

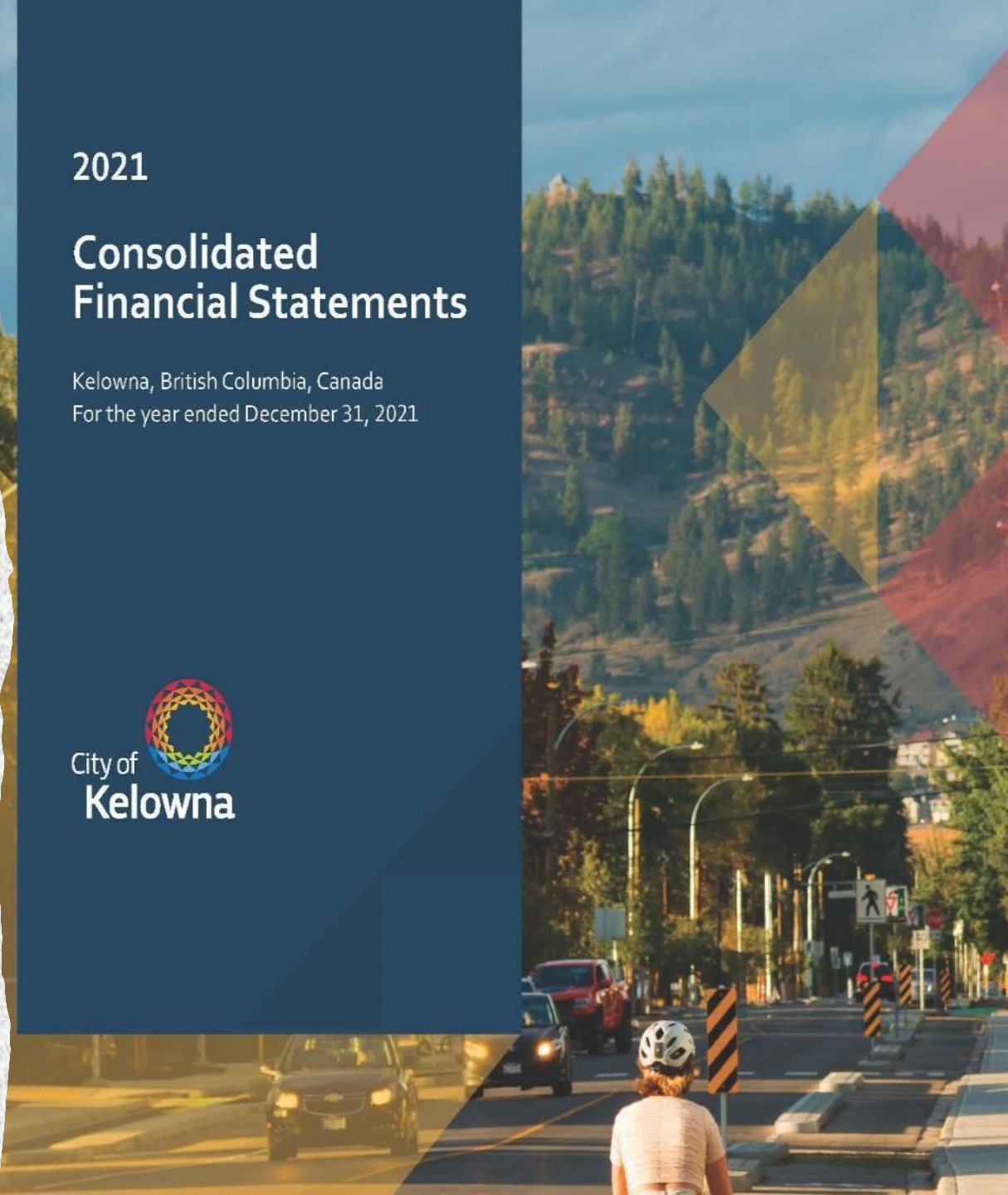
Report to Council

May 9, 2022

2021

Consolidated Financial Statements

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



Outline

- ▶ 2021 Audit Committee Review
- ▶ Audit Results
- ▶ Consolidated Financial Statements
- ▶ Financial Principles & Strategies
- ▶ Key Financial Health Indicators
- ▶ Internal Control Update
- ▶ General Fund Financial Results
- ▶ Recommendation of Reserve Appropriations
- ▶ Utility Fund Financial Results

