

# 2015 Financial Statements

For the year ended December 31, 2015

# 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, 2015, 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, 2015, 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 26, 2016

*Grant Thornton LLP*  
Chartered Professional Accountants

**CITY OF KELOWNA**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2015**  
(in thousands of dollars)

	<u>2015</u>	<u>2014</u>
<b>Financial Assets</b>		
Cash and cash equivalents (Note 4)	\$ 7,509	\$ 59,907
Accounts receivable (Note 4)	29,004	33,917
Accrued interest	1,047	591
Portfolio investments (Note 4)	352,398	247,797
Long term investments (Note 11)	6,000	6,000
Property held for resale	2,939	220
	<u>398,897</u>	<u>348,432</u>
<b>Liabilities</b>		
Accounts payable	42,308	39,333
Performance deposits	8,786	8,422
Deferred revenue (Note 4)	36,703	37,017
Deferred development cost charges (Note 4)	10,984	18,149
Long term debt (Note 4)	136,183	105,611
	<u>234,964</u>	<u>208,532</u>
<b>Net Financial Assets</b>	<u>163,933</u>	<u>139,900</u>
<b>Non-Financial Assets</b>		
Prepaid expenses	1,939	2,392
Inventory	1,152	1,220
Work in progress (Note 5)	88,484	60,060
Tangible capital assets (Note 5)	1,588,378	1,566,200
	<u>1,679,953</u>	<u>1,629,872</u>
<b>Accumulated Surplus (Note 6)</b>	<u>\$ 1,843,886</u>	<u>\$ 1,769,772</u>

Contingent liabilities and Commitments (Notes 9 and 10)  
Subsequent Event (Note 20)



Genelle Davidson, CPA, CMA  
Financial Services Director



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, 2015**  
(in thousands of dollars)

	Budget <u>2015</u>	Actual <u>2015</u>	Actual <u>2014</u>
<b>Revenue</b>			
Taxation (Note 7)	\$ 125,185	\$ 125,188	\$ 119,266
Fees and charges	101,508	113,024	107,383
Interest earned	5,400	8,979	8,438
DCC contributions	17,143	22,576	18,000
Government transfers (Note 8)	34,530	22,419	22,387
Other capital contributions	316	34,102	14,649
Gain on disposal of tangible capital assets	-	-	4,455
	<u>284,082</u>	<u>326,288</u>	<u>294,578</u>
<b>Expenses</b>			
General government services	26,932	22,973	22,792
Protective services	51,892	53,696	49,810
Transportation services	34,108	60,884	58,555
Recreational and cultural services	33,781	41,319	42,583
Other services	15,391	18,184	18,153
Airport operations	12,886	17,435	16,814
Natural Gas Legacy Services	2,915	4,506	4,509
Wastewater utility	13,502	22,834	23,061
Water utility	6,615	10,343	10,151
	<u>198,022</u>	<u>252,174</u>	<u>246,428</u>
<b>Annual Surplus</b>	<u>\$ 86,060</u>	<u>74,114</u>	48,150
Accumulated Surplus, beginning of year		<u>1,769,772</u>	1,721,622
<b>Accumulated Surplus, end of year</b>		<u>\$ 1,843,886</u>	<u>\$ 1,769,772</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, 2015**  
(in thousands of dollars)

	Budget <u>2015</u>	Actual <u>2015</u>	Actual <u>2014</u>
<b>Annual Surplus</b>	\$ 86,060	\$ 74,114	\$ 48,150
Amortization of tangible capital assets	-	61,885	61,411
Proceeds from disposal of tangible capital assets	-	926	8,274
Loss (Gain) on disposal of tangible capital assets	-	27	(4,455)
Acquisition of tangible capital assets	(212,796)	(113,440)	(68,723)
Change in inventory and prepaid expenses	-	521	(1,131)
<b>Increase (decrease) in Net Financial Assets</b>	(126,736)	24,033	43,526
Net Financial Assets, beginning of year	139,900	139,900	96,374
Net Financial Assets, end of year	\$ <u>13,164</u>	\$ <u>163,933</u>	\$ <u>139,900</u>

*See accompanying notes to the consolidated financial statements.*

**CITY OF KELOWNA**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2015**  
(in thousands of dollars)

	<b>Actual 2015</b>	Actual 2014
<b>Net inflow (outflow) of cash and cash equivalents related to the following activities</b>		
<b>Operating</b>		
Annual Surplus	\$ 74,114	\$ 48,150
Adjustment for non-cash items		
Amortization of tangible capital assets	61,885	61,411
Loss (Gain) on disposal of tangible capital assets	27	(4,455)
Actuarial adjustment on long term debt	(4,389)	(4,082)
Developer contributions of tangible capital assets	(28,271)	(8,344)
Decrease (increase) in		
Accounts receivable	4,913	(1,608)
Inventory and prepaid expenses	521	(1,131)
Other assets	(3,175)	361
Increase (decrease) in		
Accounts payable	2,975	(1,420)
Deferred development cost charges	(7,165)	(5,869)
Other liabilities	50	1,735
	<u>101,485</u>	<u>84,748</u>
<b>Capital</b>		
Acquisition of tangible capital assets	(85,169)	(60,150)
Proceeds from disposal of tangible capital assets	926	8,274
	<u>(84,243)</u>	<u>(51,876)</u>
<b>Investing</b>		
Change in investments	<u>(104,601)</u>	<u>(30,259)</u>
<b>Financing</b>		
Proceeds from issuance of long term debt	42,500	345
Repayment of long term debt	(7,539)	(10,893)
	<u>34,961</u>	<u>(10,548)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(52,398)</b>	<b>(7,935)</b>
Cash and cash equivalents, beginning of year	59,907	67,842
<b>Cash and cash equivalents, end of year</b>	<b>\$ <u>7,509</u></b>	<b>\$ <u>59,907</u></b>
<b>Supplemental cash flow information</b>		
Interest paid	\$ 9,494	\$ 9,747
<b>Non-cash capital activities</b>		
Acquisition of tangible capital assets through developer contributions	\$ 28,271	\$ 8,344

