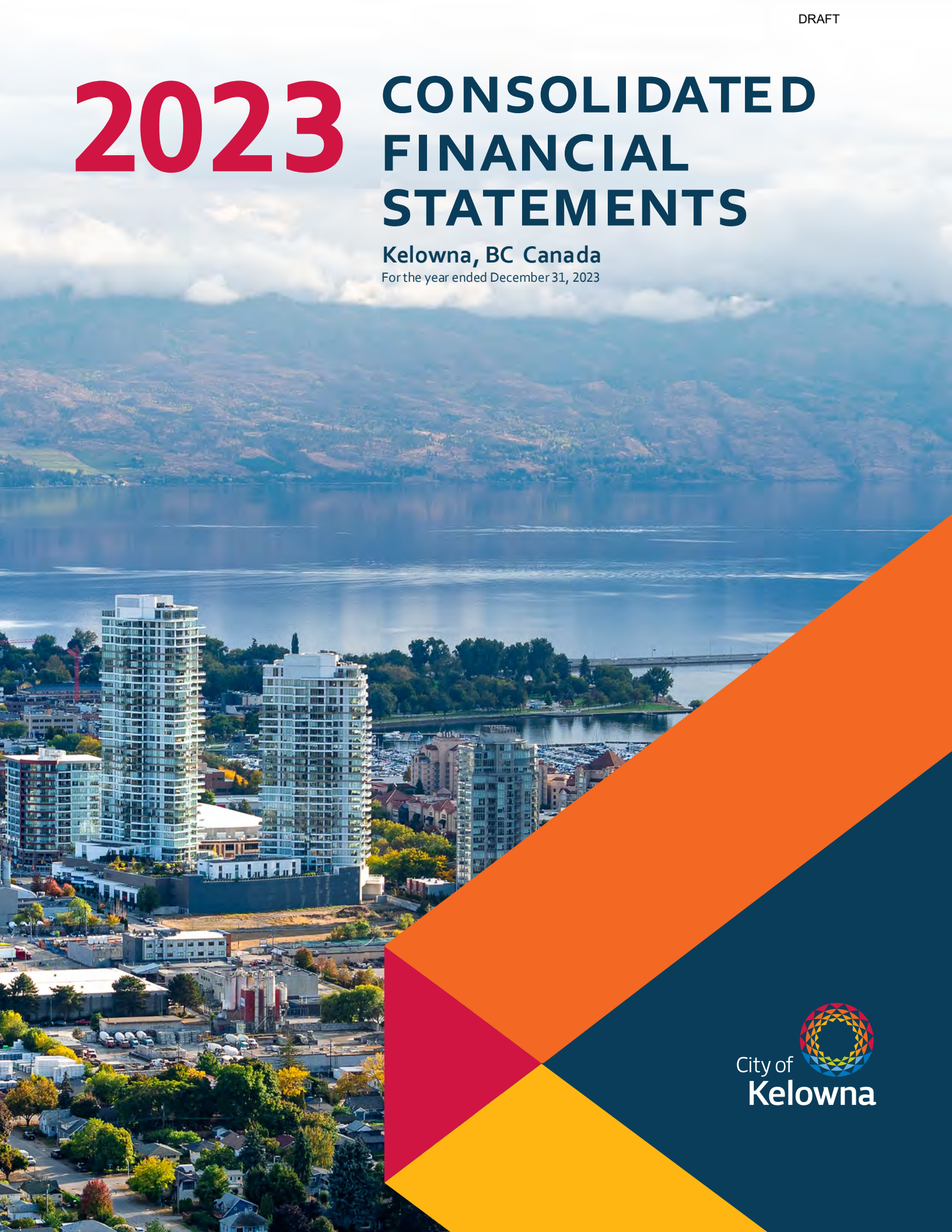


2023 CONSOLIDATED FINANCIAL STATEMENTS

Kelowna, BC Canada

For the year ended December 31, 2023



CITY OF KELOWNA

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Independent auditor's report

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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, 2023, and the consolidated statements of operations and accumulated surplus, consolidated statement of remeasurement gains and losses, 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 as at December 31, 2023, and the results of operations, its remeasurement gains and losses, its changes in its net assets, 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.

