

# CITY OF KELOWNA

## Notes to the Consolidated Financial Statements

December 31, 2023

(in thousands of dollars)

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.

### 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.

#### 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.

#### 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>2023</u>	<u>2022</u>
Cash deposits held by MFA	\$ 1,854	\$ 1,799
Demand notes held by MFA	4,013	4,015
	<u>\$ 5,867</u>	<u>\$ 5,814</u>

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### 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%.

### Financial instruments

Financial instruments are contracts that give rise to the financial assets of one entity and financial liabilities or equity instruments of another entity and include cash and cash equivalents, accounts receivable, portfolio investments, accounts payable and accrued liabilities, and long term debt.

Financial instruments are classified as level 1, 2 or 3, as described below:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Financial instruments are measured at fair value or cost.

- Fair value category: investments quoted in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date.

Unrealized gains and losses on financial assets are recognized in the consolidated statement of remeasurement gains and losses until such time that the financial asset is derecognized due to disposal or impairment. At the time when a financial instrument in the fair value category is derecognized, the associated accumulated remeasurement gains and losses are reversed and reclassified to the consolidated statement of operations.

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- Cost category: Investments not quoted in an active market, financial assets and liabilities are recorded at cost or amortized cost. Gains and losses are recognized in the consolidated statement of operations when the financial asset is derecognized due to disposal or impairment.

Financial assets are assessed for impairment on an annual basis. If there is an indicator of impairment, the City determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset.

### Asset retirement obligations

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability for closure of the operational site and post-closure care relating to the landfill site has been recognized based on estimated future expenses. An additional liability has been recognized based on the estimated future expenses associated with asbestos removal during construction or disposal of structures owned by the City of Kelowna. Under the modified retroactive method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard. Assumptions used in the subsequent calculations are revised annually.

The liability is discounted using a present value calculation and adjusted annually for accretion expense. The recognition of a liability resulted in an accompanying increase of the respective tangible capital assets. The landfill tangible capital asset is amortized using the units of production method, while the structures tangible capital assets, affected by the asbestos liability, are being amortized along with their respective assets following the amortization accounting policies outlined in Note 1.

### Work in progress

Work in progress represents capital projects under construction but not yet completed and are valued at cost.

### 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 at the date of contribution, where fair value is reasonably determinable.

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### 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 Life (years)</u>	<u>Asset Type</u>	<u>Useful Life (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.

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### 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.

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### 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.

### 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 asset retirement obligations, tangible capital assets estimated useful life and related amortization, allowance for doubtful accounts, contaminated site liabilities, and settlement costs associated with outstanding legal actions.

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## 2. Change in accounting policies

### Asset Retirement Obligations

On January 1, 2022, the City adopted Canadian Public Sector Accounting Standard PS 3280 Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing accounting standard PS 3270 Solid Waste Landfill Closure and Post-Closure Liability. The standard was adopted on the modified retroactive basis at the date of adoption.

The City removed the landfill liability that had been recognized to date and recognized an asset retirement obligation upon adoption of PS 3280 on January 1, 2022, using the modified retroactive method. The liability represents the required closure and post-closure care for the landfill site owned by the City. The landfill site was purchased in 1966, and the liability was measured as of the date of purchase, when the liability was assumed. As of the date of adoption of the standard, the relevant discount rate is 4.85% per annum.

On January 1, 2022, the City recognized an additional asset retirement obligation relating to structures owned by the City that contain asbestos. The liability was measured as of the date of purchase of the structures, when the liability was assumed. The expected useful lives of the structures have not been changed since purchase.

In accordance with the provisions of this new standard, the City reflected the following adjustments at January 1, 2022:

Landfill obligation:

- A decrease of \$4,429 to the landfill liability to remove the liability recognized to date under PS 3270, and an accompanying increase of \$4,429 to opening accumulated surplus.

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- An increase of \$1,991 to the landfill tangible capital asset account, representing the original estimate of the obligation as of the date of purchase, and an accompanying increase of \$684 to accumulated amortization, representing 56 years of increased amortization had the liability originally been recognized.
- An asset retirement obligation in the amount of \$26,961, representing the original \$638,018 obligation discounted to the present value amount using a rate of 4.85%.
- A decrease to opening accumulated surplus of \$25,654, as a result of the recognition of the liability and accompanying increase in amortization expense and accretion expense for the 56 years since purchase.

Asbestos obligation:

- An increase of \$750 to the structures tangible capital asset accounts, representing the original estimate of the obligation as of the date of purchase, and an accompanying increase of \$429 to accumulated amortization, representing increased amortization had the liability originally been recognized.
- An asset retirement obligation in the amount of \$3,866, representing the original \$15,369 obligation discounted to the present value amount using a rate of 4.85%.
- A decrease to opening accumulated surplus of \$3,545, as a result of the recognition of the liability and accompanying increase in amortization expense and accretion expense for the years since purchase.

