

2017 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

Kelowna, British Columbia, Canada



CITY OF KELOWNA

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Independent auditors' report

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To the members of Council of the City of Kelowna

We have audited the accompanying consolidated financial statements of the City of Kelowna (the "City"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of operations and accumulated surplus, consolidated statement of changes in net financial assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Kelowna as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Kelowna, Canada
April 24, 2018

Grant Thornton LLP
Chartered Professional Accountants

CITY OF KELOWNA
Consolidated Statement of Financial Position
As at December 31, 2017
(in thousands of dollars)

	<u>2017</u>	<u>2016</u>
Financial Assets		
Cash and cash equivalents (Note 3)	\$ 20,647	\$ 17,961
Accounts receivable (Note 3)	33,720	30,279
Accrued interest	1,425	1,255
Portfolio investments (Note 3)	417,264	366,507
Long term investments (Note 10)	6,000	6,000
Property held for resale	3,456	3,534
	<u>482,512</u>	<u>425,536</u>
Liabilities		
Accounts payable	43,946	46,579
Performance deposits	16,292	14,018
Deferred revenue (Note 3)	55,767	36,446
Deferred development cost charges (Note 3)	42,767	25,375
Long term debt (Note 3)	137,434	146,414
	<u>296,206</u>	<u>268,832</u>
Net Financial Assets	<u>186,306</u>	<u>156,704</u>
Non-Financial Assets		
Prepaid expenses	2,601	2,240
Inventory	1,218	1,140
Work in progress (Note 4)	23,096	114,295
Tangible capital assets (Note 4)	1,714,464	1,602,745
	<u>1,741,379</u>	<u>1,720,420</u>
Accumulated Surplus (Note 5)	\$ <u>1,927,685</u>	\$ <u>1,877,124</u>

Contingent liabilities and Commitments (Notes 8 and 9)



Genelle Davidson, CPA, CMA
Divisional Director, Financial Services



Colin Basran
Mayor, City of Kelowna

See accompanying notes to the consolidated financial statements.

CITY OF KELOWNA
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2017
(in thousands of dollars)

	Budget <u>2017</u>	Actual <u>2017</u>	Actual <u>2016</u>
Revenue			
Taxation (Note 6)	\$ 138,964	\$ 139,395	\$ 131,792
Fees and charges	112,354	125,623	118,428
Interest earned	3,699	10,325	9,851
DCC contributions	8,211	9,533	10,477
Government transfers (Note 7)	31,872	21,559	15,576
Other capital contributions	-	10,694	6,651
Gain on disposal of tangible capital assets	-	5,586	501
	<u>295,100</u>	<u>322,715</u>	<u>293,276</u>
Expenses			
General government services	29,865	27,198	26,505
Protective services	58,266	59,717	55,726
Transportation services	38,590	63,036	59,689
Recreational and cultural services	36,336	42,732	41,888
Other services	18,251	20,369	19,307
Airport operations	14,423	20,698	19,303
Natural Gas Legacy Services	2,275	3,856	4,088
Wastewater utility	13,444	22,896	22,833
Water utility	6,710	11,212	10,699
Write down of tangible capital assets	-	440	-
	<u>218,160</u>	<u>272,154</u>	<u>260,038</u>
Annual Surplus	\$ <u>76,940</u>	<u>50,561</u>	33,238
Accumulated Surplus, beginning of year		1,877,124	1,843,886
Accumulated Surplus, end of year		\$ <u><u>1,927,685</u></u>	\$ <u><u>1,877,124</u></u>

See accompanying notes to the consolidated financial statements.

CITY OF KELOWNA
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2017
(in thousands of dollars)

	Budget <u>2017</u>	Actual <u>2017</u>	Actual <u>2016</u>
Annual Surplus	\$ 76,940	\$ 50,561	\$ 33,238
Amortization of tangible capital assets	-	64,888	63,343
Proceeds from disposal of tangible capital assets	-	8,566	1,249
(Gain) loss on disposal of tangible capital assets	-	(5,586)	(501)
Write down of tangible capital assets	-	440	-
Acquisition of tangible capital assets	(145,076)	(88,828)	(104,269)
Change in inventory and prepaid expenses	<u>-</u>	<u>(439)</u>	<u>(289)</u>
Increase (decrease) in Net Financial Assets	(68,136)	29,602	(7,229)
Net Financial Assets, beginning of year	156,704	156,704	163,933
Net Financial Assets, end of year	\$ <u>88,568</u>	\$ <u>186,306</u>	\$ <u>156,704</u>

See accompanying notes to the consolidated financial statements.

CITY OF KELOWNA
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2017
(in thousands of dollars)

	Actual <u>2017</u>	Actual <u>2016</u>
Net inflow (outflow) of cash and cash equivalents related to the following activities		
Operating		
Annual Surplus	\$ 50,561	\$ 33,238
Adjustment for non-cash items		
Amortization of tangible capital assets	64,888	63,343
(Gain) loss on disposal of tangible capital assets	(5,586)	(501)
Write down of tangible capital assets	440	-
Actuarial adjustment on long term debt	(5,711)	(5,723)
Developer contributions of tangible capital assets	(4,433)	(412)
Decrease (increase) in		
Accounts receivable	(3,441)	(1,275)
Inventory and prepaid expenses	(439)	(289)
Other assets	(92)	(803)
Increase (decrease) in		
Accounts payable	(2,633)	4,271
Deferred development cost charges	17,392	14,391
Other liabilities	21,595	4,975
	<u>132,541</u>	<u>111,215</u>
Capital		
Acquisition of tangible capital assets	(84,395)	(103,857)
Proceeds from disposal of tangible capital assets	8,566	1,249
	<u>(75,829)</u>	<u>(102,608)</u>
Investing		
Change in investments	<u>(50,757)</u>	<u>(14,109)</u>
Financing		
Proceeds from issuance of long term debt	11,000	28,439
Repayment of long term debt	(14,269)	(12,485)
	<u>(3,269)</u>	<u>15,954</u>
Net increase in cash and cash equivalents	2,686	10,452
Cash and cash equivalents, beginning of year	17,961	7,509
Cash and cash equivalents, end of year	\$ <u>20,647</u>	\$ <u>17,961</u>
Non-cash capital activities		
Acquisition of tangible capital assets through developer contributions (Note 4)	\$ 4,433	\$ 412

See accompanying notes to the consolidated financial statements.

CITY OF KELOWNA

Notes to the Consolidated Financial Statements

December 31, 2017

(all tabular amounts reported in 000's of dollars)

The notes to the consolidated financial statements are an integral part of the statements. They explain the significant accounting and reporting policies and principles underlying these statements. They also provide relevant supplementary information and explanations which cannot be conveniently expressed in the consolidated financial statements.

The consolidated financial statements are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards (PSAS). The preparation of these consolidated 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.

1. Significant accounting policies

Basis of presentation

The City of Kelowna's resources and operations are segregated into General, Airport, Wastewater Utility, Water Utility, Natural Gas Legacy, Development Cost Charges and Statutory Reserve Funds for accounting and financial reporting purposes. The consolidated financial statements include all the accounts of these funds. All material interfund transactions and balances have been eliminated within the consolidated financial statements.

