



**DRAFT**

# **2020 Consolidated Financial Statements**

**And Independent Auditors' Report thereon**

**Fiscal Year Ending December 31, 2020**

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**City of West Kelowna  
December 31, 2020**

**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  
XXXXXX, 2021

# 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, 2020
  - 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 and schedules 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, 2020, 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.

*KPMG LLP*

Chartered Professional Accountants

Kelowna, Canada

May 11, 2021

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**City of West Kelowna****Consolidated statement of financial position****December 31, 2020, with comparative information for 2019**

	2020	2019
<b>Financial assets</b>		
Cash and cash equivalents (Note 3)	\$ 65,541,190	\$ 56,060,232
Accounts receivable (Note 4)	<u>18,778,124</u>	<u>18,361,175</u>
	<u>84,319,314</u>	<u>74,421,407</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	15,530,937	8,179,785
Security deposits	9,757,377	9,777,243
Deferred revenue (Note 6)	14,694,470	16,969,234
Deferred development cost charges (Note 7)	19,425,058	16,036,488
Equipment debt (Note 8)	472,883	-
Long-term debt (Note 9)	<u>14,343,455</u>	<u>16,563,331</u>
	<u>74,224,180</u>	<u>67,526,081</u>
Net financial assets	<u>10,095,134</u>	<u>6,895,326</u>
<b>Non-financial assets</b>		
Prepaid expenses and inventory	955,970	1,044,349
Tangible capital assets and work in progress (Note 10)	<u>385,349,441</u>	<u>377,344,351</u>
	<u>386,305,411</u>	<u>378,388,700</u>
<b>Accumulated surplus</b> (Schedule 2)	<u>\$ 396,400,545</u>	<u>\$ 385,284,026</u>

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**Contingent liabilities and commitments** (Notes 14 and 15)

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Warren Everton, CPA, CMA  
Chief Financial Officer

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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, 2020, with comparative information for 2019**

	<b>2020</b>	<b>2020 Budget (Note 17)</b>	<b>2019</b>
<hr/>			
<b>Revenue</b>			
Taxation - net (Note 11)	\$ 35,860,409	\$ 36,115,400	\$ 34,603,407
Sales of service and regulatory fees	24,418,233	24,363,954	23,145,843
Government transfers (Note 12)	12,473,908	42,713,766	3,134,271
Other (Note 13)	5,892,851	24,853,324	8,845,263
<b>Total revenues</b>	<u>78,645,401</u>	<u>128,046,444</u>	<u>69,728,784</u>
<b>Expenses (Schedule 3)</b>			
General government services	16,725,161	17,103,952	16,133,306
Protective services	17,770,660	15,421,802	16,762,986
Transportation services	5,808,569	6,024,362	5,723,434
Environmental & health development services	4,574,047	4,858,715	5,205,409
Recreation and cultural services	8,003,597	8,454,376	7,965,619
Water services	8,071,646	8,350,382	7,470,497
Sewer services	6,208,309	6,934,837	5,977,993
Storm drainage	366,893	348,998	381,694
<b>Total expenses</b>	<u>67,528,882</u>	<u>67,497,424</u>	<u>65,620,938</u>
<b>Annual surplus</b>	11,116,519	60,549,020	4,107,846
Accumulated surplus, beginning of year	385,284,026	385,284,026	381,176,180
<b>Accumulated surplus, end of year</b>	<u>\$ 396,400,545</u>	<u>\$ 445,833,046</u>	<u>\$ 385,284,026</u>

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**City of West Kelowna****Consolidated statement of changes in net financial assets (debt)****Year ended December 31, 2020, with comparative information for 2019**