### Financial Instruments and Suite of Standards

On January 1, 2023 the City adopted Canadian Public Sector Accounting Standards; PS 1201 Financial statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments and PS 3450 Financial Instruments. The new accounting standards prescribe the accounting treatment for financial instruments and were adopted prospectively.

PS 1201 Financial Statement Presentation replaces PS 1200 Financial Statement Presentation. This standard introduces the statement of remeasurement gains and losses. Requirements in PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments and PS 3450 Financial Instruments, which are required to be adopted at the same time, give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 Foreign Currency Translation replaces PS 2600 Foreign Currency Translation. This standard requires that exchange gains and losses arising on financial assets and liabilities prior to settlement are recorded in the statement of remeasurement gains and losses. Upon settlement, the cumulative amount of unrealized foreign exchange gain or losses previously recognized is reclassified to the statement of operations. The City has not experienced any unrealizable gains or losses arising from foreign currency translation.

PS 3041 Portfolio Investments replaces PS 3040 Portfolio Investments. This standard requires that portfolio investments are measured in accordance with PS 3450 Financial Instruments. The basis of valuation of portfolio investments is disclosed. Losses in the value of a portfolio investment that are not in temporary decline are recognized in the statement of operations.

PS 3450 Financial Instruments establishes the recognition and derecognition, measurement, presentation and disclosure of financial instruments, including derivatives. This standard requires the fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. The differences between financial instruments previous carrying amounts and fair value on transition was \$27,217.

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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>2023</u>	<u>2022</u>
Property tax	\$ 9,417	\$ 7,756
Trade receivables	21,708	19,934
Due from government	3,474	5,353
Due from provincial government	2,754	2,007
Due from regional government	54	93
Utilities	6,581	6,101
Deferred development cost charges	32,863	13,929
Allowance for doubtful accounts	(3)	(43)
	<u>\$ 76,848</u>	<u>\$ 55,130</u>

#### Portfolio investments

Portfolio investments are recorded at cost or remeasured at fair market value at year end. Portfolio investments are comprised of the following:

	<u>Level</u>	<u>2023</u>	<u>2022</u>
<b><u>Portfolio investments in the fair value category</u></b>			
Municipal Finance Authority investment funds	2	\$ 235,726	\$ 234,637
Publicly traded shares	1	120,997	76,717
Total portfolio investments reported at fair value		<u>356,723</u>	311,354
<b><u>Portfolio investments in the cost and amortized cost category</u></b>			
Guaranteed Investment Certificates and deposit notes		392,533	280,287
Provincial and bank issued bonds		96,619	84,675
Total portfolio investments reported at cost and amortized cost		<u>489,152</u>	364,962
Total Portfolio investments		<u>\$ 845,875</u>	<u>\$ 676,316</u>

Included in portfolio investments are designated assets related to the City's Legacy Endowment Fund. At December 31, 2023 the fair market value of these internally restricted funds was \$157,821.



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### 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, 2023 the balance outstanding was \$nil (2022 - \$nil).

### 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.

#### Deferred Revenue by Type

	<u>2022</u>	<u>Receipts</u>	<u>Interest</u>	<u>Transfers Out</u>	<u>2023</u>
Tax prepayments	\$ 21,719	\$ 41,617	\$ -	\$ 39,955	\$ 23,381
Construction	19,047	1,864	821	667	21,065
Grants	1,220	23,682	198	1,056	24,044
Other	11,204	10,249	244	12,502	9,195
Local Area Service	4,407	186	-	639	3,954
Total	<u>\$ 57,597</u>	<u>\$ 77,598</u>	<u>\$ 1,263</u>	<u>\$ 54,819</u>	<u>\$ 81,639</u>

### 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.

	<u>2022</u>	<u>Receipts</u>	<u>Interest</u>	<u>Transfers Out</u>	<u>2023</u>
Parks Land/Development	\$ 41,826	\$ 54,820	\$ 1,772	\$ 27,285	\$ 71,133
Roads	86,381	27,726	3,116	13,193	104,030
Water	17,112	1,910	633	(3,115)	22,770
Wastewater	2,819	12,768	192	192	15,587
Drainage	3	160	1	-	164
Total Deferred DCC	<u>\$ 148,141</u>	<u>\$ 97,384</u>	<u>\$ 5,714</u>	<u>\$ 37,555</u>	<u>\$ 213,684</u>

### 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:

	<u>Total</u>
2024	\$ 10,392
2025	10,355
2026	7,630

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	<u>Total</u>
2027	6,784
2028	4,029
2029 and thereafter	26,530
Total	<u>\$ 65,720</u>

Total outstanding debt issued was \$141,910 and total debt payable at December 31, 2023 was \$65,720 (2022 - \$70,920). Total interest paid in 2023 was \$4,727 (2022 - \$3,762).

Schedule 3 provides a breakdown of long term debt.