The City of Kelowna Library Society was controlled by the City of Kelowna through its appointment of the members of the Society. The Society discontinued operations on June 30, 2017 and was dissolved in October 2017. Accordingly, the consolidated financial statements include all the accounts of the Society up to June 30, 2017. Library-related activity occurring after June 30, 2017 is reflected in the General Fund.

Accrual accounting

The accrual method for reporting revenues and expenses has been used.

Property held for resale

Property held for sale are those expected to be sold within one year. They are valued at the lower of cost or expected net realizable value. Cost includes amounts for improvements to prepare the property for sale.

Inventory

Inventory is valued at the lower of cost, determined principally on a weighted average and specific item basis, or replacement cost.

Municipal pension plan

The City of Kelowna's pension plan follows the guidelines of the Municipal Pension Plan which is administered by the Province of British Columbia for all British Columbia municipalities. 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.

Work in progress

Work in progress represents capital projects under construction but not yet completed and are valued at cost.

Tangible capital assets

The City records tangible capital assets, including assets held as work in progress or capital lease, at cost in the period they were acquired or when the asset is put into use.

All tangible capital assets are valued at cost which includes all costs directly attributable to acquisition, construction, development or betterment of the tangible capital asset.

Assets owned by the City but not paid for by the City including contributions, dedications, gifts and donations, are valued at fair value at the date of contribution, dedication, gift or donation, where fair value is reasonably determinable.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2017

(all tabular amounts reported in 000's of dollars)

Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair market value.

Amortization

The cost less residual value of the tangible capital assets is amortized on a straight-line basis over the useful lives of the asset as follows:

<u>Asset Type</u>	<u>Useful Life (years)</u>	<u>Asset Type</u>	<u>Useful Life (years)</u>
Parks infrastructure		Vehicles	
Playground equipment	15 - 20	Cars and light trucks	5 - 10
Artificial turf field	10 - 12	Fire trucks	15 - 20
Washrooms, concessions, picnic shelters	40 - 50	IT infrastructure	
Outdoor pools, spray pools	50 - 60	Hardware	4 - 5
Building structure	40 - 75	Software	5 - 10
Building improvements		Telephone system	7 - 10
Exterior envelope	30 - 40	Infrastructure	
HVAC systems	10 - 12	(dependent upon component and material	
Roofs	15 - 20	Electrical	20 - 25
Electrical, plumbing and fire	15 - 20	Water	10 - 100
Site works - asphalt, water and sewer lines, etc	10 - 100	Wastewater	10 - 100
Machinery & equipment		Drainage	10 - 100
General equipment	7 - 10	Transportation	10 - 100
Grounds equipment and machinery	10 - 15		
Heavy construction equipment	5 - 10		

Land and Work in Progress are not amortized.

Intangible assets

Intangible assets include works of art and historic assets located throughout the City. They are not reflected in these consolidated financial statements.

Interest capitalization

The City of Kelowna only capitalizes interest on projects being financed internally which will require debenture borrowing upon completion. Interest is calculated on monthly expenditures at the bank prime rate less 2%.

Municipal Finance Authority cash deposits and demand notes

The City issues the majority of its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds is 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 demand notes are contingent in nature. The Debt Reserve and Demand Note balances are as follows:

	<u>2017</u>	<u>2016</u>
Cash Deposits held by MFA	\$ 3,566	\$ 3,390
Demand Notes held by MFA	9,658	9,206
	<u>\$ 13,224</u>	<u>\$ 12,596</u>

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2017

(all tabular amounts reported in 000's of dollars)

Reserves for future expenditures

Reserves for future expenditures are non-statutory reserves which represent an appropriation of surplus for specific purposes. Transfers to reserves for future expenditures include funds to finance incomplete projects and accumulations for specific purposes.

Statutory reserve funds

The use of these funds is restricted by the Community Charter and associated Municipal Bylaws. Statutory reserve funds are funded 100% by cash and portfolio investments.

Revenue recognition

Taxation revenue

Annual levies for non-optional municipal services and general administrative services are recorded as taxes for municipal purposes. Levies imposed by other taxing authorities are not included as taxes for municipal purposes. Taxes are recognized as revenue in the year they are levied.

Through the BC Assessment appeal process taxes may be adjusted by way of supplementary roll adjustments. The effect of these adjustments on taxes are recognized at the time they are awarded.

Fees and charges revenue

Charges for transportation, environmental health, building permits, water, wastewater, natural gas and airport are included in this category. These revenues are recorded on the accrual basis and recognized as earned which is usually when services are provided or facilities are utilized.

DCC contributions

DCCs are recognized as revenue during the period in which the related costs are incurred.

Government transfers

Government transfers are recognized as revenue in the period that the transfer is authorized, eligibility criteria, if any, has been met by the City, and a reasonable estimate of the amount to be received can be made.

Investment income

The City's investments are disclosed in Note 3.

Investment income is recorded on the accrual basis and recognized when earned.

A portion of the City's investments are invested in pooled funds of the Municipal Finance Authority of British Columbia. Earnings on these funds are allocated to the members from time to time based on the market value of the pool. The City recognizes only its share of the realized earnings of the pool. This revenue is recorded as investment income and the amount is added to the cost base of the investment.

To the extent that investments have no stated rate of return, investment income is recognized as it is received.

Expenses

Expenses are recorded in the period in which the goods or services are acquired and a liability is incurred.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2017

(all tabular amounts reported in 000's of dollars)

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 a site is not in productive use and all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the City is directly responsible; or 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 is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

There are no liabilities to be recorded as at December 31, 2017 and 2016.

Use of estimates

Management has made estimates and assumptions that affect the amounts reported in preparing these financial statements. Actual results could differ from the estimates. Significant areas requiring the use of management estimates relate to the determination of tangible capital assets estimated useful life and related amortization, allowance for doubtful accounts, landfill post closure costs and settlement costs associated with outstanding legal actions.

2. Future accounting changes

PS 2200 – Related party transactions

This new Section defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated. This Section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

PS 3420 – Inter-entity transactions

This section establishes how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. This Section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

PS 3210 – Assets

This new section provides guidance for applying the definition of an asset as set out in Section PS 1000 *Financial statement concepts* and establishes general disclosure standards for assets. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

PS 3320 – Contingent assets

This new section defines and establishes disclosure standards for contingent assets. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

PS 3380 – Contractual rights

This new section defines and establishes disclosure standards on contractual rights. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2017

(all tabular amounts reported in 000's of dollars)

PS 2601 – Foreign currency translation

This section revises and replaces the existing Section PS 2600 *Foreign currency translation*. This section applies to fiscal years beginning on or after April 1, 2019, with early adoption permitted.

PS 1201 – Financial statement presentation

This section revises and replaces the existing Section PS 1200 *Financial statement presentation*. This section applies to fiscal years beginning on or after April 1, 2019, with early adoption permitted.

PS 3450 – Financial instruments

This section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. This section applies to fiscal years beginning on or after April 1, 2019, with early adoption permitted.

PS 3041 – Portfolio investments

This section revises and replaces the existing Section PS 3040 Portfolio investments. This section applies to fiscal years beginning on or after April 1, 2019, with early adoption permitted.

