

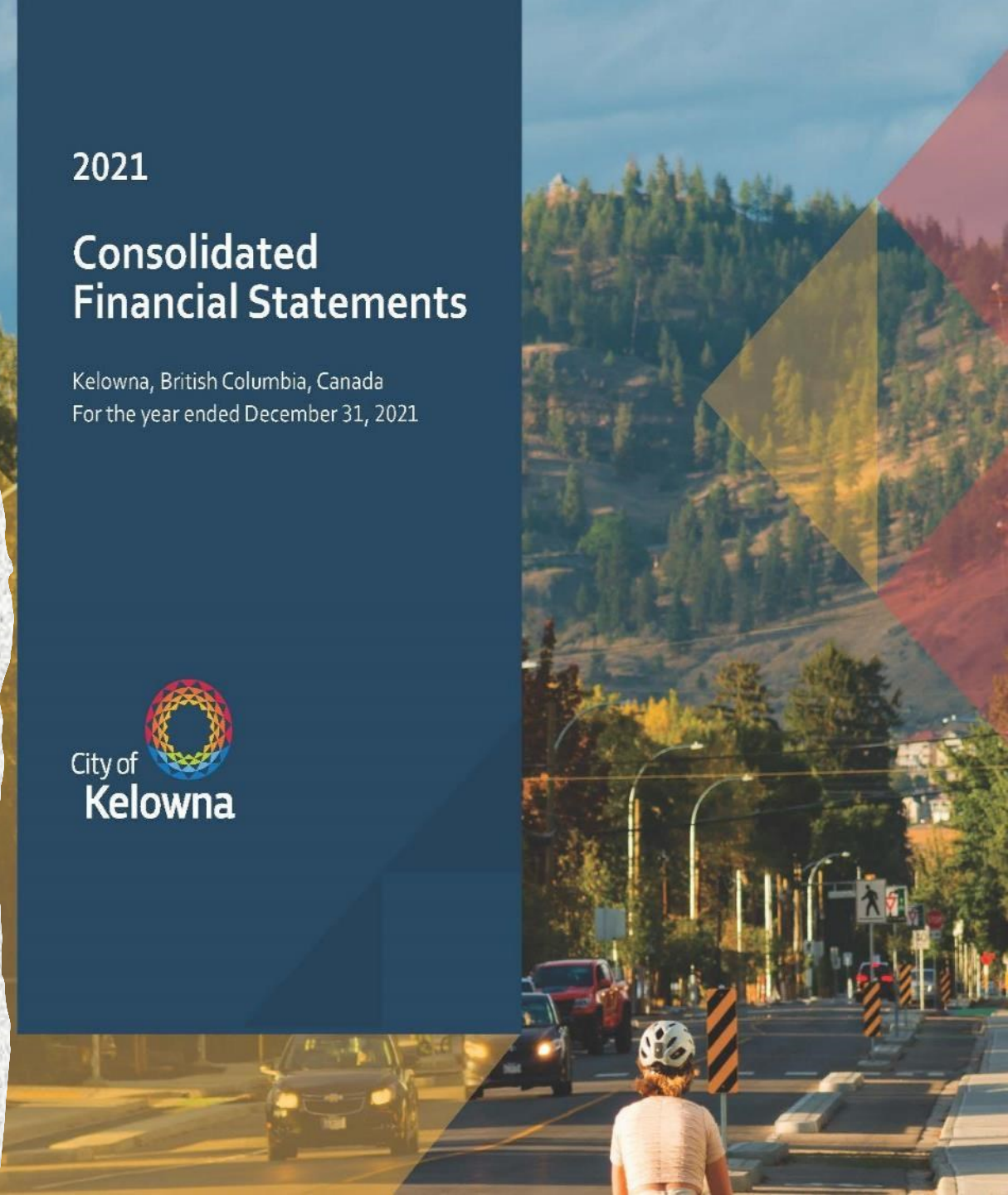
Report to Council

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
<b>Financial Assets</b>		
Cash and cash equivalents (Note 3)	\$ 103,765	\$ 76,434
Accounts receivable (Note 3)	47,450	29,783
Accrued interest	2,424	2,134
Portfolio investments (Note 3)	580,710	547,799
Long term investments (Note 10)	6,000	6,000
Assets held for resale	13,271	10,171
	<u>753,620</u>	<u>672,321</u>
<b>Liabilities</b>		
Accounts payable	50,762	80,452
Performance deposits	31,448	27,299
Deferred revenue (Note 3)	53,745	45,510
Deferred development cost charges (Note 3)	124,585	83,754
Long term debt (Note 3)	81,617	92,653
	<u>342,157</u>	<u>329,668</u>
<b>Net Financial Assets</b>	<u>411,463</u>	<u>342,653</u>
<b>Non-Financial Assets</b>		
Prepaid expenses	9,744	11,631
Inventory	1,420	1,290
Work in progress (Note 4)	26,868	24,092
Tangible capital assets (Note 4)	1,822,168	1,823,501
	<u>1,860,200</u>	<u>1,860,514</u>
<b>Accumulated Surplus (Note 5)</b>	<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
<b>Revenue</b>			
Taxation (Note 6)	\$ 171,178	\$ 171,366	\$ 162,405