*See accompanying notes to the consolidated financial statements.*

**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2015**

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

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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 is controlled by the City of Kelowna through its appointment of the members of the Society. Accordingly, the consolidated financial statements include all the accounts of the Society.

**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.

**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.

**Contributions of tangible capital assets**

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



**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2015**

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

**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>2015</u>	<u>2014</u>
Cash Deposits held by MFA	\$ 3,137	\$ 2,642
Demand Notes held by MFA	8,674	7,576
	<u>\$ 11,811</u>	<u>\$ 10,218</u>

**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2015**

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

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**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 affects 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, have 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 4.

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 of the units held.

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.

**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, landfill post closure costs and settlement costs associated with outstanding legal actions.

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**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2015**

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

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**2. Adoption of new accounting policy**

Effective April 1, 2014, the Public Sector Accounting Board issued Section 3260 Liability for contaminated sites. This Section establishes standards on how to account for and report a liability associated with the remediation of contaminated sites. A liability should be recognized when:

- an environmental standard exists,
- contamination exceeds the environmental standard,
- the Government 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 City adopted this standard on a retroactive basis and there were no adjustments as a result of the adoption of this standard.

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**3. 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.

**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.

**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2015**

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

**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.

**4. 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>2015</u>	<u>2014</u>
Property Tax	\$ 5,090	\$ 5,894
Trade Receivables	9,994	8,224
Due from Federal Government	1,453	4,032
Due from Provincial Government	5,456	7,159
Due from Regional Government	16	219
Utilities	4,359	4,346
Deferred Development Cost Charges	2,636	4,043
	<u>\$ 29,004</u>	<u>\$ 33,917</u>

**Portfolio investments**

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

<u>Type of investment</u>	<u>2015</u>	<u>2014</u>
Municipal Finance Authority Bond/Intermediate Funds	\$ 69,706	\$ 33,654
Provincial and Bank Issued Accrual Notes and Debentures	88,344	102,142
Publicly traded shares	57,328	56,297
Guaranteed Investment Certificates and Deposit Notes	137,019	55,704
Total Portfolio investments	<u>\$ 352,398</u>	<u>\$ 247,797</u>

The quoted market value of the publicly traded shares at December 31, 2015 was \$66.68 million (2014 - \$68.52 million).

**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, 2015 the balance outstanding was \$nil (2014 - \$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.

**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2015**

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

<u>Deferred Revenue by Type</u>	<u>2015</u>	<u>2014</u>
Tax Prepayments	\$ 18,036	\$ 17,302
Construction	11,522	12,458
Grants	94	763
Other	2,992	2,516
Local Area Service	<u>4,059</u>	<u>3,978</u>
	\$ <u>36,703</u>	\$ <u>37,017</u>

**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.

	<u>2014</u>	<u>Receipts</u>	<u>Interest</u>	<u>Transfers Out</u>	<u>2015</u>
Roads	\$ 13,828	\$ 7,037	\$ 376	\$ 7,791	\$ 13,450
Parks	1,081	3,652	47	8,623	(3,843)
Water	9,596	387	259	47	10,195
Wastewater	<u>(6,356)</u>	<u>3,816</u>	<u>(163)</u>	<u>6,115</u>	<u>(8,818)</u>
Total Deferred DCC	\$ <u>18,149</u>	\$ <u>14,892</u>	\$ <u>519</u>	\$ <u>22,576</u>	\$ <u>10,984</u>

**Long term debt**

Debenture debt principal is reported net of sinking fund balances. Interest rates on long term debt ranged from 1.80% to 10.07%. The weighted average rate for 2015 was 3.62% (2014 – 5.08%). Principal repayments for the next five years are as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Fund	\$ 3,763	\$ 3,743	\$ 3,742	\$ 2,875	\$ 2,451
Airport	1,972	1,972	1,972	639	639
Wastewater Fund	4,180	4,180	4,180	4,173	1,496
Water Fund	333	333	333	333	333
Natural Gas Legacy	1,699	1,699	1,699	-	-
Library Society	<u>502</u>	<u>177</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>12,449</u>	\$ <u>12,104</u>	\$ <u>11,926</u>	\$ <u>8,020</u>	\$ <u>4,919</u>

Schedule 3 provides a breakdown of long term debt.

