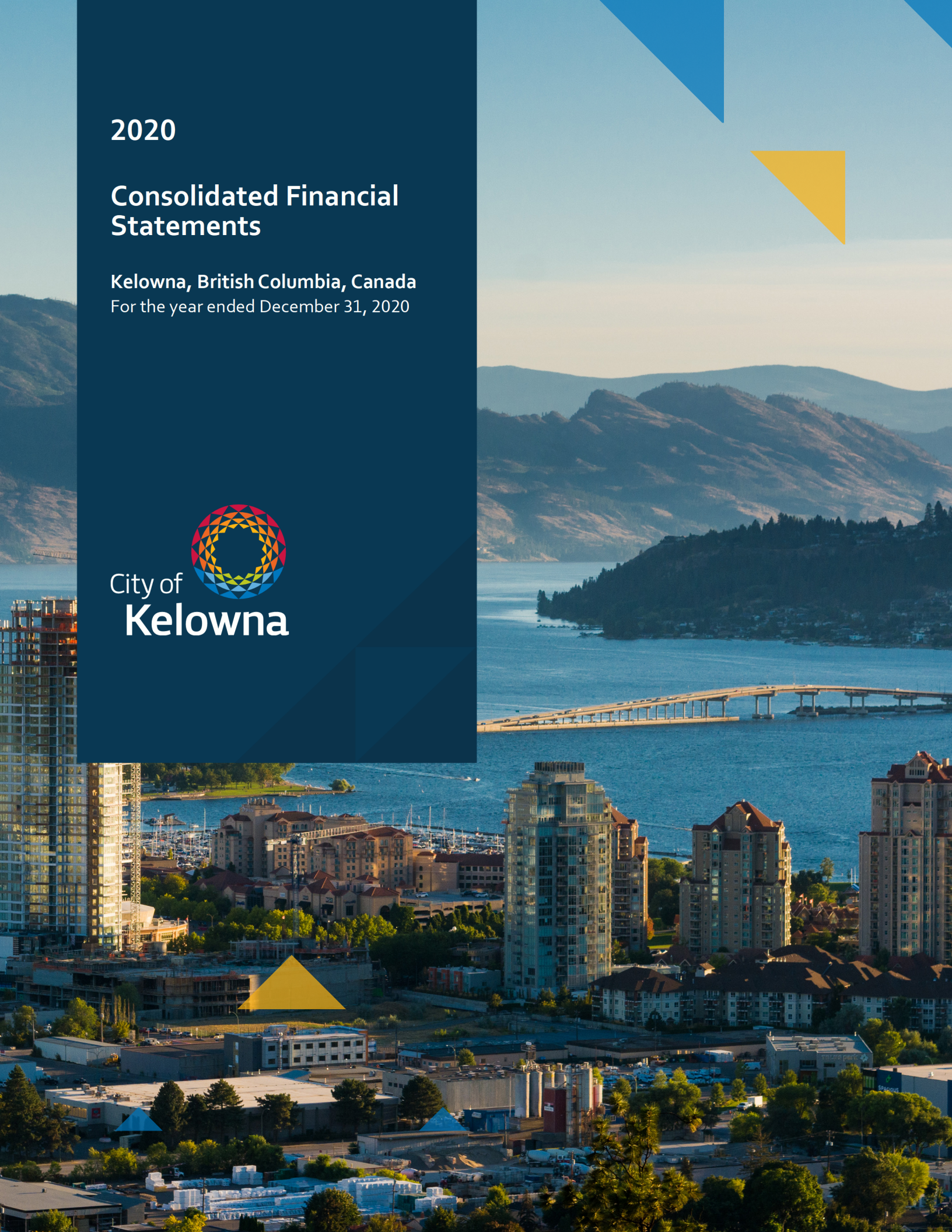


2020

Consolidated Financial Statements

Kelowna, British Columbia, Canada
For the year ended December 31, 2020



CITY OF KELOWNA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Financial Section	
Independent auditor's report.....	2
Consolidated Statement of Financial Position.....	4
Consolidated Statement of Operations and Accumulated Surplus.....	5
Consolidated Statement of Changes in Net Financial Assets.....	6
Consolidated Statement of Cash Flows.....	7
Notes to the Consolidated Financial Statements.....	8
Schedules	
Schedule 1 - Tangible Capital Assets.....	27
Schedule 2 - Segmented Information.....	28
Schedule 3 - Long Term Debt.....	30

Independent auditors' report

To the members of the Council of the City of Kelowna

Opinion

We have audited the consolidated financial statements of the City of Kelowna ("the City"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the City of Kelowna as at December 31, 2020, and the results of operations, its changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the consolidated financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kelowna, Canada
April 29, 2021

Chartered Professional Accountants

CITY OF KELOWNA
Consolidated Statement of Financial Position
As at December 31, 2020
(in thousands of dollars)

	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash and cash equivalents (Note 3)	\$ 76,434	\$ 18,842
Accounts receivable (Note 3)	29,783	40,138
Accrued interest	2,134	2,444
Portfolio investments (Note 3)	547,799	549,192
Long term investments (Note 10)	6,000	6,000
Assets held for resale	10,171	5,072
	<u>672,321</u>	<u>621,688</u>
Liabilities		
Accounts payable	80,452	63,284
Performance deposits	27,299	28,063
Deferred revenue (Note 3)	45,510	45,404
Deferred development cost charges (Note 3)	83,754	79,100
Long term debt (Note 3)	92,653	105,615
	<u>329,668</u>	<u>321,466</u>
Net Financial Assets	<u>342,653</u>	<u>300,222</u>
Non-Financial Assets		
Prepaid expenses	11,631	10,194
Inventory	1,290	1,318
Work in progress (Note 4)	24,092	61,556
Tangible capital assets (Note 4)	1,823,501	1,767,122
	<u>1,860,514</u>	<u>1,840,190</u>
Accumulated Surplus (Note 5)	<u>\$ 2,203,167</u>	<u>\$ 2,140,412</u>

