

Report to Council



Date: July 27, 2020
To: Council
From: Shelly Little, Corporate Finance Manager
Subject: 2019 Audit Committee Meeting Review
Department: Financial Services

Recommendation:

THAT Council receive the report of the Corporate Finance Manager, Financial Services dated July 27, 2020 for information.

Purpose:

To provide a high-level review of the information provided to the Audit Committee during the meeting on July 14, 2020.

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 as well as a report from the Internal Control Branch updating them on accomplishments and workplans.

Discussion:

There was an in-depth review of the Consolidated Financial Statements. The key number on the Consolidated Statement of Financial Position is the \$2.14B dollars in Accumulated Surplus that represents the City's overall financial viability and is equal to the sum of the net financial assets and non-financial assets representing resources (both financial and non-financial) that may be used to provide future services. The Consolidated Statement of Operations and Accumulated Surplus shows an annual surplus of \$98.4M which includes the Water, Wastewater and Airport Funds. The Consolidated Statement of Changes in Net Financial Assets recognizes that the City acquired \$129.4M in tangible capital assets and used \$67.7M 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 ratios provide comparative financial information for the year-ended 2018 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 overall financial health of the City is strong and is well positioned to meet current financial obligations.

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, 2019, 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.

2019 General fund Financial results show a surplus of \$8.1M. In a subsequent Council Report being received today the Council Audit Committee recommends the appropriation from surplus to reserve of \$7.6M and the appropriation of \$514k to accumulated surplus. Total accumulated surplus for the General Fund that is unallocated is now \$4.3M dollars at the 2019 year-end which represents 3.4% of taxation demand.

The Water and Wastewater utility funds 2019 surplus was \$2.4M and \$5.8M 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 \$15.2M which will be used to enable the ongoing operating and infrastructure requirements and improvements at the Airport.

The Internal Control branch of the City of Kelowna completed development of the 5-year strategic plan. To ensure efficient and consistent execution of the monitoring program, a formal review engagement program was developed that includes review templates. The 2019 accomplishments and 2020 workplans were reported to the Audit Committee.

Conclusion:

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 City's Strong Financial principles and strategies are reflected in the 2019 financial results and have positioned the City to continue to build a vibrant community and address the challenges of the COVID-19 pandemic.

Considerations not applicable to this report:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:

Financial/Budgetary Considerations:

External Agency/Public Comments:

Communications Comments:

Submitted by: S. Little, Corporate Finance Manager

Approved for inclusion:



G. Davidson, Divisional Director, Financial Services

CC: