



COUNCIL REPORT
Office of the Chief Administrative Officer
For the May 14th, 2019 Council Meeting

DATE: May 3, 2019

TO: Mayor and Council
Jim Zaffino, Chief Administrative Officer

FROM: Lisa Siavashi, Revenue, Reporting and Risk Manager
Warren Everton, Chief Financial Officer
Tracey Batten, Deputy Chief Administrative Officer

RE: 2018 Draft Consolidated Financial Statements - Audited

RECOMMENDED MOTION:

THAT Council accept the 2018 Draft Consolidated Financial Statements for the City of West Kelowna as attached in "Attachment 1".

RATIONALE:

All municipalities are required to submit audited financial statements to the Inspector of Municipalities by May 15th of the year following the end of the fiscal year. Our auditors, KPMG LLP, have audited the statements and provided a clean audit opinion.

These financial statements have been prepared in accordance with generally accepted accounting principles for local governments following recommendations and guidance provided by Public Sector Accounting Standards (PSAS).

LEGISLATIVE REQUIREMENTS:

Section 167 of the *Community Charter* describes the financial reporting requirements for local governments. Municipal financial statements for a fiscal year must be prepared by the Financial Officer and presented to Council for its acceptance. The financial statements are to be submitted to the Inspector of Municipalities by May 15th of the year following the end of the fiscal year.

BACKGROUND:

This report presents the City of West Kelowna's Draft Consolidated Financial Statements for the year ended December 31, 2018 and provides highlights of the City's financial performance during 2018 and financial condition as of December 31, 2018.

The Draft Consolidated Financial Statements are intended to provide Council and the public an overview of the state of the City's finances at the end of the fiscal year and indicate revenues, expenses and funding for the year.

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

The Draft 2018 Consolidated Financial Statements have been audited by KPMG LLP whose role is to express an independent opinion on the fair presentation of the City's financial position and operating results and to confirm that the statements are free from material misstatement. The

external auditor's opinion (in Attachment 1) is to provide comfort to third parties that the financial statements can be relied upon by all stakeholders.

Consolidated Financial Statements

The Consolidated Financial Statements include the following individual statements:

Name	Purpose
Consolidated Statement of Financial Position	Summarizes the assets (financial and non-financial), liabilities, net debt (financial assets less financial liabilities), and accumulated surplus (all assets less all liabilities) as at December 31st.
Consolidated Statement of Operations and Accumulated Surplus	Outlines revenues, expenses, surplus for the year and accumulated surplus at year end. This statement reflects the combined operations of the operating, capital, reserve and reserve funds for the City and its consolidated entities, and provides the calculation of the City's accumulated surplus at year end.
Consolidated Statement of Change in Net Debt	Outlines the changes in net debt as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.
Consolidated Statement of Cash Flows	Summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.

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

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is the municipal equivalent of the private sector's balance sheet. This statement focuses on the City's assets (financial and non-financial) and liabilities. The difference between the liabilities and financial assets is the City's Net Asset, which represents the net liabilities that must be financed from future budgets.

The detailed breakdown of the accumulated surplus, including all of its components:

- amount invested in capital assets; and,
- operating fund, capital fund, reserve and reserve fund balances;

is reflected in Schedule 2 to the Consolidated Financial Statements.

The City has received funds for specific purposes under legislation, regulation or agreements. The recognition of these funds as revenues have been deferred until related expenses occur in the future. For example, development charges and certain Federal and Provincial funding, are not recognized as revenues until such time as the projects are constructed. Another example of material importance is the upfront funds received in the amount of \$13 million for the water treatment plan, received in 2017. These funds are not in the accumulated surplus.

As a result of the significant investment in tangible capital assets, there is a large accumulated surplus, which occurs at the same time that the City has long term debt, which must be financed through future revenues. Although tangible capital asset balances are considerable for municipalities – they do not provide liquidity (i.e. cash) and are not typically available for sale, the proceeds of which could be used for other purposes.

Consolidated Statement of Operations and Accumulated Surplus

The Consolidated Statement of Operations and Accumulated Surplus is considered to be the municipal equivalent to the private sector's Statement of Income and Retained Earnings.

The Consolidated Statement of Operations and Accumulated Surplus provide a summary of the revenues, expenses, and surplus throughout the reporting period and outline the change in accumulated surplus.

The 2018 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified "cash requirements" basis and amounts recorded in these financial statements on a "full accrual" basis. Note 16 outlines the adjustments to the approved budget, particularly exclusion of principal payments, and tangible capital asset purchases, and inclusion of estimated amortization expense. These adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting.

Consolidated Statement of Change in Net Financial Assets

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

Net Debt is a term defined by the Public Sector Accounting Board (PSAB) as all liabilities (both shorter and longer term liabilities) less financial assets. Net Debt (also referred to as net liabilities) may be materially different than the amount of the City's consolidated outstanding debt captured as "Net long-term debt" on the City's Consolidated Statement of Financial Position, details of which are provided in Note 4 of the Consolidated Statements.

2018 FINANCIAL HIGHLIGHTS

For 2018, the City had consolidated revenues of \$78.1M, consolidated expenses of \$64.5M, and a resulting annual accounting surplus of \$13.6M. It is important to note that this is "accounting surplus" is presented on an accrual accounting basis which includes water, sewer, operating and capital functions.

