

**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021**  
**(in thousands of dollars)**

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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.

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**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. Assets are valued at the lower of cost or expected net realizable value. Cost includes amounts for improvements required 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, 2021**  
**(in thousands 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>2021</u>     | <u>2020</u>     |
|---------------------------|-----------------|-----------------|
| Cash deposits held by MFA | \$ 1,833        | \$ 1,812        |
| Demand notes held by MFA  | <u>4,135</u>    | <u>4,152</u>    |
|                           | <u>\$ 5,968</u> | <u>\$ 5,964</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 are not reflected in these consolidated financial statements. They include works of art and historic assets located throughout the City.

**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, 2021**  
**(in thousands 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<br/>Life<br/>(years)</u> | <u>Asset Type</u>                       | <u>Useful<br/>Life<br/>(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, 2021**  
**(in thousands 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, 2021**  
**(in thousands 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 380 Harvey Avenue. Clean up activities took place in 2020/21, primarily consisting of soil delineation and groundwater monitoring and work will continue in 2022. A liability in the amount of \$30 (2020 - \$47) is based on contractor estimates of the remaining work to be undertaken.

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 2020/21 and further work will be undertaken in 2022 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 \$300 (2020 - \$170) is based on contractor estimates of the remaining work required to be undertaken.

The City's liability of \$330 (2020 - \$217) 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.

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**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021**  
**(in thousands of dollars)**

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**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.

**Purchased Intangibles, PSG-8**

This public sector guideline establishes standards on how to account for and report on purchased intangibles. This public sector guideline applies to fiscal years beginning on or after April 1, 2023, with early adoption permitted.

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**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021**  
**(in thousands of dollars)**

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**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>2021</u>      | <u>2020</u>      |
|-----------------------------------|------------------|------------------|
| Property tax                      | \$ 6,736         | \$ 5,718         |
| Trade receivables                 | 14,295           | 11,559           |
| Due from government               | 741              | 1,058            |
| Due from provincial government    | 2,827            | 1,285            |
| Due from regional government      | 80               | 41               |
| Utilities                         | 6,565            | 5,344            |
| Deferred development cost charges | 16,206           | 4,778            |
|                                   | <u>\$ 47,450</u> | <u>\$ 29,783</u> |

**Portfolio investments**

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

| <u>Type of investment</u>                            | <u>2021</u>       | <u>2020</u>       |
|------------------------------------------------------|-------------------|-------------------|
| Municipal Finance Authority investment funds         | \$ 139,658        | \$ 130,507        |
| Provincial and bank issued bonds                     | 98,401            | 94,713            |
| Publicly traded shares                               | 72,209            | 69,016            |
| Guaranteed Investment Certificates and deposit notes | 270,442           | 253,563           |
| Total Portfolio investments                          | <u>\$ 580,710</u> | <u>\$ 547,799</u> |

The quoted market value of the publicly traded shares at December 31, 2021 was \$125,060 (2020 - \$103,922).

**Operating line of credit**

The City has an operating line of credit with the Royal Bank of Canada for an authorized amount of \$5,000 bearing interest at bank prime rate less 0.50%. At December 31, 2021 the balance outstanding was \$nil (2020 - \$nil).

**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021**  
**(in thousands 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.

| <b><u>Deferred Revenue<br/>by Type</u></b> | <b><u>2020</u></b> | <b><u>Receipts</u></b> | <b><u>Interest</u></b> | <b><u>Transfers Out</u></b> | <b><u>2021</u></b> |
|--------------------------------------------|--------------------|------------------------|------------------------|-----------------------------|--------------------|
| Tax prepayments                            | \$ 18,666          | \$ 36,387              | \$ -                   | \$ 34,774                   | \$ 20,279          |
| Construction                               | 15,671             | 3,052                  | 27                     | 1,033                       | 17,717             |
| Grants                                     | 619                | 783                    | -                      | 526                         | 876                |
| Other                                      | 6,285              | 14,547                 | -                      | 10,247                      | 10,585             |
| Local Area Service                         | 4,269              | 111                    | -                      | 92                          | 4,288              |
| <b>Total</b>                               | <b>\$ 45,510</b>   | <b>\$ 54,880</b>       | <b>\$ 27</b>           | <b>\$ 46,672</b>            | <b>\$ 53,745</b>   |

**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.

|                           | <b><u>2020</u></b> | <b><u>Receipts</u></b> | <b><u>Interest</u></b> | <b><u>Transfers Out</u></b> | <b><u>2021</u></b> |
|---------------------------|--------------------|------------------------|------------------------|-----------------------------|--------------------|
| Parks Land/Development    | \$ 21,344          | \$ 22,176              | \$ 473                 | \$ 7,528                    | \$ 36,465          |
| Roads                     | 57,647             | 18,604                 | 1,083                  | 3,143                       | 74,191             |
| Water                     | 14,842             | 1,289                  | 256                    | 263                         | 16,124             |
| Wastewater                | (10,079)           | 8,771                  | (115)                  | 772                         | (2,195)            |
| <b>Total Deferred DCC</b> | <b>\$ 83,754</b>   | <b>\$ 50,840</b>       | <b>\$ 1,697</b>        | <b>\$ 11,706</b>            | <b>\$ 124,585</b>  |

**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:

|                     | <b><u>Total</u></b> |
|---------------------|---------------------|
| 2022                | \$ 10,400           |
| 2023                | 9,152               |
| 2024                | 8,712               |
| 2025                | 8,740               |
| 2026                | 7,620               |
| 2027 and thereafter | 36,993              |
| <b>Total</b>        | <b>\$ 81,617</b>    |



**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021**  
**(in thousands of dollars)**

---

Total outstanding debt issued was \$155,530 and total debt payable at December 31, 2021 was \$81,617 (2020 - \$92,653). Total interest paid in 2021 was \$3,667 (2020 - \$4,052).