2021 Audit Committee Review

- ▶ Consolidated Financial Statements
- ▶ Notes to the Financial Statements
- ▶ Financial Health Indicators
- ▶ Auditor's Report
- ▶ Internal Control Branch Update
- ▶ City Reserves and Surpluses
- ▶ Surplus Balances and Appropriations

Audit Result

City receives a clean audit



Consolidated Financial Statements

- ▶ Financial Position
- ▶ Operations and Accumulated Surplus
- ▶ Cash Flow

Financial Position

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

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

Operations and Accumulated Surplus



CITY OF KELOWNA
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2021
(in thousands of dollars)

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

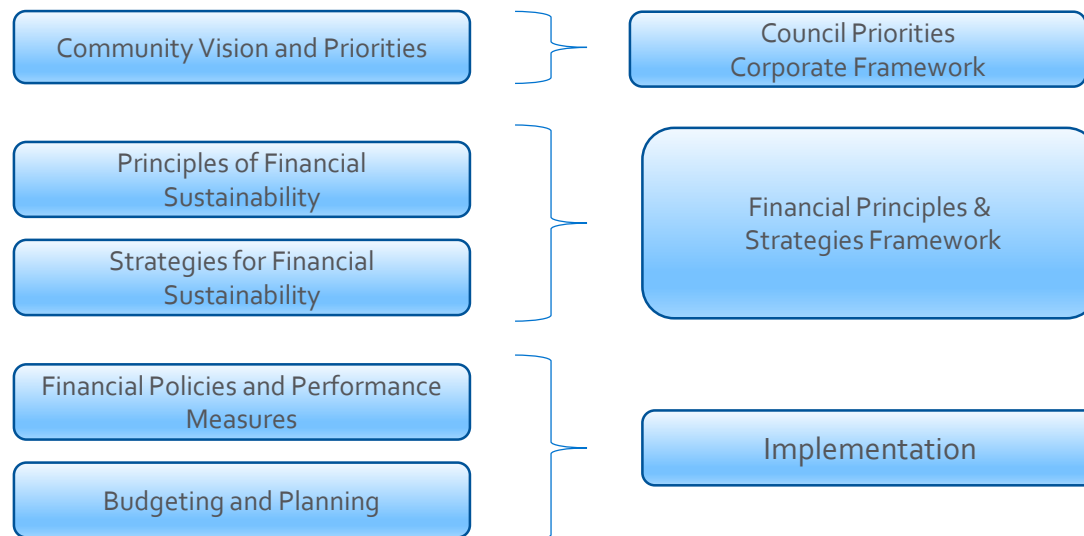
Cash Flow

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

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

Financial principles & strategies

► Decision Making Framework

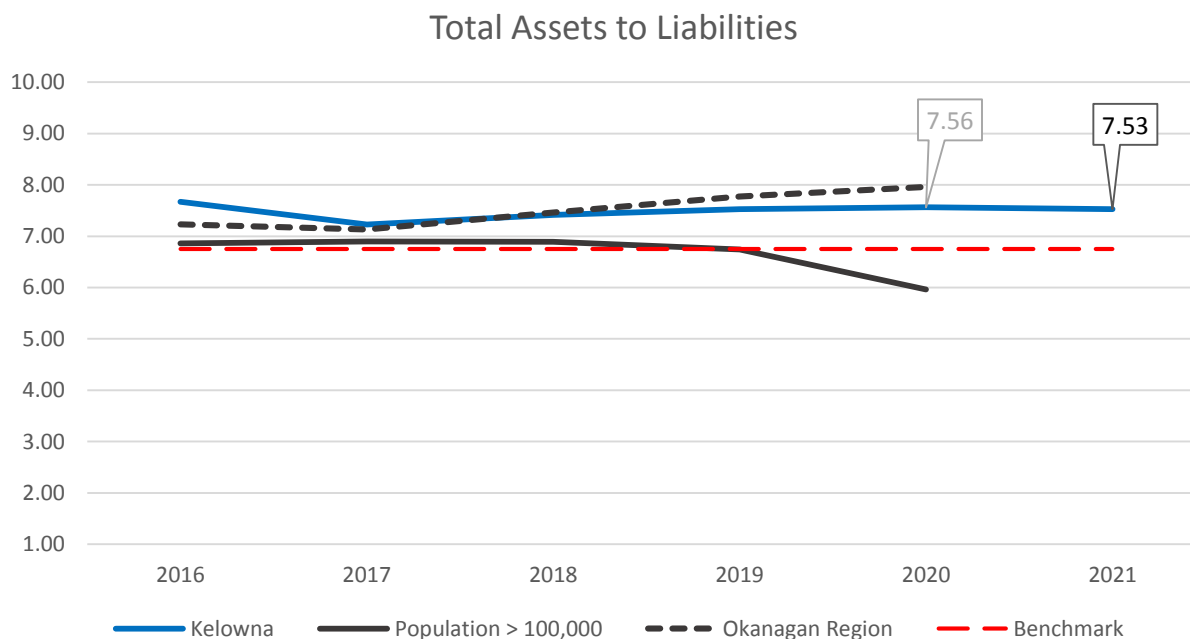


Financial Health Indicators

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

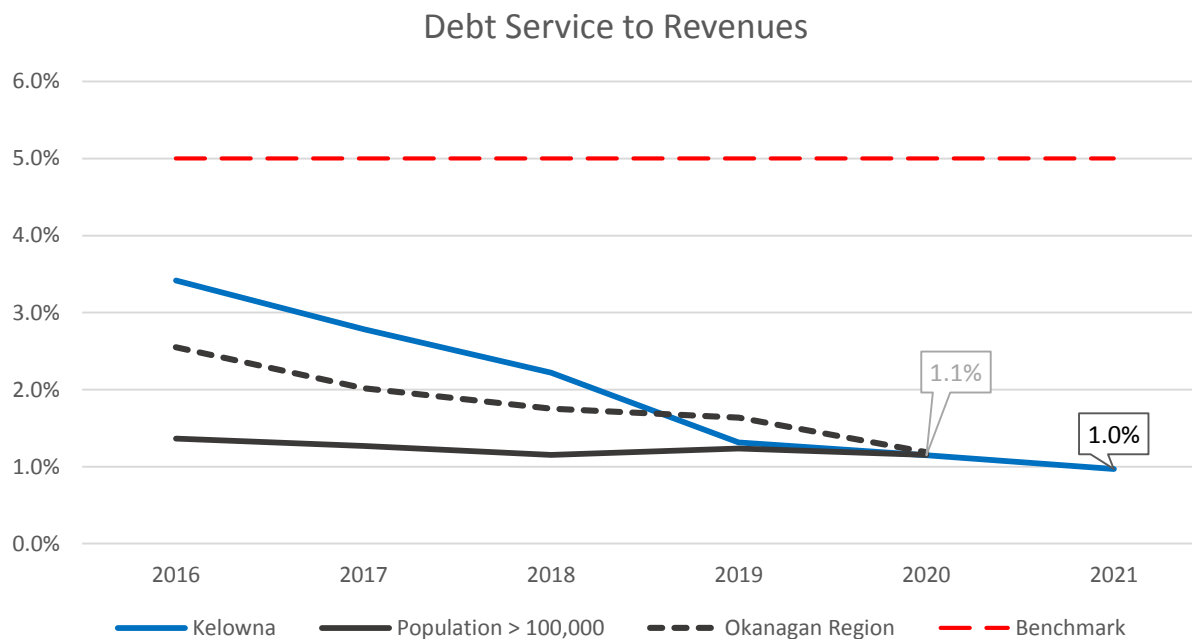
Sustainability Ratio

- ▶ Remains steady with both assets and liabilities increasing at a comparable rate