Consolidated Revenues

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

Sales of Service and Other Revenue

- Sewer Service user fees, actual \$5.08M, budget \$4.8M (includes RDCO charge). The increase is due to growth. No increase in user fees will be required in 2019.
- Water Service user fees, actual \$9.2M, budget \$9.4M.
- Recreation user fees, actual revenue was \$1.9M budget \$1.7M (\$120k of the increase was in youth programs).
- Solid Waste Collection user fees actual revenue was \$2.3M Budget was \$2.47M Materials Management BC (recycling) funds received \$407K, budget was \$380K (increase is due to growth).
- Transit user fee, actual \$749K, budget \$705K,
- Building permits actual \$1.3M, budget \$1.4M.
- Interest Revenue, actual \$874K. budget \$686K
- Glenrosa Roundabout Donation
- Mar Jok Park Donation

Consolidated Expenditures

Expense variance explanations by major program area, are as follows:

- Policing contract, over budget by \$580K (due to major crimes invoice for 2015 – 2018, funded from policing reserves)
- Fire Expenses over budget by \$200K (due to overtime for shift coverage, which should be reduced with added fire fighters in 2019 budget)
- Transit expenses over budget by \$169K
- Solid Waste under budget by \$500K (\$200K of which was allocated to solid waste reserves)
- Water expenses under budget by \$296K (net savings allocated directly to water reserves)
- Sewer expenses, under budget by \$450K (net savings allocated directly to sewer reserves)
- Storm Drainage over budget by \$100K

Further financial highlights from information presented in financial statements:

1. Development Cost Charges (DCC's) available:

	2018	2017	2016
Roads DCC	6,590,407	9,114,762	6,257,380
Parks DCC	(200,141)	2,565,224	4,192,629
Water DCC/CEC	5,417,740	4,955,090	1,507,091
Sewer DCC	45,325	24,763	2,485
Storm DCC	114,498	58,270	5,554
	<u>\$11,967,830</u>	<u>\$16,718,109</u>	<u>\$11,965,139</u>

The 2018 DCC balance have decreased due to contributions decreasing by \$1.18M and DCC bylaw expenditures increasing \$8.4M. These expenditures were for park acquisitions and for Boucherie Road.

2. Acquisitions of Tangible Capital Assets comparison by year:

	2018	2017	2016
General Fund	24,048,809	3,888,025	5,565,526
Water Fund	3,103,366	678,112	294,803
Sewer Fund	542,148	2,963,218	98,857
	<u>\$ 27,694,323</u>	<u>\$ 7,529,355</u>	<u>\$ 5,959,186</u>

Capital acquisitions increased dramatically due to the capital projects that were approved for the 2018 budget, namely park acquisitions, water infrastructure upgrades (pipes), and road rehabilitation.

3. Budget Presentation

Note 16 of the 2018 financial statements serves to reconcile the budget reported on the Statement of Operations in the consolidated financial statements to the Financial Plan for 2018 to 2027 adopted by Council. The Financial Plan presents the budget on a cash basis of accounting reflecting operating and capital expenditure requirements for the year and the funding sources of those expenditures. The Statement of Operations included in the consolidated financial statements is prepared using the accrual basis of accounting which reflects revenues earned and operating expenses incurred during the year, not necessarily matching when cash is received or paid out. See the following excerpt from the notes to the consolidated financial statements reflecting the differences between presentation methods in the Financial Plan and the financial statements:

Surplus as per 10 year Financial Plan Bylaw No. 0247, 2018	\$ -
Adjust for non-operating items included in Financial Plan:	
Acquisition of tangible capital assets	94,870,109
Repayment of principal portion of long-term debt	1,519,847
Net transfers from reserves	<u>(25,597,023)</u>
	<u>70,792,933</u>
Adjust for operating items excluded in Financial Plan:	
Amortization (actual)	<u>(11,125,328)</u>
	<u>(11,125,328)</u>
Budget surplus/(deficit) as per the statement of operations and accumulated surplus	<u>\$ 59,667,605</u>

4. Reserve and DCCs available to fund Capital Projects:

December 31, 2018 Reserve Balances and DCCs available to	
	2018 Year End Balance
<u>Reserves</u>	
Capital - General	5,154,624
Capital - Water	3,760,686
Capital - Sewer	226,544
Community projects (Gas Tax)	2,434,312
Equipment Replacement	4,145,761
Future expenses	2,006,463
Municipal Facilities	4,696,139
Other	4,300,213
Policing	640,238
Property Acquisition	1,636,612
Recreation	145,549
Road Maintenance & Snow Clearing	630,929
Storm Drainage	187,958
Total reserves	\$ 29,966,028
Total DCCs Available	11,967,830
Available to fund capital projects	\$ 41,933,858

5. Accumulated Surplus and Reserve Balances (Schedule 2)

The proposed minimums and maximums, based on the 2018 Financial Plan, and the existing balances, based on the 2018 Consolidated Financial Statements, are contained in Attachment 2. Section 3.6 of The Reserve Fund Policy endorsed by Council, speaks to a best method to transition to the recommended min and max reserve funds amounts. This section states:

3.6 Guide and Transition

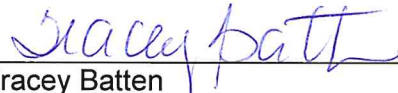
The minimum and optimal fund balance guidelines shown in this Policy serve as a guide in moving the City towards the goals or targets it wishes to attain, in terms of individual fund balances. It is recognized that the City's fund balances are not at the minimum or optimal levels at the time of enacting this Policy, however, the City is transitioning towards its optimal targets.