	<b>2020</b>	<b>2020 Budget (Note 17)</b>	<b>2019</b>
<b>Annual surplus</b>	<b>\$ 11,116,519</b>	<b>\$ 60,549,020</b>	<b>\$ 4,107,846</b>
Acquisition of tangible capital assets and work in progress	<b>(20,595,377)</b>	<b>(79,997,325)</b>	<b>(15,106,946)</b>
Amortization of tangible capital assets	<b>12,384,766</b>	<b>11,856,220</b>	<b>11,856,221</b>
Loss on disposal of tangible capital assets	<b>205,521</b>	<b>-</b>	<b>12,289</b>
Net change in prepaid expenses and inventory	<b>88,379</b>	<b>-</b>	<b>114,330</b>
Increase (decrease) in net financial assets	<b>3,199,808</b>	<b>(7,592,085)</b>	<b>983,740</b>
Net financial assets, beginning of year	<b>6,895,326</b>	<b>6,895,326</b>	<b>5,911,586</b>
<b>Net financial assets (debt), end of year</b>	<b>\$ 10,095,134</b>	<b>\$ (696,759)</b>	<b>\$ 6,895,326</b>

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**City of West Kelowna****Consolidated statement of cash flows****Year ended December 31, 2020, with comparative information for 2019**

	2020	2019
<b>Cash provided by (used for)</b>		
<b>Operating activities</b>		
Annual surplus	\$ 11,116,519	\$ 4,107,846
Adjustment for non cash items		
Amortization of tangible capital assets	12,384,766	11,856,221
Actuarial adjustment on debt	(701,228)	(709,199)
Loss on disposal of tangible capital assets	205,521	12,289
(Increase) decrease in		
Accounts receivable	(416,949)	2,919,016
Prepaid expenses and inventory	88,379	114,330
Increase (decrease) in		
Accounts payable and accrued liabilities	7,351,152	(3,073,942)
Security deposits	(19,866)	793,223
Deferred development cost charges	3,388,570	4,068,658
Deferred revenue	(2,274,764)	298,358
	<u>31,122,100</u>	<u>20,386,800</u>
<b>Financing activities</b>		
Proceeds from debt	518,274	-
Repayment of debt	(1,564,039)	(1,547,830)
	<u>(1,045,765)</u>	<u>(1,547,830)</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets and work in progress	(20,595,377)	(15,106,946)
	<u>(20,595,377)</u>	<u>(15,106,946)</u>
<b>Increase in cash and cash equivalents</b>	<u>9,480,958</u>	<u>3,732,024</u>
Cash and cash equivalents, beginning of year	<u>56,060,232</u>	<u>52,328,208</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 65,541,190</u>	<u>\$ 56,060,232</u>
<b>Supplementary cash flow information</b>		
Interest paid	\$ 790,808	\$ 965,472

# City of West Kelowna

## Notes to the consolidated financial statements

### December 31, 2020

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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.

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.

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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, 2020

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## 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.

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## City of West Kelowna

### Notes to the financial statements

#### December 31, 2020

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## 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 costs of these benefits are determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn future benefits.

### h) 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.

### 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:

	<b>Demand notes</b>	<b>Cash deposits</b>	<b>2020</b>	<b>2019</b>
General Fund	\$ 350,582	\$ 167,834	\$ <b>518,416</b>	\$ 515,032
Water Funds	11,423	5,722	<b>17,145</b>	17,030
Sewer Fund	434,732	236,752	<b>671,484</b>	762,346
	<u>\$ 796,737</u>	<u>\$ 410,308</u>	<u>\$ <b>1,207,045</b></u>	<u>\$ 1,294,408</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.

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## City of West Kelowna

### Notes to the financial statements

#### December 31, 2020

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

### l) 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 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.

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2020**

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**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 1.33% (2019 - 2.19%).

**4. Financial assets - Accounts receivable**

	2020	2019
Property taxes	\$ 3,251,324	\$ 2,926,110
Federal government	617,644	422,705
Provincial government	3,868,321	4,515,245
Other governments	831	743
Sewer	5,582,470	6,037,871
Utilities	4,468,397	4,102,153
Other	989,137	356,348
	<u>\$ 18,778,124</u>	<u>\$ 18,361,175</u>

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

	2020	2019
Trade	\$ 1,957,177	\$ 4,422,962
Wages and payroll	2,835,980	2,159,573
Accrued liabilities	358,419	673,012
Provincial government - school tax	5,758,109	-
Other governments	4,262,450	645,316
Other	358,802	278,922
	<u>\$ 15,530,937</u>	<u>\$ 8,179,785</u>

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2020**

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**6. Liabilities - Deferred revenue**

	2020	2019
Property taxes	\$ 3,363,587	\$ 2,979,148
Recreation program fees	133,781	196,491
Cemetery perpetual care fund	167,122	148,106
Utility fees	218,752	171,456
Other	10,811,228	13,474,033
	<u>\$ 14,694,470</u>	<u>\$ 16,969,234</u>

As at December 31, 2020, other deferred revenue includes \$10,743,647 (2019 - \$13,378,656) received from the provincial government in respect of the City's 2018-2022 water infrastructure project.

