



2019 Consolidated Financial Statements

Report to Council

July 27, 2020

Outline

- ▶ 2019 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

2019 Audit Committee Review

- ▶ Consolidated Financial Statements
- ▶ Notes to the Financial Statements
- ▶ Financial Health Indictors
- ▶ 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, 2019
(in thousands of dollars)

	2019	2018
Financial Assets		
Cash and cash equivalents (Note 3)	\$ 18,842	\$ 24,989
Accounts receivable (Note 3)	40,138	45,414
Accrued interest	2,444	1,585
Portfolio investments (Note 3)	549,192	495,817
Long term investments (Note 10)	6,000	6,000
Assets held for resale	5,072	3,455
	<u>621,688</u>	<u>577,260</u>
Liabilities		
Accounts payable	63,284	50,922
Performance deposits	28,063	21,580
Deferred revenue (Note 3)	45,404	50,382
Deferred development cost charges (Note 3)	79,100	66,834
Long term debt (Note 3)	105,615	119,340
	<u>321,466</u>	<u>309,058</u>
Net Financial Assets	<u>300,222</u>	<u>268,202</u>
Non-Financial Assets		
Prepaid expenses	10,194	3,328
Inventory	1,318	1,484
Work in progress (Note 4)	61,556	35,373
Tangible capital assets (Note 4)	1,767,122	1,733,595
	<u>1,840,190</u>	<u>1,773,780</u>
Accumulated Surplus (Note 5)	<u>\$ 2,140,412</u>	<u>\$ 2,041,982</u>

Operations and Accumulated Surplus

CITY OF KELOWNA
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2019
(in thousands of dollars)

	Budget 2019	Actual 2019	Actual 2018
Revenue			
Taxation (Note 6)	\$ 154,981	\$ 155,624	\$ 145,944
Fees and charges	139,137	150,516	152,536
Interest earned	4,055	14,316	12,821
DCC contributions	27,523	16,841	12,929
Government transfers (Note 7)	75,679	53,016	49,019
Other capital contributions	5,694	4,523	23,028
Gain on disposal of tangible capital assets	-	1,241	4,603
	<u>407,069</u>	<u>396,077</u>	<u>400,880</u>
Expenses			
General government	36,591	31,804	30,373
Protective services	65,126	65,549	60,946
Transportation	37,837	64,443	63,743
Recreation & cultural	38,375	45,460	44,642
Other services	23,439	27,711	24,138
Airport	17,497	24,502	23,004
Natural Gas Legacy	-	-	2,723
Wastewater	13,572	22,549	22,608
Water	10,439	13,380	13,458
Loss on disposal of tangible capital assets	-	1,085	462
Write down of tangible capital assets	-	1,164	486
	<u>242,876</u>	<u>297,647</u>	<u>286,583</u>
Annual Surplus	<u>\$ 164,193</u>	<u>98,430</u>	114,297
Accumulated Surplus, beginning of year		2,041,982	1,927,685
Accumulated Surplus, end of year		<u>\$ 2,140,412</u>	<u>\$ 2,041,982</u>

Changes in Net Financial Assets

CITY OF KELOWNA
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2019
(in thousands of dollars)

	Budget 2019	Actual 2019	Actual 2018
Annual Surplus	\$ 164,193	\$ 98,430	\$ 114,297
Amortization of tangible capital assets	-	67,697	66,989
Proceeds from disposal of tangible capital assets	-	1,463	39,148
(Gain) loss on disposal of tangible capital assets	-	(156)	(4,141)
Write down of tangible capital assets	-	1,164	486
Acquisition of tangible capital assets	(240,079)	(129,376)	(114,637)
Contributions of tangible capital assets	-	(502)	(19,253)
Change in inventory and prepaid expenses	-	(6,700)	(993)
Increase (decrease) in Net Financial Assets	(75,886)	32,020	81,896
Net Financial Assets, beginning of year	268,202	268,202	186,306
Net Financial Assets, end of year	<u>\$ 192,316</u>	<u>\$ 300,222</u>	<u>\$ 268,202</u>