Schedule 3 provides a breakdown of long term debt.

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

|                         | <b>2021</b>      | <b>2021</b>             | <b>2020</b>      | <b>2020</b>             |
|-------------------------|------------------|-------------------------|------------------|-------------------------|
|                         | <b>Work in</b>   | <b>Tangible capital</b> | <b>Work in</b>   | <b>Tangible capital</b> |
|                         | <b>progress</b>  | <b>assets (NBV)</b>     | <b>progress</b>  | <b>assets (NBV)</b>     |
| Land                    | \$ -             | \$ 348,576              | \$ -             | \$ 339,192              |
| Land improvements       | 336              | 33,079                  | 86               | 35,243                  |
| Buildings               | 9,323            | 187,870                 | 9,015            | 188,373                 |
| Infrastructure          | 15,323           | 1,170,786               | 13,420           | 1,180,216               |
| Machinery and equipment | 1,886            | 81,857                  | 1,571            | 80,477                  |
|                         | <b>\$ 26,868</b> | <b>\$ 1,822,168</b>     | <b>\$ 24,092</b> | <b>\$ 1,823,501</b>     |

Contributions received in 2021 include:

| <b><u>Type of contribution</u></b>        | <b>2021</b>     | <b>2020</b>     |
|-------------------------------------------|-----------------|-----------------|
| Land                                      | \$ 1,838        | \$ 2,263        |
| Infrastructure                            | 16              | -               |
| Total Contributed tangible capital assets | <b>\$ 1,854</b> | <b>\$ 2,263</b> |

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

During the year, tangible capital assets with a cost of \$540 (2020 - \$82) were written off due to impairment.

During the year, no interest was capitalized \$nil (2020 - \$nil).

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**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021**  
**(in thousands of dollars)**

**5. Accumulated surplus**

|                                         | Reserves for<br>Future<br>Expenditures | Statutory<br>Reserves | Fund<br>Surpluses | Investment<br>in<br>Tangible<br>Capital<br>Assets | Total<br>2021       | Total<br>2020       |
|-----------------------------------------|----------------------------------------|-----------------------|-------------------|---------------------------------------------------|---------------------|---------------------|
| Accumulated surplus, beginning of year  | \$ 280,128                             | \$ 97,128             | \$ 64,545         | \$ 1,761,366                                      | \$ 2,203,167        | \$ 2,140,412        |
| Annual surplus (deficit)                | 4,873                                  | 1,761                 | 109,938           | (48,076)                                          | 68,496              | 62,755              |
| Transfers                               | 17,772                                 | 15,633                | (97,059)          | 63,654                                            | -                   | -                   |
| <b>Accumulated surplus, end of year</b> | <b>\$ 302,773</b>                      | <b>\$ 114,522</b>     | <b>\$ 77,424</b>  | <b>\$ 1,776,944</b>                               | <b>\$ 2,271,663</b> | <b>\$ 2,203,167</b> |

Accumulated Surplus detail as follows:

| Description                                      | Balances,<br>Beginning of Year | Transfer<br>From  | Transfer<br>To    | Annual<br>Surplus | Balances,<br>End of Year |
|--------------------------------------------------|--------------------------------|-------------------|-------------------|-------------------|--------------------------|
| <b><u>Non-Statutory Reserves</u></b>             |                                |                   |                   |                   |                          |
| General Fund reserve                             | \$ 220,016                     | \$ 19,989         | \$ 24,258         | \$ 4,667          | \$ 228,952               |
| Airport Fund reserve                             | 28,368                         | 9,385             | 15,297            | 124               | 34,404                   |
| Waste Water Fund reserve                         | 10,947                         | 593               | 6,176             | 15                | 16,545                   |
| Water Fund reserve                               | 20,797                         | 3,705             | 5,713             | 67                | 22,872                   |
|                                                  | <u>280,128</u>                 | <u>33,672</u>     | <u>51,444</u>     | <u>4,873</u>      | <u>302,773</u>           |
| <b><u>Statutory Reserves</u></b>                 |                                |                   |                   |                   |                          |
| Parking reserve                                  | 7,473                          | 3,309             | 4,435             | 118               | 8,717                    |
| Land reserve                                     | 9,296                          | 5,681             | 2,140             | 192               | 5,947                    |
| Capital works, machinery and equipment reserve   | 80,359                         | 16,678            | 34,726            | 1,451             | 99,858                   |
|                                                  | <u>97,128</u>                  | <u>25,668</u>     | <u>41,301</u>     | <u>1,761</u>      | <u>114,522</u>           |
| <b><u>Surplus by Fund</u></b>                    |                                |                   |                   |                   |                          |
| General Fund surplus                             | 4,763                          | 104,869           | 40,380            | 73,278            | 13,552                   |
| Airport Fund surplus                             | 2,407                          | 17,448            | 2,805             | 14,643            | 2,407                    |
| Waste Water Fund surplus                         | 48,036                         | 11,469            | 4,159             | 10,776            | 51,502                   |
| Water Fund surplus                               | 9,339                          | 11,594            | 977               | 11,241            | 9,963                    |
| Accumulated Surplus                              | <u>64,545</u>                  | <u>145,380</u>    | <u>48,321</u>     | <u>109,938</u>    | <u>77,424</u>            |
| <b><u>Investment in Non Financial Assets</u></b> |                                |                   |                   |                   |                          |
| Investment in tangible capital assets            | <u>1,761,366</u>               | <u>8,964</u>      | <u>72,618</u>     | <u>(48,076)</u>   | <u>1,776,944</u>         |
| <b>Accumulated Surplus</b>                       | <b>\$ 2,203,167</b>            | <b>\$ 213,684</b> | <b>\$ 213,684</b> | <b>\$ 68,496</b>  | <b>\$ 2,271,663</b>      |