3. Financial Assets and Liabilities

Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term investments with maturities of 90 days or less from the date of acquisition.

Accounts receivable

Accounts receivable are recorded net of allowance and are comprised of the following:

<u>Type of receivable</u>	<u>2017</u>	<u>2016</u>
Property Tax	\$ 4,257	\$ 4,863
Trade Receivables	12,981	11,642
Due from Federal Government	3,016	2,310
Due from Provincial Government	3,990	1,255
Due from Regional Government	4	31
Utilities	3,953	4,474
Deferred Development Cost Charges	5,519	5,704
	<u>\$ 33,720</u>	<u>\$ 30,279</u>

Portfolio investments

Portfolio investments are recorded at cost and are comprised of the following:

<u>Type of investment</u>	<u>2017</u>	<u>2016</u>
Municipal Finance Authority Bond/Intermediate Funds	\$ 103,646	\$ 101,595
Provincial and Bank Issued Bonds	98,446	103,629
Publicly traded shares	60,654	58,875
Guaranteed Investment Certificates and Deposit Notes	154,518	102,408
Total Portfolio investments	<u>\$ 417,264</u>	<u>\$ 366,507</u>

The quoted market value of the publicly traded shares at December 31, 2017 was \$85.09 million (2016 - \$75.18 million).

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2017

(all tabular amounts reported in 000's of dollars)

Operating line of credit

The City has an operating line of credit with the Royal Bank of Canada for an authorized amount of \$5.0 million, bearing interest at bank prime rate. At December 31, 2017 the balance outstanding was \$nil (2016 - \$nil).

Deferred revenue

The City records deferred revenue for funds received in advance on services not yet rendered and is recognized into revenue during the period in which the service is provided. The City also records deferred revenue when a contract specifies how the resources are to be used and therefore funds received in advance are deferred until the period in which the requirements are met. Because these funds are restricted in nature they are shown as a liability.

Deferred Revenue

by Type	2016	Receipts	Interest	Transfers Out	2017
Tax Prepayments	\$ 18,101	\$ 18,843	\$ 76	\$ 18,101	\$ 18,919
Construction	11,329	1,063	32	534	11,890
Grants	61	28,327	145	14,085	14,448
Other	2,915	7,014	4	3,567	6,366
Local Area Service	4,040	298	-	194	4,144
Total	\$ 36,446	\$ 55,545	\$ 257	\$ 36,481	\$ 55,767

Deferred development cost charges (DCC)

The City collects development cost charges to pay for a proportionate share of infrastructure related to new growth. In accordance with the Local Government Act, these funds must be deposited into a separate reserve fund. Because these funds are externally restricted in nature they are shown as a liability.

	2016	Receipts	Interest	Transfers Out	2017
Parks	\$ 2,098	\$ 8,612	\$ 113	\$ 524	\$ 10,299
Roads	21,541	11,361	633	3,499	30,036
Water	11,314	545	271	33	12,097
Wastewater	(9,578)	5,660	(270)	5,477	(9,665)
Total Deferred DCC	\$ 25,375	\$ 26,178	\$ 747	\$ 9,533	\$ 42,767

Long term debt

Sinking fund installments and mortgage payments on net outstanding debt and loans payable over the next five years and thereafter are as follows:

	Total
2018	\$ 24,721
2019	14,537
2020	10,162
2021	9,265
2022	8,625
2023 and thereafter	70,124
Total	\$ 137,434

Total debt issued was \$275,437 and total debt payable at December 31, 2017 was \$137,434 (2016 - \$146,414).

Schedule 3 provides a breakdown of long term debt.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2017

(all tabular amounts reported in 000's of dollars)

4. Tangible capital assets (TCA) and work in progress

	2017 Work in progress	2017 Tangible capital assets (NBV)	2016 Work in progress	2016 Tangible capital assets (NBV)
Land	\$ -	\$ 280,235	\$ -	\$ 255,228
Land improvements	910	32,136	2,101	33,611
Buildings	2,935	197,056	39,666	154,987
Infrastructure	16,362	1,104,034	47,224	1,094,778
Machinery and Equipment	2,889	71,404	25,304	32,942
Natural Gas System (Capital Lease)	-	29,599	-	31,199
	<u>\$ 23,096</u>	<u>\$ 1,714,464</u>	<u>\$ 114,295</u>	<u>\$ 1,602,745</u>

Contributions received in 2017 include:

<u>Type of contribution</u>	<u>2017</u>	<u>2016</u>
Land	\$ 4,433	\$ 302
Buildings	-	110
Total Contributed Tangible Capital Assets	<u>\$ 4,433</u>	<u>\$ 412</u>

Schedule 1 provides a break down of tangible capital assets and work in progress.

During the year, tangible capital assets with a cost of \$440,000 were written off due to impairment.

5. Accumulated Surplus

	Reserves for Future Expenditures	Equity in FortisBC Inc.	Statutory Reserves	Fund Surpluses	Investment in Tangible Capital Assets	Total 2017	Total 2016
Accumulated surplus, beginning of year	\$ 125,038	\$ 58,875	\$ 62,251	\$ 49,071	\$ 1,581,889	\$ 1,877,124	\$ 1,843,886
Annual surplus (deficit)	753	3,418	1,980	94,928	(50,518)	50,561	33,238
Transfers	13,397	(1,601)	6,747	(18,543)	-	-	-
Acquisition of tangible capital assets	-	-	-	(57,461)	57,461	-	-
Repayment of long term debt	-	-	-	(14,269)	14,269	-	-
Accumulated surplus, end of year	<u>\$ 139,188</u>	<u>\$ 60,692</u>	<u>\$ 70,978</u>	<u>\$ 53,726</u>	<u>\$ 1,603,101</u>	<u>\$ 1,927,685</u>	<u>\$ 1,877,124</u>

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2017

(all tabular amounts reported in 000's of dollars)

Accumulated Surplus detail as follows:

Description	Balances, Beginning of Year	Transfer From	Transfer To	Annual Surplus	Balances, End of Year
<u>Non-Statutory Reserves</u>					
General Fund Reserve	\$ 74,024	\$ 12,551	\$ 18,518	\$ 318	\$ 80,309
Airport Fund Reserve	25,603	17,769	19,300	286	27,420
Waste Water Fund Reserve	9,348	782	4,446	21	13,033
Water Fund Reserve	16,063	1,738	3,973	128	18,426
	<u>125,038</u>	<u>32,840</u>	<u>46,237</u>	<u>753</u>	<u>139,188</u>
<u>Statutory Reserves</u>					
Parking Reserve	993	2,132	3,531	51	2,443
Land Reserve	10,143	7,503	9,296	337	12,273
Capital Works, Machinery & Equip Reserve	51,115	16,344	19,899	1,592	56,262
	<u>62,251</u>	<u>25,979</u>	<u>32,726</u>	<u>1,980</u>	<u>70,978</u>
<u>Surplus by Fund</u>					
General Fund Surplus	2,402	62,515	9,311	55,453	4,651
Airport Fund Surplus	596	20,811	3,432	17,379	596
Waste Water Fund Surplus	28,462	16,291	6,350	12,001	30,522
Water Fund Surplus	13,075	8,572	741	8,239	13,483
Natural Gas Legacy Surplus	4,371	3,578	1,840	1,841	4,474
Library Surplus	165	360	180	15	-
Accumulated Surplus	<u>49,071</u>	<u>112,127</u>	<u>21,854</u>	<u>94,928</u>	<u>53,726</u>
<u>Equity Investment</u>					
Equity in FortisBC Inc.	58,875	1,601	-	3,418	60,692
<u>Investment in Non Financial Assets</u>					
Investment in Tangible Capital Assets	1,581,889	64,404	136,134	(50,518)	1,603,101
Accumulated Surplus	<u>\$ 1,877,124</u>	<u>\$ 236,951</u>	<u>\$ 236,951</u>	<u>\$ 50,561</u>	<u>\$ 1,927,685</u>