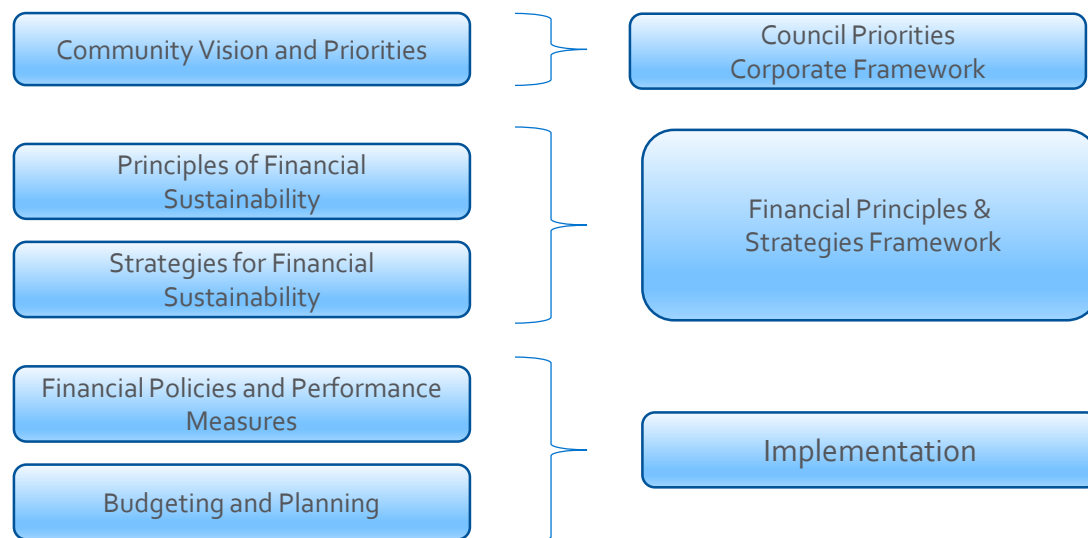
Cash Flow

CITY OF KELOWNA
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2019
(in thousands of dollars)

	Actual 2019	Actual 2018
Net inflow (outflow) of cash and cash equivalents related to the following activities		
Operating		
Annual surplus	\$ 98,430	\$ 114,297
Adjustment for non-cash items		
Amortization of tangible capital assets	67,697	66,989
(Gain) loss on disposal of tangible capital assets	(156)	(4,141)
Write down of tangible capital assets	1,164	486
Actuarial adjustment on long term debt	(3,266)	(6,545)
Contributions of tangible capital assets	(502)	(19,253)
Termination of debt	-	(2,132)
Decrease (increase) in		
Accounts receivable	5,276	(11,694)
Inventory and prepaid expenses	(6,700)	(993)
Other assets	(2,475)	(160)
Increase (decrease) in		
Accounts payable	12,362	6,979
Deferred development cost charges	12,266	24,067
Other liabilities	1,505	(98)
	185,601	167,802
Capital		
Acquisition of tangible capital assets	(129,376)	(114,637)
Proceeds from disposal of tangible capital assets	1,463	39,148
	(127,913)	(75,489)
Investing		
Change in investments	(53,376)	(78,553)
Financing		
Proceeds from issuance of long term debt	2,952	8,485
Repayment of long term debt	(13,411)	(17,903)
	(10,459)	(9,418)
Net increase (decrease) in cash and cash equivalents	(6,147)	4,342
Cash and cash equivalents, beginning of year	24,989	20,647
Cash and cash equivalents, end of year	\$ 18,842	\$ 24,989