Contingent liabilities and Commitments (Notes 8 and 9)
Contractual rights (Note 16)

Genelle Davidson, CPA, CMA
Divisional Director, Financial Services

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, 2020
(in thousands of dollars)

	Budget 2020	Actual 2020	Actual 2019
Revenue			
Taxation (Note 6)	\$ 162,031	\$ 162,405	\$ 155,624
Fees and charges	140,627	118,146	150,516
Interest earned	5,766	13,199	14,316
DCC contributions	31,044	14,391	16,841
Government transfers (Note 7)	37,123	34,579	53,016
Other capital contributions	511	4,714	4,523
Gain on disposal of tangible capital assets	-	2,887	1,241
	<u>377,102</u>	<u>350,321</u>	<u>396,077</u>
Expenses			
General government	36,021	33,692	31,804
Protective services	68,627	65,063	65,549
Transportation	39,758	63,781	64,443
Recreation & cultural	38,975	41,707	45,460
Other services	23,144	24,031	27,711
Airport	18,599	21,907	24,502
Wastewater	14,147	21,913	22,549
Water	12,729	14,571	13,380
Loss on disposal of tangible capital assets	-	819	1,085
Write down of tangible capital assets	-	82	1,164
	<u>252,000</u>	<u>287,566</u>	<u>297,647</u>
Annual Surplus	<u>\$ 125,102</u>	<u>62,755</u>	98,430
Accumulated Surplus, beginning of year		<u>2,140,412</u>	2,041,982
Accumulated Surplus, end of year		<u>\$ 2,203,167</u>	<u>\$ 2,140,412</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, 2020
(in thousands of dollars)

	Budget 2020	Actual 2020	Actual 2019
Annual Surplus	\$ 125,102	\$ 62,755	\$ 98,430
Amortization of tangible capital assets	-	68,155	67,697
Proceeds from disposal of tangible capital assets	-	5,191	1,463
Gain on disposal of tangible capital assets	-	(2,067)	(156)
Write down of tangible capital assets	-	82	1,164
Acquisition of tangible capital assets	(238,049)	(88,013)	(129,376)
Contributions of tangible capital assets	-	(2,263)	(502)
Change in inventory and prepaid expenses	-	(1,409)	(6,700)
	<hr/>	<hr/>	<hr/>
Increase (decrease) in Net Financial Assets	(112,947)	42,431	32,020
Net Financial Assets, beginning of year	300,222	300,222	268,202
	<hr/>	<hr/>	<hr/>
Net Financial Assets, end of year	\$ 187,275	\$ 342,653	\$ 300,222
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the consolidated financial statements.

CITY OF KELOWNA
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020
(in thousands of dollars)

	<u>Actual 2020</u>	<u>Actual 2019</u>
Net inflow (outflow) of cash and cash equivalents related to the following activities		
Operating		
Annual surplus	\$ 62,755	\$ 98,430
Adjustment for non-cash items		
Amortization of tangible capital assets	68,155	67,697
Gain on disposal of tangible capital assets	(2,067)	(156)
Write down of tangible capital assets	82	1,164
Actuarial adjustment on long term debt	(2,159)	(3,266)
Contributions of tangible capital assets	(2,263)	(502)
Decrease (increase) in		
Accounts receivable	10,355	5,276
Inventory and prepaid expenses	(1,409)	(6,700)
Other assets	(4,789)	(2,475)
Increase (decrease) in		
Accounts payable	17,168	12,362
Deferred development cost charges	4,654	12,266
Other liabilities	(658)	1,505
	<u>149,824</u>	<u>185,601</u>
Capital		
Acquisition of tangible capital assets	(88,013)	(129,376)
Proceeds from disposal of tangible capital assets	5,191	1,463
	<u>(82,822)</u>	<u>(127,913)</u>
Investing		
Change in investments	1,393	(53,376)
Financing		
Proceeds from issuance of long term debt	73	2,952
Repayment of long term debt	(10,876)	(13,411)
	<u>(10,803)</u>	<u>(10,459)</u>
Net increase (decrease) in cash and cash equivalents	57,592	(6,147)
Cash and cash equivalents, beginning of year	18,842	24,989
Cash and cash equivalents, end of year	\$ 76,434	\$ 18,842
Non-cash capital activities		
Acquisition of tangible capital assets through contributions (Note 4)	\$ 2,263	\$ 502

See accompanying notes to the consolidated financial statements.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2020
(all tabular amounts reported in 000's of dollars)

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, 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.

On March 11, 2020 the World Health Organization officially declared the COVID19 outbreak a pandemic. The pandemic has forced governments to implement extraordinary measures to slow the progress of infections and to stabilize disrupted economies and financial markets. The City has deployed initiatives in order to protect the health and safety of its employees, to support its customers, and mitigate the impact of the crisis while ensuring continuity of its activities. Although decreased flights and passenger volumes have significantly impacted the Airport, the impact to the rest of the City's operations has not been as significant. As of this time, it is difficult to assess the impact of the City's future results as it is dependent on the length and severity of the pandemic. Management will continue to monitor and assess the situation and respond accordingly.

Accrual accounting

The accrual method for reporting revenues and expenses has been used. Revenues are recognized in the period in which the transactions or events occur that give rise to the revenues. Expenses are recognized in the period in which the goods or services are acquired and a liability is incurred.

Assets held for resale

Assets 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 asset for sale.