6. Taxation

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

	<u>2017</u>	<u>2016</u>
Taxes collected		
Property taxes	\$ 219,875	\$ 214,229
Local improvement levies	156	166
Frontage tax – water	1,457	1,436
Specified sewer area recoveries	1,398	1,399
Grants in lieu of taxes	514	480
Levies	7,010	6,783
	<u>230,410</u>	<u>224,493</u>
Less transfers to other governments		
Province of BC (school taxes)	66,049	67,601
BC Assessment Authority	1,854	2,006
Regional Hospital District	11,507	11,429
Regional District of Central Okanagan	11,605	11,665
	<u>91,015</u>	<u>92,701</u>
Net taxes available for municipal purposes	<u>\$ 139,395</u>	<u>\$ 131,792</u>

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2017

(all tabular amounts reported in 000's of dollars)

7. Government transfers

Government transfers are the major source of transfers to the City. Government transfers received are for completed projects that meet the required criteria as set out by the Government body providing the funding. Government transfers do not include grants in lieu of taxes received from the Federal and Provincial governments. Estimated government transfers were accrued as revenue in previous years however in 2016 the City was notified that the amounts accrued were paid directly to the project suppliers. During the year \$14.0 million was received and recorded as deferred revenue for future capital expenditures. In 2017 the City received and recorded as revenue the following transfers:

	<u>2017</u>	<u>2016</u>
Operating transfers		
Federal	\$ 148	\$ 141
Provincial	<u>17,772</u>	<u>16,664</u>
	<u>17,920</u>	<u>16,805</u>
Capital transfers		
Federal	2,695	(15)
Provincial	<u>944</u>	<u>(1,214)</u>
	<u>3,639</u>	<u>(1,229)</u>
Total transfers	<u>\$ 21,559</u>	<u>\$ 15,576</u>

8. 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 District and each member municipality within the District including the City of 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.

Pension liability

The employer 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 are based on a formula. As at December 31, 2016, the plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 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 of Kelowna paid \$6.9 million (2016 - \$6.7 million) for employer contributions while employees contributed \$5.5 million (2016 - \$5.4 million) to the plan in fiscal 2017.

CITY OF KELOWNA
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The next valuation will be as at December 31, 2018, with results available 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 individual employers participating in the plan.

Post employment benefits

The City of Kelowna does not accrue expenses for post employment benefits such as retirement allowances or compensated absences (sick leave). City employees retiring do not receive any retirement allowance that either vests or accrues over the period of employment. Sick benefits do not accrue and are not vested. The City recognizes the expense for sick time when the event obligates the City to pay.

Legal actions

The City of Kelowna is currently engaged in certain legal actions, 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 these contingent liabilities will be recorded in the accounts in the period in which the loss is realized. The City of Kelowna has insurance policies and financial reserves to offset associated risks.

9. Commitments

Agreements, contracts and purchase orders

The City has entered into various agreements and contracts for services and construction with periods ranging from one to five years.

The City has purchase orders open as at December 31, 2017 which have not been recorded in the accounts. The balance of these open purchase orders are not determinable at this time. The funding for the majority of these obligations has been set aside in reserves for future expenditures. These amounts will be recorded in the accounts in the period the goods and services, to which they relate, are received.

Landfill closure and post closure costs

As required by PSAS and regulated by the Ministry of Water, Land and Air Protection, the City has agreed to obligations regarding the operation of the landfill site. These obligations include recognition of closure and post-closure liability. The City's estimated liability for these expenditures is recognized as the landfill site's capacity is used. The reported liability of \$3.8 million (2016 - \$3.8 million) represents the portion of the estimated total expenditure recognized as at December 31, 2017. The liability and annual expenditure is calculated based on the ratio of current usage to the total capacity of the site and the discounted estimated future cash flows associated with closure and post-closure activities.

The reported liability is based on estimates and assumptions with respect to events extending over the remaining life of the landfill. The remaining capacity of the landfill site is estimated at 14.5 million tonnes, which is 79% of the site's total capacity. The future cash flows for closure and post-closure cost is estimated at \$11.9 million as at December 31, 2017. The landfill site is expected to reach its capacity in 2090.

YMCA of Okanagan Association loan guarantee agreement

The City has, under the terms of the partnering agreement between the City of Kelowna and YMCA of Okanagan Association, guaranteed repayment in the event that the YMCA of Okanagan Association defaults on a \$1.8 million, 20-year loan issued in 2001. Under the agreement the City shall resume operation of the facility and assume responsibility for the repayment of the debt incurred by the YMCA of Okanagan Association. During 2010 an amendment was made to the agreement for additional financing of \$700,000 for a 20-year term. As at December 31, 2017 the outstanding loan balance was \$879,437 (2016 - \$978,170). The City does not expect to make any payments on the guarantee and no amounts have been accrued in the financial statements.

CITY OF KELOWNA

Notes to the Consolidated Financial Statements

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Multi-Purpose Facility Public/Private Partnership

The City has, under the terms of the Preferred Share Agreement between the City of Kelowna and RG Properties Ltd., purchased \$6.0 million of preferred shares in RG Arenas (Kelowna) Ltd. at a cost of \$1 per share. The terms and conditions of the purchase are subject to the terms of a Tripartite Agreement between the City of Kelowna, Royal Bank of Canada and RG Arenas (Kelowna) Ltd., RG Properties Ltd., Prospero Canadian Land Investment Fund Ltd. group of companies.

The City has, under the terms of the above noted Tripartite Agreement, committed to the annual purchase of community use time at the Multi-Purpose facility, commencing with substantial completion, on November 10, 1999 under the following terms:

- (i) \$1.3 million per annum for Years 1 to 3 comprised of a payment of \$1.1 million, which for Years 2 and 3 is subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum, plus an annual payment of \$150,000 without any adjustment for CPI;
- (ii) \$1.2 million per annum for Years 4 to 7, subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum;
- (iii) \$1.2 million per annum for Years 8 to 10, subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum, minus \$150,000 per annum;
- (iv) \$1.0 million per annum for Years 11 to 20, subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum; and
- (v) \$0.5 million per annum for Years 21 to 30, subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum.

The year 2017 represented year 18 of the agreement.