Financial principles & strategies

► Decision Making Framework



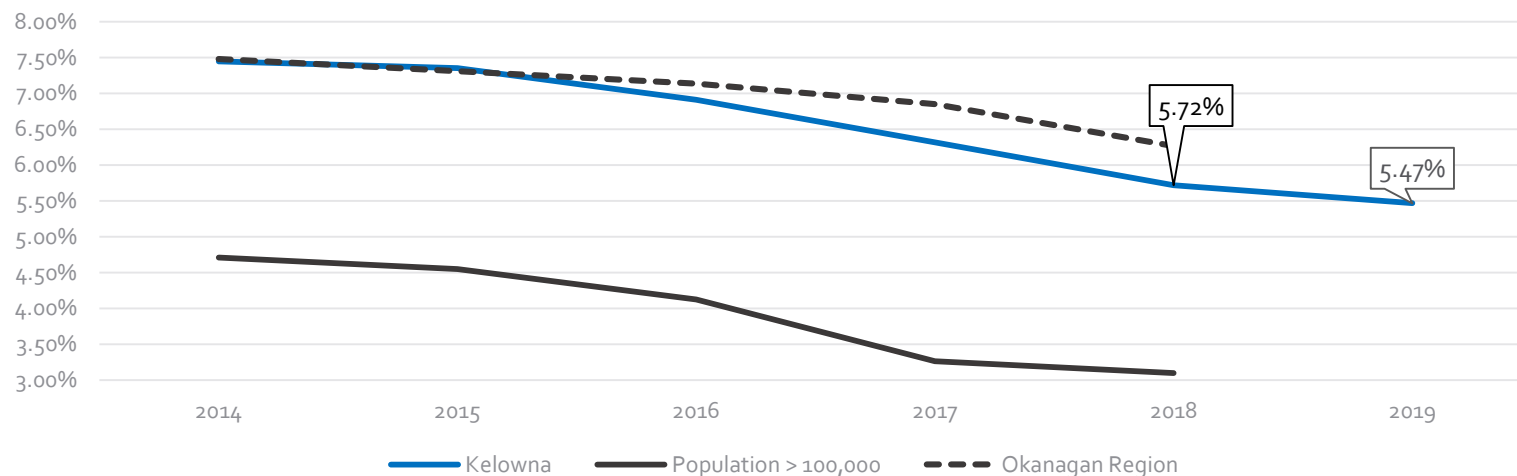
Financial Health Indicators

- ▶ Comparison to Municipalities of similar size
- ▶ Comparison to Municipalities in the Okanagan region
- ▶ Measures Sustainability, Flexibility and Vulnerability

Sustainability Ratio

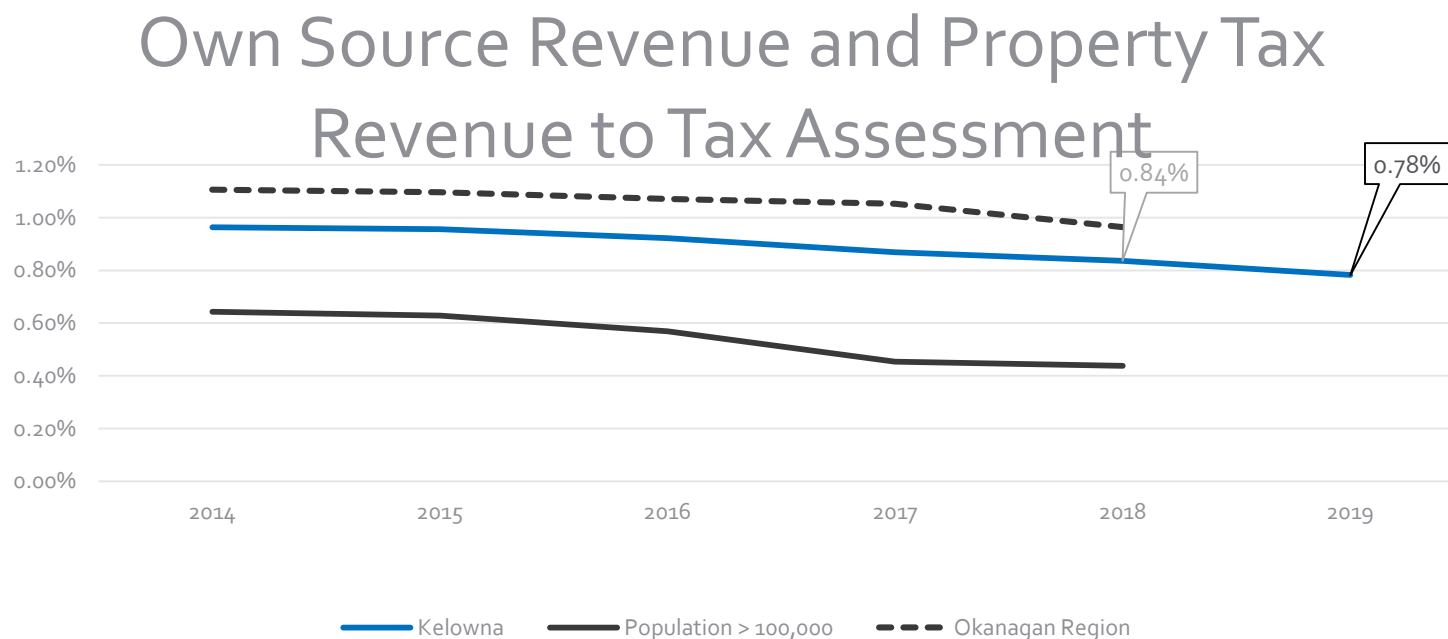
- ▶ The trending decline in this ratio is consistent with other Municipalities