**Debt as a percentage of total expenditures:**

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
54.01%	42.79%	48.84%	53.64%	59.50%

**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2015**

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

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

	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>Work in</b>	<b>Tangible</b>	<b>Work in</b>	<b>Tangible</b>
	<b>Progress</b>	<b>Capital</b>	<b>Progress</b>	<b>Capital</b>
	<u><b>\$</b></u>	<u><b>\$</b></u>	<u><b>\$</b></u>	<u><b>\$</b></u>
	<b>Assets (NBV)</b>	<b>Assets (NBV)</b>	<b>Assets (NBV)</b>	<b>Assets (NBV)</b>
Land	-	246,875	6,372	191,587
Land Improvements	2,713	33,501	1,746	35,194
Buildings	10,580	161,485	5,758	165,580
Infrastructure	50,190	1,077,417	30,693	1,099,268
Machinery and Equipment	25,001	36,301	15,491	40,172
Natural Gas System (Capital Lease)	-	32,799	-	34,399
	<u><b>\$ 88,484</b></u>	<u><b>\$ 1,588,378</b></u>	<u><b>\$ 60,060</b></u>	<u><b>\$ 1,566,200</b></u>

Contributions received in 2015 include:

**Type of contribution**

	<u><b>2015</b></u>	<u><b>2014</b></u>
Land - park	<u><b>\$ 28,271</b></u>	<u><b>\$ 8,344</b></u>

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

**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2015**

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

**6. Accumulated Surplus**

	<b>Reserves for Future Expenditures</b>	<b>Equity in FortisBC Inc.</b>	<b>Statutory Reserves</b>	<b>Fund Surpluses</b>	<b>Investment in Tangible Capital Assets</b>	<b>Total 2015</b>	<b>Total 2014</b>
Accumulated surplus, beginning of year	\$ 101,612	56,297	\$ 56,290	\$ 36,423	\$ 1,519,150	\$ 1,769,772	\$ 1,721,622
Annual surplus (deficit)	354	2,720	1,679	78,924	(9,563)	74,114	48,150
Transfers	5,790	(1,650)	(3,003)	(1,137)	-	-	-
Acquisition of tangible capital assets	-	-	-	(61,867)	61,867	-	-
Repayment of long term debt	-	-	-	(10,539)	10,539	-	-
Accumulated surplus, end of year	<u>\$ 107,756</u>	<u>\$ 57,367</u>	<u>\$ 54,966</u>	<u>\$ 41,804</u>	<u>\$ 1,581,993</u>	<u>\$ 1,843,886</u>	<u>\$ 1,769,772</u>

Accumulated Surplus detail as follows:

<b>Description</b>	<b>Balances, Beginning of Year</b>	<b>Transfer From</b>	<b>Transfer To</b>	<b>Annual Surplus</b>	<b>Balances, End of Year</b>
<b><u>Non-Statutory Reserves</u></b>					
General Fund Reserve	\$ 57,619	\$ 13,735	\$ 17,065	\$ 28	\$ 60,977
Airport Fund Reserve	26,083	17,423	15,444	236	24,340
Waste Water Fund Reserve	7,354	244	2,284	15	9,409
Water Fund Reserve	10,556	341	2,740	75	13,030
	<u>101,612</u>	<u>31,743</u>	<u>37,533</u>	<u>354</u>	<u>107,756</u>
<b><u>Statutory Reserves</u></b>					
Parking Reserve	4,887	7,971	5,666	210	2,792
Land Reserve	16,659	11,366	2,351	450	8,094
Capital Works, Machinery & Equip Reserve	34,744	7,735	16,052	1,019	44,080
	<u>56,290</u>	<u>27,072</u>	<u>24,069</u>	<u>1,679</u>	<u>54,966</u>
<b><u>Surplus by Fund</u></b>					
General Fund Surplus	2,116	54,518	10,200	44,453	2,251
Airport Fund Surplus	596	15,515	1,333	14,182	596
Waste Water Fund Surplus	21,301	15,048	6,914	10,891	24,058
Water Fund Surplus	7,551	7,843	3,124	7,509	10,341
Natural Gas Legacy Surplus	4,694	3,159	1,429	1,429	4,393
Library Surplus	165	920	460	460	165
Accumulated Surplus	<u>36,423</u>	<u>97,003</u>	<u>23,460</u>	<u>78,924</u>	<u>41,804</u>
<b><u>Equity Investment</u></b>					
Equity in FortisBC Inc.	56,297	1,650	-	2,720	57,367
<b><u>Investment in Non Financial Assets</u></b>					
Investment in Tangible Capital Assets	1,519,150	20,102	92,508	(9,563)	1,581,993
<b>Accumulated Surplus</b>	<u>\$ 1,769,772</u>	<u>\$ 177,570</u>	<u>\$ 177,570</u>	<u>\$ 74,114</u>	<u>\$ 1,843,886</u>

**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
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(all tabular amounts reported in 000's of dollars)

**7. Taxation**

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

	<u>2015</u>	<u>2014</u>
<b>Taxes collected</b>		
Property taxes	\$ 206,636	\$ 199,000
Local improvement levies	179	104
Frontage tax – water	1,419	1,406
Specified sewer area recoveries	1,552	1,655
Grants in lieu of taxes	446	486
Levies	<u>6,596</u>	<u>6,409</u>
	<u>216,828</u>	<u>209,060</u>
<b>Less transfers to other governments</b>		
Province of BC (school taxes)	66,909	65,932
BC Assessment Authority	2,017	2,003
Regional Hospital District	11,307	10,896
Regional District of Central Okanagan	<u>11,407</u>	<u>10,963</u>
	<u>91,640</u>	<u>89,794</u>
<b>Net taxes available for municipal purposes</b>	<u>\$ 125,188</u>	<u>\$ 119,266</u>