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

	2023 Work in progress	2023 Tangible capital assets (NBV)	2022 Work in progress	2022 Tangible capital assets (NBV)
				(Restated - Note 2)
Land	\$ -	\$ 407,186	\$ -	\$ 369,612
Land improvements	1,571	36,134	847	32,989
Buildings	25,291	203,658	18,894	188,920
Infrastructure	42,457	1,178,097	21,795	1,168,509
Machinery and equipment	3,783	82,598	1,953	83,317
	<u>\$ 73,102</u>	<u>\$ 1,907,673</u>	<u>\$ 43,489</u>	<u>\$ 1,843,347</u>

Contributions received in 2023 include:

<u>Type of contribution</u>	<u>2023</u>	<u>2022</u>
Land	\$ 1,335	\$ 1,718
Infrastructure	17	-
Total Contributed tangible capital assets	<u>\$ 1,352</u>	<u>\$ 1,718</u>

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

During the year, tangible capital assets with a cost of \$1,211 (2022 - \$218) were written off due to impairment.

During the year, no interest was capitalized \$nil (2022 - \$nil).

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#### 5. Accumulated surplus

	Reserves for Future Expenditures	Statutory Reserves	Fund Surpluses	Investment in Tangible Capital Assets	Total 2023	Total 2022 (Restated - Note 2)
Accumulated surplus, beginning of year	\$ 341,206	\$ 133,046	\$ 68,956	\$ 1,792,759	\$ 2,335,967	\$ 2,246,893
Annual surplus (deficit)	13,017	5,101	131,510	(12,641)	136,987	89,074
Transfers	39,472	8,291	(47,763)	-	-	-
Acquisition of tangible capital assets, net	(32,053)	-	(59,478)	91,531	-	-
Repayment of long term debt	-	-	(7,765)	7,765	-	-
<b>Accumulated surplus, end of year</b>	<b>\$ 361,642</b>	<b>\$ 146,438</b>	<b>\$ 85,460</b>	<b>\$ 1,879,414</b>	<b>\$ 2,472,954</b>	<b>\$ 2,335,967</b>

Accumulated Surplus detail as follows:

Description	Balances, Beginning of Year	Transfer From	Transfer To	Annual Surplus	Balances, End of Year
<b><u>Non-Statutory Reserves</u></b>					
General Fund reserve	\$ 249,529	\$ 146,149	\$ 154,516	\$ 10,325	\$ 268,221
Airport Fund reserve	45,581	26,573	31,153	1,817	51,978
Waste Water Fund reserve	18,693	3,262	333	140	15,904
Water Fund reserve	27,403	5,353	2,754	735	25,539
	<u>341,206</u>	<u>181,337</u>	<u>188,756</u>	<u>13,017</u>	<u>361,642</u>
<b><u>Statutory Reserves</u></b>					
Parking reserve	11,406	2,336	5,541	386	14,997
Land reserve	10,932	1,010	4,773	397	15,092
Capital works, machinery and equipment reserve	103,826	31,473	30,625	3,422	106,400
Septic removal specified area reserve	6,882	2,115	4,286	367	9,420
Public amenity and streetscape reserve	-	-	-	529	529
	<u>133,046</u>	<u>36,934</u>	<u>45,225</u>	<u>5,101</u>	<u>146,438</u>
<b><u>Surplus by Fund</u></b>					
General Fund surplus	5,029	205,369	132,856	83,480	15,996
Airport Fund surplus	2,407	33,085	6,440	26,645	2,407
Waste Water Fund surplus	49,169	10,283	253	12,960	52,099
Water Fund surplus	12,351	6,841	1,023	8,425	14,958
Accumulated Surplus	<u>68,956</u>	<u>255,578</u>	<u>140,572</u>	<u>131,510</u>	<u>85,460</u>
<b><u>Investment in Non Financial Assets</u></b>					
Investment in tangible capital assets	1,792,759	3,700	102,996	(12,641)	1,879,414
<b>Accumulated Surplus</b>	<b>\$ 2,335,967</b>	<b>\$ 477,549</b>	<b>\$ 477,549</b>	<b>\$ 136,987</b>	<b>\$ 2,472,954</b>

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### 6. Taxation

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

	<u>2023</u>	<u>2022</u>
<b>Taxes collected</b>		
Property taxes	\$ 309,169	\$ 285,928
Local improvement levies	262	142
Frontage tax - water	1,744	1,704
Specified sewer area recoveries	1,237	1,240
Grants in lieu of taxes	652	627
Levies - library	7,325	7,056
Levies - other	2,140	4,911
	<u>322,529</u>	<u>301,608</u>
<b>Less transfers to other governments</b>		
Province of BC (school taxes)	97,265	86,616
BC Assessment Authority	2,765	2,488
Regional Hospital District	14,643	13,884
Regional District of Central Okanagan	15,803	13,993
	<u>130,476</u>	<u>116,981</u>
<b>Net taxes available for municipal purposes</b>	<u>\$ 192,053</u>	<u>\$ 184,627</u>

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### 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 \$22,825 (2022 - \$386) remained as deferred revenue for future expenditures. In 2023 the City received and recorded as revenue the following transfers:

	<u>2023</u>	<u>2022</u>
<b>Operating transfers</b>		
Federal	\$ 1,250	\$ 856
Provincial	50,654	24,277
Other governments	165	166
	<u>52,069</u>	<u>25,299</u>
<b>Capital transfers</b>		
Federal	5,460	11,234
Provincial	7,659	2,202
Other governments	357	16
	<u>13,476</u>	<u>13,452</u>
<b>Total Government transfers</b>	<u>\$ 65,545</u>	<u>\$ 38,751</u>

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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.

