



2020 Consolidated Financial Statements

Report to Council

May 10, 2021

Outline

- ▶ 2020 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

2020 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 clean 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, 2020
(in thousands of dollars)

	2020	2019
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>

Operations and Accumulated Surplus

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>	<u>98,430</u>
Accumulated Surplus, beginning of year		<u>2,140,412</u>	<u>2,041,982</u>
Accumulated Surplus, end of year		<u>\$ 2,203,167</u>	<u>\$ 2,140,412</u>

Changes in Net Financial Assets

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)
Increase (decrease) in Net Financial Assets	(112,947)	42,431	32,020
Net Financial Assets, beginning of year	300,222	300,222	268,202
Net Financial Assets, end of year	\$ 187,275	\$ 342,653	\$ 300,222

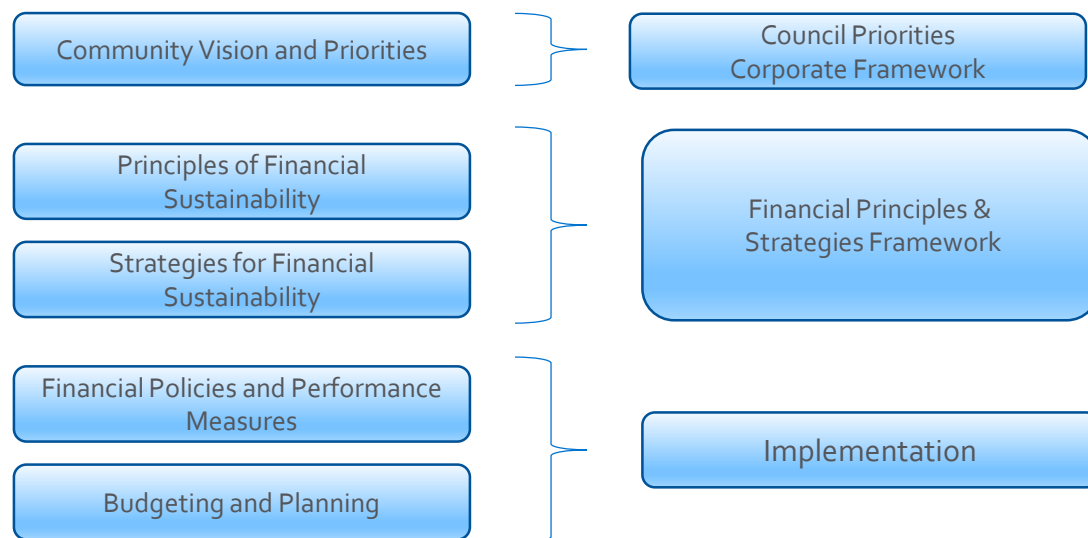
Cash Flow

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

	Actual 2020	Actual 2019
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	<u>1,393</u>	<u>(53,376)</u>
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	<u>18,842</u>	<u>24,989</u>
Cash and cash equivalents, end of year	<u>\$ 76,434</u>	<u>\$ 18,842</u>