CWK is not currently at the optimal levels of reserve funds. However, with a policy in place, the 10 Year Financial Plan can be amended to set aside reserve funds annually to support the goals within the policy. This is particularly true for the water and sewer capital funds, as the new water rates include transfer to reserves to fund the required capital upgrades and infrastructure repairs.

Respectfully submitted,




Warren Everton
Chief Financial Officer



Tracey Batten
Deputy Chief Administrative Officer



Lisa Siavashi
Revenue, Reporting and Risk Manager


Jim Zaffino, CAO
Date May 8, 2019

Powerpoint: ☒ Yes ☐ No

Attachments: Attachment 1 – 2018 Draft CWK Financial Statements
Attachment 2 – Reserve Minimums and Maximums at Dec 31 2018

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2018 DRAFT Consolidated Financial Statements

Fiscal Year Ending December 31, 2018

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**City of West Kelowna
December 31, 2018**

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
May XX, 2019



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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, 2018
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change 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, 2018, and its consolidated results of operations, its consolidated changes in net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***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

May 14, 2019

Kelowna, Canada

City of West Kelowna
Consolidated statement of financial position
December 31, 2018

	2018	2017
Financial assets		
Cash and cash equivalents (Note 3)	\$ 52,328,208	\$ 58,194,379
Accounts receivable (Note 4)	<u>21,280,191</u>	<u>16,987,050</u>
	<u>73,608,399</u>	<u>75,181,429</u>
Liabilities		
Accounts payable and accrued liabilities (Note 5)	11,253,727	6,336,303
Security deposits	8,984,020	7,593,809
Deferred revenue (Note 6)	16,670,876	15,846,376
Deferred development cost charges (Note 7)	11,967,830	16,718,109
Debt (Note 8)	<u>18,820,360</u>	<u>20,980,417</u>
	<u>67,696,813</u>	<u>67,475,014</u>
Net financial assets	<u>5,911,586</u>	<u>7,706,415</u>
Non-financial assets		
Prepaid expenses and inventory	1,158,679	927,700
Tangible capital assets and work in progress (Note 9)	<u>374,105,915</u>	<u>358,887,030</u>
	<u>375,264,594</u>	<u>359,814,730</u>
Accumulated surplus (Schedule 2)	<u>\$ 381,176,180</u>	<u>\$ 367,521,145</u>

Contingent liabilities and commitments (Notes 13 and 14)

Warren Everton, CPA, CMA
Chief Financial Officer

Gord Milsom
Mayor, City of West Kelowna

City of West Kelowna**Consolidated statement of operations and accumulated surplus****Year ended December 31, 2018**

	2018	2018 Budget (Note 16)	2017
<hr/>			
Revenue			
Taxation - net (Note 10)	\$ 32,557,061	\$ 32,710,435	\$ 31,161,042
Sales of service and regulatory fees	21,828,684	23,670,729	19,030,597
Government transfers (Note 11)	2,537,243	44,026,499	2,842,988
Other (Note 12)	21,211,985	21,768,530	9,259,050
Total revenues	<u>78,134,973</u>	<u>122,176,193</u>	<u>62,293,677</u>
Expenses (Schedule 3)			
General government services	15,076,639	15,153,549	14,295,005
Protective services	18,449,910	15,650,863	14,771,327
Transportation services	5,650,858	5,373,199	5,091,641
Environmental & health development services	4,545,176	4,977,530	4,003,439
Recreation and cultural services	7,591,393	7,552,335	7,106,052
Water services	6,970,545	7,266,755	6,033,261
Sewer services	5,861,558	6,311,947	5,618,995
Storm drainage	333,859	222,410	221,622
Total expenses	<u>64,479,938</u>	<u>62,508,588</u>	<u>57,141,342</u>
Annual surplus	13,655,035	59,667,605	5,152,335
Accumulated surplus, beginning of year	367,521,145	367,521,145	362,368,810
Accumulated surplus, end of year	<u>\$ 381,176,180</u>	<u>\$ 427,188,750</u>	<u>\$ 367,521,145</u>

City of West Kelowna**Consolidated statement of changes in net financial assets (debt)****Year ended December 31, 2018**

	2018	2018 Budget (Note 16)	2017
Annual surplus (deficit)	\$ 13,655,035	\$ 59,667,605	\$ 5,152,335
Acquisition of tangible capital assets and work in progress	(26,352,313)	(79,997,325)	(10,730,880)
Amortization of tangible capital assets	11,125,328	10,954,626	10,954,626
Loss on disposal of tangible capital assets	8,100	-	-
Net change in prepaid expenses and inventory	(230,979)	-	(131,898)
Increase (decrease) in financial assets	(1,794,829)	(9,375,094)	5,244,183
Net financial assets, beginning of year	7,706,415	7,706,415	2,462,232
Net financial assets, end of year	\$ 5,911,586	\$ (1,668,679)	\$ 7,706,415