#### 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.

#### 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, in general, from one to five years.

The City has purchase orders open as at December 31, 2023 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.

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### YMCA of Southern Interior BC loan guarantee agreement

The City has, under the terms of the partnering agreement between the City of Kelowna and YMCA of Southern Interior BC, guaranteed repayment in the event that the YMCA of Southern Interior BC 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 Southern Interior BC. 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 prime minus 0.5%. As at December 31, 2023, the outstanding loan balance was \$431 (2022 - \$481). 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 \$4,036 (2022 - \$4,709) 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, 2023

(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 \$89,908 (2022 - \$67,692) 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 \$89,908, the City is holding irrevocable Letters of Credit in the amount of \$23,932 (2022 - \$15,339) 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 Perpetual Care Fund for the perpetual care and maintenance of the City owned and operated cemetery. As at December 31, 2023 the Trust Fund balance is \$3,796 (2022 - \$3,526).

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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, 2023

(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 Centre 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, is a regional economic driver that connects passengers to domestic and international destinations in accordance with a low-cost business model and 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, capital works, machinery and equipment, and public amenities.

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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, 2023

(in thousands of dollars)

### 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	\$ 397,161
Capital budget	84,767
	<u>481,928</u>
<b>Expenses:</b>	
Operating budget	311,186
Capital budget	363,601
	<u>674,787</u>
Annual deficit per approved budget	(192,859)
Add: tangible capital asset purchases	363,601
Annual surplus per statement of operations	<u>\$ 170,742</u>

### 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, 2023, 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 2026.

### 17. Risk management

#### Risk management of financial instruments

The City of Kelowna has exposure to the following risks related to its financial instruments: credit risk, liquidity risk, interest rate risk, foreign exchange rate risk, and other price risk.

The City employs various risk management strategies to identify and mitigate these risks.

# CITY OF KELOWNA

## Notes to the Consolidated Financial Statements

December 31, 2023

(in thousands of dollars)

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### **Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to meet its contractual obligation and cause a financial loss for the other party. The City is primarily exposed to credit risk on its cash and cash equivalents, accounts receivable and portfolio investments. The Government's carrying amounts for these financial assets best represent its maximum exposure to credit risk.

For cash and cash equivalents, and portfolio investments, the City manages this risk by dealing solely with reputable financial institutions, and through an investment policy that limits investments to high credit quality as well as maintains asset allocation and portfolio diversification. For accounts receivable, the City reviews balances and aging information to determine if a valuation allowance is necessary, and initiates collection actions.

### **Liquidity risk**

Liquidity risk is the risk that the City will encounter difficulty in meeting obligations associated with financial liabilities. The City is exposed to liquidity risk on its accounts payable and accrued liabilities and long term debt.

The City manages its overall liquidity risk by managing cash resources which is achieved by monitoring actual and forecasted cash flows. The City manages this risk on its borrowings by applying limits to its debt capacity and distributing debt maturities over many years (Schedule 3).

### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate unfavourably with changes in market interest rates.

The City is exposed to interest rate risk through its portfolio investment holdings in interest-bearing, or fixed-income assets which may include GICs, term deposits, and funds that include debt securities of Canadian Governments and corporate issuers. The City manages this risk by holding interest bearing instruments to maturity.

### **Foreign exchange rate risk**

Foreign exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate unfavourably with a change in the value of the Canadian dollar relative to other currencies. The City is not exposed to any significant foreign exchange risk because instruments held in foreign currency are not considered significant.

### **Other Price risk**

Other Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk). The City is exposed to other price risk through its portfolio investments and manages these risks through maximum proportions of equities in its investment portfolio and through concentration limits on investments in any one issuer, as outlined in the investment policy.

The City is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes. Overall, the other price risk is not considered significant.

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# CITY OF KELOWNA

## Notes to the Consolidated Financial Statements

### December 31, 2023

(in thousands of dollars)

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#### 18. Asset retirement obligations

The City's asset retirement obligations consist of several obligations as follows:

##### a) Landfill obligation:

The City owns and operates a landfill site. The liability for the closure of the operational site and post-closure care has been recognized under PS 3280 Asset Retirement Obligations. The costs were based upon the presently known obligations that will exist at the estimated year of closure of the site and for 200 years post this date. The landfill had an estimated useful life of 160 years when it was purchased, of which 103 years remain. Post-closure care is estimated to be required for 200 years from the date of site closure. These costs were discounted to December 31, 2023 using a discount rate of 4.41% (2022 – 4.85%) per annum.