**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021**  
**(in thousands of dollars)**

---

**6. Taxation**

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

|                                                   | <u>2021</u>       | <u>2020</u>       |
|---------------------------------------------------|-------------------|-------------------|
| <b>Taxes collected</b>                            |                   |                   |
| Property taxes                                    | \$ 268,596        | \$ 239,997        |
| Local improvement levies                          | 146               | 146               |
| Frontage tax - water                              | 1,668             | 1,548             |
| Specified sewer area recoveries                   | 1,293             | 1,292             |
| Grants in lieu of taxes                           | 472               | 655               |
| Levies - library                                  | 6,916             | 6,797             |
| Levies - other                                    | 1,341             | 1,282             |
|                                                   | <u>280,432</u>    | <u>251,717</u>    |
| <b>Less transfers to other governments</b>        |                   |                   |
| Province of BC (school taxes)                     | 79,658            | 60,941            |
| BC Assessment Authority                           | 2,272             | 2,262             |
| Regional Hospital District                        | 13,630            | 13,105            |
| Regional District of Central Okanagan             | 13,506            | 13,004            |
|                                                   | <u>109,066</u>    | <u>89,312</u>     |
| <b>Net taxes available for municipal purposes</b> | <u>\$ 171,366</u> | <u>\$ 162,405</u> |

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**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021**  
**(in thousands 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. During the year \$203 (2020 - \$nil) remained as deferred revenue for future expenditures. In 2021 the City received and recorded as revenue the following transfers:

|                                   | <u>2021</u>      | <u>2020</u>      |
|-----------------------------------|------------------|------------------|
| <b>Operating transfers</b>        |                  |                  |
| Federal                           | \$ 3,699         | \$ 176           |
| Provincial                        | 27,403           | 27,078           |
| Other governments                 | 175              | 224              |
|                                   | <u>31,277</u>    | <u>27,478</u>    |
| <b>Capital transfers</b>          |                  |                  |
| Federal                           | 760              | 357              |
| Provincial                        | 3,772            | 6,720            |
| Other governments                 | 20               | 24               |
|                                   | <u>4,552</u>     | <u>7,101</u>     |
| <b>Total Government transfers</b> | <u>\$ 35,829</u> | <u>\$ 34,579</u> |

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**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021**  
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**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 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. Basic pension benefits are based on a formula. As at December 31, 2020, the plan has about 220,000 active members and approximately 112,000 retired members. Active members include approximately 42,000 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 \$2.9 billion funding surplus for basic pension benefits on a going concern basis.

The City of Kelowna paid \$8,209 (2020 - \$7,840) for employer contributions while employees contributed \$6,834 (2020 - \$6,548) to the plan in fiscal 2021.

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, 2021**  
**(in thousands of dollars)**

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**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.

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**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, 2021 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 87 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 \$30,660 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 \$4,429 (2020 - \$4,278) represents the portion of the estimated total expenditure recognized as at December 31, 2021. The remaining capacity of the landfill site is estimated at 26.8 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, 2021**  
**(in thousands of dollars)**

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**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 \$1,800 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 for a 20-year term. Both loans have an interest rate of lender's prime less 0.5%. As at December 31, 2021, the outstanding loan balance was \$537 (2020 - \$613). 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 \$6,727 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 \$5,382 (2020 - \$6,055) 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.

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**10. Long term investments**

**Kelowna Developments Ltd.**

The investment in Kelowna Developments Ltd., a wholly owned subsidiary, is carried at its cost of \$2.00. 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 \$6,000. 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 \$1.00 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.

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**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021**  
**(in thousands of dollars)**

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**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 \$68,816 (2020 - \$49,957) 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 \$68,816, the City is holding irrevocable Letters of Credit in the amount of \$18,155 (2020 - \$6,180) which are received from developers to ensure payment of development cost charges in future years.

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**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, 2021 the Trust Fund balance is \$3,348 (2020 - \$3,178).

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**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 Kelowna International Airport (the 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 general revenue reported under this segment 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. The expenses within this segment 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.

**Protective services**

Protective services are comprised of fire protection services, building inspection services, bylaw enforcement and police services provided by the Royal Canadian Mounted Police.

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.

Police services, provided by the Royal Canadian Mounted Police, include administration, crime investigation and prevention, traffic, prisoner custody and court liaison expenses.