City of West Kelowna
Consolidated statement of cash flows
Year ended December 31, 2018

	2018	2017
Cash provided by (used for)		
Operating activities		
Annual surplus	\$ 13,655,035	\$ 5,152,335
Adjustment for non cash items		
Amortization of tangible capital assets	11,125,328	10,954,626
Actuarial adjustment on debt	(640,210)	(607,475)
Acquisition of tangible capital assets through developer & donor contributions	(3,563,812)	(1,805,505)
Loss on disposal of tangible capital assets	8,100	-
(Increase) decrease in		
Accounts receivable	(4,293,141)	(1,364,166)
Prepaid expenses and inventory	(230,979)	(131,898)
Increase (decrease) in		
Accounts payable and accrued liabilities	4,917,424	(1,293,091)
Security deposits	1,390,211	2,585,430
Deferred development cost charges	(4,750,279)	4,752,970
Deferred revenue	824,500	13,182,402
	<u>18,442,177</u>	<u>31,425,628</u>
Financing activities		
Repayment of debt	(1,519,847)	(1,515,060)
	<u>(1,519,847)</u>	<u>(1,515,060)</u>
Capital activities		
Acquisition of tangible capital assets and work in progress	(22,788,501)	(8,925,375)
	<u>(22,788,501)</u>	<u>(8,925,375)</u>
Increase (decrease) in cash and cash equivalents	<u>(5,866,171)</u>	<u>20,985,193</u>
Cash and cash equivalents, beginning of year	<u>58,194,379</u>	<u>37,209,186</u>
Cash and cash equivalents, end of year	<u>\$ 52,328,208</u>	<u>\$ 58,194,379</u>
Supplementary cash flow information		
Interest paid	\$ 1,100,207	\$ 1,252,977

City of West Kelowna

Notes to the financial statements

December 31, 2018

1. Nature of operations

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

2. Summary of significant accounting policies

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

a) 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.

City of West Kelowna

Notes to the financial statements

December 31, 2018

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.

City of West Kelowna

Notes to the financial statements

December 31, 2018

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:

	Demand notes	Cash deposits	2018	2017
General Fund	\$ 350,582	\$ 160,706	\$ 511,288	\$ 507,866
Water Funds	11,423	5,479	16,902	16,786
Sewer Fund	558,049	296,897	854,946	848,624
	<u>\$ 920,054</u>	<u>\$ 463,083</u>	<u>\$ 1,383,136</u>	<u>\$ 1,373,276</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).

City of West Kelowna

Notes to the financial statements

December 31, 2018

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.

City of West Kelowna
Notes to the financial statements
December 31, 2018

3. Financial assets - Cash and cash equivalents

Cash and cash equivalents held by the City include cash and term deposits with interest rates between 1.05% and 2.06%.

4. Financial assets - Accounts receivable

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

	2018	2017
Property Taxes	\$ 2,620,564	\$ 2,418,211
Federal government	1,040,888	361,592
Provincial government	6,680,491	2,991,300
Other governments	3,280	17,397
Sewer funds	6,484,315	6,921,963
Utilities	3,774,146	3,164,647
Other	676,507	1,111,940
	<u>\$ 21,280,191</u>	<u>\$ 16,987,050</u>

5. Liabilities - Accounts Payable and accrued liabilities

	2018	2017
Trade accounts payables	\$ 3,874,951	\$ 1,588,062
Wages and payroll liabilities	1,799,369	1,657,811
Accrued liabilities	1,811,210	1,088,549
Other governments	3,577,559	1,981,350
Other	190,638	20,531
	<u>\$ 11,253,727</u>	<u>\$ 6,336,303</u>

City of West Kelowna
Notes to the financial statements
December 31, 2018

6. Liabilities - Deferred Revenue

Deferred revenue is comprised of the following:

	2018	2017
Property taxes	\$ 2,475,229	\$ 2,349,185
Recreation program fees	148,646	153,492
Cemetery perpetual care fund	135,201	124,724
Utility fees	150,118	141,917
Other	13,761,682	13,077,058
	<u>\$ 16,670,876</u>	<u>\$ 15,846,376</u>

As at December 31, 2018 and 2017, other deferred revenue includes \$13,041,600 in respect of the City's 2018-2021 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.

	2018	2017
Balance, beginning of year	\$ 16,718,109	\$ 11,965,139
Contributions from developers	3,883,482	5,063,003
Interest on investments	263,475	171,074
Bylaw expenditures	(8,897,236)	(481,107)
Balance, end of year	<u>\$ 11,967,830</u>	<u>\$ 16,718,109</u>

DCC's are comprised of the following:

	2018	2017
Roads	\$ 6,590,408	\$ 9,114,762
Water	5,417,740	4,955,090
Parks	(200,141)	2,565,224
Sewer	45,325	24,763
Storm Sewer	114,498	58,270
	<u>\$ 11,967,830</u>	<u>\$ 16,718,109</u>