##### b) Asbestos obligation:

The City owns and operates structures that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS 3280 Asset Retirement Obligations, the City recognized an obligation relating to the removal and post-removal care of the asbestos in these structures as estimated at January 1, 2022. Post-closure care is estimated to extend for up to a year post the closure of the structure, while demolition and construction continues. Estimated costs have been discounted to the present value using a discount rate of 4.41% (2022 – 4.85%) per annum.

The transition and recognition of asset retirement obligations involved an accompanying increase to the structures and landfill tangible capital assets and the restatement of prior year balances (see note 2).

Changes to the asset retirement obligation in the year are as follows:

	<u>Landfill closure</u>	<u>Asbestos obligation</u>	<u>2023</u>
Balance, beginning of year	\$ 28,269	\$ 4,054	\$ 32,323
Change in estimate	5,246	886	6,132
Accretion expense	1,372	187	1,559
Balance, end of year	<u>\$ 34,887</u>	<u>\$ 5,127</u>	<u>\$ 40,014</u>
	<u>Landfill closure</u>	<u>Asbestos obligation</u>	<u>2022</u>
Balance, beginning of year	\$ -	\$ -	\$ -
Adjustment on adoption of asset retirement obligation standard (note 2)	26,961	3,866	30,827
Balance, beginning of year, as restated	26,961	3,866	30,827
Accretion expense	1,308	188	1,496
Balance, end of year	<u>\$ 28,269</u>	<u>\$ 4,054</u>	<u>\$ 32,323</u>

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# CITY OF KELOWNA

## Notes to the Consolidated Financial Statements

December 31, 2023

(in thousands of dollars)

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### 19. Liability for contaminated sites

In early 2020 the City acquired 1746 Water Street and accepted responsibility to clean up contamination found at the site. Clean up activities took place in 2020-2023 and further work will be undertaken in 2024 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 \$36 (2022 - \$185) is based on contractor estimates of the remaining work required to be undertaken.

The City's liability of \$36 (2022 - \$185) for contaminated sites is included in Accounts payable and accrued liabilities.

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### 20. 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, 2022, the plan has about 240,000 active members and approximately 124,000 retired members. Active members include approximately 43,000 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, 2021, indicated a \$3.8 billion funding surplus for basic pension benefits on a going concern basis.

The City of Kelowna paid \$8,764 (2022 - \$8,224) for employer contributions while employees contributed \$7,661 (2022 - \$7,156) to the plan in fiscal 2023.

The next valuation will be as at December 31, 2024.

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.

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### 21. 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

## Notes to the Consolidated Financial Statements

December 31, 2023

(in thousands of dollars)

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### 22. Future accounting changes

#### 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.

#### 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.

#### The Conceptual Framework for Financial Reporting in the Public Sector

The PSAB issued The Conceptual Framework for Financial Reporting in the Public Sector, which replaces the conceptual aspects of Section PS 1000, Financial Statement Concepts and Section PS 1100, Financial Statement Objectives. This conceptual framework applies to fiscal years beginning on or after April 1, 2026, with early adoption permitted.

#### PS 1202 Financial Statement Presentation

This section revises and replaces the existing PS 1201 Financial Statement Presentation. This section applies to fiscal years beginning on or after April 1, 2026, with early adoption only permitted if The Conceptual Framework for Financial Reporting in the Public Sector is also adopted at the same time.

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**CITY OF KELOWNA**  
**Schedule 1 - Tangible Capital Assets**  
**For the Year Ended December 31, 2023**  
**(in thousands of dollars)**

	<b>Machinery &amp; Equipment</b>						
	<b>Land</b>	<b>Land Improvements</b>	<b>Buildings</b>	<b>Vehicles</b>	<b>Machinery &amp; Equipment</b>	<b>Computers</b>	<b>Subtotal Machinery &amp; Equipment</b>
<b>Cost</b>							
Balance, beginning of year	\$ 369,612	\$ 80,605	\$ 374,447	\$ 43,941	\$ 118,484	\$ 25,294	\$ 187,719
Add: additions during the year	33,429	234	7,547	3,510	3,366	695	7,571
Add: transfers to tangible capital assets	-	178	15,081	200	2,135	351	2,686
Less: assets held for resale	8,095	-	-	-	-	-	-
Less: disposals during the year	(3,950)	-	(170)	(2,453)	(566)	-	(3,019)
	407,186	81,017	396,905	45,198	123,419	26,340	194,957
Asset retirement obligation	-	7,241	1,507	-	-	-	-
<b>Balance, end of year</b>	<b>407,186</b>	<b>88,258</b>	<b>398,412</b>	<b>45,198</b>	<b>123,419</b>	<b>26,340</b>	<b>194,957</b>
<b>Accumulated Amortization</b>							
Balance, beginning of year	-	48,908	185,810	24,441	61,896	18,066	104,403
Add: amortization	-	2,506	8,525	2,838	5,476	2,427	10,741
Less: accumulated amortization on disposals	-	-	-	(2,269)	(516)	-	(2,785)
	-	51,414	194,335	25,010	66,856	20,493	112,359
Accumulated amortization on asset retirement obligation	-	710	419	-	-	-	-
<b>Balance, end of year</b>	<b>-</b>	<b>52,124</b>	<b>194,754</b>	<b>25,010</b>	<b>66,856</b>	<b>20,493</b>	<b>112,359</b>
<b>Net Book Value of Tangible Capital Assets</b>	<b>\$ 407,186</b>	<b>\$ 36,134</b>	<b>\$ 203,658</b>	<b>\$ 20,188</b>	<b>\$ 56,563</b>	<b>\$ 5,847</b>	<b>\$ 82,598</b>