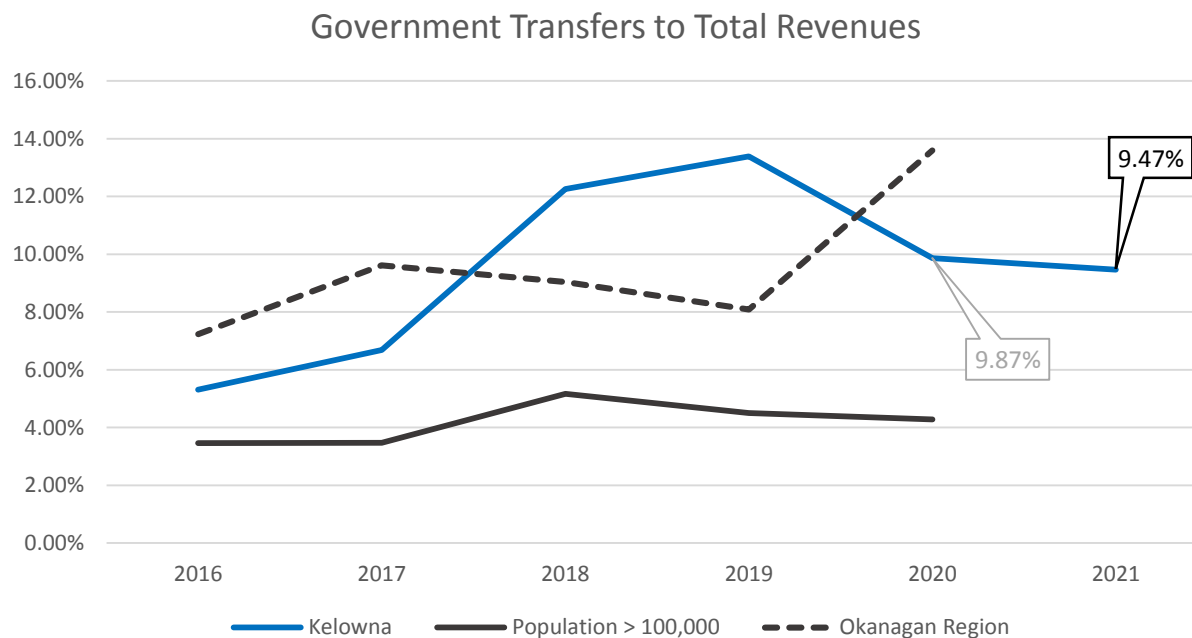
Flexibility Ratio

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



Vulnerability Ratio

- ▶ 2021 decrease due to total revenues increasing at a greater rate than Government transfers.



Summary of Financial Health

- ▶ Services vary among Local Governments
- ▶ Financial health remains strong going into 2022
- ▶ COVID-19 recovery shift

Internal Control Update

- ▶ Function of the Internal Control Branch
- ▶ Types of reviews
- ▶ Reported 2021 accomplishments and 2022 work plans to the Audit Committee
- ▶ Value for Money Review update

In Summary

- ▶ Strong Financial Results in 2021
- ▶ Received clean audit opinion
- ▶ Health Indicators show City is well positioned to meet current and future financial obligations
- ▶ Internal Control function achieving desired results



Questions?

For more information, visit kelowna.ca.

2019 General Fund Financial Results

- ▶ General Fund surplus is \$8.8M
 - ▶ 3.2% of operating budget \$259M
 - ▶ Appropriate \$8.7M to reserve to support upcoming projects

- ▶ General Fund accumulated surplus is \$4.9M
 - ▶ Represents approx. 3.0% of taxation demand
 - ▶ Emergency funding only

Appropriation to Reserve for Future Use



| | |
|----------------------------|--------------|
| Community Safety | \$ 1,000,000 |
| Climate Action | 1,000,000 |
| Major Recreation | 3,300,000 |
| Building Repair | 600,000 |
| Major Systems | 500,000 |
| Future Capital Projects | 500,000 |
| Land – Housing | 1,000,000 |
| Economic Impact Mitigation | 800,000 |
| | <hr/> |
| | \$ 8,700,000 |
| | <hr/> |

Utility Funds & Airport Fund

- ▶ Water & Wastewater Funds surplus \$2.6M and \$3.5M
 - ▶ Infrastructure replacement
 - ▶ Mitigate fluctuations in utility rates
 - ▶ Ensure healthy and safe service delivery

- ▶ Airport surplus \$7.5M
 - ▶ Increase in passenger numbers
 - ▶ Expenditures \$1.5M less than budgeted



Questions?

For more information, visit kelowna.ca.