**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021**  
**(in thousands of dollars)**

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**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 are comprised of services related to recreation, leisure and culture including administration and program costs as well as grounds and building maintenance. Facilities managed within this segment include parks and playgrounds, arenas, swimming pools, beaches, boat launches, stadiums as well as community and multi-age activity centers. Some of the larger facilities that the City owns and/or operates include the H2O Adventure & Fitness Centre, Parkinson Recreation Centre, Kelowna Community Theatre, Kelowna Museum, Kelowna Library, Kelowna Art Gallery, Capital News Center and the Rotary Centre for the Arts.

**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 services in a safe and cost effective manner in compliance with Federal regulations. The Airport is self-funded, provides a payment in lieu of property taxes to the City of Kelowna, and is accounted for in its own fund.

**Wastewater services**

Kelowna's wastewater 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 75% of Kelowna's population and expansion to unserved areas continues. Kelowna's wastewater system has a treatment capacity of 70 million litres per day. Wastewater Utility is accounted for in its own fund.

**Water services**

The Water Utility is responsible for planning, expansion, operation and maintenance of the City's Water Supply System 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.

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**14. Expenses by object**

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

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**CITY OF KELOWNA**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2021**  
**(in thousands of dollars)**

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**15. Budget data**

The budget figures are from the Annual Five-Year Financial Plan Bylaw adopted before May 15<sup>th</sup> 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> |
|--------------------------------------------|----------------------|
| <b>Revenues:</b>                           |                      |
| Operating budget                           | \$ 312,263           |
| Capital budget                             | 37,777               |
|                                            | <u>350,040</u>       |
| <b>Expenses:</b>                           |                      |
| Operating budget                           | 261,468              |
| Capital budget                             | 235,156              |
|                                            | <u>496,624</u>       |
| Annual deficit per approved budget         | (146,584)            |
| Add: tangible capital asset purchases      | 235,156              |
| Annual surplus per statement of operations | <u>\$ 88,572</u>     |

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**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 \$7,000 to be received over 80 years with an option to renew for an additional 19 years.

As of December 31, 2021, the City of Kelowna received a \$2,700 prepayment with the remaining balance of \$4,300 in the form of non-cash consideration, estimated to be received in 2024.

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**17. Comparative figures**

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

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**CITY OF KELOWNA**  
**Schedule 1 - Tangible Capital Assets**  
**For the Year Ended December 31, 2021**  
**(in thousands of dollars)**

|                                                  | <b>Machinery &amp; Equipment</b> |                              |                   |                  |                                      |                  | <b>Subtotal<br/>Machinery &amp;<br/>Equipment</b> |
|--------------------------------------------------|----------------------------------|------------------------------|-------------------|------------------|--------------------------------------|------------------|---------------------------------------------------|
|                                                  | <b>Land</b>                      | <b>Land<br/>Improvements</b> | <b>Buildings</b>  | <b>Vehicles</b>  | <b>Machinery &amp;<br/>Equipment</b> | <b>Computers</b> |                                                   |
| <b>Cost</b>                                      |                                  |                              |                   |                  |                                      |                  |                                                   |
| Balance, beginning of year                       | \$ 339,192                       | \$ 79,111                    | \$ 357,148        | \$ 36,152        | \$ 108,235                           | \$ 22,321        | \$ 166,708                                        |
| Add: additions during the year                   | 12,647                           | 325                          | 2,434             | 3,425            | 1,986                                | 1,930            | 7,341                                             |
| Add: transfers to tangible capital assets        | -                                | 42                           | 5,658             | 468              | 3,746                                | 175              | 4,389                                             |
| Less: assets held for resale                     | (3,101)                          | -                            | -                 | -                | -                                    | -                | -                                                 |
| Less: disposals during the year                  | (162)                            | -                            | -                 | (663)            | (69)                                 | (639)            | (1,371)                                           |
| <b>Balance, end of year</b>                      | <b>348,576</b>                   | <b>79,478</b>                | <b>365,240</b>    | <b>39,382</b>    | <b>113,898</b>                       | <b>23,787</b>    | <b>177,067</b>                                    |
| <b>Accumulated Amortization</b>                  |                                  |                              |                   |                  |                                      |                  |                                                   |
| Balance, beginning of year                       | -                                | 43,868                       | 168,775           | 21,697           | 51,687                               | 12,847           | 86,231                                            |
| Add: amortization                                | -                                | 2,531                        | 8,595             | 2,148            | 5,006                                | 2,620            | 9,774                                             |
| Less: accumulated amortization on disposals      | -                                | -                            | -                 | (605)            | (21)                                 | (169)            | (795)                                             |
| Less: amortization on assets held for resale     | -                                | -                            | -                 | -                | -                                    | -                | -                                                 |
| <b>Balance, end of year</b>                      | <b>-</b>                         | <b>46,399</b>                | <b>177,370</b>    | <b>23,240</b>    | <b>56,672</b>                        | <b>15,298</b>    | <b>95,210</b>                                     |
| <b>Net Book Value of Tangible Capital Assets</b> | <b>\$ 348,576</b>                | <b>\$ 33,079</b>             | <b>\$ 187,870</b> | <b>\$ 16,142</b> | <b>\$ 57,226</b>                     | <b>\$ 8,489</b>  | <b>\$ 81,857</b>                                  |

