



2022

Consolidated Financial Statements

Kelowna, British Columbia, Canada
For the year ended December 31, 2022



CITY OF KELOWNA

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Independent auditor's report

Grant Thornton LLP
200-1633 Ellis Street
Kelowna, BC
V1Y 2A8
T +1 250 712 6800
F +1 250 712 6850

To the members of the Council of the [City of Kelowna](#):

Opinion

We have audited the consolidated financial statements of the City of Kelowna ("the City"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations and accumulated surplus, consolidated statement of changes in net financial assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the City of Kelowna as at December 31, 2022, and the results of operations, its changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kelowna, Canada
April 25, 2023

Chartered Professional Accountants

CITY OF KELOWNA
Consolidated Statement of Financial Position
As at December 31, 2022
(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Financial Assets		
Cash and cash equivalents (Note 3)	\$ 91,524	\$ 103,765
Accounts receivable (Note 3)	55,130	47,450
Accrued interest	2,997	2,424
Portfolio investments (Note 3)	676,316	580,710
Long term investments (Note 10)	6,000	6,000
Assets held for resale	12,467	13,271
	<u>844,434</u>	<u>753,620</u>
Liabilities		
Accounts payable	55,507	50,762
Performance deposits	43,382	31,448
Deferred revenue (Note 3)	57,597	53,745
Deferred development cost charges (Note 3)	148,141	124,585
Long term debt (Note 3)	70,920	81,617
	<u>375,547</u>	<u>342,157</u>
Net Financial Assets	<u>468,887</u>	411,463
Non-Financial Assets		
Prepaid expenses	6,528	9,744
Inventory	1,454	1,420
Work in progress (Note 4)	43,489	26,868
Tangible capital assets (Note 4)	1,841,745	1,822,168
	<u>1,893,216</u>	<u>1,860,200</u>
Accumulated Surplus (Note 5)	<u>\$ 2,362,103</u>	<u>\$ 2,271,663</u>

Contingent liabilities and Commitments (Notes 8 and 9)
Contractual rights (Note 16)
Subsequent event (Note 18)

Joe Sass, CPA, CA
Finance Director

Tom Dyas
Mayor, City of Kelowna

See accompanying notes to the consolidated financial statements.

CITY OF KELOWNA
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2022
(in thousands of dollars)

	Budget 2022	Actual 2022	Actual 2021
Revenue			
Taxation (Note 6)	\$ 180,890	\$ 184,627	\$ 171,366
Fees and charges	151,556	161,823	142,185
Interest earned	8,124	16,308	11,540
DCC contributions	37,426	16,775	11,706
Government transfers (Note 7)	43,581	38,751	35,829
Other capital contributions	575	5,154	4,555
Gain on disposal of tangible capital assets	-	1,374	1,869
	<u>422,152</u>	<u>424,812</u>	<u>379,050</u>
Expenses			
General government	46,607	49,054	41,441
Protective services	88,825	77,477	73,909
Transportation	42,890	68,880	66,473
Recreation & cultural	40,763	46,824	44,101
Other services	26,743	25,919	25,379
Airport	20,050	26,466	21,997
Wastewater	12,955	23,598	21,420
Water	11,611	15,874	15,257
Loss on disposal of tangible capital assets	-	62	37
Write down of tangible capital assets	-	218	540
	<u>290,444</u>	<u>334,372</u>	<u>310,554</u>
Annual Surplus	<u>\$ 131,708</u>	<u>90,440</u>	68,496
Accumulated Surplus, beginning of year		<u>2,271,663</u>	2,203,167
Accumulated Surplus, end of year		<u>\$ 2,362,103</u>	<u>\$ 2,271,663</u>

See accompanying notes to the consolidated financial statements.

CITY OF KELOWNA
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2022
(in thousands of dollars)

	Budget 2022	Actual 2022	Actual 2021
Annual Surplus	\$ 131,708	\$ 90,440	\$ 68,496
Amortization of tangible capital assets	-	69,253	68,824
Proceeds from disposal of tangible capital assets	-	2,274	2,098
Gain on disposal of tangible capital assets	-	(1,312)	(1,832)
Write down of tangible capital assets	-	218	540
Acquisition of tangible capital assets	(271,456)	(104,913)	(69,219)
Contributions of tangible capital assets	-	(1,718)	(1,854)
Change in inventory and prepaid expenses	-	3,182	1,757
	<hr/>	<hr/>	<hr/>
Increase (decrease) in Net Financial Assets	(139,748)	57,424	68,810
Net Financial Assets, beginning of year	411,463	411,463	342,653
	<hr/>	<hr/>	<hr/>
Net Financial Assets, end of year	\$ 271,715	\$ 468,887	\$ 411,463
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the consolidated financial statements.

CITY OF KELOWNA
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2022
(in thousands of dollars)

	<u>Actual 2022</u>	<u>Actual 2021</u>
Net inflow (outflow) of cash and cash equivalents related to the following activities		
Operating		
Annual surplus	\$ 90,440	\$ 68,496
Adjustment for non-cash items		
Amortization of tangible capital assets	69,253	68,824
Gain on disposal of tangible capital assets	(1,312)	(1,832)
Write down of tangible capital assets	218	540
Actuarial adjustment on long term debt	(2,331)	(2,072)
Contributions of tangible capital assets	(1,718)	(1,854)
Decrease (increase) in		
Accounts receivable	(7,680)	(17,667)
Inventory and prepaid expenses	3,182	1,757
Other assets	231	(3,390)
Increase (decrease) in		
Accounts payable	4,745	(29,690)
Deferred development cost charges	23,556	40,831
Other liabilities	15,787	12,384
	<u>194,371</u>	<u>136,327</u>
Capital		
Acquisition of tangible capital assets	(104,913)	(69,219)
Proceeds from disposal of tangible capital assets	2,274	2,098
	<u>(102,639)</u>	<u>(67,121)</u>
Investing		
Change in investments	(95,606)	(32,911)
Financing		
Proceeds from issuance of long term debt	441	-
Repayment of long term debt	(8,808)	(8,964)
	<u>(8,367)</u>	<u>(8,964)</u>
Net increase (decrease) in cash and cash equivalents	(12,241)	27,331
Cash and cash equivalents, beginning of year	103,765	76,434
Cash and cash equivalents, end of year	\$ 91,524	\$ 103,765
Non-cash capital activities		
Acquisition of tangible capital assets through contributions (Note 4)	\$ 1,718	\$ 1,854

See accompanying notes to the consolidated financial statements.