

2021

# Consolidated Financial Statements

Kelowna, British Columbia, Canada  
For the year ended December 31, 2021



# CITY OF KELOWNA

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# Independent auditor's 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, 2021, and the consolidated statements of operations and accumulated surplus, consolidated statement of changes in net financial assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, 2021, 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 28, 2022

Chartered Professional Accountants

**CITY OF KELOWNA**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2021**  
**(in thousands of dollars)**

	<u>2021</u>	<u>2020</u>
<b>Financial Assets</b>		
Cash and cash equivalents (Note 3)	\$ 103,765	\$ 76,434
Accounts receivable (Note 3)	47,450	29,783
Accrued interest	2,424	2,134
Portfolio investments (Note 3)	580,710	547,799
Long term investments (Note 10)	6,000	6,000
Assets held for resale	13,271	10,171
	<u>753,620</u>	<u>672,321</u>
<b>Liabilities</b>		
Accounts payable	50,762	80,452
Performance deposits	31,448	27,299
Deferred revenue (Note 3)	53,745	45,510
Deferred development cost charges (Note 3)	124,585	83,754
Long term debt (Note 3)	81,617	92,653
	<u>342,157</u>	<u>329,668</u>
<b>Net Financial Assets</b>	<u>411,463</u>	342,653
<b>Non-Financial Assets</b>		
Prepaid expenses	9,744	11,631
Inventory	1,420	1,290
Work in progress (Note 4)	26,868	24,092
Tangible capital assets (Note 4)	1,822,168	1,823,501
	<u>1,860,200</u>	<u>1,860,514</u>
<b>Accumulated Surplus</b> (Note 5)	<u>\$ 2,271,663</u>	<u>\$ 2,203,167</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, 2021**  
**(in thousands of dollars)**

	Budget 2021	Actual 2021	Actual 2020
<b>Revenue</b>			
Taxation (Note 6)	\$ 171,178	\$ 171,366	\$ 162,405
Fees and charges	110,436	142,185	118,146
Interest earned	4,009	11,540	13,199
DCC contributions	27,455	11,706	14,391
Government transfers (Note 7)	36,412	35,829	34,579
Other capital contributions	550	4,555	4,714
Gain on disposal of tangible capital assets	-	1,869	2,887
	<u>350,040</u>	<u>379,050</u>	<u>350,321</u>
<b>Expenses</b>			
General government	41,637	41,441	33,692
Protective services	73,268	73,909	65,063
Transportation	41,180	66,473	63,781
Recreation & cultural	40,815	44,101	41,707
Other services	24,483	25,379	24,031
Airport	16,032	21,997	21,907
Wastewater	12,878	21,420	21,913
Water	11,175	15,257	14,571
Loss on disposal of tangible capital assets	-	37	819
Write down of tangible capital assets	-	540	82
	<u>261,468</u>	<u>310,554</u>	<u>287,566</u>
<b>Annual Surplus</b>	<u>\$ 88,572</u>	<u>68,496</u>	62,755
Accumulated Surplus, beginning of year		<u>2,203,167</u>	2,140,412
<b>Accumulated Surplus, end of year</b>		<u>\$ 2,271,663</u>	<u>\$ 2,203,167</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, 2021**  
**(in thousands of dollars)**

	Budget 2021	Actual 2021	Actual 2020
<b>Annual Surplus</b>	\$ 88,572	\$ 68,496	\$ 62,755
Amortization of tangible capital assets	-	68,824	68,155
Proceeds from disposal of tangible capital assets	-	2,098	5,191
Gain on disposal of tangible capital assets	-	(1,832)	(2,067)
Write down of tangible capital assets	-	540	82
Acquisition of tangible capital assets	(235,156)	(69,219)	(88,013)
Contributions of tangible capital assets	-	(1,854)	(2,263)
Change in inventory and prepaid expenses	-	1,757	(1,409)
<b>Increase (decrease) in Net Financial Assets</b>	(146,584)	68,810	42,431
Net Financial Assets, beginning of year	342,653	342,653	300,222
<b>Net Financial Assets, end of year</b>	<u>\$ 196,069</u>	<u>\$ 411,463</u>	<u>\$ 342,653</u>

*See accompanying notes to the consolidated financial statements.*

**CITY OF KELOWNA**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2021**  
**(in thousands of dollars)**

	<u>Actual 2021</u>	<u>Actual 2020</u>
<b>Net inflow (outflow) of cash and cash equivalents related to the following activities</b>		
<b>Operating</b>		
Annual surplus	\$ 68,496	\$ 62,755
Adjustment for non-cash items		
Amortization of tangible capital assets	68,824	68,155
Gain on disposal of tangible capital assets	(1,832)	(2,067)
Write down of tangible capital assets	540	82
Actuarial adjustment on long term debt	(2,072)	(2,159)
Contributions of tangible capital assets	(1,854)	(2,263)
Decrease (increase) in		
Accounts receivable	(17,667)	10,355
Inventory and prepaid expenses	1,757	(1,409)
Other assets	(3,390)	(4,789)
Increase (decrease) in		
Accounts payable	(29,690)	17,168
Deferred development cost charges	40,831	4,654
Other liabilities	12,384	(658)
	<u>136,327</u>	<u>149,824</u>
<b>Capital</b>		
Acquisition of tangible capital assets	(69,219)	(88,013)
Proceeds from disposal of tangible capital assets	2,098	5,191
	<u>(67,121)</u>	<u>(82,822)</u>
<b>Investing</b>		
Change in investments	(32,911)	1,393
<b>Financing</b>		
Proceeds from issuance of long term debt	-	73
Repayment of long term debt	(8,964)	(10,876)
	<u>(8,964)</u>	<u>(10,803)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>27,331</b>	<b>57,592</b>
Cash and cash equivalents, beginning of year	76,434	18,842
<b>Cash and cash equivalents, end of year</b>	<b>\$ 103,765</b>	<b>\$ 76,434</b>
<b>Non-cash capital activities</b>		
Acquisition of tangible capital assets through contributions (Note 4)	\$ 1,854	\$ 2,263

*See accompanying notes to the consolidated financial statements.*