Inventory

Inventory is valued at the lower of cost, determined principally on a weighted average and specific item basis, or replacement cost.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2020
(all tabular amounts reported in 000's of dollars)

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>2020</u>	<u>2019</u>
Cash deposits held by MFA	\$ 1,812	\$ 1,906
Demand notes held by MFA	<u>4,152</u>	<u>4,655</u>
	<u>\$ 5,964</u>	<u>\$ 6,561</u>

Municipal pension plan

The City of Kelowna's pension plan follows the guidelines of the Municipal Pension Plan which is administered by the Province of British Columbia for all British Columbia municipalities. The City 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.

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.

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%.

Work in progress

Work in progress represents capital projects under construction but not yet completed and are valued at cost.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2020
(all tabular amounts reported in 000's of dollars)

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.

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)	
Roof	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.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2020
(all tabular amounts reported in 000's of dollars)

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 effect 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, 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.

Development Cost Charges (DCC) contributions

Development Cost Charges (DCC) contributions 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, has 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 3.

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 base of the investment.

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.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2020
(all tabular amounts reported in 000's of dollars)

Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the City 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 liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

In late 2019, the city acquired and accepted responsibility to remediate a site located on Harvey Avenue. In 2020, \$118,674 was spent on cleanup activities, primarily consisting of soil delineation and groundwater monitoring. Further work of \$35,282 was identified resulting in an increase to the liability and work will continue in 2021. A liability in the amount of \$46,609 (2019 - \$130,000) is based on contractor estimates of the work required to be undertaken, actual costs could be higher.

In early 2020 the city acquired and accepted responsibility to clean up contamination found at the site located at 1746 Water Street. Clean up activities took place in 2020 and further work will be undertaken in 2021 to remediate the site. This will consist of Groundwater and vapour monitoring and sampling, drilling investigation and monitoring to assess plume stability and seasonality. A liability in the amount of \$170,000 is based on contractor estimates of the work required to be undertaken, actual costs could be higher.

The City's liability of \$216,609 (2019 - \$130,000) for contaminated sites is included in Accounts payable.

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, allowance for doubtful accounts, contaminated site liabilities, landfill post closure costs and settlement costs associated with outstanding legal actions.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2020
(all tabular amounts reported in 000's of dollars)

2. Future accounting changes

PS 3280 Asset retirement obligations

This section revises and replaces the existing Section PS 3270 Solid Waste Landfill Closure and Post-Closure Liability. This section applies to fiscal years beginning on or after April 1, 2022, with early adoption permitted.

PS 3160 Public private partnerships

This section establishes standards on how to account for and report public private partnerships. This section applies to fiscal years beginning on or after April 1, 2023, with early adoption permitted.

PS 3400 Revenues

This section establishes standards on how to account for and report on revenue. This section applies to fiscal years beginning on or after April 1, 2023, 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, 2022, with early adoption permitted. Adoption of this standard requires corresponding adoption of PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation and PS 3041 Portfolio Investments in the same fiscal period.

- **PS 1201 Financial Statement Presentation**

This section revises the general reporting principles and standards for the disclosure of information in the financial statements. This section applies to fiscal years beginning on or after April 1, 2022, 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, 2022, with early adoption permitted.

- **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, 2022, with early adoption permitted.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2020
(all tabular amounts reported in 000's of dollars)

3. 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>2020</u>	<u>2019</u>
Property tax	\$ 5,718	\$ 4,888
Trade receivables	11,559	13,732
Due from government	1,058	1,448
Due from provincial government	1,285	6,613
Due from regional government	41	146
Utilities	5,344	5,333
Deferred development cost charges	4,778	7,978
	<u>\$ 29,783</u>	<u>\$ 40,138</u>

Portfolio investments

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

<u>Type of investment</u>	<u>2020</u>	<u>2019</u>
Municipal Finance Authority investment funds	\$ 130,507	\$ 108,795
Provincial and bank issued bonds	94,713	100,826
Publicly traded shares	69,016	65,232
Guaranteed Investment Certificates and deposit notes	253,563	274,339
Total Portfolio investments	<u>\$ 547,799</u>	<u>\$ 549,192</u>

The quoted market value of the publicly traded shares at December 31, 2020 was \$103.92 million (2019 - \$103.86 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 less 0.50%. At December 31, 2020 the balance outstanding was \$nil (2019 - \$nil).

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2020
(all tabular amounts reported in 000's of dollars)

Deferred revenue

The City records deferred revenue for funds received in advance of 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.

<u>Deferred Revenue by Type</u>	<u>2019</u>	<u>Receipts</u>	<u>Interest</u>	<u>Transfers Out</u>	<u>2020</u>
Tax prepayments	\$ 20,779	\$ 35,134	\$ 114	\$ 37,361	\$ 18,666
Construction	14,935	2,363	121	1,748	15,671
Grants	145	494	1	21	619
Other	5,301	10,825	10	9,851	6,285
Local Area Service	4,244	432	-	407	4,269
Total	\$ 45,404	\$ 49,248	\$ 246	\$ 49,388	\$ 45,510

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>2019</u>	<u>Receipts</u>	<u>Interest</u>	<u>Transfers Out</u>	<u>2020</u>
Parks	\$ 22,114	\$ 5,727	\$ 526	\$ 7,023	\$ 21,344
Roads	50,642	7,864	1,196	2,055	57,647
Water	14,422	336	340	256	14,842
Wastewater	(8,078)	3,300	(244)	5,057	(10,079)
Total Deferred DCC	\$ 79,100	\$ 17,227	\$ 1,818	\$ 14,391	\$ 83,754

Long term debt

Sinking fund installments and mortgage payments on net outstanding debt and loans payable over the next five years and thereafter are as follows:

	<u>Total</u>
2021	\$ 11,036
2022	10,395
2023	9,149
2024	8,711
2025	8,741
2026 and thereafter	44,621
Total	\$ 92,653

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2020
(all tabular amounts reported in 000's of dollars)

Total outstanding debt issued was \$166.0 million and total debt payable at December 31, 2020 was \$92.7 million (2019 - \$105.6 million).