**CITY OF KELOWNA**  
**Schedule 1 - Tangible Capital Assets**  
**For the Year Ended December 31, 2023**  
**(in thousands of dollars)**

	Infrastructure							Total 2023	Total 2022 (Restated - Note 2)
	Plant & Facilities	Roads, Lanes, Sidewalks & Bike Paths	Bridges, Tunnels & Overpasses	Underground, Overhead & Other Networks	Airport Infrastructure	Subtotal Infrastructure	Work In Progress		
<b>Cost</b>									
Balance, beginning of year	\$ 234,483	\$ 600,260	\$ 37,382	\$ 1,232,047	\$ 96,609	\$ 2,200,781	\$ 43,489	\$ 3,256,653	\$ 3,152,526
Add: additions during the year	2,618	4,035	222	4,944	2,755	14,574	90,171	153,526	105,825
Add: transfers to tangible capital assets	8,720	17,556	189	12,574	3,574	42,613	(60,558)	-	-
Less: assets held for resale	-	-	-	-	-	-	-	8,095	805
Less: disposals during the year	-	(13)	-	-	-	(13)	-	(7,152)	(2,502)
	245,821	621,838	37,793	1,249,565	102,938	2,257,955	73,102	3,411,122	3,256,654
Asset retirement obligation	26	-	-	97	-	123	-	8,871	2,741
<b>Balance, end of year</b>	<b>245,847</b>	<b>621,838</b>	<b>37,793</b>	<b>1,249,662</b>	<b>102,938</b>	<b>2,258,078</b>	<b>73,102</b>	<b>3,419,993</b>	<b>3,259,395</b>
<b>Accumulated Amortization</b>									
Balance, beginning of year	112,107	389,213	11,360	477,532	42,084	1,032,296	-	1,371,417	1,303,490
Add: amortization	8,017	16,806	585	18,554	3,691	47,653	-	69,425	69,253
Less: accumulated amortization on disposals	-	-	-	-	-	-	-	(2,785)	(1,323)
	120,124	406,019	11,945	496,086	45,775	1,079,949	-	1,438,057	1,371,420
Accumulated amortization on asset retirement obligation	7	-	-	25	-	32	-	1,161	1,139
<b>Balance, end of year</b>	<b>120,131</b>	<b>406,019</b>	<b>11,945</b>	<b>496,111</b>	<b>45,775</b>	<b>1,079,981</b>	<b>-</b>	<b>1,439,218</b>	<b>1,372,559</b>
<b>Net Book Value of Tangible Capital Assets</b>	<b>\$ 125,716</b>	<b>\$ 215,819</b>	<b>\$ 25,848</b>	<b>\$ 753,551</b>	<b>\$ 57,163</b>	<b>\$ 1,178,097</b>	<b>\$ 73,102</b>	<b>\$ 1,980,775</b>	<b>\$ 1,886,836</b>



**CITY OF KELOWNA**  
**Schedule 2 - Segmented Information**  
**For the Year Ended December 31, 2023**  
**(in thousands of dollars)**

