



2018 Consolidated Financial Statements

Report to Council
May 13, 2019



Outline

- ▶ 2018 Audit Committee Review
- ▶ Audit Results
- ▶ Consolidated Financial Statements
- ▶ Financial Principles & Strategies
- ▶ Key Financial Health Indicators
- ▶ General Fund financial results
- ▶ Recommendation of reserve appropriations
- ▶ Utility fund financial results
- ▶ Internal Control update

2018 Audit Committee Review

- ▶ Consolidated statements
- ▶ Notes to the Financial Statements
- ▶ Financial Health Indicators
- ▶ Auditor's report
- ▶ Internal Control Branch update
- ▶ City Reserves and Debt
- ▶ Surplus balances and appropriations



Audit Result

City receives a Clear Audit





Consolidated Financial Statements

- ▶ Financial Position
- ▶ Operations and Accumulated Surplus
- ▶ Changes in Net Financial Assets
- ▶ Cash Flow activity

Financial Position

CITY OF KELOWNA
Consolidated Statement of Financial Position
As at December 31, 2018
(in thousands of dollars)

	2018	2017
Financial Assets		
Cash and cash equivalents (Note 3)	\$ 24,989	\$ 20,647
Accounts receivable (Note 3)	45,414	33,720
Accrued interest	1,585	1,425
Portfolio investments (Note 3)	495,817	417,264
Long term investments (Note 10)	6,000	6,000
Property held for resale	3,455	3,456
	<u>577,260</u>	<u>482,512</u>
Liabilities		
Accounts payable	50,922	43,946
Performance deposits	21,580	16,292
Deferred revenue (Note 3)	50,382	55,767
Deferred development cost charges (Note 3)	66,834	42,767
Long term debt (Note 3)	119,340	137,434
	<u>309,058</u>	<u>296,206</u>
Net Financial Assets	<u>268,202</u>	<u>186,306</u>
Non-Financial Assets		
Prepaid expenses	3,328	2,601
Inventory	1,484	1,218
Work in progress (Note 4)	35,373	23,096
Tangible capital assets (Note 4)	1,733,595	1,714,464
	<u>1,773,780</u>	<u>1,741,379</u>
Accumulated Surplus (Note 5)	<u>\$ 2,041,982</u>	<u>\$ 1,927,685</u>

Operations and Accumulated Surplus

CITY OF KELOWNA
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2018
(in thousands of dollars)

	Budget 2018	Actual 2018	Actual 2017
Revenue			
Taxation (Note 6)	\$ 145,720	\$ 145,944	\$ 139,395
Fees and charges	122,147	152,536	125,623
Interest earned	4,111	12,821	10,325
DCC contributions	21,027	12,929	9,533
Government transfers (Note 7)	81,015	49,019	21,559
Other capital contributions	6,800	23,028	10,694
Gain on disposal of tangible capital assets	-	4,603	5,922
	<u>380,820</u>	<u>400,880</u>	<u>323,051</u>
Expenses			
General government	33,757	30,373	27,810
Protective services	61,636	60,946	58,909
Transportation	37,510	63,743	61,570
Recreation & cultural	37,250	44,642	42,858
Other services	22,346	24,138	21,905
Airport	15,385	23,004	20,698
Natural Gas Legacy	2,264	2,723	3,856
Wastewater	13,671	22,608	22,896
Water	7,819	13,458	11,212
Loss on disposal of tangible capital assets	-	462	336
Write down of tangible capital assets	-	486	440
	<u>231,638</u>	<u>286,583</u>	<u>272,490</u>
Annual Surplus	<u>\$ 149,182</u>	<u>114,297</u>	50,561
Accumulated Surplus, beginning of year		1,927,685	1,877,124
Accumulated Surplus, end of year		<u>\$ 2,041,982</u>	<u>\$ 1,927,685</u>

Changes in Net Financial Assets

CITY OF KELOWNA

Consolidated Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2018

(in thousands of dollars)

	Budget 2018	Actual 2018	Actual 2017
Annual Surplus	\$ 149,182	\$ 114,297	\$ 50,561
Amortization of tangible capital assets	-	66,989	64,888
Proceeds from disposal of tangible capital assets	-	39,148	8,566
(Gain) loss on disposal of tangible capital assets	-	(4,141)	(5,586)
Write down of tangible capital assets	-	486	440
Acquisition of tangible capital assets	(197,659)	(114,637)	(84,395)
Contributions of tangible capital assets	-	(19,253)	(4,433)
Change in inventory and prepaid expenses	-	(993)	(439)
Increase (decrease) in Net Financial Assets	(48,477)	81,896	29,602
Net Financial Assets, beginning of year	186,306	186,306	156,704
Net Financial Assets, end of year	<u>\$ 137,829</u>	<u>\$ 268,202</u>	<u>\$ 186,306</u>