City of West Kelowna
Notes to the financial statements
December 31, 2018

8. Liabilities - Debt

	Current interest rate (%)	Year of Maturity	Balance, beginning of year	Additions	Sinking fund payments	Actuarial adjustment	Balance, end of year
General fund							
MFA issue #95	1.80	2025	\$ 1,622,238	\$ -	\$ 120,896	\$ 58,324	\$ 1,443,018
MFA issue #105	4.90	2029	5,704,703	-	277,414	102,247	5,325,042
			<u>7,326,941</u>	<u>-</u>	<u>398,310</u>	<u>160,571</u>	<u>6,768,060</u>
Water funds							
MFA issue #101	2.25	2027	146,219	-	8,227	3,951	134,041
MFA issue #103	2.65	2028	90,596	-	4,720	1,998	83,878
Province of BC	4.95	2027	6,558,247	-	555,135	-	6,003,112
			<u>6,795,062</u>	<u>-</u>	<u>568,082</u>	<u>5,949</u>	<u>6,221,031</u>
Sewer fund							
MFA issue #70	2.10	2019	24,509	-	5,535	6,447	12,527
MFA issue #71	2.10	2019	74,853	-	16,906	19,692	38,255
MFA issue #71	2.10	2019	159,981	-	36,133	42,088	81,760
MFA issue #73	2.10	2020	16,305	-	2,516	2,682	11,107
MFA issue #73	2.10	2020	339,747	-	52,425	55,877	231,445
MFA issue #74	1.75	2021	181,535	-	19,295	22,823	139,417
MFA issue #74	1.75	2021	47,717	-	5,072	5,999	36,646
MFA issue #74	1.75	2021	56,053	-	5,958	7,047	43,048
MFA issue #74	1.75	2021	19,918	-	2,117	2,504	15,297
MFA issue #74	1.75	2021	21,481	-	2,283	2,701	16,497
MFA issue #74	1.75	2021	40,063	-	4,258	5,037	30,768
MFA issue #75	1.75	2021	7,398	-	786	930	5,682
MFA issue #75	1.75	2021	270,310	-	28,730	33,985	207,595
MFA issue #75	1.75	2021	108,693	-	11,553	13,665	83,475
MFA issue #77	1.75	2022	665,288	-	57,915	62,486	544,887
MFA issue #79	2.25	2023	798,137	-	59,265	58,075	680,797
MFA issue #85	2.00	2024	442,086	-	28,795	25,502	387,789

City of West Kelowna
Notes to the financial statements
December 31, 2018

8. Liabilities - Long-term debt (continued)

MFA issue #85	2.00	2024	\$ 27,859	\$ -	\$ 1,815	\$ 1,607	\$ 24,437
MFA issue #95	1.80	2025	455,057	-	33,913	16,360	404,784
MFA issue #99	1.75	2027	10,747	-	660	356	9,731
MFA issue #99	1.75	2027	707,598	-	43,433	23,430	640,735
MFA issue #101	2.25	2027	1,549,926	-	87,212	41,883	1,420,831
MFA issue #101	2.25	2027	363,043	-	20,428	9,810	332,805
MFA issue #101	2.25	2027	470,110	-	26,452	12,704	430,954
			<u>6,858,414</u>	<u>-</u>	<u>553,455</u>	<u>473,690</u>	<u>5,831,269</u>
Total long-term debt			<u>\$ 20,980,417</u>	<u>\$ -</u>	<u>\$ 1,519,847</u>	<u>\$ 640,210</u>	<u>\$ 18,820,360</u>

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

	2019	2020	2021	2022	2023
General Fund	\$ 398,310	\$ 398,310	\$ 398,310	\$ 398,310	\$ 398,310
Water Funds	596,063	625,456	656,330	688,760	722,825
Sewer Fund	553,453	494,879	439,938	359,886	301,971
	<u>\$ 1,547,826</u>	<u>\$ 1,518,645</u>	<u>\$ 1,494,578</u>	<u>\$ 1,446,956</u>	<u>\$ 1,423,106</u>

9. Tangible capital assets and work in progress

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

	2018 Net book value	2017 Net book value
General		
Land	\$ 108,667,254	\$ 102,331,062
Buildings	26,469,711	26,624,954
Equipment	6,420,357	6,526,443
Engineering structures	<u>115,646,151</u>	<u>106,070,566</u>
	<u>257,203,473</u>	<u>241,553,025</u>
Water infrastructure	59,985,666	58,540,438
Sewer infrastructure	<u>52,833,275</u>	<u>53,368,059</u>
Tangible capital assets	<u>\$ 370,022,414</u>	<u>\$ 353,461,522</u>
Work in progress	<u>\$ 4,083,501</u>	<u>\$ 5,425,508</u>
Tangible capital assets and work in progress (Schedule 1)	<u>\$ 374,105,915</u>	<u>\$ 358,887,030</u>

City of West Kelowna
Notes to the financial statements
December 31, 2018

10. Taxation - net

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

	2018	2017
General municipal purposes	\$ 32,557,061	\$ 31,161,042
Collections for other governments		
Provincial Government - Schools	14,895,183	14,294,497
Central Okanagan Regional Hospital District	2,600,869	2,568,146
Regional District of the Central Okanagan	3,378,614	3,354,549
British Columbia Assessment Authority	422,112	393,646
Municipal Finance Authority	1,976	1,704
	<u>53,855,815</u>	<u>51,773,584</u>
Transfers to other governments		
Provincial Government - Schools	(14,895,183)	(14,294,497)
Central Okanagan Regional Hospital District	(2,600,869)	(2,568,146)
Regional District of the Central Okanagan	(3,378,614)	(3,354,549)
British Columbia Assessment Authority	(422,112)	(393,646)
Municipal Finance Authority	(1,976)	(1,704)
	<u>(21,298,754)</u>	<u>(20,612,542)</u>
	<u>\$ 32,557,061</u>	<u>\$ 31,161,042</u>