|                                                  | <b>Infrastructure</b>             |                                                         |                                                  |                                                               |                                   |                                    |                             |                       |                       |
|--------------------------------------------------|-----------------------------------|---------------------------------------------------------|--------------------------------------------------|---------------------------------------------------------------|-----------------------------------|------------------------------------|-----------------------------|-----------------------|-----------------------|
|                                                  | <b>Plant &amp;<br/>Facilities</b> | <b>Roads, Lanes,<br/>Sidewalks &amp;<br/>Bike Paths</b> | <b>Bridges,<br/>Tunnels &amp;<br/>Overpasses</b> | <b>Underground,<br/>Overhead &amp;<br/>Other<br/>Networks</b> | <b>Airport<br/>Infrastructure</b> | <b>Subtotal<br/>Infrastructure</b> | <b>Work In<br/>Progress</b> | <b>Total<br/>2021</b> | <b>Total<br/>2020</b> |
| <b>Cost</b>                                      |                                   |                                                         |                                                  |                                                               |                                   |                                    |                             |                       |                       |
| Balance, beginning of year                       | \$ 219,880                        | \$ 578,887                                              | \$ 35,152                                        | \$ 1,197,431                                                  | \$ 85,522                         | \$ 2,116,872                       | \$ 24,092                   | \$ 3,083,123          | \$ 2,996,781          |
| Add: additions during the year                   | 552                               | 7,166                                                   | 134                                              | 6,426                                                         | 3,928                             | 18,206                             | 33,223                      | 74,176                | 95,375                |
| Add: transfers to tangible capital assets        | 8,449                             | 3,858                                                   | 1,716                                            | 6,335                                                         | -                                 | 20,358                             | (30,447)                    | -                     | -                     |
| Less: assets held for resale                     | -                                 | -                                                       | -                                                | -                                                             | -                                 | -                                  | -                           | (3,101)               | (5,046)               |
| Less: disposals during the year                  | -                                 | (137)                                                   | -                                                | (2)                                                           | -                                 | (139)                              | -                           | (1,672)               | (3,987)               |
| <b>Balance, end of year</b>                      | <b>228,881</b>                    | <b>589,774</b>                                          | <b>37,002</b>                                    | <b>1,210,190</b>                                              | <b>89,450</b>                     | <b>2,155,297</b>                   | <b>26,868</b>               | <b>3,152,526</b>      | <b>3,083,123</b>      |
| <b>Accumulated Amortization</b>                  |                                   |                                                         |                                                  |                                                               |                                   |                                    |                             |                       |                       |
| Balance, beginning of year                       | 96,763                            | 352,301                                                 | 10,222                                           | 441,166                                                       | 36,204                            | 936,656                            | -                           | 1,235,530             | 1,168,103             |
| Add: amortization                                | 7,575                             | 19,087                                                  | 558                                              | 18,052                                                        | 2,652                             | 47,924                             | -                           | 68,824                | 68,155                |
| Less: accumulated amortization on disposals      | -                                 | (69)                                                    | -                                                | -                                                             | -                                 | (69)                               | -                           | (864)                 | (781)                 |
| Less: amortization on assets held for resale     | -                                 | -                                                       | -                                                | -                                                             | -                                 | -                                  | -                           | -                     | 53                    |
| <b>Balance, end of year</b>                      | <b>104,338</b>                    | <b>371,319</b>                                          | <b>10,780</b>                                    | <b>459,218</b>                                                | <b>38,856</b>                     | <b>984,511</b>                     | <b>-</b>                    | <b>1,303,490</b>      | <b>1,235,530</b>      |
| <b>Net Book Value of Tangible Capital Assets</b> | <b>\$ 124,543</b>                 | <b>\$ 218,455</b>                                       | <b>\$ 26,222</b>                                 | <b>\$ 750,972</b>                                             | <b>\$ 50,594</b>                  | <b>\$ 1,170,786</b>                | <b>\$ 26,868</b>            | <b>\$ 1,849,036</b>   | <b>\$ 1,847,593</b>   |

**CITY OF KELOWNA**  
**Schedule 2 - Segmented Information**  
**For the Year Ended December 31, 2021**  
**(in thousands of dollars)**