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

	2020	2019
Balance, beginning of year	\$ 16,036,488	\$ 11,967,830
Contributions from developers	3,532,108	4,952,674
Interest on investments	168,585	270,728
Bylaw expenditures	(312,123)	(1,154,744)
Balance, end of year	<u>\$ 19,425,058</u>	<u>\$ 16,036,488</u>

DCC's are comprised of the following:

	2020	2019
Roads	\$ 10,061,343	\$ 8,158,718
Water	7,085,198	6,673,224
Parks	2,139,662	1,155,612
Sewer	72,713	48,699
Storm Sewer	66,142	235
	<u>\$ 19,425,058</u>	<u>\$ 16,036,488</u>

# City of West Kelowna

## Notes to the financial statements

### December 31, 2020

#### 8. Liabilities - Equipment debt

During the year ending December 31, 2020, the City entered into an Equipment Financing Loan Agreement with the Municipal Finance Authority of BC (MFA). The loan is to be repaid in monthly blended payments of \$6,478 with a maturity date of April 30, 2025. Estimated principal payments on the loan for the duration of the term are as follows:

	2021	2022	2023	2024	2025
\$	73,352	\$ 74,471	\$ 75,607	\$ 76,757	\$ 22,555

Interest is charged on a daily floating rate basis and compounded monthly. At year end, the current floating rate was 1.38% per annum. Interest paid during the year was \$3,132 (2019 - \$nil).

#### 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
<b>General fund</b>							
MFA issue #95	1.80	2025	\$ 1,257,526	\$ -	\$ 120,896	\$ 71,089	\$ 1,065,541
MFA issue #105	2.25	2029	4,930,195	-	277,414	133,227	4,519,554
			<u>6,187,721</u>	<u>-</u>	<u>398,310</u>	<u>204,316</u>	<u>5,585,095</u>
<b>Water funds</b>							
MFA issue #101	2.25	2027	121,375	-	8,228	4,945	108,202
MFA issue #103	2.65	2028	76,891	-	4,720	2,546	69,625
Province of BC	4.95	2027	5,419,996	-	612,509	-	4,807,487
			<u>5,618,262</u>	<u>-</u>	<u>625,457</u>	<u>7,491</u>	<u>4,985,314</u>
<b>Sewer fund</b>							
MFA issue #73	1.67	2020	5,676	-	2,516	3,160	-
MFA issue #73	1.67	2020	118,269	-	52,425	65,844	-
MFA issue #74	1.75	2021	95,193	-	19,295	27,140	48,758
MFA issue #74	1.75	2021	25,021	-	5,072	7,134	12,815
MFA issue #74	1.75	2021	29,393	-	5,958	8,379	15,056
MFA issue #74	1.75	2021	10,445	-	2,117	2,978	5,350
MFA issue #74	1.75	2021	11,265	-	2,283	3,212	5,770
MFA issue #74	1.75	2021	21,008	-	4,258	5,990	10,760
MFA issue #75	1.75	2021	3,879	-	786	1,106	1,987
MFA issue #75	1.75	2021	141,744	-	28,730	40,413	72,601
MFA issue #75	1.75	2021	56,996	-	11,553	16,250	29,193
MFA issue #77	1.75	2022	418,466	-	57,915	74,827	285,724
MFA issue #79	2.25	2023	557,590	-	59,265	70,103	428,222
MFA issue #85	2.25	2024	330,776	-	28,795	31,067	270,914