	<b>General Government</b>	<b>Protective Services</b>	<b>Transportation</b>	<b>Recreation &amp; Cultural</b>	<b>Other Services</b>	<b>Airport</b>	<b>Wastewater</b>	<b>Water</b>	<b>Statutory Reserves</b>	<b>2023</b>
<b>Revenue</b>										
Taxation	\$ 188,042	\$ -	\$ 262	\$ -	\$ -	\$ -	\$ 1,237	\$ 2,512	\$ -	\$ 192,053
Fees and charges	15,966	17,931	19,506	6,494	30,455	47,884	23,632	18,909	649	181,426
Interest earned	18,636	-	-	-	-	1,917	1,796	1,155	4,451	27,955
DCC contributions	-	-	13,193	27,285	-	-	192	(3,115)	-	37,555
Government transfers	36,093	4,365	12,456	3,362	294	5,178	3,789	8	-	65,545
Other capital contributions	2,571	-	-	-	-	604	485	636	-	4,296
Gain on disposal of tangible capital assets	258	8	217	1	-	-	-	-	-	484
	<u>261,566</u>	<u>22,304</u>	<u>45,634</u>	<u>37,142</u>	<u>30,749</u>	<u>55,583</u>	<u>31,131</u>	<u>20,105</u>	<u>5,100</u>	<u>509,314</u>
<b>Expenses</b>										
Salaries and benefits	29,523	39,789	10,846	13,974	9,607	6,168	4,860	4,623	-	119,390
Contract and professional services	14,225	1,465	28,893	7,764	11,560	3,367	1,525	871	-	69,670
RCMP Contract	-	52,541	-	-	-	-	-	-	-	52,541
Materials and supplies	11,384	2,620	7,789	14,048	1,145	9,736	3,040	1,779	-	51,541
Equipment	828	450	3,932	1,706	2,630	91	1,100	754	-	11,491
Allocations	(6,783)	(211)	240	(196)	2,451	1,559	1,729	1,219	-	8
Cost recoveries	(2,884)	(3,341)	(11,101)	(165)	(4,040)	(699)	(261)	(775)	-	(23,266)
Grants and external transfers	3,997	111	1	1,032	416	-	-	-	-	5,557
Utilities	209	345	1,405	2,588	259	677	1,355	1,471	-	8,309
Loss on disposal of tangible capital assets	39	4	97	-	-	-	-	-	-	140
Write down of tangible capital assets	985	-	13	-	-	213	-	-	-	1,211
Amortization of tangible capital assets	5,878	1,842	24,618	8,718	2,575	8,864	10,378	6,576	-	69,449
Accretion	153	-	-	-	1,372	20	-	14	-	1,559
<b>Total before Debt</b>	<u>57,554</u>	<u>95,615</u>	<u>66,733</u>	<u>49,469</u>	<u>27,975</u>	<u>29,996</u>	<u>23,726</u>	<u>16,532</u>	<u>-</u>	<u>367,600</u>
Debt interest and fiscal services	3,573	-	-	-	-	584	282	288	-	4,727
<b>Total operating expenses</b>	<u>61,127</u>	<u>95,615</u>	<u>66,733</u>	<u>49,469</u>	<u>27,975</u>	<u>30,580</u>	<u>24,008</u>	<u>16,820</u>	<u>-</u>	<u>372,327</u>
<b>Annual Surplus (Deficit)</b>	<u>\$ 200,439</u>	<u>\$ (73,311)</u>	<u>\$ (21,099)</u>	<u>\$ (12,327)</u>	<u>\$ 2,774</u>	<u>\$ 25,003</u>	<u>\$ 7,123</u>	<u>\$ 3,285</u>	<u>\$ 5,100</u>	<u>\$ 136,987</u>

**CITY OF KELOWNA**  
**Schedule 2 - Segmented Information**  
**For the Year Ended December 31, 2022**  
**(in thousands of dollars)**

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation</u>	<u>Recreation &amp; Cultural</u>	<u>Other Services</u>	<u>Airport</u>	<u>Wastewater</u>	<u>Water</u>	<u>Statutory Reserves</u>	<u>2022 (Restated - Note 2)</u>
<b>Revenue</b>										
Taxation	\$ 177,971	\$ -	\$ 142	\$ -	\$ -	\$ -	\$ 1,239	\$ 5,275	\$ -	\$ 184,627
Fees and charges	14,455	13,333	17,544	5,366	29,732	41,984	22,604	16,616	189	161,823
Interest earned	11,293	-	-	-	-	1,010	1,112	615	2,278	16,308
DCC contributions	-	-	1,366	14,673	-	-	677	59	-	16,775
Government transfers	8,758	4,171	13,306	3,980	195	7,784	557	-	-	38,751
Other capital contributions	3,105	-	-	425	-	575	485	564	-	5,154
Gain on disposal of tangible capital assets	297	-	1,075	2	-	-	-	-	-	1,374
	<u>215,879</u>	<u>17,504</u>	<u>33,433</u>	<u>24,446</u>	<u>29,927</u>	<u>51,353</u>	<u>26,674</u>	<u>23,129</u>	<u>2,467</u>	<u>424,812</u>
<b>Expenses</b>										
Salaries and benefits	25,977	37,296	10,179	12,898	8,972	5,529	4,627	4,248	-	109,726
Contract and professional services	10,943	1,423	30,767	7,844	8,469	2,489	1,275	615	-	63,825
RCMP Contract	-	36,172	-	-	-	-	-	-	-	36,172
Materials and supplies	7,807	2,369	7,405	12,409	869	8,192	2,981	1,575	-	43,607
Equipment	563	363	3,552	1,816	2,242	13	1,135	749	-	10,433
Allocations	(7,803)	(166)	174	(193)	3,574	1,507	1,662	1,251	-	6
Cost recoveries	(1,039)	(2,308)	(10,189)	(146)	(1,590)	(690)	(258)	(730)	-	(16,950)
Grants and external transfers	3,835	86	28	1,542	478	-	-	-	-	5,969
Utilities	204	350	1,380	2,342	247	680	1,534	1,397	-	8,134
Loss on disposal of tangible capital assets	19	-	43	-	-	-	-	-	-	62
Write down of tangible capital assets	26	-	-	52	102	38	-	-	-	218
Amortization of tangible capital assets	5,949	1,893	25,586	8,311	2,515	8,162	10,360	6,502	-	69,278
Accretion	154	-	-	-	1,308	20	-	14	-	1,496
<b>Total before Debt</b>	<u>46,635</u>	<u>77,478</u>	<u>68,925</u>	<u>46,875</u>	<u>27,186</u>	<u>25,940</u>	<u>23,316</u>	<u>15,621</u>	<u>-</u>	<u>331,976</u>
Debt interest and fiscal services	2,628	-	-	-	-	584	282	268	-	3,762
<b>Total operating expenses</b>	<u>49,263</u>	<u>77,478</u>	<u>68,925</u>	<u>46,875</u>	<u>27,186</u>	<u>26,524</u>	<u>23,598</u>	<u>15,889</u>	<u>-</u>	<u>335,738</u>
<b>Annual Surplus (Deficit)</b>	<u>\$ 166,616</u>	<u>\$ (59,974)</u>	<u>\$ (35,492)</u>	<u>\$ (22,429)</u>	<u>\$ 2,741</u>	<u>\$ 24,829</u>	<u>\$ 3,076</u>	<u>\$ 7,240</u>	<u>\$ 2,467</u>	<u>\$ 89,074</u>