**8. 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. Due to the completion of the projects in 2015 there is no deferred revenue balances related to these transfers. Government transfers do not include grants in lieu of taxes received from the Federal and Provincial governments. In 2015 the City received and recorded as revenue the following transfers:

	<u>2015</u>	<u>2014</u>
<b>Operating transfers</b>		
Federal	\$ 333	\$ 531
Provincial	<u>18,324</u>	<u>15,313</u>
	<u>18,657</u>	<u>15,844</u>
<b>Capital transfers</b>		
Federal	1,508	1,660
Provincial	<u>2,254</u>	<u>4,882</u>
	<u>3,762</u>	<u>6,543</u>
<b>Total transfers</b>	<u>\$ 22,419</u>	<u>\$ 22,387</u>

**9. 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.



**CITY OF KELOWNA**  
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(all tabular amounts reported in 000's of dollars)

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**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, 2014, the plan has about 185,000 active members and approximately 80,000 retired members. Active members include approximately 37,000 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 is then adjusted to the extent there is amortization of any funding deficit.

The most recent valuation for the Municipal Pension Plan as at December 31, 2012, indicated a \$1,370 million funding deficit for basic pension benefits on a going concern basis.

The City of Kelowna paid \$6.9 million for employer contributions to the plan in fiscal 2015, which represents 0.4% of the total plan contributions. The City of Kelowna expects to pay \$6.9 million for employer contributions in the next fiscal year.

The next valuation will be as at December 31, 2015, with results available in 2016.

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.

The City of Kelowna paid \$6.9 million (2014 - \$5.9 million) for employer contributions while employees contributed \$5.6 million (2014 - \$4.8 million) to the plan in fiscal 2015.

**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.

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**10. 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, 2015 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.

**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
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(all tabular amounts reported in 000's of dollars)

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**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 \$3.7 million (2014 - \$3.6 million) represents the portion of the estimated total expenditure recognized as at December 31, 2015. 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 14.9 million tonnes, which is 81% 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, 2015. The landfill site is expected to reach its capacity in 2092.

**Kelowna Family Y Centre loan guarantee agreement**

The City has, under the terms of the partnering agreement between the City of Kelowna and YMCA-YWCA of Central Okanagan, guaranteed repayment in the event that the YMCA-YWCA of Central Okanagan defaults on a \$1.8 million, 20-year loan. Under the agreement the City shall resume operation of the facility and assume responsibility for the repayment of the debt incurred by the YMCA-YWCA of Central Okanagan. During 2010 an amendment was made to the agreement for additional financing of \$700,000. As at December 31, 2015 the outstanding loan balance was \$1,089,336 (2014 - \$1,189,598).

**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 2015 represented year 16 of the agreement.

**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
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(all tabular amounts reported in 000's of dollars)

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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 15<sup>th</sup> 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.

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**11. 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.

**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 10.

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**12. 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 \$29.5 million (2014 - \$28.9 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 \$29.5 million, the City is holding irrevocable Letters of Credit in the amount of \$2.7 million (2014 - \$4.1 million) which are received from developers to ensure payment of development cost charges in future years.

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**13. 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.

**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2015**

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

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**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 \$2.3 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 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.

Annual lease revenues for the past five years are:

2011	\$4.8 million
2012	\$4.6 million
2013	\$4.4 million
2014	\$4.3 million
2015	\$4.2 million

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**14. City of Kelowna Library Society**

In March 1997, the City transferred the Library building and land located on Ellis Street in the City of Kelowna and the related mortgage loan to the City of Kelowna Library Society, a non-profit society. The City has guaranteed the repayment of the mortgage. As at December 31, 2015 the mortgage balance was \$682 thousand (2014 - \$1.1 million). The City has taken back an option to purchase these assets at a nominal value. The Society's financial information is included in with the City of Kelowna consolidated financial statements.

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**15. 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, 2015 the Trust Fund balance is \$2.45 million (2014 - \$2.3 million).

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**16. 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.

**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
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(all tabular amounts reported in 000's of dollars)

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**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 & cultural services**

Recreation & 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 H<sub>2</sub>O Adventure & Fitness Centre, Parkinson Recreation Centre, Kelowna Community Theatre, Kelowna Museum, 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.

**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 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.

**Library services**

The City of Kelowna Library Society is 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. Financial statements for the Society are prepared separately and are consolidated with the City of Kelowna.

**Statutory reserves**

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

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**17. Expenses by object**

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

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**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2015**

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

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**18. Budget data**

The budget figures are from the Annual Five-Year Financial Plan Bylaw adopted before May 15 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><b>Budget Amount</b></u>
<b>Revenues:</b>	
Operating budget	\$ 254,332
Capital budget	<u>29,750</u>
	<u>284,082</u>
<b>Expenses:</b>	
Operating budget	198,022
Capital budget	<u>212,796</u>
	<u>410,818</u>
Annual deficit per approved budget	(126,736)
Add: tangible capital asset purchases	<u>212,796</u>
<b>Annual surplus per statement of operations</b>	<b>\$ <u>86,060</u></b>

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**19. Comparative figures**

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

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**20. Subsequent Event**

Subsequent to December 31, 2015, the City of Kelowna acquired approximately 84 acres of property adjacent to the airport for \$5,400,000. The property is currently operating as the Shadow Ridge Golf Course.