|                                             | <u>General<br/>Government</u> | <u>Protective<br/>Services</u> | <u>Transportation</u> | <u>Recreation &amp;<br/>Cultural</u> | <u>Other<br/>Services</u> | <u>Airport</u>  | <u>Wastewater</u> | <u>Water</u>    | <u>Statutory<br/>Reserves</u> | <u>2021</u>      |
|---------------------------------------------|-------------------------------|--------------------------------|-----------------------|--------------------------------------|---------------------------|-----------------|-------------------|-----------------|-------------------------------|------------------|
| <b>Revenue</b>                              |                               |                                |                       |                                      |                           |                 |                   |                 |                               |                  |
| Taxation                                    | \$ 168,237                    | \$ -                           | \$ 146                | \$ -                                 | \$ -                      | \$ -            | \$ 1,293          | \$ 1,690        | \$ -                          | \$ 171,366       |
| Fees and charges                            | 19,799                        | 13,179                         | 14,493                | 3,618                                | 30,942                    | 21,814          | 19,765            | 18,506          | 69                            | 142,185          |
| Interest earned                             | 8,612                         | -                              | -                     | -                                    | -                         | 184             | 827               | 225             | 1,692                         | 11,540           |
| DCC contributions                           | -                             | -                              | 3,143                 | 7,528                                | -                         | -               | 772               | 263             | -                             | 11,706           |
| Government transfers                        | 6,489                         | 1,973                          | 15,067                | 1,651                                | 219                       | 7,269           | 163               | 2,998           | -                             | 35,829           |
| Other capital contributions                 | 3,069                         | -                              | -                     | 277                                  | -                         | 262             | 414               | 533             | -                             | 4,555            |
| Gain on disposal of tangible capital assets | 1,298                         | -                              | 513                   | -                                    | 58                        | -               | -                 | -               | -                             | 1,869            |
|                                             | <u>207,504</u>                | <u>15,152</u>                  | <u>33,362</u>         | <u>13,074</u>                        | <u>31,219</u>             | <u>29,529</u>   | <u>23,234</u>     | <u>24,215</u>   | <u>1,761</u>                  | <u>379,050</u>   |
| <b>Expenses</b>                             |                               |                                |                       |                                      |                           |                 |                   |                 |                               |                  |
| Salaries and benefits                       | 24,512                        | 34,034                         | 9,717                 | 11,819                               | 9,095                     | 4,304           | 3,756             | 4,290           | -                             | 101,527          |
| Contract and professional services          | 7,720                         | 1,584                          | 28,839                | 7,565                                | 8,692                     | 1,366           | 620               | 500             | -                             | 56,886           |
| RCMP Contract                               | -                             | 36,778                         | -                     | -                                    | -                         | -               | -                 | -               | -                             | 36,778           |
| Materials and supplies                      | 6,212                         | 1,685                          | 6,270                 | 11,334                               | 1,636                     | 6,245           | 1,625             | 1,415           | -                             | 36,422           |
| Equipment                                   | 671                           | 386                            | 3,361                 | 1,794                                | 2,540                     | 10              | 854               | 784             | -                             | 10,400           |
| Allocations                                 | (7,069)                       | (145)                          | (216)                 | (193)                                | 1,841                     | 1,972           | 2,894             | 925             | -                             | 9                |
| Cost recoveries                             | (1,449)                       | (2,690)                        | (9,610)               | (147)                                | (1,457)                   | (609)           | (240)             | (636)           | -                             | (16,838)         |
| Grants and external transfers               | 2,668                         | 84                             | 5                     | 1,777                                | 390                       | -               | -                 | 9               | -                             | 4,933            |
| Utilities                                   | 188                           | 309                            | 1,353                 | 2,065                                | 346                       | 582             | 1,131             | 1,395           | -                             | 7,369            |
| Loss on disposal of tangible capital assets | -                             | -                              | 37                    | -                                    | -                         | -               | -                 | -               | -                             | 37               |
| Write down of tangible capital assets       | 470                           | -                              | 70                    | -                                    | -                         | -               | -                 | -               | -                             | 540              |
| Amortization of tangible capital assets     | 5,543                         | 1,885                          | 26,752                | 8,087                                | 2,297                     | 7,544           | 10,429            | 6,287           | -                             | 68,824           |
| <b>Total before Debt</b>                    | <u>39,466</u>                 | <u>73,910</u>                  | <u>66,578</u>         | <u>44,101</u>                        | <u>25,380</u>             | <u>21,414</u>   | <u>21,069</u>     | <u>14,969</u>   | <u>-</u>                      | <u>306,887</u>   |
| Debt interest and fiscal services           | 2,445                         | -                              | -                     | -                                    | -                         | 584             | 350               | 288             | -                             | 3,667            |
| <b>Total operating expenses</b>             | <u>41,911</u>                 | <u>73,910</u>                  | <u>66,578</u>         | <u>44,101</u>                        | <u>25,380</u>             | <u>21,998</u>   | <u>21,419</u>     | <u>15,257</u>   | <u>-</u>                      | <u>310,554</u>   |
| <b>Annual Surplus (Deficit)</b>             | <u>\$ 165,593</u>             | <u>\$ (58,758)</u>             | <u>\$ (33,216)</u>    | <u>\$ (31,027)</u>                   | <u>\$ 5,839</u>           | <u>\$ 7,531</u> | <u>\$ 1,815</u>   | <u>\$ 8,958</u> | <u>\$ 1,761</u>               | <u>\$ 68,496</u> |

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

|                                             | <u>General<br/>Government</u> | <u>Protective<br/>Services</u> | <u>Transportation</u> | <u>Recreation &amp;<br/>Cultural</u> | <u>Other<br/>Services</u> | <u>Airport</u>    | <u>Wastewater</u> | <u>Water</u>     | <u>Statutory<br/>Reserves</u> | <u>2020</u>      |
|---------------------------------------------|-------------------------------|--------------------------------|-----------------------|--------------------------------------|---------------------------|-------------------|-------------------|------------------|-------------------------------|------------------|
| <b>Revenue</b>                              |                               |                                |                       |                                      |                           |                   |                   |                  |                               |                  |
| 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>   |
| <b>Expenses</b>                             |                               |                                |                       |                                      |                           |                   |                   |                  |                               |                  |
| 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           |
| <b>Total before Debt</b>                    | <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            |
| <b>Total operating expenses</b>             | <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>   |
| <b>Annual Surplus (Deficit)</b>             | <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 3 - Long Term Debt**  
**For the Year Ended December 31, 2021**  
**(in thousands of dollars)**