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2020**

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

MFA issue #85	2.25	2024	\$ 20,844	\$ -	\$ 1,815	\$ 1,958	\$ 17,071
MFA issue #95	1.80	2025	352,751	-	33,913	19,941	298,897
MFA issue #99	1.75	2027	8,675	-	660	439	7,576
MFA issue #99	1.75	2027	571,197	-	43,433	28,886	498,878
MFA issue #101	2.25	2027	1,286,572	-	87,212	52,417	1,146,943
MFA issue #101	2.25	2027	301,356	-	20,428	12,278	268,650
MFA issue #101	2.25	2027	390,232	-	26,452	15,899	347,881
			<u>4,757,348</u>	<u>-</u>	<u>494,881</u>	<u>489,421</u>	<u>3,773,046</u>
Total long-term debt			<u>\$ 16,563,331</u>	<u>\$ -</u>	<u>\$ 1,518,648</u>	<u>\$ 701,228</u>	<u>\$ 14,343,455</u>

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

	2021	2022	2023	2024	2025
General Fund	\$ 411,421	\$ 411,421	\$ 411,421	\$ 411,421	\$ 411,421
Water Funds	656,330	688,760	722,825	758,607	796,192
Sewer Fund	443,616	363,564	305,649	246,384	215,775
	<u>\$ 1,511,367</u>	<u>\$ 1,463,745</u>	<u>\$ 1,439,895</u>	<u>\$ 1,416,412</u>	<u>\$ 1,423,388</u>

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

	2020 Net book value	2019 Net book value
<b>General</b>		
Land	\$ 110,873,279	\$ 110,188,962
Buildings	28,865,061	29,826,398
Equipment	9,367,032	7,179,398
Engineering structures	<u>110,170,153</u>	<u>112,709,871</u>
	<b>259,275,525</b>	259,904,629
<b>Water infrastructure</b>	<b>59,405,998</b>	60,851,046
<b>Sewer infrastructure</b>	<u><b>50,869,474</b></u>	<u>51,918,690</u>
<b>Tangible capital assets</b>	<u><b>\$ 369,550,997</b></u>	<u>\$ 372,674,365</u>
<b>Work in progress</b>	<u><b>\$ 15,798,444</b></u>	<u>\$ 4,669,986</u>
<b>Tangible capital assets and work in progress (Schedule 1)</b>	<u><b>\$ 385,349,441</b></u>	<u>\$ 377,344,351</u>

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2020**

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**11. Taxation - net**

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

	2020	2019
General municipal purposes	\$ 35,860,409	\$ 34,603,407
Collections for other governments		
Provincial Government - Schools	14,995,513	15,768,358
Central Okanagan Regional Hospital District	2,817,754	2,658,959
Regional District of the Central Okanagan	3,684,139	3,553,276
British Columbia Assessment Authority	480,319	436,254
Municipal Finance Authority	2,196	2,153
	<u>57,840,330</u>	<u>57,022,407</u>
Transfers to other governments		
Provincial Government - Schools	(14,995,513)	(15,768,358)
Central Okanagan Regional Hospital District	(2,817,754)	(2,658,959)
Regional District of the Central Okanagan	(3,684,139)	(3,553,276)
British Columbia Assessment Authority	(480,319)	(436,254)
Municipal Finance Authority	(2,196)	(2,153)
	<u>(21,979,921)</u>	<u>(22,419,000)</u>
	<u>\$ 35,860,409</u>	<u>\$ 34,603,407</u>

**12. Government transfers**

	2020	2019
Provincial unconditional transfers (repayments)		
Other	82,982	64,600
	<u>82,982</u>	<u>64,600</u>
Provincial conditional transfers		
Okanagan Basin Water Board grant	43,408	(25,730)
Safe Start grant	4,602,000	-
Clean water fund grant	5,779,699	-
Other	263,549	50,000
	<u>10,688,656</u>	<u>24,270</u>
Federal unconditional transfers		
Traffic fine revenue sharing grant and Federal grants	271,978	578,691
	<u>271,978</u>	<u>578,691</u>
Federal conditional transfers		
Gas tax community works fund	1,430,292	2,466,710
	<u>1,430,292</u>	<u>2,466,710</u>
<b>Total transfers from other governments</b>	<u><b>\$ 12,473,908</b></u>	<u><b>\$ 3,134,271</b></u>