**CITY OF KELOWNA**  
**Schedule 1 - Tangible Capital Assets**  
**For the Year Ended December 31, 2015**  
(in thousands of dollars)

	<b>Machinery &amp; Equipment</b>							<b>Subtotal Machinery &amp; Equipment</b>
	<b>Land</b>	<b>Land Improvements</b>	<b>Buildings</b>	<b>Vehicles</b>	<b>Other Machinery &amp; Equipment</b>	<b>Computer</b>	<b>Misc</b>	
	<u>Land</u>	<u>Improvements</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Computer</u>	<u>Misc</u>	
<b>Cost</b>								
Balance, beginning of year	\$ 191,587	\$ 64,304	\$ 285,254	\$ 29,519	\$ 48,454	\$ 9,884	\$ 5,582	\$ 93,439
Add: additions during the year	58,627	616	4,966	903	764	794	-	2,461
Less: capital held for resale	(2,916)	-	-	-	-	-	-	-
Less: disposals during the year	(423)	-	(162)	(1,255)	(398)	(489)	-	(2,142)
Balance, end of year	<u>246,875</u>	<u>64,920</u>	<u>290,058</u>	<u>29,167</u>	<u>48,820</u>	<u>10,189</u>	<u>5,582</u>	<u>93,758</u>
<b>Accumulated Amortization</b>								
Balance, beginning of year	-	29,110	119,674	14,656	30,739	6,426	1,446	53,267
Add: amortization	-	2,309	9,028	2,100	2,778	676	279	5,833
Less: accumulated amortization on disposals	-	-	(129)	(964)	(296)	(383)	-	(1,643)
Balance, end of year	<u>-</u>	<u>31,419</u>	<u>128,573</u>	<u>15,792</u>	<u>33,221</u>	<u>6,719</u>	<u>1,725</u>	<u>57,457</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>\$ 246,875</u>	<u>\$ 33,501</u>	<u>\$ 161,485</u>	<u>\$ 13,375</u>	<u>\$ 15,599</u>	<u>\$ 3,470</u>	<u>\$ 3,857</u>	<u>\$ 36,301</u>
<b>Work in Progress</b>	<u>\$ -</u>	<u>\$ 2,713</u>	<u>\$ 10,580</u>	<u>\$ -</u>	<u>\$ 9,728</u>	<u>\$ 1,666</u>	<u>\$ 13,607</u>	<u>\$ 25,001</u>

	<b>Infrastructure</b>							<b>Total 2015</b>	<b>Total 2014</b>
	<b>Plant &amp; Facilities</b>	<b>Roads, Lanes, Sidewalks &amp; Bike Paths</b>	<b>Bridges, Overpasses</b>	<b>Underground, Overhead &amp; Other Networks</b>	<b>Airport Infrastructure</b>	<b>Subtotal Infrastructure</b>	<b>Natural Gas Capital Lease</b>		
	<u>Facilities</u>	<u>Bike Paths</u>	<u>Overpasses</u>	<u>Other Networks</u>	<u>Infrastructure</u>	<u>Infrastructure</u>	<u>Lease</u>		
<b>Cost</b>									
Balance, beginning of year	\$ 175,802	\$ 486,288	\$ 30,136	\$ 1,023,387	\$ 43,883	\$ 1,759,496	\$ 55,609	\$ 2,449,689	\$ 2,390,461
Add: additions during the year	1,334	13,481	3	3,524	2,922	21,264	-	87,934	68,140
Less: capital held for resale	-	-	-	-	-	-	-	(2,916)	(220)
Less: disposals during the year	-	-	-	-	-	-	-	(2,727)	(8,692)
Balance, end of year	<u>177,136</u>	<u>499,769</u>	<u>30,139</u>	<u>1,026,911</u>	<u>46,805</u>	<u>1,780,760</u>	<u>55,609</u>	<u>2,531,980</u>	<u>2,449,689</u>
<b>Accumulated Amortization</b>									
Balance, beginning of year	53,679	234,118	7,161	343,824	21,446	660,228	21,210	883,489	827,171
Add: amortization	6,081	19,035	466	15,471	2,062	43,115	1,600	61,885	61,411
Less: accumulated amortization on disposals	-	-	-	-	-	-	-	(1,772)	(5,093)
Balance, end of year	<u>59,760</u>	<u>253,153</u>	<u>7,627</u>	<u>359,295</u>	<u>23,508</u>	<u>703,343</u>	<u>22,810</u>	<u>943,602</u>	<u>883,489</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>\$ 117,376</u>	<u>\$ 246,616</u>	<u>\$ 22,512</u>	<u>\$ 667,616</u>	<u>\$ 23,297</u>	<u>\$ 1,077,417</u>	<u>\$ 32,799</u>	<u>\$ 1,588,378</u>	<u>\$ 1,566,200</u>
<b>Work in Progress</b>	<u>\$ 9,682</u>	<u>\$ 15,505</u>	<u>\$ 3,829</u>	<u>\$ 9,187</u>	<u>\$ 11,987</u>	<u>\$ 50,190</u>	<u>\$ -</u>	<u>\$ 88,484</u>	<u>\$ 60,060</u>
								<u>\$ 1,676,862</u>	<u>\$ 1,626,260</u>