**Long term debt - General Fund**

**Debenture Debt**

| <u>Year of Maturity</u> | <u>Purpose</u>                         | <u>Debt Balance December 31, 2020</u> | <u>Amount of Issue</u> | <u>Debt Balance December 31, 2021</u> | <u>Sinking Fund Balance December 31, 2021</u> | <u>Current Interest Rate</u> |
|-------------------------|----------------------------------------|---------------------------------------|------------------------|---------------------------------------|-----------------------------------------------|------------------------------|
|                         | <b>Public Works</b>                    |                                       |                        |                                       |                                               | %                            |
| 2022                    | Chapman Parkade                        | \$ 607                                | \$ 4,071               | \$ 311                                | \$ 3,760                                      | 2.25                         |
|                         | <b>Local Improvements</b>              |                                       |                        |                                       |                                               |                              |
| 2035                    | Lawrence Ave LAS                       | 268                                   | 345                    | 253                                   | 92                                            | 3.00                         |
|                         | <b>Recreation and Cultural</b>         |                                       |                        |                                       |                                               |                              |
| 2021                    | Kokanee Gym Facility                   | 38                                    | 500                    | -                                     | 500                                           | 1.75                         |
| 2027                    | H2O Centre                             | 12,145                                | 27,500                 | 10,607                                | 16,893                                        | 2.25                         |
| 2027                    | Kokanee Gymnastic                      | 353                                   | 800                    | 309                                   | 491                                           | 2.25                         |
| 2028                    | H2O Centre                             | 991                                   | 2,000                  | 883                                   | 1,117                                         | 2.90                         |
| 2035                    | Police Facilities                      | 16,208                                | 20,000                 | 15,368                                | 4,632                                         | 2.75                         |
| 2035                    | Library Parkade Ext & Memorial Parkade | 12,156                                | 15,000                 | 11,526                                | 3,474                                         | 2.75                         |
| 2036                    | Police Facilities                      | 14,466                                | 17,000                 | 13,776                                | 3,224                                         | 2.60                         |
| 2037                    | Police Facilities                      | 2,655                                 | 3,000                  | 2,533                                 | 467                                           | 3.15                         |
| 2038                    | Police Facilities                      | 1,257                                 | 1,360                  | 1,204                                 | 156                                           | 3.15                         |
|                         | <b>Total Debt - General Fund</b>       | <b>\$ 61,144</b>                      | <b>\$ 91,576</b>       | <b>\$ 56,770</b>                      | <b>\$ 34,806</b>                              |                              |

**CITY OF KELOWNA**  
**Schedule 3 - Long Term Debt**  
**For the Year Ended December 31, 2021**  
**(in thousands of dollars)**

**Long term debt - Wastewater Fund**

**Debenture Debt**

| <u>Year of Maturity</u> | <u>Purpose</u>                      | <u>Debt Balance December 31, 2020</u> | <u>Amount of Issue</u> | <u>Debt Balance December 31, 2021</u> | <u>Sinking Fund Balance December 31, 2021</u> | <u>Current Interest Rate</u> |
|-------------------------|-------------------------------------|---------------------------------------|------------------------|---------------------------------------|-----------------------------------------------|------------------------------|
|                         | <b>Specified Area Programs</b>      |                                       |                        |                                       |                                               | %                            |
| 2022                    | Spec. Area 22A - Gerstmar           | \$ 6                                  | \$ 40                  | \$ 3                                  | \$ 37                                         | 0.65                         |
| 2024                    | Spec. Area 21A - McKenzie Bench     | 384                                   | 1,350                  | 295                                   | 1,055                                         | 2.25                         |
| 2024                    | Spec. Area 22B - Vista Rd           | 23                                    | 80                     | 17                                    | 63                                            | 2.25                         |
| 2024                    | Spec. Area 22C - Hein Rd            | 76                                    | 266                    | 58                                    | 208                                           | 2.25                         |
| 2024                    | Spec. Area 22D - Elwyn Rd           | 42                                    | 149                    | 32                                    | 117                                           | 2.25                         |
| 2024                    | Spec. Area 22E - Dease Rd           | 27                                    | 96                     | 21                                    | 75                                            | 2.25                         |
| 2024                    | Spec. Area 22F - Mills Rd           | 97                                    | 342                    | 75                                    | 267                                           | 2.25                         |
| 2024                    | Spec. Area 29 - Campion Cambro      | 248                                   | 874                    | 191                                   | 683                                           | 2.25                         |
| 2024                    | Spec. Area 30 - Acland              | 104                                   | 364                    | 80                                    | 284                                           | 2.25                         |
| 2025                    | Spec. Area 20 - North Rutland       | 2,210                                 | 6,822                  | 1,794                                 | 5,028                                         | 0.91                         |
| 2025                    | Spec. Area 28A - Okaview            | 207                                   | 638                    | 168                                   | 470                                           | 0.91                         |
| 2028                    | Spec. Area 26 - Fisher Rd           | 1,001                                 | 2,021                  | 893                                   | 1,128                                         | 2.90                         |
| 2028                    | Spec. Area 34 - Country Rhodes      | 216                                   | 435                    | 192                                   | 243                                           | 2.90                         |
| 2028                    | Spec. Area 36 - Clifton             | 132                                   | 267                    | 118                                   | 149                                           | 2.90                         |
|                         | <b>Sewage Treatment Plant</b>       |                                       |                        |                                       |                                               |                              |
| 2031                    | Brandt's Creek Tradewaste Treatment | 1,792                                 | 3,800                  | 1,522                                 | 2,278                                         | 1.47                         |
|                         | <b>Total Debt - Wastewater Fund</b> | <b>\$ 6,565</b>                       | <b>\$ 17,544</b>       | <b>\$ 5,459</b>                       | <b>\$ 12,085</b>                              |                              |