11. Government transfers

	2018	2017
Provincial unconditional transfers (repayments)		
Sewer grants	(10,539)	648,993
Other	83,061	57,583
	<u>72,522</u>	<u>706,576</u>
Provincial conditional transfers		
Okanagan Basin Water Board grant	67,422	87,203
Other	143,900	124,211
	<u>211,322</u>	<u>211,414</u>
Federal unconditional transfers		
Traffic fine revenue sharing grant and Federal grants	450,205	551,219
Federal conditional transfers		
Gas tax community works fund	1,803,194	1,373,779
Total transfers from other governments	<u>\$ 2,537,243</u>	<u>\$ 2,842,988</u>

City of West Kelowna
Notes to the financial statements
December 31, 2018

12. Revenue - other

	2018	2017
DCC contributions (Note 7)	\$ 8,897,236	\$ 481,107
Cost recoveries	4,243,431	2,848,893
Development permits	1,301,231	1,529,738
Interest	874,386	510,777
Actuarial adjustment on long-term debt (Note8)	640,210	605,710
Licenses and permits	257,875	241,025
Penalties and interest on taxes	482,924	411,493
Rentals	533,665	532,880
Donations	3,639,953	1,941,079
Other	341,074	156,348
	<u>\$ 21,211,985</u>	<u>\$ 9,259,050</u>

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, 2018, 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 ("the Plan"), a jointly trusteesd 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

City of West Kelowna

Notes to the financial statements

December 31, 2018

13. Contingent liabilities (continued)

Pension (continued)

pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2017, the Plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 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, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The City paid \$1,485,052 (2017-\$1,422,217) for employer contributions while employees contributed \$1,233,965 (2017-\$1,187,035) to the Plan in fiscal 2018.

The next valuation will be as at December 31, 2018 with results available later in 2019.

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.

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:

2019	\$	738,937
2020	\$	598,952
2021	\$	152,942
2022	\$	81,702
2023	\$	81,702
	\$	<u>1,654,235</u>

City of West Kelowna

Notes to the financial statement

December 31, 2018

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 \$6,857,829 (2017-\$6,524,836), which are received as security related to performance deposits.

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.

City of West Kelowna
Notes to the financial statements
December 31, 2018

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.

City of West Kelowna
Notes to the financial statements
December 31, 2018

16. Budget

The budget amounts presented reflect the statutory financial plan as adopted by Council on April 17, 2018, 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. 0247, 2018	\$ -
Adjust for non-operating items included in Financial Plan:	
Acquisition of tangible capital assets	94,870,109
Repayment of principal portion of long-term debt	1,519,847
Net transfers from reserves	<u>(25,597,023)</u>
	<u>70,792,933</u>
Adjust for operating items excluded in Financial Plan:	
Amortization (actual)	<u>(11,125,328)</u>
	<u>(11,125,328)</u>
Budget surplus/(deficit) as per the statement of operations and accumulated surplus	\$ <u>59,667,605</u>

City of West Kelowna

Schedule 1 - Schedule of tangible capital assets and work in progress December 31, 2018