Cash Flow

CITY OF KELOWNA
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2018
(in thousands of dollars)



	Actual 2018	Actual 2017
Net inflow (outflow) of cash and cash equivalents related to the following activities:		
Operating		
Annual surplus	\$ 114,297	\$ 50,561
Adjustment for non-cash items		
Amortization of tangible capital assets	66,989	64,888
(Gain) loss on disposal of tangible capital assets	(4,141)	(5,586)
Write down of tangible capital assets	486	440
Actuarial adjustment on long term debt	(6,545)	(5,711)
Contributions of tangible capital assets	(19,253)	(4,433)
Termination of debt	(2,132)	-
Decrease (increase) in		
Accounts receivable	(11,694)	(3,441)
Inventory and prepaid expenses	(993)	(439)
Other assets	(160)	(92)
Increase (decrease) in		
Accounts payable	6,979	(2,633)
Deferred development cost charges	24,067	17,392
Other liabilities	(98)	21,595
	<u>167,802</u>	<u>132,541</u>
Capital		
Acquisition of tangible capital assets	(114,637)	(84,395)
Proceeds from disposal of tangible capital assets	<u>39,148</u>	<u>8,566</u>
	<u>(75,489)</u>	<u>(75,829)</u>
Investing		
Change in investments	<u>(78,553)</u>	<u>(50,757)</u>
Financing		
Proceeds from issuance of long term debt	8,485	11,000
Repayment of long term debt	<u>(17,903)</u>	<u>(14,269)</u>
	<u>(9,418)</u>	<u>(3,269)</u>
Net increase in cash and cash equivalents	4,342	2,686
Cash and cash equivalents, beginning of year	<u>20,647</u>	<u>17,961</u>
Cash and cash equivalents, end of year	<u>\$ 24,989</u>	<u>\$ 20,647</u>

Financial principles & strategies

► Decision Making Framework

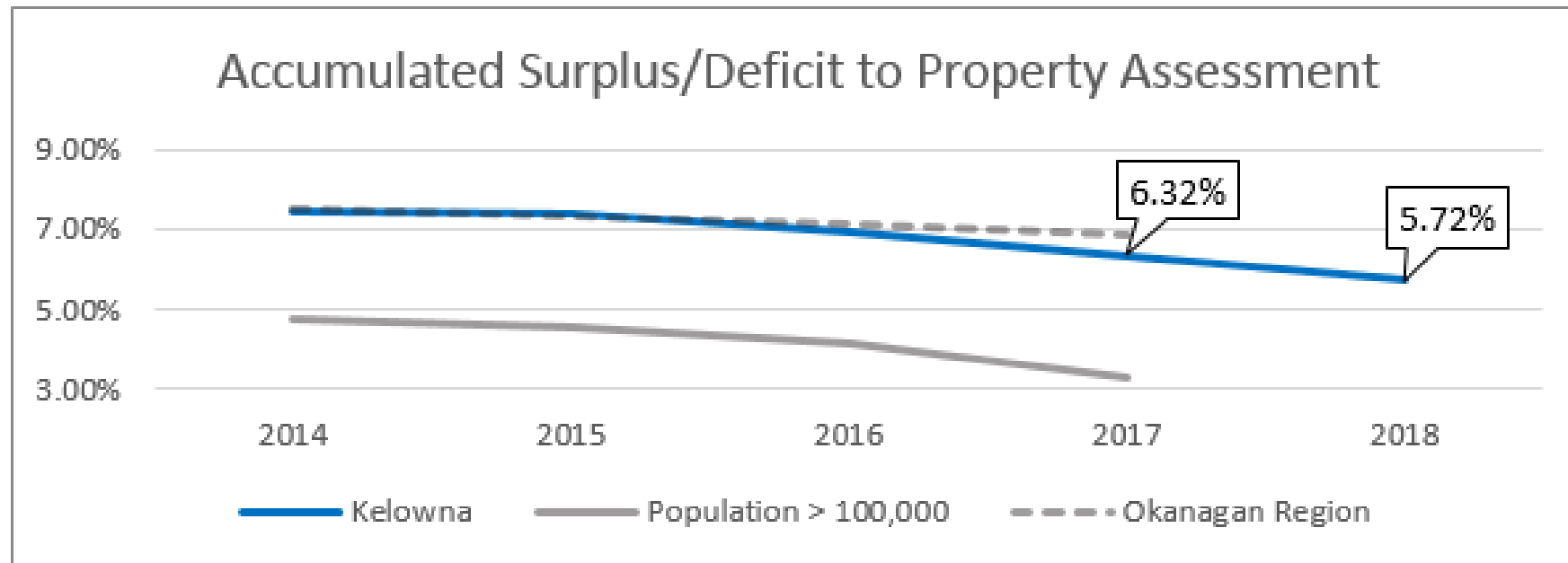


Financial Health Indicators

- ▶ Public Sector Accounting Board standards
- ▶ Comparison to Municipalities of similar size
- ▶ Comparison to Municipalities in the Okanagan region
- ▶ Measures sustainability, flexibility and vulnerability

