

Report to Council



Date: May 13, 2019
File: 0270-02
To: City Manager
From: Jackie Dueck, Controller
Subject: 2019 Audit Committee Meeting Review

Recommendation:

THAT Council receive the report of the Controller, Financial Services dated May 13, 2019 for information.

Purpose:

To provide a high-level review of the information provided to the Audit Committee during the meeting on April 30, 2019.

Background:

Annually the Audit Committee meets to review the Financial Statements, Financial Health Indicators, Auditor's report, City Reserves and Debt, Surplus balances and appropriations. This year and for future years they will also receive a report from the Internal Control Branch updating them on accomplishments and workplans.

There was an in-depth review of the Consolidated Financial Statements. The key number on the Consolidated Statement of Financial Position is the \$2.04B dollars in Accumulated Surplus that represents the total economic resources available to the City of Kelowna to provide future operations. The Consolidated Statement of Operations and Accumulated Surplus shows an annual surplus of \$114.3M. The Consolidated Statement of Changes in Net Financial Assets recognizes that the City acquired \$114.6M in tangible capital assets and used \$67M through amortization. The Consolidated Statement of Cash Flows outlines the cash generated and used by the City's operations, capital, investing and financing activities.

In the Council adopted Financial principles & strategies a key component is Financial Policies and Performance Measures to aid in decision making. The Financial Health Indicators are a set of ratios that the City uses to measure the overall financial health of the City. The selected performance measures were designed from a Statement of Recommended Practice

titled Indicators of Financial Condition outlined in the Public Sector Accounting handbook. The ratios provide comparative financial information for the year-ended 2017 using Local Government data for Municipalities with greater than 100,000 population and for Local Governments in the region. The ratios provide a way to measure how decisions made during the year have affected the sustainability, flexibility and vulnerability of the City. They also link the financial results to the overall economic and fiscal environment that the City operates in. The results show that the City is well positioned to meet current financial obligations and take on new opportunities without increasing the debt or tax burden. The overall financial health of the City is strong.

The Audit report outlined the areas of review that took place and provided a clean audit opinion stating that the City of Kelowna's consolidated financial statements present fairly, in all material respects, the financial position of the City of Kelowna as at December 31, 2018, and the results of operations, its changes in its net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

2018 General fund Financial results show a surplus of \$9.6M this is 4% of the operating budget which totaled \$239 million dollars. In a subsequent Council Report being received today the Council Audit Committee recommends the appropriation from surplus to reserve of \$8.8M and the appropriation of \$834k to accumulated surplus. Total accumulated surplus for the General Fund that is unallocated is now \$3.4M dollars at the 2018 year-end which represents 2.5% of taxation demand.

The Water and Wastewater utility funds 2018 surplus was \$3.4M and \$4.6M respectively these funds fall to the utilities accumulated surplus which is used for infrastructure replacement, mitigating fluctuations in utility billing rates to ensure that the City can continue to provide sustainable healthy and safe Water and Wastewater services to the Cities citizens.

The Airport had a surplus of \$14.4M which will be used to enable the ongoing infrastructure requirements and improvements to accommodate ever-increasing passenger volumes.

The Internal Control branch of the City of Kelowna has worked with a consultant to complete an internal control framework based on best practices. The internal control framework centers on Leadership commitment and has four focus areas which include Strategy & Scope, Governance & Accountability, Operational control and Evaluation & Improvement. There will be a strategic plan developed in 2019 to develop and execute a monitoring program. Accomplishments and workplans will be reported annually to the Audit Committee.

The preparation for year-end and the audit process provides a detailed review and assessment of the City's Financial results for the year ended and compares those results to the previous year and the budget. The Cities Strong Financial principles and strategies are reflected in the 2018 financial results and have positioned the City to continue to build a vibrant community.

Internal Circulation:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:

Financial/Budgetary Considerations:

Personnel Implications:

External Agency/Public Comments:

Communications Comments:

Alternate Recommendation:

Considerations not applicable to this report:

Submitted by:

J Dueck, Controller

Approved for inclusion:

cc: Divisional Director, Financial Services