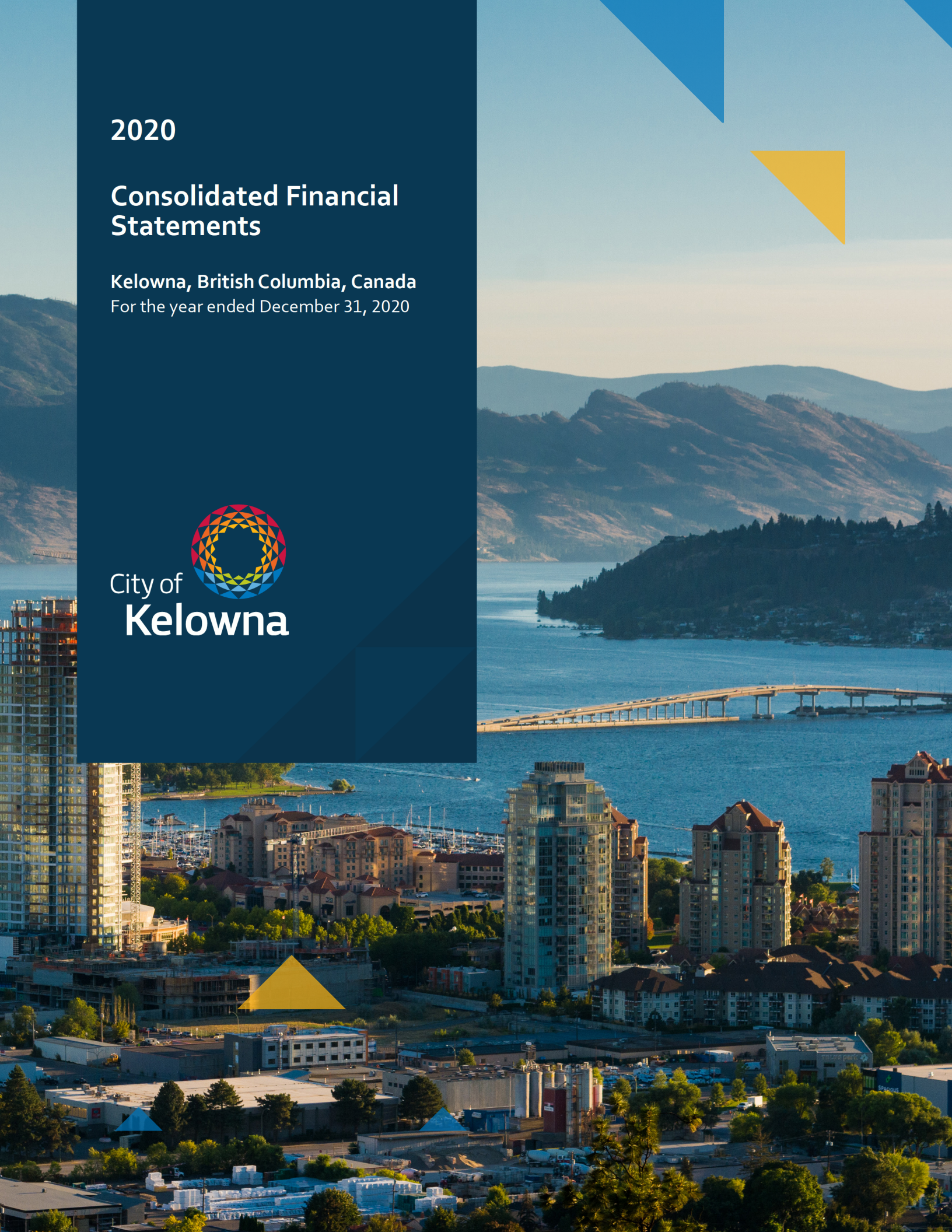


2020

# Consolidated Financial Statements

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



CITY OF KELOWNA

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# 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>
<b>Financial Assets</b>		
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>
<b>Liabilities</b>		
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>
<b>Net Financial Assets</b>	<u>342,653</u>	<u>300,222</u>
<b>Non-Financial Assets</b>		
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>
<b>Accumulated Surplus (Note 5)</b>	<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
<b>Revenue</b>			
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>
<b>Expenses</b>			
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>
<b>Annual Surplus</b>	<u>\$ 125,102</u>	<u>62,755</u>	98,430
Accumulated Surplus, beginning of year		<u>2,140,412</u>	2,041,982
<b>Accumulated Surplus, end of year</b>		<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
<b>Annual Surplus</b>	\$ 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/>
<b>Increase (decrease) in Net Financial Assets</b>	(112,947)	42,431	32,020
Net Financial Assets, beginning of year	300,222	300,222	268,202
	<hr/>	<hr/>	<hr/>
<b>Net Financial Assets, end of year</b>	\$ 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>
<b>Net inflow (outflow) of cash and cash equivalents related to the following activities</b>		
<b>Operating</b>		
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>
<b>Capital</b>		
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>
<b>Investing</b>		
Change in investments	1,393	(53,376)
<b>Financing</b>		
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>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>57,592</b>	<b>(6,147)</b>
Cash and cash equivalents, beginning of year	18,842	24,989
<b>Cash and cash equivalents, end of year</b>	<b>\$ 76,434</b>	<b>\$ 18,842</b>
<b>Non-cash capital activities</b>		
Acquisition of tangible capital assets through contributions (Note 4)	\$ 2,263	\$ 502

*See accompanying notes to the consolidated financial statements.*