	Equipment				Engineering structures										
	Land Improvements	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	\$102,331,062	\$ 38,944,524	\$ 3,874,967	\$ 2,177,170	\$ 872,932	\$ 1,547,820	\$ 8,261,638	\$ 1,537,145	\$ 12,568,230	\$231,855,076	\$ 6,378,012	\$ 3,366,462	\$ 88,268,684	\$ 68,003,576	\$ 569,987,297
Additions	6,336,192	841,640	456,709	83,559	47,564	154,700	277,524	-	2,735,700	10,971,743	1,431,397	750,543	3,064,902	542,148	27,694,321
Disposals	-	-	(3,900)	(17,120)	(81,000)	-	(25,886)	-	-	-	-	-	-	-	(127,906)
Cost, end of year	<u>108,667,254</u>	<u>39,786,164</u>	<u>4,327,776</u>	<u>2,243,609</u>	<u>839,496</u>	<u>1,702,520</u>	<u>8,513,276</u>	<u>1,537,145</u>	<u>15,303,930</u>	<u>242,826,819</u>	<u>7,809,409</u>	<u>4,117,005</u>	<u>91,333,586</u>	<u>68,545,723</u>	<u>597,553,712</u>
Accumulated amortization, beginning of year	-	12,319,570	3,335,140	1,104,215	627,710	929,326	5,203,026	545,812	2,616,344	142,339,018	2,055,728	1,086,124	29,728,246	14,635,517	216,525,776
Amortization	-	996,883	283,830	175,552	18,134	143,112	435,927	61,487	756,851	5,176,358	134,710	245,879	1,619,674	1,076,931	11,125,328
Disposals	-	-	(3,900)	(17,120)	(72,900)	-	(25,886)	-	-	-	-	-	-	-	(119,806)
Accumulated amortization, end of year	-	<u>13,316,453</u>	<u>3,615,070</u>	<u>1,262,647</u>	<u>572,944</u>	<u>1,072,438</u>	<u>5,613,067</u>	<u>607,299</u>	<u>3,373,195</u>	<u>147,515,376</u>	<u>2,190,438</u>	<u>1,332,003</u>	<u>31,347,920</u>	<u>15,712,448</u>	<u>227,531,298</u>
Net book value, end of year	<u>\$108,667,254</u>	<u>\$26,469,711</u>	<u>\$ 712,706</u>	<u>\$ 980,962</u>	<u>\$ 266,552</u>	<u>\$ 630,082</u>	<u>\$ 2,900,209</u>	<u>\$ 929,846</u>	<u>\$ 11,930,735</u>	<u>\$ 95,311,443</u>	<u>\$ 5,618,971</u>	<u>\$ 2,785,002</u>	<u>\$ 59,985,666</u>	<u>\$ 52,833,275</u>	<u>\$ 370,072,414</u>
Work in progress	\$ -	\$ 263,793	\$ 407,979	\$ -	\$ -	\$ 79,299	\$ 1,112,800	\$ -	\$ 347,187	\$ 44,545	\$ 63,864	\$ 941,236	\$ 822,738	\$ -	\$ 4,083,501
Tangible capital assets and work in progress	<u>\$108,667,254</u>	<u>\$26,733,504</u>	<u>\$ 1,120,685</u>	<u>\$ 980,962</u>	<u>\$ 266,552</u>	<u>\$ 709,381</u>	<u>\$ 4,013,009</u>	<u>\$ 929,846</u>	<u>\$ 12,277,922</u>	<u>\$ 95,355,988</u>	<u>\$ 5,682,835</u>	<u>\$ 3,726,238</u>	<u>\$ 60,808,464</u>	<u>\$ 52,833,275</u>	<u>\$ 374,105,915</u>

See accompanying notes to the financial statements.

City of West Kelowna
Schedule 2 - Schedule of accumulated surplus
December 31, 2018

	Balance, beginning of year	Transfer to	Transfer from	Interest	Balance, end of year
Reserves					
Capital - general	6,200,723	3,410,255	(4,570,922)	114,568	5,154,624
Capital - water	4,438,217	2,335,580	(3,094,937)	81,826	3,760,686
Capital - sewer	264,341	515,000	(560,942)	8,145	226,544
Community projects	5,207,668	1,420,117	(4,268,762)	75,289	2,434,312
Equipment replacement	3,567,465	1,117,500	(615,194)	75,990	4,145,761
Future expenses	1,997,276	755,560	(785,813)	39,445	2,006,463
Municipal facilities	3,911,338	700,000	-	84,801	4,696,139
Other	5,231,067	26,273,529	(27,230,670)	26,287	4,300,213
Policing	1,249,515	-	(627,895)	18,618	640,238
Property acquisition	1,604,679	-	-	31,933	1,636,612
Recreation	372,108	106,000	(337,579)	5,020	145,549
Road maintenance and snow clearing	618,618	-	-	12,311	630,929
Storm drainage	377,035	-	(196,680)	7,603	187,958
	<u>35,040,050</u>	<u>36,633,541</u>	<u>(42,289,394)</u>	<u>581,836</u>	<u>29,966,028</u>
Investment in non-financial assets					
Investment in tangible capital assets	<u>332,481,100</u>	<u>29,854,376</u>	<u>(11,125,329)</u>	<u>-</u>	<u>351,210,152</u>
Accumulated surplus	<u>\$ 367,521,145</u>	<u>\$ 66,487,917</u>	<u>\$ (53,414,723)</u>	<u>\$ 581,836</u>	<u>\$ 381,176,180</u>