Should the City not exercise, in its sole discretion, its option to renew any future term for community use time in the Multi-Purpose facility, under the above terms it shall be required to make a lump sum payment to RG Arenas (Kelowna) Ltd. on or before the 15th day of one of year 6, 11, 16, 21 or 26 commencing with the year of substantial completion in the following amounts:

2005	Year 6	\$ 13.2 million
2010	Year 11	\$ 11.9 million
2015	Year 16	\$ 10.4 million
2020	Year 21	\$ 6.7 million
2025	Year 26	\$ 4.5 million

Upon such payment, no further amounts will be payable to RG Arenas (Kelowna) Ltd. and the City will have the right to the community use time for the period from the beginning of the year in which the payment was made until November 9, 2029 without any additional payment.

The City did exercise its option to renew the purchase of community use time under the above annual payments terms and accordingly did not make any of the lump sum payment of \$13.2 or \$11.9 or \$10.4 million otherwise due to RG Arenas (Kelowna) Ltd. in years 6 or 11 or 16.

Royal Canadian Mounted Police Services

The Province of British Columbia and the Federal Government have an agreement with the Royal Canadian Mounted Police to provide police services for various municipalities in the Province, including the City of Kelowna. This agreement has a 20 year term expiring on March 31, 2032.

10. Long term investments

Kelowna Developments Ltd.

The investment in Kelowna Developments Ltd., a wholly owned subsidiary, is carried at its cost of \$2. The company is inactive with no assets or liabilities and is being retained for potential future use.

CITY OF KELOWNA

Notes to the Consolidated Financial Statements

December 31, 2017

(all tabular amounts reported in 000's of dollars)

RG Arenas (Kelowna) Ltd.

The investment in preferred shares in RG Arenas (Kelowna) Ltd. is carried at its cost of \$6.0 million. The shares were purchased under the terms of the Preferred Share Agreement between the City of Kelowna and RG Properties Ltd. and are to be retained until 2028 per the terms of that agreement described in Note 9.

11. Letters of credit

In addition to the performance deposits reflected in cash balances, the City is holding irrevocable Letters of Credit in the amount of \$36.4 million (2016 - \$30.7 million) which were received from depositors to ensure their performance of works to be undertaken within the City. These amounts are not reflected in the financial statements but are available to satisfy any liabilities arising from non-performance by the depositors. Included in the \$36.4 million, the City is holding irrevocable Letters of Credit in the amount of \$5.7 million (2016 - \$5.1 million) which are received from developers to ensure payment of development cost charges in future years.

12. Capital lease payable

The City has entered into an agreement with FortisBC Energy Inc. ("FortisBC") that has resulted in the creation of the Natural Gas Legacy Fund.

Capital lease

Under the terms of the agreement the City entered into a 35 year capital lease with FortisBC on November 1, 2001 for the natural gas distribution system within the City's municipal boundary. The City has prepaid \$47.5 million of the capital lease obligation and has financed the prepayment through debenture debt. The remaining obligation of \$2.2 million, which is included in long term debt, will be paid with annual lease payments of \$260,870 including interest based on FortisBC approved pre-tax weighted average cost of capital of 10.072%.

Operating lease

The City also entered into a 17-year operating lease with FortisBC on November 1, 2001 whereby the City leases back to FortisBC the operations of the gas distribution system. Under the operating lease FortisBC is required to make annual lease payments to the City calculated by a formula specified in the agreement which is based on the total annual revenue generated by the transaction. At the end of the 17-year term, being in 2018, FortisBC has the option of making a termination payment to the City equal to the unamortized portion of the City's \$47.5 million prepayment under the capital lease, which is estimated to be \$27.0 million, or negotiate a new 18 year operating lease with a continuation of the annual lease payments which existed under the previous 17 year operating lease. The City is in discussions with Fortis as to the continuation or cancellation of the lease.

Annual lease revenues for the past five years are:

2013	\$ 4.4 million
2014	\$ 4.3 million
2015	\$ 4.2 million
2016	\$ 4.1 million
2017	\$ 4.0 million

13. City of Kelowna Library Society

The City of Kelowna Library Society was a non-profit society instituted and controlled by the City of Kelowna. The Society was incorporated for the purpose of establishing, operating, and maintaining libraries and library services for the benefit of the City of Kelowna and its citizens, and the Society discontinued operations on June 30, 2017 and was dissolved in October 2017. Accordingly, the consolidated financial statements include all the accounts of the Society up to June 30, 2017. Library-related activity occurring after June 30, 2017 is reflected in the General Fund. The assets of the Society were transferred to the City prior to December 31, 2017.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2017

(all tabular amounts reported in 000's of dollars)

14. Trust funds

In accordance with PSAS, trust funds are not included in the City's consolidated financial statements. The City administers a Cemetery Maintenance Fund for the perpetual care and maintenance of the City owned and operated cemetery. As at December 31, 2017 the Trust Fund balance is \$2.8 million (2016 - \$2.6 million).

15. Segmented information

The City of Kelowna is connecting communities and providing a multitude of services to the citizens of Kelowna. 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, protective services, transportation services, recreation and cultural services, as well as public health, and environmental and development services. The City also operates its own airport and City utilities comprised of the wastewater and water systems that are self-sustaining operations. Operating results reported by the following segments are included in Schedule 2.

General government

General Government operations are primarily funded by property taxation and business tax revenues. The expenses within the department are for executive and legislative costs, general administration, and other general government areas such as community service grants and rental property operating costs within the municipality. The general revenue reported under the department includes revenues associated with taxation, business tax revenues and senior government payments in lieu of taxes. These revenues have not been apportioned to other departments supported by the General Fund.

Protective services

Protective services are comprised of police services provided by the Royal Canadian Mounted Police, fire protection services, building inspection services and bylaw enforcement as well as the Provincial Emergency Program. Police services include administration, crime investigation and prevention, traffic, prisoner custody and court liaison expenses.

The fire department is responsible for effective fire protection and public safety services to the City. This includes fire suppression and rescue, prevention and investigation, specialty rescue/first medical responses and fire safety inspections.

Costs for maintenance and repair of police and fire buildings are included in this section.

Transportation services

Transportation services are responsible for the delivery of municipal public works services related to the planning, development and maintenance of streets and roads, bridges, drainage systems, street lights, traffic lights and signals, parking lots and on-street parking, and public transit as well as maintenance of workshops, yards and other buildings. The mandate is to provide a safe, efficient, environmentally-sensitive and cost-effective transportation network.

Recreation and cultural services

Recreation and cultural services provide services related to recreation, leisure and culture including administration and program costs as well as grounds and building maintenance. Facilities managed within this area include parks and playgrounds, arenas, swimming pools, beaches, boat launches, stadiums as well as community and seniors centers. The H₂O Adventure & Fitness Centre, Parkinson Recreation Centre, Kelowna Community Theatre, Kelowna Museum, Kelowna Library, Kelowna Art Gallery and the Rotary Centre for the Arts are some of the larger facilities included.

Other services (Public Health/Environmental/Development services)

Public health services are comprised of cemetery operations and maintenance, environmental and development services including community planning and zoning as well as landfill operations.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2017

(all tabular amounts reported in 000's of dollars)

Airport services

The Airport, owned and operated by the City of Kelowna, provides quality airport services in a safe and cost effective manner in compliance with Federal regulations. The Airport is accounted for in its own fund.