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## City of West Kelowna

### Notes to the financial statements

#### December 31, 2020

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#### 13. Revenue - other

	2020	2019
DCC contributions (Note 7)	\$ 312,123	\$ 1,154,744
Cost recoveries	1,789,461	2,057,465
Development permits	1,113,229	1,614,732
Interest	507,494	970,280
Actuarial adjustment on long-term debt (Note 9)	701,228	709,197
Licenses and permits	272,818	281,949
Penalties and interest on taxes	299,590	525,502
Rentals	528,110	532,052
Donations	21,024	816,812
Other	347,774	182,530
	<u>\$ 5,892,851</u>	<u>\$ 8,845,263</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.

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#### 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, 2020, 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.

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## City of West Kelowna

### Notes to the financial statements

#### December 31, 2020

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#### 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, 2019, the plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 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 \$1,913,260 (2019-\$1,671,513) for employer contributions while employees contributed \$1,579,085 (2019-\$1,382,050) to the plan in fiscal 2020.

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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#### 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 five years are as follows:

2021	\$ 1,242,041
2022	\$ 898,070
2023	\$ 664,895
2024	\$ 114,230
2025	\$ 51,810
	<u>\$ 2,971,046</u>

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## City of West Kelowna

### Notes to the financial statement

#### December 31, 2020

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#### 15. 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 \$5,198,070 (2019-\$4,478,124), which are received as security related to performance deposits.

##### Operating Line

The City has revolving credit facilities with two Canadian chartered banks providing for borrowing of up to \$8,000,000 (2019 - \$2,000,000). The facilities bear interest at the bank prime rate less 0.5% and are due on demand. As at December 31, 2020, the \$nil (2019 - \$nil) has been drawn on these facilities.

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#### 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.

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# City of West Kelowna

## Notes to the financial statements

### December 31, 2020

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#### 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.

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2020**

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**17. Budget**

The budget amounts presented reflect the statutory financial plan as adopted by Council on April 7, 2020, 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	106,507,127
Repayment of principal portion of long-term debt	1,518,648
Net transfers from reserves	<u>(35,091,989)</u>
	<u>72,933,786</u>
Adjust for operating items excluded in Financial Plan:	
Amortization	<u>(12,384,766)</u>
	<u>(12,384,766)</u>
Budget surplus as per the statement of operations and accumulated surplus	<u>\$ 60,549,020</u>