**CITY OF KELOWNA**  
**Schedule 2 - Segmented Information**  
**For the Year Ended December 31, 2015**  
(in thousands of dollars)

	<u>General Gov't</u>	<u>Protective Services</u>	<u>Transportation Services</u>	<u>Recreation &amp; Cultural Services</u>	<u>Other Services</u>	<u>Airport Services</u>	<u>Wastewater Services</u>	<u>Water Services</u>	<u>Nat. Gas Legacy Services</u>	<u>Library Services</u>	<u>Statutory Reserves</u>	<u>2015</u>
<b>Revenue</b>												
Taxation	\$ 122,012	\$ -	\$ 179	\$ -	\$ -	\$ -	\$ 1,552	\$ 1,445	\$ -	\$ -	\$ -	\$ 125,188
Fees and charges	55,691	529	10,134	3,995	12,937	26,368	16,165	11,776	4,335	766	41	142,737
Interest earned	6,279	-	-	-	-	251	548	264	-	-	1,637	8,979
DCC contributions	-	-	7,791	8,623	-	-	6,115	47	-	-	-	22,576
Contribution from other governments	1,889	3,884	12,407	264	3,601	116	258	-	-	-	-	22,419
Other capital contributions	862	-	-	-	-	354	1,025	80	2,068	-	-	4,389
	<u>186,733</u>	<u>4,413</u>	<u>30,511</u>	<u>12,882</u>	<u>16,538</u>	<u>27,089</u>	<u>25,663</u>	<u>13,612</u>	<u>6,403</u>	<u>766</u>	<u>1,678</u>	<u>326,288</u>
<b>Expenses</b>												
Salaries and benefits	14,711	26,846	8,760	10,800	5,019	3,888	3,144	2,309	-	21	-	75,498
Contract and professional services	3,172	1,483	23,874	7,575	7,312	936	658	781	-	95	-	45,886
RCMP contract	-	24,787	-	-	-	-	-	-	-	-	-	24,787
Materials and supplies	4,436	1,421	5,296	10,034	1,504	5,112	1,278	769	-	28	-	29,878
Equipment	203	313	2,584	1,488	1,716	18	632	436	-	2	-	7,392
Allocations	(3,880)	(77)	(297)	(182)	(863)	1,461	3,113	753	20	-	-	48
Cost recoveries	(612)	(2,306)	(7,974)	(371)	(1,269)	(494)	-	(636)	-	-	-	(13,662)
Grants and external transfers	368	101	6	1,108	2,246	-	(127)	-	-	-	-	3,702
Utilities	175	212	2,005	2,075	148	560	1,084	899	-	81	-	7,239
Loss on disposal of tangible capital assets	27	-	-	-	-	-	-	-	-	-	-	27
Amortization of tangible capital assets	1,572	916	26,630	8,792	1,903	5,159	10,591	4,560	1,600	162	-	61,885
<b>Total before Debt</b>	<u>20,172</u>	<u>53,696</u>	<u>60,884</u>	<u>41,319</u>	<u>17,716</u>	<u>16,640</u>	<u>20,373</u>	<u>9,871</u>	<u>1,620</u>	<u>389</u>	<u>-</u>	<u>242,680</u>
Debt interest and fiscal services	2,801	-	-	-	-	795	2,461	472	2,886	79	-	9,494
<b>Total operating expenses</b>	<u>22,973</u>	<u>53,696</u>	<u>60,884</u>	<u>41,319</u>	<u>17,716</u>	<u>17,435</u>	<u>22,834</u>	<u>10,343</u>	<u>4,506</u>	<u>468</u>	<u>-</u>	<u>252,174</u>
<b>Annual Surplus (Deficit)</b>	<u>\$ 163,760</u>	<u>\$ (49,283)</u>	<u>\$ (30,373)</u>	<u>\$ (28,437)</u>	<u>\$ (1,178)</u>	<u>\$ 9,654</u>	<u>\$ 2,829</u>	<u>\$ 3,269</u>	<u>\$ 1,897</u>	<u>\$ 298</u>	<u>\$ 1,678</u>	<u>\$ 74,114</u>



**CITY OF KELOWNA**  
**Schedule 2 - Segmented Information**  
**For the Year Ended December 31, 2014**  
(in thousands of dollars)