Schedule 3 provides a breakdown of long term debt.

4. Tangible capital assets (TCA) and work in progress

	2020	2020	2019	2019
	Work in	Tangible capital	Work in	Tangible capital
	progress	assets (NBV)	progress	assets (NBV)
Land	\$ -	\$ 339,192	\$ -	\$ 319,486
Land improvements	86	35,243	116	36,697
Buildings	9,015	188,373	5,132	191,499
Infrastructure	13,420	1,180,216	55,335	1,140,750
Machinery and equipment	1,571	80,477	973	78,690
	\$ 24,092	\$ 1,823,501	\$ 61,556	\$ 1,767,122

Contributions received in 2020 include:

<u>Type of contribution</u>	2020	2019
Land	\$ 2,263	\$ 420
Infrastructure	-	82
Total Contributed tangible capital assets	\$ 2,263	\$ 502

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

During the year, tangible capital assets with a cost of \$82,082 (2019 - \$1,164,262) were written off due to impairment.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2020
(all tabular amounts reported in 000's of dollars)

5. Accumulated surplus

	Reserves for Future Expenditures	Statutory Reserves	Fund Surpluses	Investment in Tangible Capital Assets	Total 2020	Total 2019
Accumulated surplus, beginning of year	\$ 266,878	\$ 88,356	\$ 59,209	\$ 1,725,969	\$ 2,140,412	\$ 2,041,982
Annual surplus (deficit)	4,933	2,521	100,340	(45,039)	62,755	98,430
Transfers	3,117	2,951	(86,504)	80,436	-	-
Accumulated surplus, end of year	\$ 274,928	\$ 93,828	\$ 73,045	\$ 1,761,366	\$ 2,203,167	\$ 2,140,412

Accumulated Surplus detail as follows:

Description	Balances, Beginning of Year	Transfer From	Transfer To	Annual Surplus	Balances, End of Year
<u>Non-Statutory Reserves</u>					
General Fund reserve	\$ 203,538	\$ 18,118	\$ 24,842	\$ 4,554	\$ 214,816
Airport Fund reserve	30,336	12,247	10,043	236	28,368
Waste Water Fund reserve	10,677	1,629	1,875	24	10,947
Water Fund reserve	22,327	7,941	6,292	119	20,797
	<u>266,878</u>	<u>39,935</u>	<u>43,052</u>	<u>4,933</u>	<u>274,928</u>
<u>Statutory Reserves</u>					
Parking reserve	6,490	2,148	2,985	146	7,473
Land reserve	10,550	6,653	5,149	250	9,296
Capital works, machinery and equipment reserve	71,316	24,914	28,532	2,125	77,059
	<u>88,356</u>	<u>33,715</u>	<u>36,666</u>	<u>2,521</u>	<u>93,828</u>
<u>Surplus by Fund</u>					
General Fund surplus	4,323	113,590	48,784	73,746	13,263
Airport Fund surplus	2,407	8,699	2,803	5,896	2,407
Waste Water Fund surplus	40,903	12,306	8,739	10,700	48,036
Water Fund surplus	11,576	12,235	-	9,998	9,339
Accumulated Surplus	<u>59,209</u>	<u>146,830</u>	<u>60,326</u>	<u>100,340</u>	<u>73,045</u>
<u>Investment in Non Financial Assets</u>					
Investment in tangible capital assets	<u>1,725,969</u>	<u>10,876</u>	<u>91,312</u>	<u>(45,039)</u>	<u>1,761,366</u>
Accumulated Surplus	\$ 2,140,412	\$ 231,356	\$ 231,356	\$ 62,755	\$ 2,203,167

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2020
(all tabular amounts reported in 000's of dollars)

6. Taxation

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

	<u>2020</u>	<u>2019</u>
Taxes collected		
Property taxes	\$ 239,997	\$ 243,487
Local improvement levies	146	146
Frontage tax - water	1,548	1,527
Specified sewer area recoveries	1,292	1,358
Grants in lieu of taxes	655	583
Levies - library	6,797	6,389
Levies - other	1,282	1,168
	<u>251,717</u>	<u>254,658</u>
Less transfers to other governments		
Province of BC (school taxes)	60,941	72,384
BC Assessment Authority	2,262	2,038
Regional Hospital District	13,105	12,147
Regional District of Central Okanagan	13,004	12,465
	<u>89,312</u>	<u>99,034</u>
Net taxes available for municipal purposes	<u>\$ 162,405</u>	<u>\$ 155,624</u>

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2020
(all tabular amounts reported in 000's of dollars)

7. 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. Government transfers do not include grants in lieu of taxes received from the Federal and Provincial governments. Due to the completion of projects in 2020 there are no deferred revenue balances related to these transfers. In 2020 the City received and recorded as revenue the following transfers:

	<u>2020</u>	<u>2019</u>
Operating transfers		
Federal	\$ 176	\$ 166
Provincial	27,078	20,756
Other governments	224	226
	<u>27,478</u>	<u>21,148</u>
Capital transfers		
Federal	357	16,801
Provincial	6,720	15,067
Other governments	24	-
	<u>7,101</u>	<u>31,868</u>
Total Government transfers	<u>\$ 34,579</u>	<u>\$ 53,016</u>

COVID-19 Safe Restart Grant for Local Governments

The COVID-19 Safe Restart Grant was received from the Provincial Government in 2020 and is included above under Operating transfers, Provincial. The schedule below provides disclosure of funds received, spent and remaining for the year. A balance at the end of the year represents unused funds received and is included in the General fund reserve.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ -	\$ -
COVID-19 Safe Restart Grant received	7,884	-
Less funds used to support:		
Airport revenue losses	(500)	-
Gaming revenue losses	(1,517)	-
Corporate preparedness planning	(464)	-
	<u>(2,481)</u>	<u>-</u>
Balance, end of year	<u>\$ 5,403</u>	<u>\$ -</u>

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2020
(all tabular amounts reported in 000's of dollars)

8. 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.