Accumulated Surplus/Deficit to Property Assessment



Flexibility Ratio

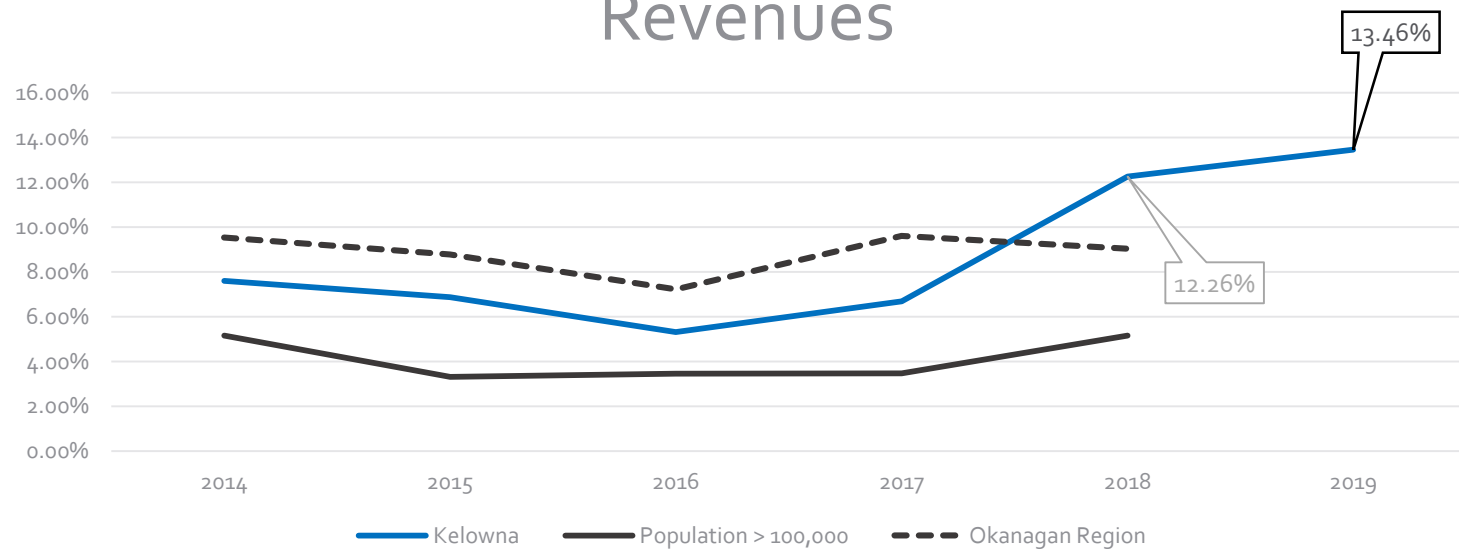
- ▶ Slight decline in 2019 is the result of 10% increase in property assessments from 2018 to 2019



Vulnerability Ratio

- 2019 increase result of one-time capital grants

Government Transfers to Total Revenues



Summary of Financial Health

- ▶ Services vary among Local Governments
- ▶ Financial health of the City is strong
- ▶ City is well positioned to take on challenges in 2020 from impacts of the COVID-19 pandemic

2019 General Fund Financial Results

- ▶ General Fund surplus is \$8.1M
 - ▶ 3.2% of operating budget \$255M
 - ▶ Appropriate \$7.6M to reserve to support upcoming projects

- ▶ General Fund accumulated surplus is \$4.3M
 - ▶ Represents 3.4% of taxation demand
 - ▶ Emergency funding only

Appropriation to Reserve for Future Use

Community Safety	\$ 400,000
RCMP	2,500,000
Slope Stability	550,000
Climate Action	350,000
Sidewalk Network	200,000
Land Sales	700,000
Major Systems	400,000
Public/Private/Partnership	2,500,000
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	\$ 7,600,000
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Utility Funds & Airport Fund

- ▶ Water & Wastewater Funds surplus \$2.4M and \$5.8M
 - ▶ Infrastructure replacement
 - ▶ Mitigate fluctuations in utility rates
 - ▶ Ensure healthy and safe service delivery

- ▶ Airport surplus \$15.2M
 - ▶ Self-funded, planned surpluses
 - ▶ Provides flexibility in both operating & capital improvements

Internal Control Update

- ▶ Completed 5-year strategic plan
- ▶ Developed review engagement program & templates
- ▶ Reported 2019 accomplishments and 2020 work plans to Audit Committee

In Summary

- ▶ Strong Financial Results in 2019
- ▶ Receive clear audit
- ▶ Health Indicators show City is well positioned to address the challenges of COVID-19 in 2020
- ▶ Appropriations to reserves of \$7.6M support Council priorities and ability to navigate through the ongoing COVID-19 pandemic
- ▶ Internal Control function achieving desired results



Questions?

For more information, visit kelowna.ca.