

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**13. 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, 2019, 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.

**Pension**

The City and its employees contribute to the Municipal Pension Plan (a jointly trustees 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



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## City of West Kelowna

### Notes to the financial statements

#### December 31, 2019

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#### 13. Contingent liabilities (continued)

##### Pension (continued)

pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2018, the plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 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, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The City paid \$1,671,513 (2018-\$1,485,052) for employer contributions while employees contributed \$1,382,050 (2018-\$1,233,965) to the plan in fiscal 2019.

The next valuation will be as at December 31, 2021 with results available later in 2022.

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.

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#### 14. 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 five years are as follows:

2020	\$	883,032
2021	\$	507,640
2022	\$	279,797
2023	\$	41,704
2024	\$	-
	\$	<u>1,712,173</u>

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**City of West Kelowna**  
**Notes to the financial statement**  
**December 31, 2019**

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**14. Commitments (continued)**

**Vacation pay and sick leave**

Vacation pay, which may be accumulated up to 10 days, is charged to expense in the year earned. 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.

**Letters of Credit**

The City is holding letters of credit in the amount of \$4,478,124 (2018-\$6,857,829), which are received as security related to performance deposits.

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**15. 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.

**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.



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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2019**

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**15. Segmented information (continued)**

**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.

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## City of West Kelowna

### Notes to the financial statements

#### December 31, 2019

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#### 16. Budget

The budget amounts presented reflect the statutory financial plan as adopted by Council on April 23, 2019, 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. 0263, 2019	\$ -
Adjust for non-operating items included in Financial Plan:	
Acquisition of tangible capital assets	79,997,325
Repayment of principal portion of long-term debt	1,547,830
Net transfers from reserves	<u>(11,588,472)</u>
	69,956,683
Adjust for operating items excluded in Financial Plan:	
Amortization (actual)	<u>(11,856,221)</u>
	<u>(11,856,221)</u>
Budget surplus/(deficit) as per the statement of operations and accumulated surplus	\$ <u>58,100,462</u>

#### 17. Subsequent Event

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Closure of civic facilities (City Hall, administrative buildings, recreation facilities, and playgrounds) from approximately March 17, 2020 to the date of the auditors' report based on public health recommendations
- Temporary layoff of employees
- Social distancing measures taken into account for spacing of work desks and traffic flow within City Hall and administrative buildings
- Experienced temporary decline in recreation revenues due to closing facilities
- Increased the City's available line of credit
- Reduced the planned increase for 2020 taxes from 4.8% to 2.8%, and extended the penalty date from July 3rd to October 1st
- Removed the interest charged on unpaid balances of utility accounts until the end of 2020
- Introduced electronic Council meetings to enable City business to continue while ensuring transparency, openness and engagement through the continued practice of webcasting the meeting live.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets and liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