	<b>General Gov't</b>	<b>Protective Services</b>	<b>Transpor- tation Services</b>	<b>Recreation &amp; Cultural Services</b>	<b>Other Services</b>	<b>Airport Services</b>	<b>Wastewater Services</b>	<b>Water Services</b>	<b>Nat. Gas Legacy Services</b>	<b>Library Services</b>	<b>Statutory Reserves</b>	<b>2014</b>
<b>Revenue</b>												
Taxation	\$ 116,074	\$ -	\$ 104	\$ -	\$ -	\$ -	\$ 1,655	\$ 1,433	\$ -	\$ -	\$ -	\$ 119,266
Fees and charges	34,864	434	8,384	4,039	12,562	26,180	14,849	11,296	4,481	795	66	117,950
Interest earned	6,157	-	-	-	-	251	579	202	-	-	1,249	8,438
DCC contributions	-	-	7,120	1,024	-	-	6,897	2,959	-	-	-	18,000
Contribution from other governments	222	3,704	14,549	483	2,830	116	463	20	-	-	-	22,387
Other capital contributions	728	-	-	-	-	289	1,157	64	1,844	-	-	4,082
Gain on disposal of tangible capital assets	4,455	-	-	-	-	-	-	-	-	-	-	4,455
	<u>162,500</u>	<u>4,138</u>	<u>30,157</u>	<u>5,546</u>	<u>15,392</u>	<u>26,836</u>	<u>25,600</u>	<u>15,974</u>	<u>6,325</u>	<u>795</u>	<u>1,315</u>	<u>294,578</u>
<b>Expenses</b>												
Salaries and benefits	14,419	23,139	8,386	10,480	4,633	3,797	3,001	2,139	-	14	-	70,008
Contract and professional services	3,303	1,481	21,935	9,464	7,404	847	838	690	-	134	-	46,096
RCMP contract	-	23,891	-	-	-	-	-	-	-	-	-	23,891
Materials and supplies	4,465	1,419	5,303	9,926	1,531	5,139	1,119	779	-	27	-	29,708
Equipment	201	305	2,306	1,453	1,469	14	634	396	-	2	-	6,780
Allocations	(3,799)	(65)	(294)	(128)	(746)	1,306	2,945	782	20	-	-	21
Cost recoveries	(620)	(1,631)	(7,380)	(413)	(729)	(638)	(2)	(543)	-	-	-	(11,956)
Grants and external transfers	350	104	-	1,046	2,225	-	(131)	-	-	-	-	3,594
Utilities	161	222	1,863	1,979	175	667	1,090	891	-	80	-	7,128
Amortization of tangible capital assets	1,740	945	26,436	8,776	1,655	4,938	10,614	4,545	1,600	162	-	61,411
<b>Total before Debt</b>	<u>20,220</u>	<u>49,810</u>	<u>58,555</u>	<u>42,583</u>	<u>17,617</u>	<u>16,070</u>	<u>20,108</u>	<u>9,679</u>	<u>1,620</u>	<u>419</u>	<u>-</u>	<u>236,681</u>
Debt interest and fiscal services	2,572	-	-	-	-	744	2,953	472	2,889	117	-	9,747
<b>Total operating expenses</b>	<u>22,792</u>	<u>49,810</u>	<u>58,555</u>	<u>42,583</u>	<u>17,617</u>	<u>16,814</u>	<u>23,061</u>	<u>10,151</u>	<u>4,509</u>	<u>536</u>	<u>-</u>	<u>246,428</u>
<b>Annual Surplus (Deficit)</b>	<u>\$ 139,708</u>	<u>\$ (45,672)</u>	<u>\$ (28,398)</u>	<u>\$ (37,037)</u>	<u>\$ (2,225)</u>	<u>\$ 10,022</u>	<u>\$ 2,539</u>	<u>\$ 5,823</u>	<u>\$ 1,816</u>	<u>\$ 259</u>	<u>\$ 1,315</u>	<u>\$ 48,150</u>

**CITY OF KELOWNA**  
**Schedule 3 - Long Term Debt**  
**as at December 31, 2015**

(in thousands of dollars)

**Long term debt - General Fund**

**Debenture Debt**

<b>Year of Maturity</b>	<b>Purpose</b>	<b>Debt Balance Dec. 31/15</b>	<b>Sinking Fund Balance Dec. 31/15</b>	<b>Amount of Issue</b>	<b>Current Interest Rate</b>
	<b>Public Works</b>				%
2019	South Pandosy Spec Area 1	\$ 66	\$ 168	\$ 234	2.10
2019	South Pandosy Spec Area 2	115	295	410	2.10
2019	Automated Curb Side Carts	2,153	2,657	4,810	4.13
2021	Library Parkade	792	1,408	2,200	4.43
2022	Chapman Parkade	1,890	2,181	4,071	2.10
2028	DCC Roads	3,558	6,842	10,400	5.15
	<b>Local Improvements</b>				
2016	Local Improvements	30	363	393	3.05
2016	Local Improvements	21	248	269	4.43
2017	Local Improvements	8	46	54	4.82
2019	Local Improvements	19	50	69	2.10
2035	Lawrence Ave LAS	333	12	345	3.00
	<b>Recreation and Cultural</b>				
2021	Kokanee Gym Facility	204	296	500	3.05
2027	H2O Centre	18,991	8,509	27,500	4.82
2027	Kokanee Gymnastic	552	248	800	4.82
2028	H2O Centre	1,470	530	2,000	5.15
2035	Police Facilities	20,000	-	20,000	2.75
2035	Library Parkade Ext & Memorial Parkade	15,000	-	15,000	2.75
<b>Total Debt - General Fund</b>		<b>\$ 65,202</b>	<b>\$ 23,853</b>	<b>\$ 89,055</b>	

**CITY OF KELOWNA**  
**Schedule 3 - Long Term Debt (continued)**  
**as at December 31, 2015**  
(in thousands of dollars)