Pension liability

The employer and its employees contribute to the Municipal Pension Plan (a jointly trusteed 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, 2019, the plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 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 may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The City of Kelowna paid \$7.8 million (2019 - \$7.5 million) for employer contributions while employees contributed \$6.5 million (2019 - \$6.3 million) to the plan in fiscal 2020.

The next valuation will be as at December 31, 2021, with results available in 2022.

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.

Post employment benefits and compensated absences

The City of Kelowna does not accrue expenses for post-employment benefits and compensated absences. Post-employment benefits are benefits expected to be provided after employment but before retirement to employees and their beneficiaries. Compensated absences are benefits for employee absences for which employees will be paid (i.e. sick leave). City employees retiring do not receive any post-employment related benefits that either vests or accrues over the period of employment. Compensated absences: such as sick leave benefits do not accrue and are not vested. The City recognizes the expense for compensated absences when the event obligates the City to pay.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2020
(all tabular amounts reported in 000's of dollars)

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.

9. 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, 2020 which have not been recorded in the accounts. The balance of these open purchase orders is 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.

Landfill closure and post closure costs

As required by PSAS and regulated by the Ministry of Environment & Climate Change Strategy, the City has agreed to obligations regarding the operation of the landfill site. These obligations include recognition of closure and post-closure liability. As currently engineered, and based on current waste disposal patterns, the landfill has a remaining life expectancy of 88 years. The estimated length of time needed for post-closure is 80 years.

The present value of future cash flows for the expected landfill closure and post-closure care costs is estimated to be \$30.7 million based on a Design, Operations and Closure Plan (DOCP) completed in 2018.

The City's liability for these landfill closure and post-closure care cost expenditures is recognized as the landfill site's capacity is used. The reported liability of \$4.3 million (2019 - \$4.1 million) represents the portion of the estimated total expenditure recognized as at December 31, 2020. The remaining capacity of the landfill site is estimated at 27.0 million tonnes which is 90% of the site's total capacity.

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 using an inflation rate of 0.96% and discount rate of 2.25%.

The reported liability is based on estimates and assumptions with respect to events extending over the remaining life of the landfill. Future events may result in significant changes to the estimated remaining useful life, estimated total costs, total or used capacity and the estimated liability. These would be recognized prospectively as a change in estimate when applicable.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2020
(all tabular amounts reported in 000's of dollars)

YMCA of Okanagan Association loan guarantee agreement

The City has, under the terms of the partnering agreement between the City of Kelowna and YMCA of Okanagan Association, guaranteed repayment in the event that the YMCA of Okanagan Association defaults on a \$1.8 million, 20-year loan issued in 2001. Under the agreement the City shall resume operation of the facility and assume responsibility for the repayment of the debt incurred by the YMCA of Okanagan Association. During 2010 an amendment was made to the agreement for additional financing of \$700,000 for a 20-year term. Both loans have an interest rate of lender's prime less 0.5%. As at December 31, 2020, the outstanding loan balance was \$560,010 (2019 - \$669,382). The City does not expect to make any payments on the guarantee and no amounts have been accrued in the financial statements.

Multi-Purpose Facility Public/Private Partnership

The City of Kelowna, subject to the terms and conditions of the 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, committed to the annual purchase of community use time at the Multi-Purpose Facility with the option to make a lump sum payment before the 15th day of one of year 6, 11, 16, 21 or 26, commencing with the year of substantial completion (November 10, 1999).

The City chose to exercise its option to make a lump sum payment of \$6.7 million in 2019 (Year 21) as prepayment for community use time with no further amounts payable under the Tripartite Agreement until November 9, 2029.

The balance of \$6.1 million in prepaid community use time is included in Prepaid expenses.

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.

10. 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, RG Arenas (Kelowna) Ltd., RG Properties Ltd., and Prospero Canadian Land Investment Fund Ltd. and represents the City's investment in the Multi-Purpose facility. The City has the option to purchase the Facility for the sum of \$1 and the surrender of the preferred shares within the 10 year period beginning 30 years and one week from the date of Substantial Completion of the Facility, that being November 19, 2029. If exercised, the Facility will be conveyed to the City free and clear of all liens, charges and encumbrances.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2020
(all tabular amounts reported in 000's of dollars)

11. 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 \$50.0 million (2019 - \$52.7 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 \$50.0 million, the City is holding irrevocable Letters of Credit in the amount of \$6.2 million (2019 - \$9.1 million) which are received from developers to ensure payment of development cost charges in future years.

12. 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, 2020 the Trust Fund balance is \$3.2 million (2019 - \$3.0 million).

13. 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.

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.

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.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2020
(all tabular amounts reported in 000's of dollars)

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 and cultural services

Recreation and 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 H2O Adventure & Fitness Centre, Parkinson Recreation Centre, Kelowna Community Theatre, Kelowna Museum, Kelowna Library, 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 litres 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 four water suppliers operating within Kelowna's boundaries. The Water Utility is accounted for in its own fund.

Statutory reserves

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

14. Expenses by object

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

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2020
(all tabular amounts reported in 000's of dollars)

15. Budget data

The budget figures are from the Annual Five-Year Financial Plan Bylaw adopted before May 15th 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>Budget Amount</u>
Revenues:	
Operating budget	\$ 327,890
Capital budget	49,212
	<u>377,102</u>
Expenses:	
Operating budget	252,000
Capital budget	238,049
	<u>490,049</u>
Annual deficit per approved budget	(112,947)
Add: tangible capital asset purchases	238,049
Annual surplus per statement of operations	<u>\$ 125,102</u>

16. Contractual rights

The City of Kelowna contractual rights arise from rights to receive payments from lease agreements. During 2020, the City of Kelowna entered into a long term lease agreement with Rise Commercial Developments Inc to lease 350 Doyle Avenue commencing in 2021. The long term lease is for \$7 million to be received over 80 years with an option to renew for an additional 19 years.