**CITY OF KELOWNA**  
**Schedule 3 - Long Term Debt**  
**For the Year Ended December 31, 2021**  
**(in thousands of dollars)**

**Long term debt - Water Fund**

**Debenture Debt**

| <u>Year of Maturity</u> | <u>Purpose</u>                    | <u>Debt Balance December 31, 2020</u> | <u>Amount of Issue</u> | <u>Debt Balance December 31, 2021</u> | <u>Sinking Fund Balance December 31, 2021</u> | <u>Current Interest Rate</u> |
|-------------------------|-----------------------------------|---------------------------------------|------------------------|---------------------------------------|-----------------------------------------------|------------------------------|
|                         | <b>Specified Area Programs</b>    |                                       |                        |                                       |                                               | %                            |
| 2023                    | Spec Area 16 - Byrns              | \$ 9                                  | \$ 39                  | \$ 6                                  | \$ 33                                         | 2.85                         |
| 2024                    | Spec Area 18 - Lakeshore          | 7                                     | 24                     | 5                                     | 19                                            | 2.25                         |
| 2028                    | Spec Area 26 - Fisher Rd          | 147                                   | 297                    | 131                                   | 166                                           | 2.90                         |
| 2038                    | Local Area Service - Aspen Rd     | 44                                    | 48                     | 42                                    | 6                                             | 3.20                         |
|                         | <b>Water Improvement Programs</b> |                                       |                        |                                       |                                               |                              |
| 2028                    | Cedar Creek Pump Station          | 3,754                                 | 7,577                  | 3,346                                 | 4,231                                         | 2.90                         |
| 2031                    | Poplar Point Pump Station Upgrade | 1,290                                 | 2,000                  | 1,195                                 | 805                                           | 1.47                         |
|                         | <b>Total Debt - Water Fund</b>    | <b>\$ 5,251</b>                       | <b>\$ 9,985</b>        | <b>\$ 4,725</b>                       | <b>\$ 5,260</b>                               |                              |

**Long term debt - Airport Fund**

**Debenture Debt**

|      |                                  |                  |                  |                  |                  |      |
|------|----------------------------------|------------------|------------------|------------------|------------------|------|
| 2025 | Airport Expansion                | \$ 4,072         | \$ 7,500         | \$ 3,312         | \$ 4,188         | 2.75 |
| 2026 | Airport Expansion                | 2,242            | 3,500            | 1,900            | 1,600            | 2.60 |
| 2026 | Airport Expansion                | 1,905            | 3,000            | 1,611            | 1,389            | 2.10 |
| 2027 | Airport Expansion                | 5,843            | 8,000            | 5,080            | 2,920            | 2.80 |
|      | <b>Total Debt - Airport Fund</b> | <b>\$ 14,062</b> | <b>\$ 22,000</b> | <b>\$ 11,903</b> | <b>\$ 10,097</b> |      |

**Long term debt - Other**

|      |                                       |                 |                  |                 |  |     |
|------|---------------------------------------|-----------------|------------------|-----------------|--|-----|
| 2021 | Airport - 3770 Bulman road            | \$ 900          | \$ 4,500         | \$ -            |  | nil |
| 2022 | General Land - Diamond Mountain       | 2,450           | 6,900            | 1,225           |  | nil |
| 2023 | General Land - Dewdney Park           | 2,214           | 2,952            | 1,476           |  | nil |
| 2029 | Airport - Enterprise Rental Car Kiosk | 67              | 73               | 59              |  | nil |
|      | <b>Total Debt - Other</b>             | <b>\$ 5,631</b> | <b>\$ 14,425</b> | <b>\$ 2,760</b> |  |     |

**Total City Long Term Debt**

|                  |                   |                  |
|------------------|-------------------|------------------|
| <b>\$ 92,653</b> | <b>\$ 155,530</b> | <b>\$ 81,617</b> |
|------------------|-------------------|------------------|



**CITY OF KELOWNA**  
**Schedule 4 - COVID-19 Safe Restart Grant for Local Governments**  
**For the Year Ended December 31, 2021**  
**(in thousands of dollars)**

The COVID-19 Safe Restart Grant was received from the Provincial Government in 2020. The schedule below provides disclosure of funds received, spent and remaining as well as any interest earned on unused funds. A balance at the end of the year represents unused funds received and is included in the General fund reserve.

|                                      | <u>2021</u>     | <u>2020</u>     |
|--------------------------------------|-----------------|-----------------|
| Balance, beginning of year           | \$ 5,403        | \$ -            |
| COVID-19 Safe Restart Grant received | -               | 7,884           |
| Interest earned                      | 28              | -               |
| Less funds used to support:          |                 |                 |
| Airport revenue losses               | -               | (500)           |
| Gaming revenue losses                | (2,436)         | (1,517)         |
| Corporate preparedness planning      | (536)           | (464)           |
| Community services revenue losses    | (743)           | -               |
|                                      | <u>(3,687)</u>  | <u>(2,481)</u>  |
| <b>Balance, end of year</b>          | <u>\$ 1,716</u> | <u>\$ 5,403</u> |



City Hall  
Financial Services  
1435 Water Street  
Kelowna, BC  
V1Y 1J4

Tel 250-469-8542  
[financeyearend@kelowna.ca](mailto:financeyearend@kelowna.ca)  
[kelowna.ca](http://kelowna.ca)