Fees and charges	110,436	142,185	118,146
Interest earned	4,009	11,540	13,199
DCC contributions	27,455	11,706	14,391
Government transfers (Note 7)	36,412	35,829	34,579
Other capital contributions	550	4,555	4,714
Gain on disposal of tangible capital assets	-	1,869	2,887
	<u>350,040</u>	<u>379,050</u>	<u>350,321</u>
<b>Expenses</b>			
General government	41,637	41,441	33,692
Protective services	73,268	73,909	65,063
Transportation	41,180	66,473	63,781
Recreation & cultural	40,815	44,101	41,707
Other services	24,483	25,379	24,031
Airport	16,032	21,997	21,907
Wastewater	12,878	21,420	21,913
Water	11,175	15,257	14,571
Loss on disposal of tangible capital assets	-	37	819
Write down of tangible capital assets	-	540	82
	<u>261,468</u>	<u>310,554</u>	<u>287,566</u>
<b>Annual Surplus</b>	<u>\$ 88,572</u>	<u>68,496</u>	<u>62,755</u>
Accumulated Surplus, beginning of year		2,203,167	2,140,412
<b>Accumulated Surplus, end of year</b>		<u>\$ 2,271,663</u>	<u>\$ 2,203,167</u>

# Cash Flow

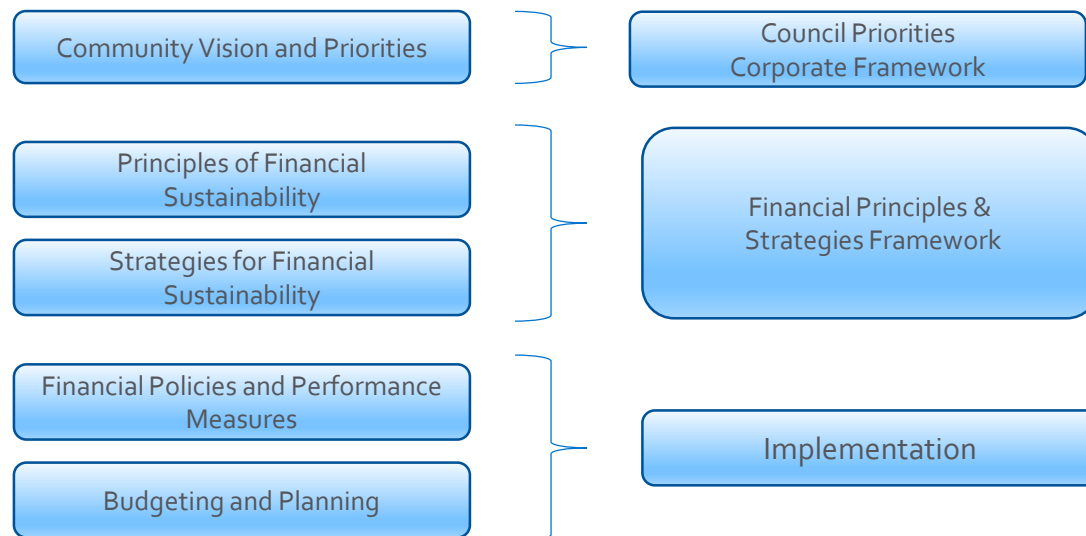
**CITY OF KELOWNA**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2021**  
**(in thousands of dollars)**