The City of Kelowna has contractual rights to receive the following amounts of lease revenue in the next 5 years.

	<u>Total</u>
2021	\$ 87.5
2022	87.5
2023	87.5
2024	87.5
2025	87.5
2026 and thereafter	6,562.5
Total	<u>\$ 7,000</u>

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2020
(all tabular amounts reported in 000's of dollars)

17. Comparative figures

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

CITY OF KELOWNA
Schedule 1 - Tangible Capital Assets
For the Year Ended December 31, 2020
(in thousands of dollars)

	Machinery & Equipment						
	Land	Land Improvements	Buildings	Vehicles	Machinery & Equipment	Computers	Subtotal Machinery & Equipment
Cost							
Balance, beginning of year	\$ 319,486	\$ 77,974	\$ 351,584	\$ 34,207	\$ 103,011	\$ 19,516	\$ 156,734
Add: additions during the year	27,827	945	2,094	1,753	3,240	1,975	6,968
Add: transfers to tangible capital assets	-	192	3,470	1,021	1,992	830	3,843
Less: assets held for resale	(6,100)	-	-	1,054	-	-	1,054
Less: disposals during the year	(2,021)	-	-	(1,883)	(8)	-	(1,891)
Balance, end of year	339,192	79,111	357,148	36,152	108,235	22,321	166,708
Accumulated Amortization							
Balance, beginning of year	-	41,277	160,085	20,437	47,007	10,600	78,044
Add: amortization	-	2,591	8,690	1,988	4,680	2,247	8,915
Less: accumulated amortization on disposals	-	-	-	(781)	-	-	(781)
Less: amortization on assets held for resale	-	-	-	53	-	-	53
Balance, end of year	-	43,868	168,775	21,697	51,687	12,847	86,231
Net Book Value of Tangible Capital Assets	\$ 339,192	\$ 35,243	\$ 188,373	\$ 14,455	\$ 56,548	\$ 9,474	\$ 80,477

	Infrastructure								
	Plant & Facilities	Roads, Lanes, Sidewalks & Bike Paths	Bridges, Tunnels & Overpasses	Underground, Overhead & Other Networks	Airport Infrastructure	Subtotal Infrastructure	Work In Progress	Total 2020	Total 2019
Cost									
Balance, beginning of year	\$ 212,185	\$ 570,008	\$ 35,152	\$ 1,130,461	\$ 81,641	\$ 2,029,447	\$ 61,556	\$ 2,996,781	\$ 2,875,397
Add: additions during the year	1,899	5,522	-	2,593	701	10,715	46,826	95,375	131,495
Add: transfers to tangible capital assets	5,796	3,357	-	64,452	3,180	76,785	(84,290)	-	-
Less: assets held for resale	-	-	-	-	-	-	-	(5,046)	(1,670)
Less: disposals during the year	-	-	-	(75)	-	(75)	-	(3,987)	(8,441)
Balance, end of year	219,880	578,887	35,152	1,197,431	85,522	2,116,872	24,092	3,083,123	2,996,781
Accumulated Amortization									
Balance, beginning of year	89,394	332,506	9,682	423,659	33,456	888,697	-	1,168,103	1,106,429
Add: amortization	7,369	19,795	540	17,507	2,748	47,959	-	68,155	67,697
Less: accumulated amortization on disposals	-	-	-	-	-	-	-	(781)	(5,970)
Less: amortization on assets held for resale	-	-	-	-	-	-	-	53	(53)
Balance, end of year	96,763	352,301	10,222	441,166	36,204	936,656	-	1,235,530	1,168,103
Net Book Value of Tangible Capital Assets	\$ 123,117	\$ 226,586	\$ 24,930	\$ 756,265	\$ 49,318	\$ 1,180,216	\$ 24,092	\$ 1,847,593	\$ 1,828,678

CITY OF KELOWNA
Schedule 2 - Segmented Information
For the Year Ended December 31, 2020
(in thousands of dollars)