Wastewater services

Kelowna's sanitary sewer system collects, conveys, treats and disposes of domestic wastewater (derived from the home) and industrial wastewater (resulting from business use, manufacturing and processing). The system currently services approximately 70% of Kelowna's population and continues to be extended to unserved areas. Kelowna's wastewater system has a treatment capacity of 72 million liters per day. Wastewater Utility is accounted for in its own fund.

Water services

The Water Utility is responsible for planning, designing, building, operating and maintaining the City's Water Utility and is one of five water suppliers operating within Kelowna's boundaries. The Water Utility is accounted for in its own fund.

Natural Gas legacy services

Natural Gas Legacy Fund was created from an agreement with FortisBC for a 35 year capital lease for the natural gas distribution system within the City's municipal boundary and a 17 year operating lease, expiring in 2018, whereby the City leases back to FortisBC the operations of the gas distribution system. The Natural Gas Legacy Fund is accounted for in its own fund.

Statutory reserves

Statutory Reserves include funds for parking, land and capital works, machinery and equipment.

16. Expenses by object

Total consolidated expenses by object are itemized in Schedule 2 – Segmented information.

17. Budget data

The budget figures are from the Annual Five-Year Financial Plan Bylaw adopted before May 15th of each year. Subsequent amendments have been made by Council to reflect changes in the budget as required by law. Amortization of tangible capital assets was not included in the budget. The table below shows the reconciliation between the approved budget and the budget presented in these consolidated financial statements.

	<u>Budget Amount</u>
Revenues:	
Operating budget	\$ 272,034
Capital budget	23,066
	<u>295,100</u>
Expenses:	
Operating budget	218,160
Capital budget	145,076
	<u>363,236</u>
Annual deficit per approved budget	(68,136)
Add: tangible capital asset purchases	145,076
Annual surplus per statement of operations	<u><u>\$ 76,940</u></u>

18. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation format adopted in the current year.

CITY OF KELOWNA
Schedule 1 - Tangible Capital Assets
For the Year Ended December 31, 2017
(in thousands of dollars)

	Machinery & Equipment							Natural Gas Capital Lease
	Land	Land Improvements	Buildings	Vehicles	Machinery & Equipment	Computer	Subtotal Machinery & Equipment	
Cost								
Balance, beginning of year	\$ 255,228	\$ 67,374	\$ 291,748	\$ 30,294	53,817	\$ 9,537	\$ 93,648	\$ 55,609
Add: additions during the year	27,633	263	928	2,080	2,869	774	5,723	-
Add: transfers to tangible capital assets	-	674	50,258	-	36,632	2,861	39,493	-
Less: capital held for resale	78	-	-	-	-	-	-	-
Less: disposals during the year	(2,704)	-	(26)	(964)	(1,216)	-	(2,180)	-
Balance, end of year	<u>280,235</u>	<u>68,311</u>	<u>342,908</u>	<u>31,410</u>	<u>92,102</u>	<u>13,172</u>	<u>136,684</u>	<u>55,609</u>
Accumulated Amortization								
Balance, beginning of year	-	33,763	136,761	18,147	35,877	6,682	60,706	24,410
Add: amortization	-	2,412	9,091	2,028	3,499	824	6,351	1,600
Less: accumulated amortization on disposals	-	-	-	(908)	(869)	-	(1,777)	-
Less: amortization on buildings held for resale	-	-	-	-	-	-	-	-
Balance, end of year	<u>-</u>	<u>36,175</u>	<u>145,852</u>	<u>19,267</u>	<u>38,507</u>	<u>7,506</u>	<u>65,280</u>	<u>26,010</u>
Net Book Value of Tangible Capital Assets	<u>\$ 280,235</u>	<u>\$ 32,136</u>	<u>\$ 197,056</u>	<u>\$ 12,143</u>	<u>\$ 53,595</u>	<u>\$ 5,666</u>	<u>\$ 71,404</u>	<u>\$ 29,599</u>

	Infrastructure						Work in Progress	Total 2017	Total 2016
	Plant & Facilities	Roads, Lanes, Sidewalks & Bike Paths	Bridges, Tunnels & Overpasses	Underground, Overhead & Other Networks	Airport Infrastructure	Subtotal Infrastructure			
Cost									
Balance, beginning of year	\$ 196,632	\$ 516,095	\$ 33,836	\$ 1,040,982	\$ 56,474	\$ 1,844,019	\$ 114,295	\$ 2,721,921	\$ 2,620,464
Add: additions during the year	247	2,781	36	3,102	253	6,419	47,784	88,750	104,864
Add: transfers to tangible capital assets	2,615	11,240	-	30,326	4,368	48,549	(138,974)	-	203
Less: capital held for resale	-	-	-	-	-	-	-	78	(1,122)
Less: disposals during the year	-	(51)	-	(227)	-	(278)	(9)	(5,197)	(2,291)
Balance, end of year	<u>199,494</u>	<u>530,065</u>	<u>33,872</u>	<u>1,074,183</u>	<u>61,095</u>	<u>1,898,709</u>	<u>23,096</u>	<u>2,805,552</u>	<u>2,722,118</u>
Accumulated Amortization									
Balance, beginning of year	68,143	272,408	8,118	374,833	25,739	749,241	-	1,004,881	943,602
Add: amortization	6,948	19,778	515	15,842	2,351	45,434	-	64,888	63,343
Less: accumulated amortization on disposals	-	-	-	-	-	-	-	(1,777)	(1,339)
Less: amortization on buildings held for resale	-	-	-	-	-	-	-	-	(528)
Balance, end of year	<u>75,091</u>	<u>292,186</u>	<u>8,633</u>	<u>390,675</u>	<u>28,090</u>	<u>794,675</u>	<u>-</u>	<u>1,067,992</u>	<u>1,005,078</u>
Net Book Value of Tangible Capital Assets	<u>\$ 124,403</u>	<u>\$ 237,879</u>	<u>\$ 25,239</u>	<u>\$ 683,508</u>	<u>\$ 33,005</u>	<u>\$ 1,104,034</u>	<u>\$ 23,096</u>	<u>\$ 1,737,560</u>	<u>\$ 1,717,040</u>

CITY OF KELOWNA
Schedule 2 - Segmented Information
For the Year Ended December 31, 2017
(in thousands of dollars)