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# City of West Kelowna

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

December 31, 2020

	Equipment								Engineering structures							
	Land	Buildings & 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	\$110,188,962	\$ 44,210,459	\$ 4,907,301	\$ 2,390,455	\$ 839,496	\$ 1,773,986	\$ 9,529,934	\$ 1,537,145	\$ 15,766,159	\$244,079,550	\$ 8,901,535	\$ 5,051,285	\$ 93,897,581	\$ 68,717,342	\$ 611,791,188	
Additions	684,317	139,869	630,873	898,450	-	109,707	2,202,896	-	449,388	3,919,290	-	104,045	288,622	39,462	9,466,919	
Disposals	-	-	-	(4,200)	-	-	(467,786)	-	-	(999,480)	-	-	-	-	(1,471,466)	
<b>Cost, end of year</b>	<b>110,873,279</b>	<b>44,350,328</b>	<b>5,538,174</b>	<b>3,284,705</b>	<b>839,496</b>	<b>1,883,693</b>	<b>11,265,044</b>	<b>1,537,145</b>	<b>16,215,547</b>	<b>246,999,360</b>	<b>8,901,535</b>	<b>5,155,330</b>	<b>94,186,203</b>	<b>68,756,803</b>	<b>619,786,641</b>	
Accumulated amortization, beginning of year	-	14,384,061	4,065,662	1,434,402	591,347	1,221,984	5,816,738	668,785	4,224,647	152,914,267	2,348,443	1,601,301	33,046,535	16,798,651	239,116,823	
Amortization	-	1,101,206	597,710	261,875	15,513	158,691	559,018	61,485	883,506	5,446,233	178,040	299,141	1,733,670	1,088,678	12,384,766	
Disposals	-	-	-	(4,200)	-	-	(467,786)	-	-	(793,959)	-	-	-	-	(1,265,945)	
<b>Accumulated amortization, end of year</b>	<b>-</b>	<b>15,485,267</b>	<b>4,663,372</b>	<b>1,692,077</b>	<b>606,860</b>	<b>1,380,675</b>	<b>5,907,970</b>	<b>730,270</b>	<b>5,108,153</b>	<b>157,566,541</b>	<b>2,526,483</b>	<b>1,900,442</b>	<b>34,780,205</b>	<b>17,887,329</b>	<b>250,235,644</b>	
<b>Net book value, end of year</b>	<b>\$110,873,279</b>	<b>\$ 28,865,061</b>	<b>\$ 874,802</b>	<b>\$ 1,592,628</b>	<b>\$ 232,636</b>	<b>\$ 503,018</b>	<b>\$ 5,357,074</b>	<b>\$ 806,875</b>	<b>\$ 11,107,394</b>	<b>\$ 89,432,819</b>	<b>\$ 6,375,052</b>	<b>\$ 3,254,888</b>	<b>\$ 59,405,998</b>	<b>\$ 50,869,474</b>	<b>\$ 369,550,997</b>	
<b>Work in progress</b>	<b>\$ -</b>	<b>\$ 590,528</b>	<b>\$ 72,364</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 75,333</b>	<b>\$ 42,201</b>	<b>\$ -</b>	<b>\$ 471,925</b>	<b>\$ 3,796,619</b>	<b>\$ 461,896</b>	<b>\$ 306,861</b>	<b>\$ 9,781,815</b>	<b>\$ 198,902</b>	<b>\$ 15,798,444</b>	
<b>Tangible capital assets and work in progress</b>	<b>\$110,873,279</b>	<b>\$ 29,455,589</b>	<b>\$ 947,166</b>	<b>\$ 1,592,628</b>	<b>\$ 232,636</b>	<b>\$ 578,351</b>	<b>\$ 5,399,275</b>	<b>\$ 806,875</b>	<b>\$ 11,579,319</b>	<b>\$ 93,229,438</b>	<b>\$ 6,836,948</b>	<b>\$ 3,561,749</b>	<b>\$ 69,187,813</b>	<b>\$ 51,068,376</b>	<b>\$ 385,349,441</b>	

**City of West Kelowna**  
**Schedule 2 - Schedule of accumulated surplus**  
**December 31, 2020**

	Balance, beginning of year	Transfer to	Transfer from	Interest	Balance, end of year
<b>Reserves</b>					
Capital - general	4,689,694	4,527,616	(4,422,073)	64,619	<b>4,859,856</b>
Capital - water	3,274,062	1,927,434	(511,781)	47,838	<b>4,737,553</b>
Capital - sewer	215,498	450,000	(99,462)	3,764	<b>569,800</b>
Community projects	2,441,608	2,849,789	(2,085,377)	37,557	<b>3,243,577</b>
Equipment replacement	3,515,592	1,220,000	(2,264,038)	42,271	<b>2,513,825</b>
Future expenses	1,608,615	450,000	(527,706)	21,040	<b>1,551,949</b>
Municipal facilities	5,496,558	700,000	-	77,759	<b>6,274,317</b>
Other	6,130,553	28,418,268	(19,129,477)	23,525	<b>15,442,869</b>
Policing	553,560	-	-	7,362	<b>560,922</b>
Property acquisition	132,333	-	-	1,760	<b>134,093</b>
Recreation	255,500	107,116	(77,485)	3,401	<b>288,532</b>
Road maintenance and snow clearing	643,484	-	-	8,558	<b>652,042</b>
Storm drainage	195,561	-	(60,000)	2,202	<b>137,763</b>
	<u>29,152,618</u>	<u>40,650,223</u>	<u>(29,177,399)</u>	<u>341,656</u>	<u><b>40,967,098</b></u>
<b>Investment in non-financial assets</b>					
Investment in tangible capital assets	<u>356,131,408</u>	<u>11,686,804</u>	<u>(12,384,765)</u>	<u>-</u>	<u><b>355,433,447</b></u>
<b>Accumulated surplus</b>	<u><b>\$ 385,284,026</b></u>	<u><b>\$ 52,337,027</b></u>	<u><b>\$ (41,562,164)</b></u>	<u><b>\$ 341,656</b></u>	<u><b>\$ 396,400,545</b></u>