Financial principles & strategies

► Decision Making Framework

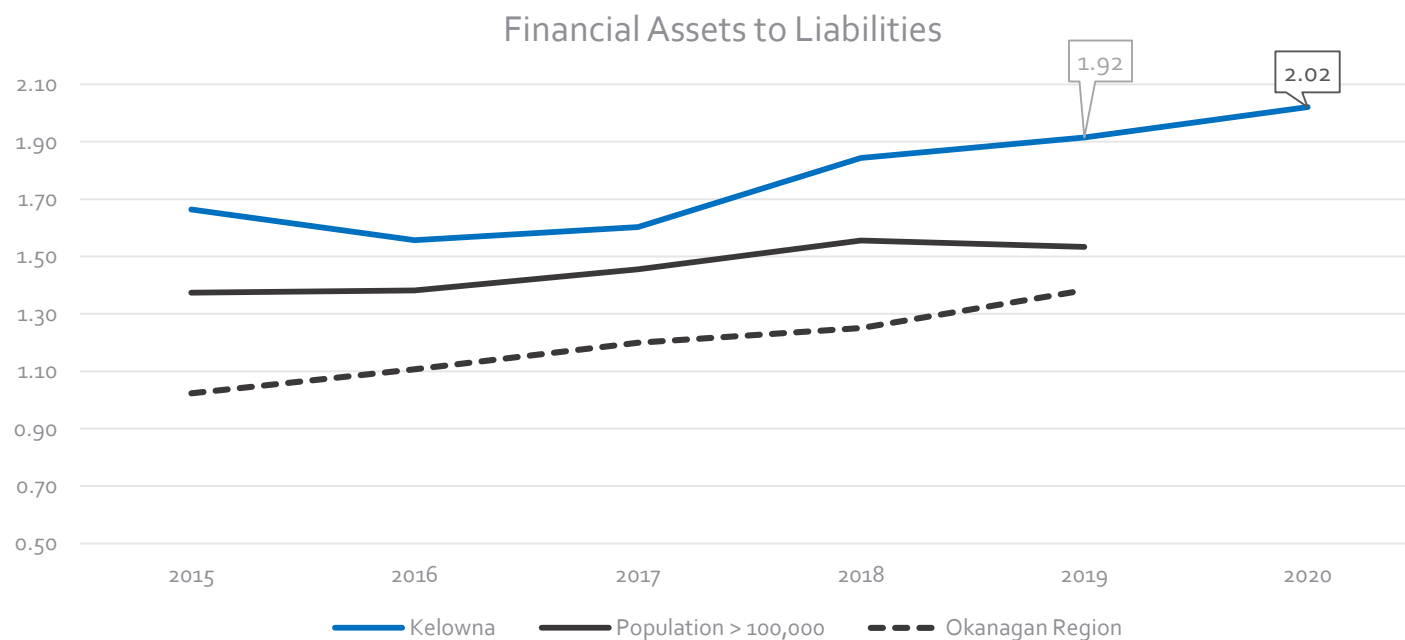


Financial Health Indicators

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

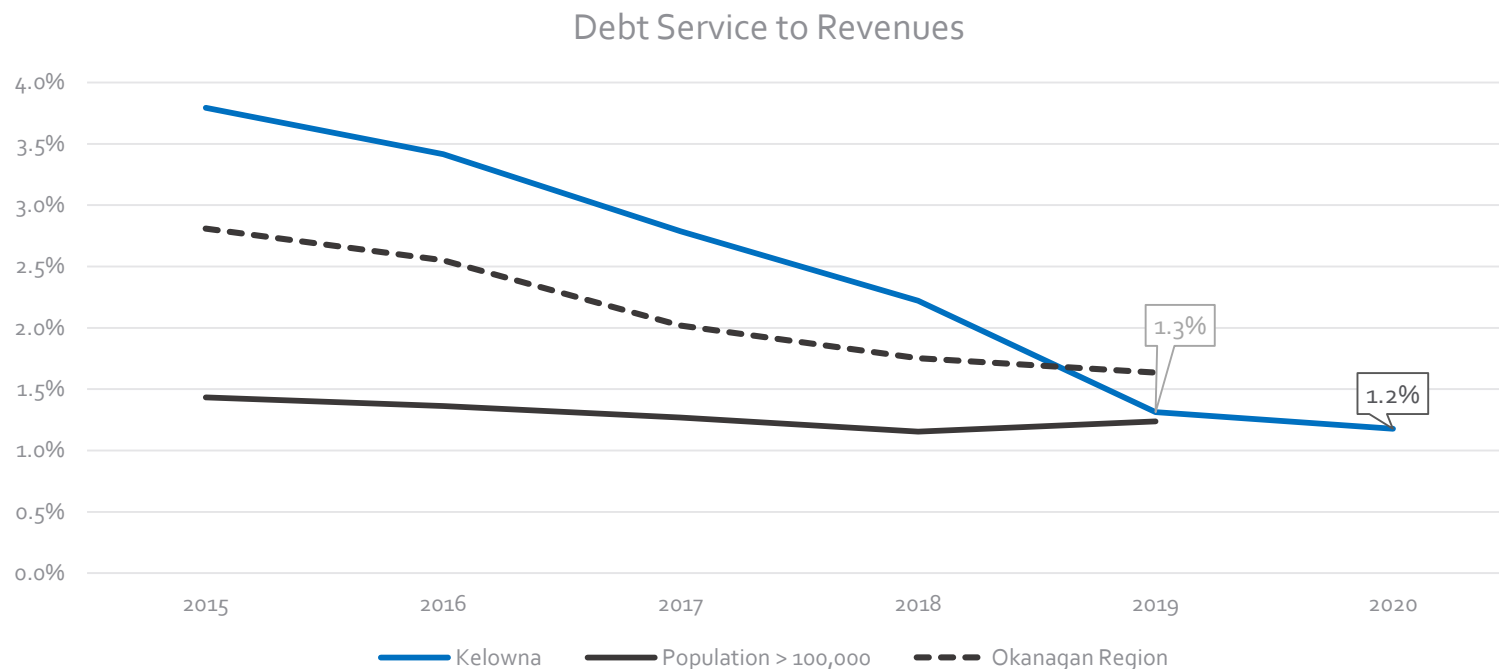
Sustainability Ratio

- ▶ Trending upward in recent years with financial assets growing at a greater rate than financial liabilities