	General Gov't	Protective Services	Transportation Services	Recreation & Cultural Services	Other Services	Airport Services	Wastewater Services	Water Services	Nat. Gas Legacy Services	Library Services	Statutory Reserves	2017
Revenue												
Taxation	\$ 136,357	\$ -	\$ 156	\$ -	\$ -	\$ -	\$ 1,398	\$ 1,484	\$ -	\$ -	\$ -	\$ 139,395
Fees and charges	24,753	1,981	13,086	4,477	16,534	31,905	16,291	11,772	3,990	408	426	125,623
Interest earned	7,199	-	-	-	-	303	716	446	107	-	1,554	10,325
DCC contributions	-	-	3,498	525	-	-	5,477	33	-	-	-	9,533
Contribution from other governments	1,700	4,192	9,294	311	2,520	2,054	246	1,242	-	-	-	21,559
Other capital contributions	5,697	-	-	-	-	514	1,441	483	2,559	-	-	10,694
Gain on tangible capital asset disposal	5,586	-	-	-	-	-	-	-	-	-	-	5,586
	<u>181,292</u>	<u>6,173</u>	<u>26,034</u>	<u>5,313</u>	<u>19,054</u>	<u>34,776</u>	<u>25,569</u>	<u>15,460</u>	<u>6,656</u>	<u>408</u>	<u>1,980</u>	<u>322,715</u>
Expenses												
Salaries and benefits	16,215	27,849	9,416	11,281	5,578	4,406	3,312	2,432	-	16	-	80,505
Contract and professional services	4,045	2,311	24,431	7,772	7,422	1,155	502	812	-	143	-	48,593
RCMP contract	-	28,553	-	-	-	-	-	-	-	-	-	28,553
Materials and supplies	5,351	2,060	5,316	10,822	1,315	6,187	1,239	990	-	19	-	33,299
Equipment	244	713	3,104	1,566	2,193	28	619	485	-	2	-	8,954
Allocations	(5,309)	(51)	(80)	(183)	115	1,437	3,232	897	20	-	-	78
Cost recoveries	(505)	(3,580)	(8,825)	(270)	(1,464)	(534)	(181)	(543)	-	-	-	(15,902)
Grants and external transfers	417	115	6	1,218	2,918	-	-	-	-	-	-	4,674
Utilities	180	297	2,264	2,064	220	670	1,211	1,062	-	46	-	8,014
Write down of tangible capital assets	101	-	83	20	-	-	227	9	-	-	-	440
Amortization of tangible capital assets	2,803	1,450	27,404	8,462	1,772	6,081	10,639	4,605	1,600	72	-	64,888
Total before Debt	<u>23,542</u>	<u>59,717</u>	<u>63,119</u>	<u>42,752</u>	<u>20,069</u>	<u>19,430</u>	<u>20,800</u>	<u>10,749</u>	<u>1,620</u>	<u>298</u>	<u>-</u>	<u>262,096</u>
Debt interest and fiscal services	3,757	-	-	-	-	1,268	2,323	472	2,236	2	-	10,058
Total operating expenses	<u>27,299</u>	<u>59,717</u>	<u>63,119</u>	<u>42,752</u>	<u>20,069</u>	<u>20,698</u>	<u>23,123</u>	<u>11,221</u>	<u>3,856</u>	<u>300</u>	<u>-</u>	<u>272,154</u>
Annual Surplus (Deficit)	<u>\$ 153,993</u>	<u>\$ (53,544)</u>	<u>\$ (37,085)</u>	<u>\$ (37,439)</u>	<u>\$ (1,015)</u>	<u>\$ 14,078</u>	<u>\$ 2,446</u>	<u>\$ 4,239</u>	<u>\$ 2,800</u>	<u>\$ 108</u>	<u>\$ 1,980</u>	<u>\$ 50,561</u>

CITY OF KELOWNA
Schedule 2 - Segmented Information
For the Year Ended December 31, 2016
(in thousands of dollars)

	General Gov't	Protective Services	Transportation Services	Recreation & Cultural Services	Other Services	Airport Services	Wastewater Services	Water Services	Nat. Gas Legacy Services	Library Services	Statutory Reserves	2016
Revenue												
Taxation	\$ 128,764	\$ -	\$ 166	\$ -	\$ -	\$ -	\$ 1,399	\$ 1,463	\$ -	\$ -	\$ -	\$ 131,792
Fees and charges	22,860	1,881	11,915	4,423	15,757	28,781	16,104	11,505	4,200	780	222	118,428
Interest earned	7,181	-	-	-	-	255	607	337	-	-	1,471	9,851
DCC contributions	-	-	3,273	1,507	-	-	5,671	26	-	-	-	10,477
Contribution from other governments	1,774	3,963	6,996	392	1,993	116	342	-	-	-	-	15,576
Other capital contributions	2,381	-	-	-	-	421	1,265	278	2,306	-	-	6,651
Gain on disposal of tangible capital assets	476	-	-	-	-	25	-	-	-	-	-	501
	<u>163,436</u>	<u>5,844</u>	<u>22,350</u>	<u>6,322</u>	<u>17,750</u>	<u>29,598</u>	<u>25,388</u>	<u>13,609</u>	<u>6,506</u>	<u>780</u>	<u>1,693</u>	<u>293,276</u>
Expenses												
Salaries and benefits	15,654	26,219	9,037	11,132	5,390	4,310	3,267	2,296	-	17	-	77,322
Contract and professional services	3,822	1,842	22,618	7,851	7,200	1,416	734	804	-	125	-	46,412
RCMP contract	-	26,473	-	-	-	-	-	-	-	-	-	26,473
Materials and supplies	4,788	1,613	5,128	10,009	1,408	5,752	1,220	854	-	18	-	30,790
Equipment	214	307	2,753	1,604	2,025	42	655	454	-	2	-	8,056
Allocations	(4,883)	(51)	(178)	(187)	185	1,390	2,973	791	20	-	-	60
Cost recoveries	(800)	(2,087)	(8,285)	(338)	(1,555)	(503)	-	(558)	-	-	-	(14,126)
Grants and external transfers	405	86	20	1,168	2,340	-	(139)	-	-	-	-	3,880
Utilities	170	203	2,117	2,032	187	634	1,210	984	-	80	-	7,617
Amortization of tangible capital assets	3,254	1,121	26,479	8,617	1,694	5,233	10,590	4,602	1,600	153	-	63,343
Total before Debt	<u>22,624</u>	<u>55,726</u>	<u>59,689</u>	<u>41,888</u>	<u>18,874</u>	<u>18,274</u>	<u>20,510</u>	<u>10,227</u>	<u>1,620</u>	<u>395</u>	<u>-</u>	<u>249,827</u>
Debt interest and fiscal services	3,881	-	-	-	-	1,029	2,323	472	2,468	38	-	10,211
Total operating expenses	<u>26,505</u>	<u>55,726</u>	<u>59,689</u>	<u>41,888</u>	<u>18,874</u>	<u>19,303</u>	<u>22,833</u>	<u>10,699</u>	<u>4,088</u>	<u>433</u>	<u>-</u>	<u>260,038</u>
Annual Surplus (Deficit)	<u>\$ 136,931</u>	<u>\$ (49,882)</u>	<u>\$ (37,339)</u>	<u>\$ (35,566)</u>	<u>\$ (1,124)</u>	<u>\$ 10,295</u>	<u>\$ 2,555</u>	<u>\$ 2,910</u>	<u>\$ 2,418</u>	<u>\$ 347</u>	<u>\$ 1,693</u>	<u>\$ 33,238</u>

CITY OF KELOWNA
Schedule 3 - Long Term Debt
as at December 31, 2017

(in thousands of dollars)