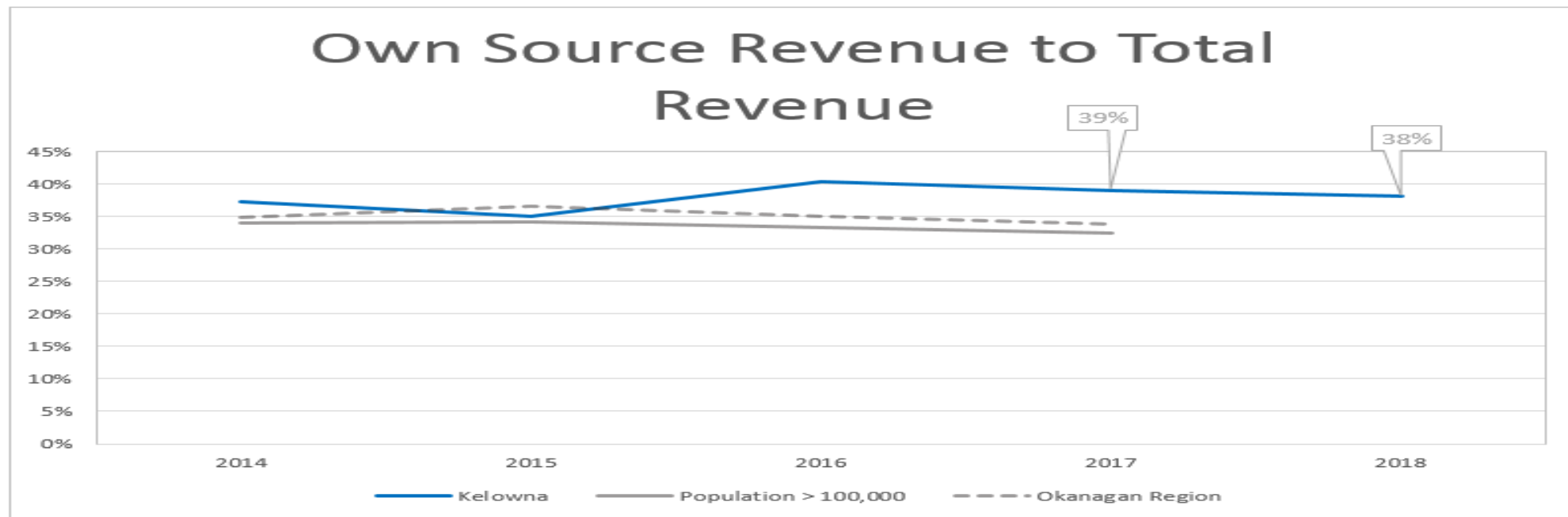
Sustainability Ratio

- ▶ The slight decline between 2016 and 2017 is consistent with the other Municipalities