Emphasis of Matter – Restated Comparative Information

We draw attention to Note 2 to the consolidated financial statements, which explains that certain comparative information presented for the year ended December 31, 2022 has been restated. Our opinion is not modified in respect of this matter.

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 30, 2024

Chartered Professional Accountants

CITY OF KELOWNA
Consolidated Statement of Financial Position
As at December 31, 2023
(in thousands of dollars)

	2023	2022 (Restated - Note 2)
Financial Assets		
Cash and cash equivalents (Note 3)	\$ 108,228	\$ 91,524
Accounts receivable (Note 3)	76,848	55,130
Accrued interest	8,072	2,997
Portfolio investments (Note 3)	845,875	676,316
Long term investments (Note 10)	6,000	6,000
Assets held for resale	4,371	12,467
	<u>1,049,394</u>	<u>844,434</u>
Liabilities		
Accounts payable and accrued liabilities	83,474	50,922
Performance deposits	48,247	43,382
Deferred revenue (Note 3)	81,639	57,597
Deferred development cost charges (Note 3)	213,684	148,141
Long term debt (Note 3)	65,720	70,920
Asset retirement obligations (Note 18)	40,014	32,323
	<u>532,778</u>	<u>403,285</u>
Net Financial Assets (Debt)	<u>516,616</u>	<u>441,149</u>
Non-Financial Assets		
Prepaid expenses	6,585	6,528
Inventory	1,553	1,454
Work in progress (Note 4)	73,102	43,489
Tangible capital assets (Note 4)	1,907,673	1,843,347
	<u>1,988,913</u>	<u>1,894,818</u>
Accumulated Surplus	<u>\$ 2,505,529</u>	<u>\$ 2,335,967</u>
Accumulated Surplus is comprised of:		
Accumulated surplus (Note 5)	2,472,954	2,335,967
Accumulated remeasurement gains (losses)	32,575	-
Accumulated Surplus	<u>\$ 2,505,529</u>	<u>\$ 2,335,967</u>

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

Joe Sass, CPA, CA
Divisional Director, Financial Services

See accompanying notes to the consolidated financial statements.

Tom Dyas
Mayor, City of Kelowna

CITY OF KELOWNA

Consolidated Statement of Operations and Accumulated Surplus

For the Year Ended December 31, 2023

(in thousands of dollars)

	Budget 2023	Actual 2023	Actual 2022 (Restated - Note 2)
Revenue			
Taxation (Note 6)	\$ 190,930	\$ 192,053	\$ 184,627
Fees and charges	168,384	181,426	161,823
Interest earned	12,707	27,955	16,308
DCC contributions	55,192	37,555	16,775
Government transfers (Note 7)	54,233	65,545	38,751
Other capital contributions	482	4,296	5,154
Gain on disposal of tangible capital assets	-	484	1,374
	<u>481,928</u>	<u>509,314</u>	<u>424,812</u>
Expenses			
General government	51,400	60,105	49,219
Protective services	92,835	95,612	77,477
Transportation	48,010	66,622	68,880
Recreation & cultural	43,202	49,468	46,824
Other services	25,861	27,976	27,084
Airport	22,592	30,367	26,487
Wastewater	14,275	24,007	23,598
Water	13,011	16,819	15,889
Loss on disposal of tangible capital assets	-	140	62
Write down of tangible capital assets	-	1,211	218
	<u>311,186</u>	<u>372,327</u>	<u>335,738</u>
Annual Surplus	<u>\$ 170,742</u>	<u>136,987</u>	89,074
Accumulated Surplus, beginning of year		<u>2,335,967</u>	<u>2,246,893</u>
Accumulated Surplus, end of year		<u>\$ 2,472,954</u>	<u>\$ 2,335,967</u>

See accompanying notes to the consolidated financial statements.