# City of West Kelowna

## Schedule 1 - Schedule of tangible capital assets and work in progress

December 31, 2019

	Equipment				Engineering structures										
	Buildings & Land Improvements		Computer	Machinery	Office furniture & equipment	Small tools & equipment	Vehicles	Solid waste carts	Infrastructure	Roads	Sidewalks	Storm drains	Water Infrastructure	Sewer Infrastructure	Total
Cost, beginning of year	\$108,667,255	\$ 39,786,164	\$ 4,327,777	\$ 2,243,609	\$ 839,496	\$ 1,702,520	\$ 8,513,276	\$ 1,537,145	\$ 15,303,930	\$242,826,819	\$ 7,809,409	\$ 4,117,005	\$ 91,333,586	\$ 68,545,723	\$ 597,553,712
Additions	1,521,707	4,424,295	579,524	173,377	-	71,466	1,273,113	-	462,229	1,252,731	1,092,126	934,280	2,563,995	171,619	14,520,462
Disposals	-	-	-	(26,531)	-	-	(256,455)	-	-	-	-	-	-	-	(282,986)
Cost, end of year	<u>110,188,962</u>	<u>44,210,459</u>	<u>4,907,301</u>	<u>2,390,455</u>	<u>839,496</u>	<u>1,773,986</u>	<u>9,529,934</u>	<u>1,537,145</u>	<u>15,766,159</u>	<u>244,079,550</u>	<u>8,901,535</u>	<u>5,051,285</u>	<u>93,897,581</u>	<u>68,717,341</u>	<u>611,791,188</u>
Accumulated amortization, beginning of year	-	13,316,453	3,615,070	1,262,648	572,944	1,072,438	5,613,067	607,299	3,373,195	147,515,376	2,190,438	1,332,003	31,347,920	15,712,448	227,531,299
Amortization	-	1,067,608	450,592	185,996	18,403	149,546	460,126	61,486	851,452	5,398,891	158,005	269,298	1,698,615	1,086,203	11,856,221
Disposals	-	-	-	(14,242)	-	-	(256,455)	-	-	-	-	-	-	-	(270,697)
Accumulated amortization, end of year	<u>-</u>	<u>14,384,061</u>	<u>4,065,662</u>	<u>1,434,402</u>	<u>591,347</u>	<u>1,221,984</u>	<u>5,816,738</u>	<u>668,785</u>	<u>4,224,647</u>	<u>152,914,267</u>	<u>2,348,443</u>	<u>1,601,301</u>	<u>33,046,535</u>	<u>16,798,651</u>	<u>239,116,823</u>
Net book value, end of year	<u>\$10,188,962</u>	<u>\$ 29,826,398</u>	<u>\$ 841,639</u>	<u>\$ 956,053</u>	<u>\$ 248,149</u>	<u>\$ 552,002</u>	<u>\$ 3,713,196</u>	<u>\$ 868,360</u>	<u>\$ 11,541,512</u>	<u>\$ 91,165,283</u>	<u>\$ 6,553,092</u>	<u>\$ 3,449,984</u>	<u>\$ 60,851,046</u>	<u>\$ 51,918,690</u>	<u>\$ 372,674,365</u>
Work in progress	\$ -	\$ 500,474	\$ 319,515	\$ -	\$ -	\$ 168,370	\$ 425,262	\$ -	\$ 488,624	\$ 439,850	\$ 63,864	\$ 53,648	\$ 2,210,379	\$ -	\$ 4,669,986
Tangible capital assets and work in progress	<u>\$10,188,962</u>	<u>\$ 30,326,872</u>	<u>\$ 1,161,154</u>	<u>\$ 956,053</u>	<u>\$ 248,149</u>	<u>\$ 720,372</u>	<u>\$ 4,138,458</u>	<u>\$ 868,360</u>	<u>\$ 12,030,136</u>	<u>\$ 91,605,133</u>	<u>\$ 6,616,956</u>	<u>\$ 3,503,632</u>	<u>\$ 63,061,425</u>	<u>\$ 51,918,690</u>	<u>\$ 377,344,351</u>

**City of West Kelowna**  
**Schedule 2 - Schedule of accumulated surplus**  
**December 31, 2019**

	Balance, beginning of year	Transfer to	Transfer from	Interest	Balance, end of year
<b>Reserves</b>					
Capital - general	5,154,624	3,831,380	(4,410,878)	114,568	4,689,694
Capital - water	3,760,686	1,927,440	(2,486,078)	72,014	3,274,062
Capital - sewer	226,544	120,000	(139,166)	8,120	215,498
Community projects	2,434,312	1,420,117	(1,461,305)	48,484	2,441,608
Equipment replacement	4,145,761	1,160,000	(1,855,187)	65,018	3,515,592
Future expenses	2,006,463	702,803	(1,145,895)	45,244	1,608,615
Municipal facilities	4,696,139	700,000	-	100,419	5,496,558
Other	4,300,213	17,035,392	(15,237,454)	32,402	6,130,553
Policing	640,238	84,500	(182,939)	11,761	553,560
Property acquisition	1,636,612	-	(1,521,707)	17,428	132,333
Recreation	145,549	106,000	-	3,951	255,500
Road maintenance and snow clearing	630,929	-	-	12,555	643,484
Storm drainage	187,958	-	-	7,603	195,561
	<u>29,966,028</u>	<u>27,087,632</u>	<u>(28,440,609)</u>	<u>539,567</u>	<u>29,152,618</u>
<b>Investment in non-financial assets</b>					
Investment in tangible capital assets	<u>351,210,152</u>	<u>16,777,477</u>	<u>(11,856,221)</u>	<u>-</u>	<u>356,131,408</u>
<b>Accumulated surplus</b>	<u>\$ 381,176,180</u>	<u>\$ 43,865,109</u>	<u>\$ (40,296,830)</u>	<u>\$ 539,567</u>	<u>\$ 385,284,026</u>