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation</u>	<u>Recreation & Cultural</u>	<u>Other Services</u>	<u>Airport</u>	<u>Wastewater</u>	<u>Water</u>	<u>Statutory Reserves</u>	<u>2020</u>
Revenue										
Taxation	\$ 159,393	\$ -	\$ 146	\$ -	\$ -	\$ -	\$ 1,292	\$ 1,574	\$ -	\$ 162,405
Fees and charges	12,399	7,650	12,686	3,169	28,203	18,887	18,754	16,043	355	118,146
Interest earned	9,129	-	151	-	-	301	1,044	408	2,166	13,199
DCC contributions	-	-	2,869	6,210	-	-	5,056	256	-	14,391
Government transfers	12,282	752	12,698	1,107	141	1,149	186	6,264	-	34,579
Other capital contributions	3,309	-	-	-	-	194	850	361	-	4,714
Gain on disposal of tangible capital assets	884	-	1,760	243	-	-	-	-	-	2,887
	<u>197,396</u>	<u>8,402</u>	<u>30,310</u>	<u>10,729</u>	<u>28,344</u>	<u>20,531</u>	<u>27,182</u>	<u>24,906</u>	<u>2,521</u>	<u>350,321</u>
Expenses										
Salaries and benefits	21,435	30,722	9,811	10,162	8,490	4,221	3,675	3,954	-	92,470
Contract and professional services	5,085	2,611	25,331	7,701	8,731	1,031	771	637	-	51,898
RCMP Contract	-	29,756	-	-	-	-	-	-	-	29,756
Materials and supplies	6,171	1,630	5,784	11,232	1,495	6,317	1,494	1,518	-	35,641
Equipment	664	405	3,592	1,594	2,237	16	879	749	-	10,136
Allocations	(7,390)	(29)	(109)	(188)	1,919	1,852	3,077	953	-	85
Cost recoveries	(1,908)	(2,232)	(9,537)	(177)	(1,469)	(398)	(333)	(525)	-	(16,579)
Grants and external transfers	2,211	81	4	1,591	226	-	-	13	-	4,126
Utilities	154	296	1,351	1,821	359	537	1,133	1,274	-	6,925
Loss on disposal of tangible capital assets	21	-	-	-	798	-	-	-	-	819
Write down of tangible capital assets	-	-	82	-	-	-	-	-	-	82
Amortization of tangible capital assets	4,782	1,823	27,555	7,971	2,043	7,748	10,531	5,702	-	68,155
Total before Debt	<u>31,225</u>	<u>65,063</u>	<u>63,864</u>	<u>41,707</u>	<u>24,829</u>	<u>21,324</u>	<u>21,227</u>	<u>14,275</u>	<u>-</u>	<u>283,514</u>
Debt interest and fiscal services	2,484	-	-	-	-	584	687	297	-	4,052
Total operating expenses	<u>33,709</u>	<u>65,063</u>	<u>63,864</u>	<u>41,707</u>	<u>24,829</u>	<u>21,908</u>	<u>21,914</u>	<u>14,572</u>	<u>-</u>	<u>287,566</u>
Annual Surplus (Deficit)	<u>\$ 163,687</u>	<u>\$ (56,661)</u>	<u>\$ (33,554)</u>	<u>\$ (30,978)</u>	<u>\$ 3,515</u>	<u>\$ (1,377)</u>	<u>\$ 5,268</u>	<u>\$ 10,334</u>	<u>\$ 2,521</u>	<u>\$ 62,755</u>

CITY OF KELOWNA
Schedule 2 - Segmented Information
For the Year Ended December 31, 2019
(in thousands of dollars)

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation</u>	<u>Recreation & Cultural</u>	<u>Other Services</u>	<u>Airport</u>	<u>Wastewater</u>	<u>Water</u>	<u>Statutory Reserves</u>	<u>2019</u>
Revenue										
Taxation	\$ 152,569	\$ -	\$ 146	\$ -	\$ -	\$ -	\$ 1,358	\$ 1,551	\$ -	\$ 155,624
Fees and charges	17,569	10,388	16,227	5,586	27,735	38,826	18,452	15,690	43	150,516
Interest earned	9,463	-	-	-	-	660	1,112	832	2,249	14,316
DCC contributions	-	-	4,122	6,427	-	-	6,117	175	-	16,841
Government transfers	3,339	4,228	9,739	729	3,687	297	241	30,756	-	53,016
Other capital contributions	1,738	-	-	-	-	128	2,282	375	-	4,523
Gain on disposal of tangible capital assets	1,171	-	63	-	-	7	-	-	-	1,241
	<u>185,849</u>	<u>14,616</u>	<u>30,297</u>	<u>12,742</u>	<u>31,422</u>	<u>39,918</u>	<u>29,562</u>	<u>49,379</u>	<u>2,292</u>	<u>396,077</u>
Expenses										
Salaries and benefits	20,707	29,528	9,228	11,829	7,647	4,619	3,424	3,556	-	90,538
Contract and professional services	6,639	2,356	27,591	8,895	9,309	1,772	712	936	-	58,210
RCMP Contract	-	31,235	-	-	-	-	-	-	-	31,235
Materials and supplies	6,303	1,771	6,808	11,014	2,027	8,115	1,464	1,566	-	39,068
Equipment	543	324	2,994	1,895	2,376	23	748	548	-	9,451
Allocations	(7,162)	(50)	(93)	(172)	1,933	1,690	3,107	840	-	93
Cost recoveries	(2,133)	(1,875)	(11,519)	(318)	(1,521)	(723)	(272)	(541)	-	(18,902)
Grants and external transfers	9	117	20	1,904	3,702	-	-	1	-	5,753
Utilities	188	304	1,288	2,080	330	573	1,151	1,076	-	6,990
Loss on disposal of tangible capital assets	1	1,084	-	-	-	-	-	-	-	1,085
Write down of tangible capital assets	696	-	51	186	-	196	24	11	-	1,164
Amortization of tangible capital assets	3,969	1,838	28,128	8,333	1,908	7,850	10,571	5,100	-	67,697
Total before Debt	<u>29,760</u>	<u>66,632</u>	<u>64,496</u>	<u>45,646</u>	<u>27,711</u>	<u>24,115</u>	<u>20,929</u>	<u>13,093</u>	<u>-</u>	<u>292,382</u>
Debt interest and fiscal services	2,740	-	-	-	-	584	1,644	297	-	5,265
Total operating expenses	<u>32,500</u>	<u>66,632</u>	<u>64,496</u>	<u>45,646</u>	<u>27,711</u>	<u>24,699</u>	<u>22,573</u>	<u>13,390</u>	<u>-</u>	<u>297,647</u>
Annual Surplus (Deficit)	<u>\$ 153,349</u>	<u>\$ (52,016)</u>	<u>\$ (34,199)</u>	<u>\$ (32,904)</u>	<u>\$ 3,711</u>	<u>\$ 15,219</u>	<u>\$ 6,989</u>	<u>\$ 35,989</u>	<u>\$ 2,292</u>	<u>\$ 98,430</u>

CITY OF KELOWNA
Schedule 3 - Long Term Debt
For the Year Ended December 31, 2020
(in thousands of dollars)