Long term debt - General Fund

Debenture Debt

Year of Maturity	Purpose	Debt Balance Dec. 31/16	Amount of Issue	Debt Balance Dec. 31/17	Sinking Fund Balance Dec. 31/17	Current Interest Rate
	Public Works					%
2019	South Pandosy Spec Area 1	\$ 50	\$ 234	\$ 34	\$ 200	2.10
2019	South Pandosy Spec Area 2	88	410	60	350	2.10
2019	Automated Curb Side Carts	1,646	4,810	1,119	3,691	4.13
2022	Chapman Parkade	1,658	4,071	1,414	2,657	2.10
2028	DCC Roads	2,418	10,400	1,233	9,167	5.15
	Local Improvements					
2017	Local Improvements	4	-	-	-	4.82
2019	Local Improvements	15	69	10	59	2.10
2035	Lawrence Ave LAS	321	345	309	36	3.00
	Recreation and Cultural					
2021	Kokanee Gym Facility	174	500	142	358	1.75
2027	H2O Centre	17,727	27,500	16,412	11,088	4.82
2027	Kokanee Gymnastic	516	800	478	322	4.82
2028	H2O Centre	1,381	2,000	1,289	711	5.15
2035	Police Facilities	19,293	20,000	18,561	1,439	2.75
2035	Library Parkade Ext & Memorial Parkade	14,470	15,000	13,921	1,079	2.75
2036	Police Facilities	17,000	17,000	16,399	601	2.60
2037	Police Facilities	-	3,000	3,000	-	3.15
<u>Total Debt - General Fund</u>		\$ 76,761	\$ 106,139	\$ 74,381	\$ 31,758	

CITY OF KELOWNA

Schedule 3 - Long Term Debt (continued)

as at December 31, 2017

(in thousands of dollars)

Long term debt - Wastewater Fund

Debenture Debt

Year of Maturity	Purpose	Debt Balance Dec. 31/16	Amount of Issue	Debt Balance Dec. 31/17	Sinking Fund Balance Dec. 31/17	Current Interest Rate
	Specified Area Programs					%
2018	Spec. Area 18 - Caramillo	\$ 20	\$ 135	\$ 10	\$ 125	4.65
2018	Spec. Area 19 - Poplar Point	12	77	6	71	4.65
2022	Spec. Area 22A - Gerstmar	16	40	14	26	1.75
2024	Spec. Area 21A - McKenzie Bench	700	1,350	627	723	2.00
2024	Spec. Area 22B - Vista Rd	41	80	37	43	2.00
2024	Spec. Area 22C - Hein Rd	138	266	124	142	2.00
2024	Spec. Area 22D - Elwyn Rd	77	149	69	80	2.00
2024	Spec. Area 22E - Dease Rd	50	96	45	51	2.00
2024	Spec. Area 22F - Mills Rd	178	342	159	183	2.00
2024	Spec. Area 29 - Campion Cambro	453	874	406	468	2.00
2024	Spec. Area 30 - Acland	189	364	169	195	2.00
2025	Spec. Area 20 - North Rutland	3,724	6,822	3,365	3,457	1.80
2025	Spec. Area 28A - Okaview	349	638	315	323	1.80
2028	Spec Area 26 - Fisher Rd	1,396	2,021	1,303	718	5.15
2028	Spec Area 34 - Country Rhodes	300	435	280	155	5.15
2028	Spec Area 36 - Clifton	184	267	172	95	5.15
	Sewer Improvement Programs					
2019	Byrns Baron Main	1,014	3,866	693	3,173	2.00
	Sewage Treatment Plant					
2019	Waste Water Treatment Expansion	6,843	20,000	4,651	15,349	4.90
2019	Waste Water Treatment Expansion	3,422	10,000	2,325	7,675	4.13
2020	Waste Water Treatment Expansion	4,475	10,000	3,421	6,579	3.73
2031	Brandt's Creek Tradewaste Treatment	2,772	3,800	2,541	1,259	3.25
Total Debt - Wastewater Fund		\$ 26,353	\$ 61,622	\$ 20,732	\$ 40,890	

CITY OF KELOWNA
Schedule 3 - Long Term Debt (continued)
as at December 31, 2017
(in thousands of dollars)

Long term debt - Water Fund

<u>Debt</u> <u>Year of</u> <u>Maturity</u>	<u>Purpose</u>	<u>Debt</u> <u>Balance</u> <u>Dec. 31/16</u>	<u>Amount</u> <u>of Issue</u>	<u>Debt</u> <u>Balance</u> <u>Dec. 31/17</u>	<u>Sinking Fund</u> <u>Balance</u> <u>Dec. 31/17</u>	<u>Current</u> <u>Interest</u> <u>Rate</u>
	Specified Area Programs					%
2023	Spec Area 16 - Byrns	\$ 18	\$ 39	\$ 16	\$ 23	2.40
2024	Spec Area 18 - Lakeshore	12	24	11	13	2.00
2028	Spec Area 26 - Fisher Rd	205	297	192	105	5.15
	Water Improvement Programs					
2028	Cedar Creek Pump Station	5,233	7,577	4,884	2,693	5.15
2031	Poplar Point Pump Station Upgrade	1,636	2,000	1,555	445	3.25
Total Debt - Water Fund		\$ 7,104	\$ 9,937	\$ 6,658	\$ 3,279	

Long term debt - Airport Fund

	<u>Debt</u> <u>Year of</u> <u>Maturity</u>	<u>Purpose</u>	<u>Debt</u> <u>Balance</u> <u>Dec. 31/16</u>	<u>Amount</u> <u>of Issue</u>	<u>Debt</u> <u>Balance</u> <u>Dec. 31/17</u>	<u>Sinking Fund</u> <u>Balance</u> <u>Dec. 31/17</u>	<u>Current</u> <u>Interest</u> <u>Rate</u>
2018	Airport Expansion		\$ 3,720	\$ 16,000	\$ 1,897	\$ 14,103	4.65
2025	Airport Expansion		6,861	7,500	6,199	1,301	2.75
2026	Airport Expansion		3,500	3,500	3,202	298	2.60
2026	Airport Expansion		3,000	3,000	2,738	262	2.10
2027	Airport Expansion		-	8,000	8,000	-	2.80
Total Debt - Airport Fund			\$ 17,081	\$ 38,000	\$ 22,036	\$ 15,964	

Long term debt - Natural Gas Legacy Fund

	<u>Debt</u> <u>Year of</u> <u>Maturity</u>	<u>Purpose</u>	<u>Debt</u> <u>Balance</u> <u>Dec. 31/16</u>	<u>Amount</u> <u>of Issue</u>	<u>Debt</u> <u>Balance</u> <u>Dec. 31/17</u>	<u>Sinking Fund</u> <u>Balance</u> <u>Dec. 31/17</u>	<u>Current</u> <u>Interest</u> <u>Rate</u>
2018	Leased Capital Assets		\$ 5,311	\$ 29,800	\$ 2,737	\$ 27,063	6.01
2018	Leased Capital Assets		3,475	19,500	1,791	17,709	1.15
			8,786	49,300	4,528	44,772	
Capital Lease Payable			2,210	2,500	2,171		10.072
Total Debt - Natural Gas Legacy Fund			\$ 10,996	\$ 51,800	\$ 6,699		

Long term debt - Library

2017	Mortgage-Building		\$ 180	\$ 5,100	\$ -		8.94
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Long term debt - Other

2018	CN Rail		\$ 3,000	\$ 3,000	\$ 3,000		nil
2021	Land - Airport		4,500	4,500	3,600		nil
2020	Land - Wastewater		439	439	329		nil
Total Debt - Other			\$ 7,939	\$ 7,939	\$ 6,929		
Total City Long Term Debt			\$ 146,414	\$ 275,437	\$ 137,434		



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