**City of West Kelowna**  
**Schedule 3 - Schedule of segment disclosure**  
**December 31, 2019**

	General Fund							2019 Totals	2018 Totals
	General government services	Protective services	Transportation services	Environmental health & development services	Recreation & cultural services	Water services	Sewer services	Storm drainage	
<b>Revenue</b>									
Taxation-net	\$ 10,932,326	\$ 10,101,021	\$ 3,556,798	\$ 4,248,815	\$ 5,413,865	\$ -	\$ -	\$ 350,582	\$ 32,557,061
Sale of services and regulatory fees	-	1,959,841	798,538	3,121,897	1,870,161	10,153,369	5,242,037	-	21,828,684
Government transfers	2,966,754	192,680	567	-	-	(69,047)	43,317	-	2,537,243
Other	3,120,555	911,741	952,635	1,653,227	1,394,598	14,456	596,451	201,600	21,211,985
<b>Total revenue</b>	<b>17,019,635</b>	<b>13,165,283</b>	<b>5,308,538</b>	<b>9,023,939</b>	<b>8,678,624</b>	<b>10,098,778</b>	<b>5,881,805</b>	<b>552,182</b>	<b>78,134,973</b>
<b>Expenses</b>									
Amortization of tangible assets	8,956,830	-	-	46,706	-	1,766,482	1,086,203	-	11,125,328
Building and grounds maintenance	331,516	80,641	-	-	347,346	203,977	96	-	896,565
Civic grants	445,283	-	-	-	-	-	-	-	425,308
Contract services	600,791	327,170	2,405,877	2,689,252	1,780,573	671,225	3,623,578	255,645	12,035,765
Interest on long-term debt	354,521	-	-	-	-	267,198	343,753	-	1,100,207
Equipment maintenance and fuel	516,094	259,761	77,374	13,565	253,086	403,392	33,202	5,637	1,538,508
Library	-	-	-	-	1,529,052	-	-	-	1,470,991
Recoverable Emergency Operations	-	1,806,527	-	-	-	-	-	-	4,475,211
MP E-Division Contract	-	4,479,358	-	-	-	-	-	-	4,609,032
Supplies, small tools and equipment	453,411	378,629	107,623	132,322	320,581	833,318	79,816	34,295	2,339,995
Transit	-	-	2,040,995	-	-	-	-	-	2,040,995
Utilities	185,775	125,492	258,675	5,574	659,100	514,601	77,459	-	1,826,676
Wages, benefits & professional development	4,289,085	9,305,408	832,890	2,317,990	3,075,881	2,810,304	733,886	86,117	1,869,999
<b>Total expenses</b>	<b>16,133,306</b>	<b>16,762,986</b>	<b>5,723,434</b>	<b>5,205,409</b>	<b>7,965,619</b>	<b>7,470,497</b>	<b>5,977,993</b>	<b>381,694</b>	<b>64,479,937</b>
<b>Annual surplus (deficit) for the year</b>	<b>\$ 886,329</b>	<b>\$ (3,597,703)</b>	<b>\$ (414,896)</b>	<b>\$ 3,818,530</b>	<b>\$ 713,005</b>	<b>\$ 2,628,281</b>	<b>\$ (96,188)</b>	<b>\$ 170,488</b>	<b>\$ 13,655,036</b>