**Long term debt - Wastewater Fund**

**Debenture Debt**

<b>Year of Maturity</b>	<b>Purpose</b>	<b>Debt Balance Dec. 31/15</b>	<b>Sinking Fund Balance Dec. 31/15</b>	<b>Amount of Issue</b>	<b>Current Interest Rate</b>
	<b>Specified Area Programs</b>				%
2018	Spec. Area 18 - Caramillo	30	105	135	4.65
2018	Spec. Area 19 - Poplar Point	17	60	77	4.65
2022	Spec. Area 22A - Gerstmar	18	22	40	3.05
2024	Spec. Area 21A - McKenzie Bench	770	580	1,350	2.00
2024	Spec. Area 22B - Vista Rd	45	35	80	2.00
2024	Spec. Area 22C - Hein Rd	152	114	266	2.00
2024	Spec. Area 22D - Elwyn Rd	85	64	149	2.00
2024	Spec. Area 22E - Dease Rd	55	41	96	2.00
2024	Spec. Area 22F - Mills Rd	195	147	342	2.00
2024	Spec. Area 29 - Campion Cambro	499	375	874	2.00
2024	Spec. Area 30 - Acland	208	156	364	2.00
2025	Spec. Area 20 - North Rutland	4,071	2,751	6,822	1.80
2025	Spec. Area 28A - Okaview	381	257	638	1.80
2028	Spec Area 26 - Fisher Rd	1,485	536	2,021	5.15
2028	Spec Area 34 - Country Rhodes	319	116	435	5.15
2028	Spec Area 36 - Clifton	196	71	267	5.15
	<b>Sewer Improvement Programs</b>				
2019	Byrns Baron Main	1,321	2,545	3,866	2.00
	<b>Sewage Treatment Plant</b>				
2019	Waste Water Treatment Expansion	8,951	11,049	20,000	4.90
2019	Waste Water Treatment Expansion	4,475	5,525	10,000	4.13
2020	Waste Water Treatment Expansion	5,489	4,511	10,000	3.73
2031	Brandt's Creek Tradewaste Treatment	2,994	806	3,800	3.25
<b>Total Debt - Wastewater Fund</b>		<b>\$ 31,756</b>	<b>\$ 29,866</b>	<b>\$ 61,622</b>	

**CITY OF KELOWNA**  
**Schedule 3 - Long Term Debt (continued)**  
**as at December 31, 2015**  
(in thousands of dollars)

**Long term debt - Water Fund**

<u>Debenture Debt</u>		<u>Debt</u>	<u>Sinking Fund</u>	<u>Amount</u>	<u>Current</u>
<u>Maturity</u>	<u>Purpose</u>	<u>Balance</u>	<u>Balance</u>	<u>of Issue</u>	<u>Interest</u>
		<u>Dec. 31/15</u>	<u>Dec. 31/15</u>		<u>Rate</u>
	<b>Specified Area Programs</b>				%
2023	Spec Area 16 - Byrns	\$ 20	\$ 19	\$ 39	2.40
2024	Spec Area 18 - Lakeshore	13	11	24	2.00
2028	Spec Area 26 - Fisher Rd	219	78	297	5.15
	<b>Water Improvement Programs</b>				
2028	Cedar Creek Pump Station	5,567	2,010	7,577	5.15
2031	Poplar Point Pump Station Upgrade	1,715	285	2,000	3.25
<b>Total Debt - Water Fund</b>		<b>\$ 7,534</b>	<b>\$ 2,403</b>	<b>\$ 9,937</b>	

**Long term debt - Airport Fund**

<u>Debenture Debt</u>		<u>Debt</u>	<u>Sinking Fund</u>	<u>Amount</u>	<u>Current</u>
		<u>Balance</u>	<u>Balance</u>	<u>of Issue</u>	<u>Interest</u>
		<u>Dec. 31/15</u>	<u>Dec. 31/15</u>		<u>Rate</u>
2018	Airport Expansion	\$ 5,474	\$ 10,526	\$ 16,000	4.65
2025	Airport Expansion	7,500	-	7,500	2.75
<b>Total Debt - Airport Fund</b>		<b>\$ 12,974</b>	<b>\$ 10,526</b>	<b>\$ 23,500</b>	

**Long term debt - Natural Gas Legacy Fund**

<u>Debenture Debt</u>		<u>Debt</u>	<u>Sinking Fund</u>	<u>Amount</u>	<u>Current</u>
		<u>Balance</u>	<u>Balance</u>	<u>of Issue</u>	<u>Interest</u>
		<u>Dec. 31/15</u>	<u>Dec. 31/15</u>		<u>Rate</u>
2018	Leased Capital Assets	\$ 7,732	\$ 22,068	\$ 29,800	6.00
2018	Leased Capital Assets	5,059	14,441	19,500	4.45
		<b>12,791</b>	<b>36,509</b>	<b>49,300</b>	
<b>Capital Lease Payable</b>		<b>2,244</b>		<b>2,500</b>	10.072
<b>Total Debt - Natural Gas Legacy Fund</b>		<b>\$ 15,035</b>		<b>\$ 51,800</b>	

**Long term debt - Library**

2017	Mortgage - Building	\$ 682		\$ 5,100	8.94
<b>Total Debt - Library Fund</b>		<b>\$ 682</b>		<b>\$ 5,100</b>	

**Long term debt - Other**

2018	CN Rail	\$ 3,000		\$ 3,000	-
<b>Total Debt - Other</b>		<b>\$ 3,000</b>		<b>\$ 3,000</b>	

<b>Total City Long Term Debt</b>	<b>\$ 136,183</b>	<b>\$ 103,157</b>	<b>\$ 244,014</b>
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City of  
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