CITY OF KELOWNA

Consolidated Statement of Remeasurement Gains and Losses

For the Year Ended December 31, 2023

(in thousands of dollars)

	Actual 2023
Accumulated remeasurement gains (losses), beginning of year	\$ -
Adjustment on adoption of the financial instruments standard	27,217
	<u>27,217</u>
Unrealized gains (losses) attributable to:	
Portfolio investments	5,358
	<u>5,358</u>
Change in remeasurement gains and (losses)	<u>5,358</u>
Accumulated remeasurement gains (losses), end of year	<u><u>\$ 32,575</u></u>

See accompanying notes to the consolidated financial statements.

CITY OF KELOWNA

Consolidated Statement of Changes in Net Financial Assets (Debt)

For the Year Ended December 31, 2023

(in thousands of dollars)

	Budget 2023	Actual 2023	Actual 2022 (Restated - Note 2)
Annual Surplus	\$ 170,742	\$ 136,987	\$ 89,074
Amortization of tangible capital assets	-	69,449	69,278
Proceeds from disposal of tangible capital assets	-	3,044	2,274
Gain on disposal of tangible capital assets	-	(345)	(1,312)
Write down of tangible capital assets	-	1,211	218
Acquisition of tangible capital assets	(363,601)	(159,814)	(104,913)
Contributions of tangible capital assets	-	(1,352)	(1,718)
Change in asset retirement obligations estimate	-	(6,132)	-
Unrealized gains (losses) on portfolio investments	-	32,575	-
Change in inventory and prepaid expenses	-	(156)	3,182
Increase (decrease) in Net Financial Assets (Debt)	(192,859)	75,467	56,083
Net Financial Assets (Debt), beginning of year	441,149	441,149	385,066
Net Financial Assets (Debt), end of year	\$ 248,290	\$ 516,616	\$ 441,149

See accompanying notes to the consolidated financial statements.

CITY OF KELOWNA
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2023
(in thousands of dollars)

	2023	2022 (Restated - Note 2)
Net inflow (outflow) of cash and cash equivalents related to the following activities		
Operating		
Annual surplus	\$ 136,987	\$ 89,074
Adjustment for non-cash items		
Amortization of tangible capital assets	69,449	69,278
Accretion expense	1,559	1,496
Gain on disposal of tangible capital assets	(345)	(1,312)
Write down of tangible capital assets	1,211	218
Actuarial adjustment on long term debt	(2,337)	(2,331)
Contributions of tangible capital assets	(1,352)	(1,718)
Unrealized gains (losses) on portfolio investments	32,575	-
Decrease (increase) in		
Accounts receivable	(21,718)	(7,680)
Inventory and prepaid expenses	(156)	3,182
Other assets	3,021	231
Increase (decrease) in		
Accounts payable and accrued liabilities	32,553	4,590
Deferred development cost charges	65,543	23,556
Other liabilities	28,906	15,787
	<u>345,896</u>	<u>194,371</u>
Capital		
Acquisition of tangible capital assets	(159,814)	(104,913)
Proceeds from disposal of tangible capital assets	3,044	2,274
	<u>(156,770)</u>	<u>(102,639)</u>
Investing		
Change in investments	<u>(169,559)</u>	<u>(95,606)</u>
Financing		
Proceeds from issuance of long term debt	4,902	441
Repayment of long term debt	(7,765)	(8,808)
	<u>(2,863)</u>	<u>(8,367)</u>
Net increase (decrease) in cash and cash equivalents	<u>16,704</u>	<u>(12,241)</u>
Cash and cash equivalents, beginning of year	<u>91,524</u>	<u>103,765</u>
Cash and cash equivalents, end of year	<u>\$ 108,228</u>	<u>\$ 91,524</u>
Non-cash capital activities		
Acquisition of tangible capital assets through contributions (Note 4)	\$ 1,352	\$ 1,718

See accompanying notes to the consolidated financial statements.