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

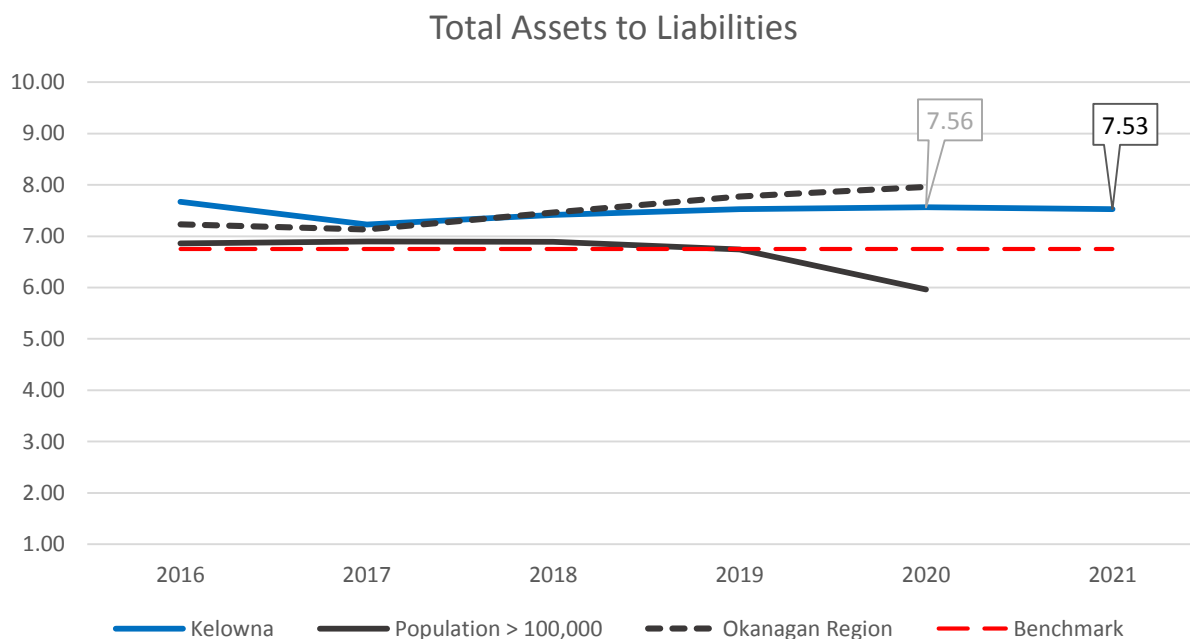


# Financial Health Indicators

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

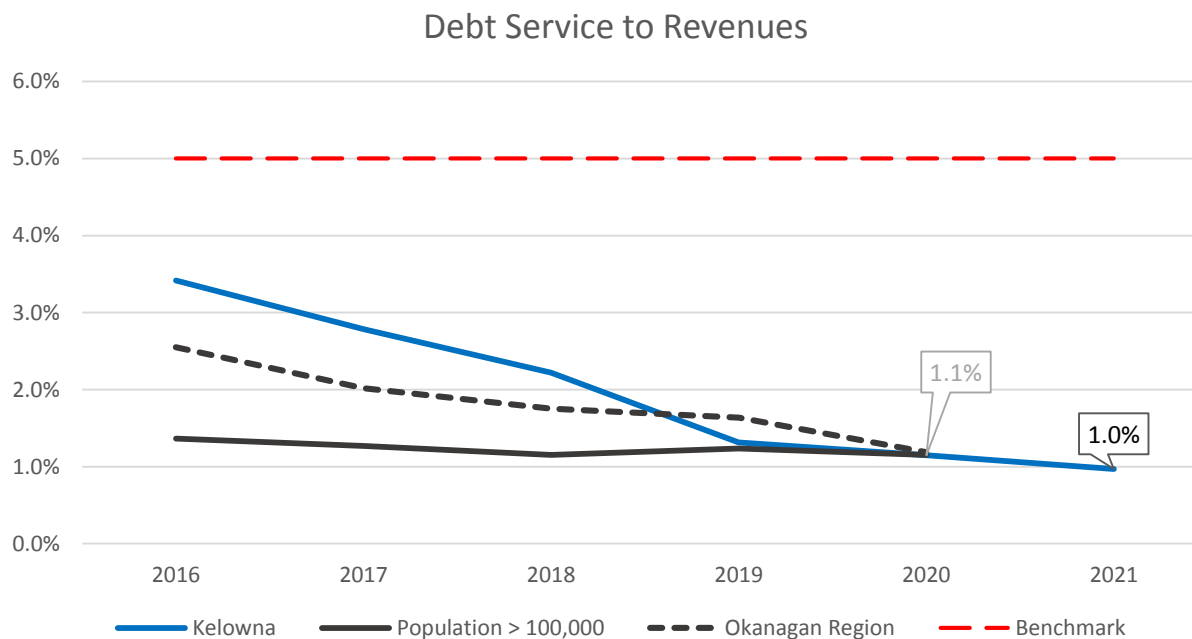
# Sustainability Ratio

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



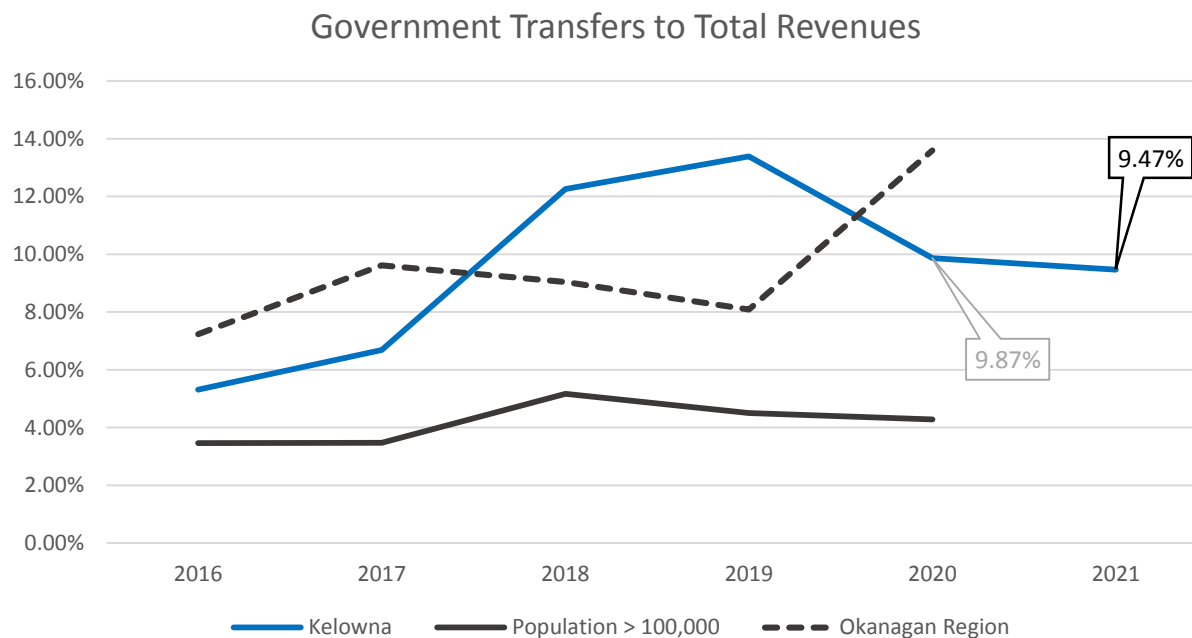
# Flexibility Ratio

- ▶ 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](http://kelowna.ca).

# 2021 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
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# 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?*

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