Long term debt - General Fund

Debtenture Debt

<u>Year of Maturity</u>	<u>Purpose</u>	<u>Debt Balance December 31, 2019</u>	<u>Amount of Issue</u>	<u>Debt Balance December 31, 2020</u>	<u>Sinking Fund Balance December 31, 2020</u>	<u>Current Interest Rate</u>
	Public Works					%
2022	Chapman Parkade	\$ 890	\$ 4,071	\$ 607	\$ 3,464	2.25
	Local Improvements					
2035	Lawrence Ave LAS	282	345	268	77	3.00
	Recreation and Cultural					
2021	Kokanee Gym Facility	75	500	38	462	1.75
2027	H2O Centre	13,624	27,500	12,145	15,355	2.25
2027	Kokanee Gymnastic	396	800	353	447	2.25
2028	H2O Centre	1,094	2,000	991	1,009	2.90
2035	Police Facilities	17,019	20,000	16,208	3,792	2.75
2035	Library Parkade Ext & Memorial Parkade	12,764	15,000	12,156	2,844	2.75
2036	Police Facilities	15,133	17,000	14,466	2,534	2.60
2037	Police Facilities	2,773	3,000	2,655	345	3.15
2038	Police Facilities	1,310	1,360	1,257	103	3.15
Total Debt - General Fund		\$ 65,360	\$ 91,576	\$ 61,144	\$ 30,432	

CITY OF KELOWNA
Schedule 3 - Long Term Debt
For the Year Ended December 31, 2020
(in thousands of dollars)

Long term debt - Wastewater Fund

Debenture Debt

Year of Maturity	Purpose	Debt Balance December 31, 2019	Amount of Issue	Debt Balance December 31, 2020	Sinking Fund Balance December 31, 2020	Current Interest Rate
2022	Spec. Area 22A - Gerstmar	\$ 9	\$ 40	\$ 6	\$ 34	1.75
2024	Spec. Area 21A - McKenzie Bench	469	1,350	384	966	2.25
2024	Spec. Area 22B - Vista Rd	28	80	23	57	2.25
2024	Spec. Area 22C - Hein Rd	92	266	76	190	2.25
2024	Spec. Area 22D - Elwyn Rd	52	149	42	107	2.25
2024	Spec. Area 22E - Dease Rd	33	96	27	69	2.25
2024	Spec. Area 22F - Mills Rd	119	342	97	245	2.25
2024	Spec. Area 29 - Campion Cambro	304	874	248	626	2.25
2024	Spec. Area 30 - Acland	127	364	104	260	2.25
2025	Spec. Area 20 - North Rutland	2,609	6,822	2,210	4,612	0.91
2025	Spec. Area 28A - Okaview	244	638	207	431	0.91
2028	Spec Area 26 - Fisher Rd	1,106	2,021	1,001	1,020	2.90
2028	Spec Area 34 - Country Rhodes	238	435	216	219	2.90
2028	Spec Area 36 - Clifton	146	267	132	135	2.90
Sewage Treatment Plant						
2020	Waste Water Treatment Expansion	1,185	10,000	-	10,000	1.28
2031	Brandt's Creek Tradewaste Treatment	2,051	3,800	1,792	2,008	3.25
<u>Total Debt - Wastewater Fund</u>		<u>\$ 8,812</u>	<u>\$ 27,544</u>	<u>\$ 6,565</u>	<u>\$ 20,979</u>	

CITY OF KELOWNA
Schedule 3 - Long Term Debt
For the Year Ended December 31, 2020
(in thousands of dollars)

Long term debt - Water Fund

Debenture Debt

<u>Year of Maturity</u>	<u>Purpose</u>	<u>Debt Balance December 31, 2019</u>	<u>Amount of Issue</u>	<u>Debt Balance December 31, 2020</u>	<u>Sinking Fund Balance December 31, 2020</u>	<u>Current Interest Rate</u>
	Specified Area Programs					%
2023	Spec Area 16 - Byrns	\$ 11	\$ 39	\$ 9	\$ 30	2.85
2024	Spec Area 18 - Lakeshore	8	24	7	17	2.25
2028	Spec Area 26 - Fisher Rd	163	297	147	150	2.90
2038	Local Area Service - Aspen Rd	46	48	44	4	3.20
	Water Improvement Programs					
2028	Cedar Creek Pump Station	4,145	7,577	3,754	3,823	2.90
2031	Poplar Point Pump Station Upgrade	1,381	2,000	1,290	710	3.25
	Total Debt - Water Fund	\$ 5,754	\$ 9,985	\$ 5,251	\$ 4,734	

Long term debt - Airport Fund

Debenture Debt

2025	Airport Expansion	\$ 4,805	\$ 7,500	\$ 4,072	\$ 3,428	2.75
2026	Airport Expansion	2,573	3,500	2,242	1,258	2.60
2026	Airport Expansion	2,191	3,000	1,905	1,095	2.10
2027	Airport Expansion	6,583	8,000	5,843	2,157	2.80
	Total Debt - Airport Fund	\$ 16,152	\$ 22,000	\$ 14,062	\$ 7,938	

Long term debt - Other

2020	Wastewater - Commonage	\$ 110	\$ 439	\$ -		nil
2021	Airport - 3770 Bulman road	1,800	4,500	900		nil
2022	General Land - Diamond Mountain	4,675	6,900	2,450		nil
2023	General Land - Dewdney Park	2,952	2,952	2,214		nil
2029	Airport - Enterprise Rental Car Kiosk	-	73	67		nil
	Total Debt - Other	\$ 9,537	\$ 14,864	\$ 5,631		

Total City Long Term Debt	\$ 105,615	\$ 165,969	\$ 92,653
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City of
Kelowna

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