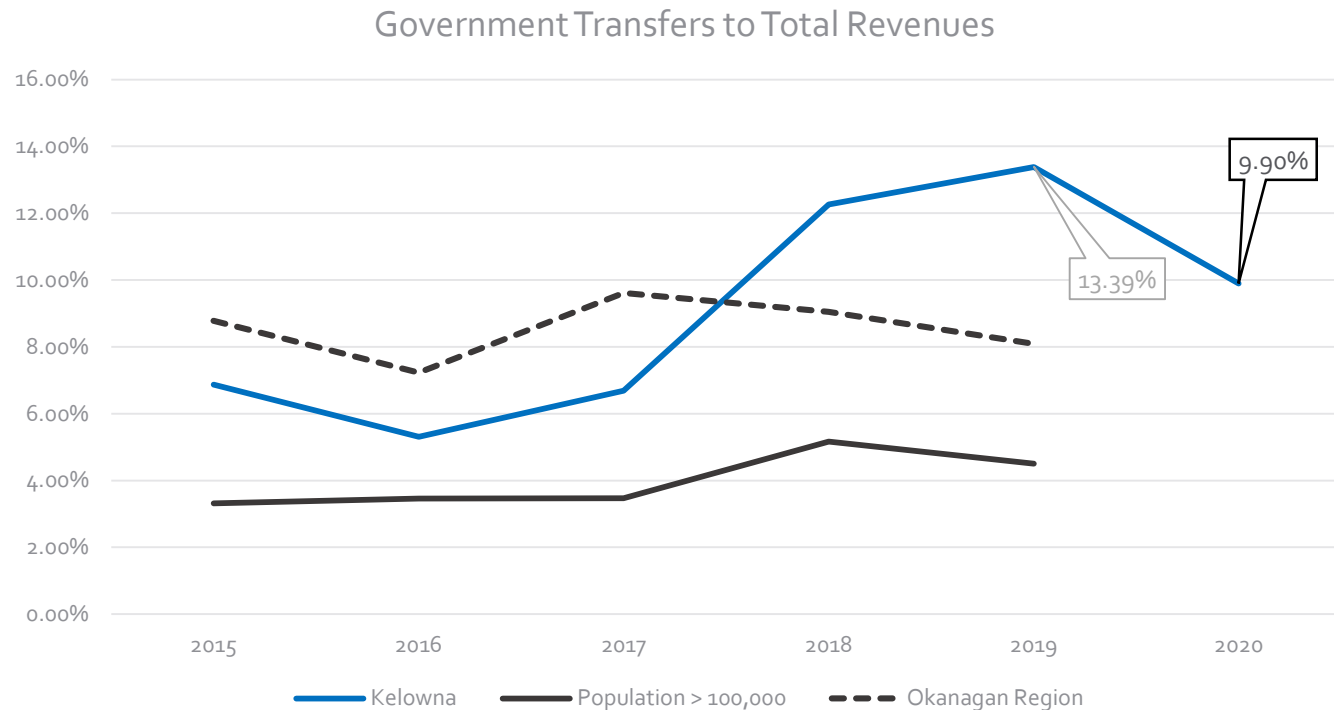
Flexibility Ratio

- ▶ Smaller ratio indicates greater flexibility in future borrowing decisions.



Vulnerability Ratio

- ▶ 2020 decrease due to the conclusion of the SEKID project.



Summary of Financial Health

- ▶ Services vary among Local Governments
- ▶ Decreasing revenues in 2020 challenged the City's flexibility ratios but currently remain at acceptable levels
- ▶ City is still strong and able to meet the ongoing challenges of the pandemic in 2021

2019 General Fund Financial Results

- ▶ General Fund surplus is \$8.9M
 - ▶ 3.4% of operating budget \$259M
 - ▶ Appropriate \$8.5M to reserve to support upcoming projects

- ▶ General Fund accumulated surplus is \$4.8M
 - ▶ Represents 3.0% of taxation demand
 - ▶ Emergency funding only

Appropriation to Reserve for Future Use

Community Safety	\$ 500,000
Slope Stability	750,000
Climate Action	500,000
Major Recreation	2,000,000
Building Repair	950,000
Major Systems	500,000
Future Capital Projects	3,300,000
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	\$ 8,500,000
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Utility Funds & Airport Fund

- ▶ Water & Wastewater Funds surplus \$1.9M and \$7.1M
 - ▶ Infrastructure replacement
 - ▶ Mitigate fluctuations in utility rates
 - ▶ Ensure healthy and safe service delivery

- ▶ Airport deficit \$1.4M
 - ▶ 64% decrease in passenger numbers
 - ▶ Expenditures \$4.4M less than budgeted

Internal Control Update

- ▶ Continued development of review engagement programs & templates for both the Compliance and Continuous Monitoring programs
- ▶ Reported 2020 accomplishments and 2021 work plans to Audit Committee

In Summary

- ▶ Strong Financial Results in 2020
- ▶ Received clean audit opinion
- ▶ Health Indicators show City is well positioned to meet current and future financial obligations
- ▶ Appropriations to reserves of \$8.5M support Council priorities and ability to navigate ongoing challenges of the COVID-19 pandemic
- ▶ Internal Control function achieving desired results



Questions?

For more information, visit kelowna.ca.