**City of West Kelowna**  
**Schedule 3 - Schedule of segment disclosure**  
**December 31, 2020**

	General Fund									
	General government services	Protective services	Transportation services	Environmental health & development services	Recreation & cultural services	Water services	Sewer services	Storm drainage	2020 Totals	2019 Totals
<b>Revenue</b>										
Taxation-net	\$ 11,412,350	\$ 11,503,660	\$ 4,012,055	\$ 3,071,642	\$ 5,511,871	\$ -	\$ -	\$ 348,831	\$ 35,860,409	\$ 34,603,407
Sale of services and regulatory fees	-	2,236,803	568,484	3,221,478	1,606,514	11,416,630	5,368,323	-	24,418,233	23,145,843
Government transfers	6,378,371	271,978	454	-	-	5,779,699	43,408	-	12,473,908	3,134,273
Other	2,213,698	868,904	193,880	1,142,403	708,492	276,055	489,421	-	5,892,851	8,845,262
<b>Total revenue</b>	<b>20,004,419</b>	<b>14,881,345</b>	<b>4,774,873</b>	<b>7,435,523</b>	<b>7,826,877</b>	<b>17,472,384</b>	<b>5,901,152</b>	<b>348,831</b>	<b>78,645,401</b>	<b>69,728,784</b>
<b>Expenses</b>										
Amortization of tangible assets	9,434,123	-	-	47,961	-	1,814,004	1,088,678	-	12,384,766	11,856,221
Building and grounds maintenance	345,356	72,888	-	-	292,344	222,640	1,091	-	934,319	963,576
Civic grants	352,721	-	-	-	-	-	-	-	352,721	445,283
Contract services	578,538	472,180	2,573,716	1,939,313	1,512,371	787,993	3,884,940	119,840	11,868,891	12,354,111
Interest on long-term debt	248,197	-	-	-	-	238,808	303,803	-	790,808	965,472
Equipment maintenance and fuel	498,541	253,148	107,189	12,743	236,354	378,111	41,228	38,218	1,565,532	1,562,111
Library	-	-	-	-	1,600,118	-	-	-	1,600,118	1,529,052
Recoverable Emergency Operations	-	1,315,350	-	-	-	-	-	-	1,315,350	1,806,527
RCMP E-Division Contract	-	5,387,476	-	-	-	-	-	-	5,387,476	4,479,358
Supplies, small tools and equipment	674,148	401,879	147,933	116,547	310,087	1,141,960	96,171	34,577	2,923,302	2,339,995
Transit	-	-	1,830,136	-	-	-	-	-	1,830,136	2,040,995
Utilities	177,149	138,729	256,280	5,805	675,776	483,978	73,838	-	1,811,555	1,826,676
Wages, benefits & professional development	4,416,388	9,729,010	893,315	2,451,678	3,376,547	3,004,152	718,560	174,258	24,763,908	23,451,561
<b>Total expenses</b>	<b>16,725,161</b>	<b>17,770,660</b>	<b>5,808,569</b>	<b>4,574,047</b>	<b>8,003,597</b>	<b>8,071,646</b>	<b>6,208,309</b>	<b>366,893</b>	<b>67,528,882</b>	<b>65,620,938</b>
<b>Annual surplus (deficit) for the year</b>	<b>\$ 3,279,258</b>	<b>\$ (2,889,315)</b>	<b>\$ (1,033,696)</b>	<b>\$ 2,861,476</b>	<b>\$ (176,720)</b>	<b>\$ 9,400,738</b>	<b>\$ (307,157)</b>	<b>\$ (18,062)</b>	<b>\$ 11,116,519</b>	<b>\$ 4,107,846</b>