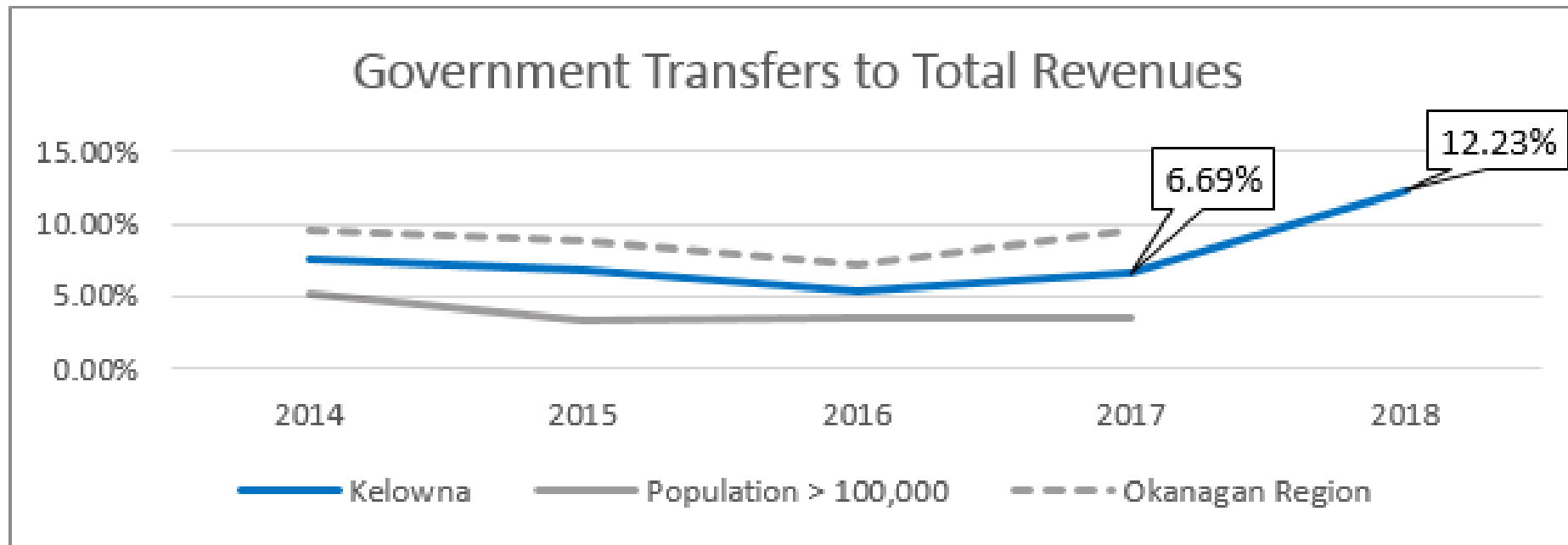
Flexibility Ratio

- More own source revenue than comparative Municipalities



Vulnerability Ratio

- ▶ Fluctuation in 2018 result of one-time capital grants
- ▶ Operating transfers increase due to flood damage recoveries



Summary of Financial Health Review

- ▶ Services vary from Local Government to Local Government
- ▶ City is well positioned
- ▶ Financial Health of the City is Strong



2018 General Fund Financial Results

- ▶ General Fund surplus is \$9.6M
 - ▶ 4.0% of operating budget \$239M
 - ▶ Appropriate \$8.8M to reserves to support upcoming projects
- ▶ General Fund accumulated surplus \$3.4M
 - ▶ Represents 2.5% of taxation demand
 - ▶ Emergency funding only

Appropriation to Reserve for future use

* Major Bridge Maintenance	\$600,000
* Building Repair	675,000
Flood Control	1,500,000
Environmental Contingency	1,050,000
Insurance Deductible	1,000,000
Land Sales	1,350,000
* Parks Development	750,000
RCMP	1,100,000
* Theatre Improvements	750,000
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	\$8,775,000

* Of the recommended appropriations these will help offset the infrastructure deficit

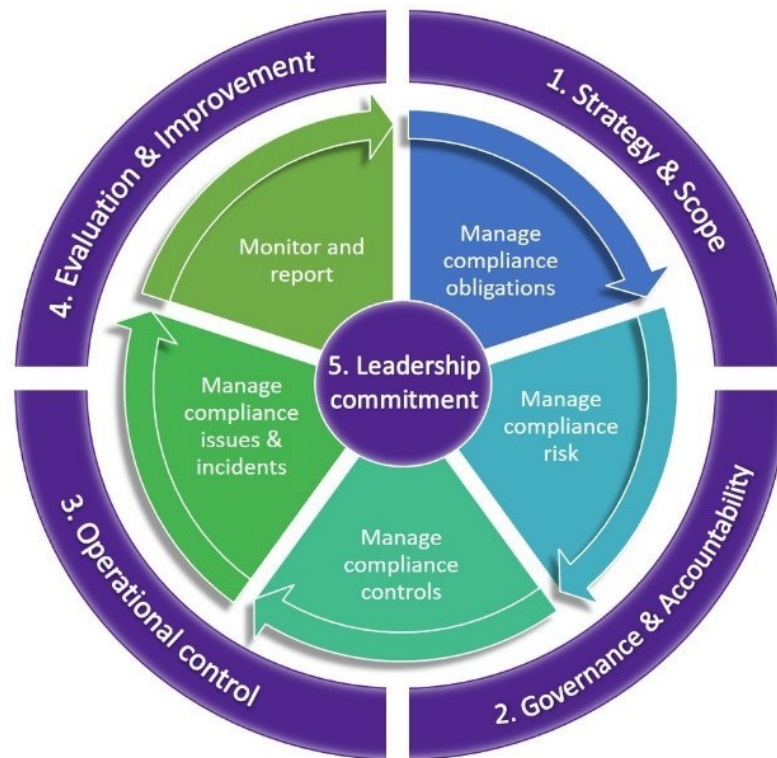


Utility Funds & Airport Financial Results

- ▶ Water and Wastewater utility funds surplus \$3.4M and \$4.6M
 - ▶ Infrastructure replacement
 - ▶ Mitigate fluctuations in utility rates
 - ▶ Ensure healthy, safe, service delivery
- ▶ Airport surplus \$14.4M
 - ▶ Enable ongoing infrastructure improvements

Internal Control Update

- Completed the Internal Control Framework





Questions?

For more information, visit kelowna.ca.