City of West Kelowna

	General Fund									
	General government services	Protective services	Transportation services	Environmental health & development services	Recreation & cultural services	Water services	Sewer services	Storm drainage	2018 Totals	2017 Totals
Revenue										
Taxation-net	\$ 11,789,817	\$ 9,578,869	\$ 4,427,608	\$ 1,822,048	\$ 4,719,396	\$ -	\$ -	\$ 219,323	\$ 32,557,061	\$ 31,161,042
Sale of services and regulatory fees	-	1,773,650	748,736	3,129,491	1,889,559	9,209,374	5,077,874	-	21,828,684	19,030,597
Government transfers	2,291,530	188,470	361	-	-	24,633	32,249	-	2,537,243	2,842,988
Other	5,908,818	4,532,010	4,885,871	1,317,854	3,798,082	264,338	505,012	-	21,211,985	9,259,050
Total revenue	19,990,165	16,072,999	10,062,576	6,269,393	10,407,037	9,498,345	5,615,135	219,323	78,134,973	62,293,677
Expenses										
Amortization of tangible assets	8,311,336	-	-	45,810	-	1,691,251	1,076,931	-	11,125,328	10,954,626
Building and grounds maintenance	369,631	62,421	-	-	296,147	167,918	448	-	896,565	775,904
Civic grants	425,308	-	-	-	-	-	-	-	425,308	394,078
Contract services	804,938	269,532	2,422,035	2,236,374	1,644,283	786,879	3,607,216	264,508	12,035,765	10,723,171
Interest on long-term debt	463,977	-	-	-	-	292,193	344,037	-	1,100,207	1,252,977
Equipment maintenance and fuel	580,834	262,496	86,858	9,187	254,504	310,261	28,198	6,170	1,538,508	1,513,246
Library	-	-	-	-	1,470,991	-	-	-	1,470,991	1,473,865
Recoverable Emergency Operations	-	4,475,211	-	-	-	-	-	-	4,475,211	2,508,511
MP E-Division Contract	-	4,609,032	-	-	-	-	-	-	4,609,032	3,199,904
Supplies, small tools and equipment	456,786	363,903	113,639	164,523	304,421	864,000	161,251	19,503	2,448,025	1,527,549
Transit	-	-	2,030,461	-	-	-	-	-	2,030,461	1,746,635
Utilities	234,045	128,013	249,266	6,427	648,886	528,825	74,537	-	1,869,999	1,721,478
Wages, benefits & professional development	3,429,783	8,279,302	748,599	2,082,855	2,972,161	2,329,218	568,940	43,679	20,454,537	19,349,398
Total expenses	15,076,638	18,449,910	5,650,858	4,545,176	7,591,393	6,970,545	5,861,558	333,860	64,479,937	57,141,342
Annual surplus (deficit) for the year	\$ 4,913,527	\$ (2,376,911)	\$ 4,411,718	\$ 1,724,217	\$ 2,815,644	\$ 2,527,800	\$ (246,423)	\$ (114,537)	\$ 13,655,036	\$ 5,152,335

See accompanying notes to the financial statements.

City of West Kelowna
Schedule 2 - Consolidated schedule of accumulated surplus
Period ending December 31, 2018

Reserves	Balance, beginning of year	Transfer to	Transfer From	Interest	Balance, End of year	Minimum \$			Maximum Level		
						Minimum \$	Maximum \$		Minimum Level	Maximum Level	
Capital - General	6,200,723	3,410,255	(4,570,922)	114,568	5,154,624	17,283,906	45,200,360		Adequate to fund capital projects identified as capital funded for the next 5 years of the 10 year capital plan	Adequate to fund all capital projects identified as capital funded in the 10 year capital plan	
Capital - Water	4,438,217	2,335,580	(3,094,937)	81,826	3,760,686	7,985,424	15,585,663		Adequate to fund capital projects identified as water capital funded for the next 5 years of the 10 year capital plan	Adequate to fund all capital projects identified as water capital funded in the 10 year capital plan	
Capital - Sewer	264,341	515,000	(560,942)	8,145	226,544	1,356,351	2,679,351		Adequate to fund capital projects identified as sewer capital funded for the next 5 years of the 10 year capital plan	Adequate to fund all capital projects identified as sewer capital funded in the 10 year capital plan	
Community projects (Gas Tax)	5,207,668	1,420,117	(4,268,762)	75,289	2,434,312				N/A	N/A	
Equipment Replacement	3,567,465	1,117,500	(615,194)	75,990	4,145,761	8,885,657	14,416,572		Minimum funds available to fund five upcoming years of vehicle and equipment replacements.	Funds for all scheduled replacements in the 10 year financial plan.	
Fire	-	-	-	-	-	4,370,400	874,080		5% of fire operational expenditures rounded to the nearest higher \$100,000	10% of fire operational expenditures rounded to the nearest higher \$100,000	
Future expenses	1,997,276	755,560	(785,813)	39,445	2,006,455	500,000	1,300,000		1% of general operating fund revenues, rounded to the nearest \$100,000	2.5% of general operating fund revenues, rounded to the nearest \$100,000	
Municipal Facilities:	3,911,338	700,000	-	84,801	4,696,139						
Other:	5,231,067	26,273,529	(27,230,670)	26,287	4,300,213	7,800,000	11,700,000		Two months of regular general fund operating expenditures, rounded to the nearest higher \$100,000	Three months of regular general fund operating expenditures, rounded to the nearest higher \$100,000	
Policing	1,249,515	-	(627,895)	18,618	640,237	558,630	1,117,270		10% of RCMP contract expenditures rounded to the nearest higher \$100,000	20% of RCMP contract expenditures rounded to the nearest higher \$100,000	
Property Acquisition	1,604,679	-	-	31,933	1,636,612	-			\$0	Adequate to fund Property Acquisitions as identified in Master plans or Council priorities	
Recreation:	372,108	106,000	(337,579)	5,020	145,549	-			\$0	Adequate to fund recreational projects outlined in the 10 year capital plan	
Road Maintenance & Snow Clearing:	618,618	-	-	12,311	630,929	200,000	400,000		\$200,000 – required to address winter maintenance requirements in the event of a defined "Hard Winter".	\$400,000 – required to address winter maintenance requirements in the event of a defined "Exceptionally Hard Winter".	
Storm Drainage	377,035	-	(196,680)	7,603	187,958	-			\$0	Adequate to fund storm drainage projects outlined in the 10 year capital plan	
Total reserves	35,040,050	36,633,541	(42,289,394)	581,836	29,966,019						