**CITY OF KELOWNA**  
**Schedule 3 - Long Term Debt**  
**For the Year Ended December 31, 2023**  
**(in thousands of dollars)**

**Long term debt - General Fund**

**Debenture Debt**

<u>Year of Maturity</u>	<u>Purpose</u>	<u>Debt Balance December 31, 2022</u>	<u>Amount of Issue</u>	<u>Debt Balance December 31, 2023</u>	<u>Sinking Fund Balance December 31, 2023</u>	<u>Current Interest Rate</u>
	<b>Local Improvements</b>					%
2035	Lawrence Ave LAS	\$ 238	\$ 345	\$ 222	\$ 123	3.00
	<b>Recreation and Cultural</b>					
2027	H2O Centre	9,008	27,500	7,328	20,172	3.90
2027	Kokanee Gymnastic	262	800	213	587	3.90
2028	H2O Centre	772	2,000	655	1,345	4.30
2035	Police Facilities	14,498	20,000	13,599	6,401	2.75
2035	Library Parkade Ext & Memorial Parkade	10,874	15,000	10,199	4,801	2.75
2036	Police Facilities	13,063	17,000	12,324	4,676	2.60
2037	Police Facilities	2,407	3,000	2,278	722	3.15
2038	Police Facilities	1,148	1,360	1,091	269	3.15
	<b><u>Total Debt - General Fund</u></b>	<b><u>\$ 52,270</u></b>	<b><u>\$ 87,005</u></b>	<b><u>\$ 47,909</u></b>	<b><u>\$ 39,096</u></b>	

**CITY OF KELOWNA**  
**Schedule 3 - Long Term Debt**  
**For the Year Ended December 31, 2023**  
**(in thousands of dollars)**

**Long term debt - Wastewater Fund**

**Debenture Debt**

<u>Year of Maturity</u>	<u>Purpose</u>	<u>Debt Balance December 31, 2022</u>	<u>Amount of Issue</u>	<u>Debt Balance December 31, 2023</u>	<u>Sinking Fund Balance December 31, 2023</u>	<u>Current Interest Rate</u>
	<b>Specified Area Programs</b>					%
2024	Spec. Area 21A - McKenzie Bench	\$ 201	\$ 1,350	\$ 103	\$ 1,247	2.25
2024	Spec. Area 22B - Vista Rd	12	80	6	74	2.25
2024	Spec. Area 22C - Hein Rd	40	266	20	246	2.25
2024	Spec. Area 22D - Elwyn Rd	22	149	11	138	2.25
2024	Spec. Area 22E - Dease Rd	14	96	7	89	2.25
2024	Spec. Area 22F - Mills Rd	51	342	26	316	2.25
2024	Spec. Area 29 - Campion Cambro	130	874	67	807	2.25
2024	Spec. Area 30 - Acland	54	364	28	336	2.25
2025	Spec. Area 20 - North Rutland	1,365	6,822	924	5,898	0.91
2025	Spec. Area 28A - Okaview	128	638	86	552	0.91
2028	Spec Area 26 - Fisher Rd	780	2,021	662	1,359	4.30
2028	Spec Area 34 - Country Rhodes	168	435	143	292	4.30
2028	Spec Area 36 - Clifton	103	267	88	179	4.30
	<b>Sewage Treatment Plant</b>					
2031	Brandt's Creek Tradewaste Treatment	1,238	3,800	944	2,856	1.47
	<b><u>Total Debt - Wastewater Fund</u></b>	<b><u>\$ 4,306</u></b>	<b><u>\$ 17,504</u></b>	<b><u>\$ 3,115</u></b>	<b><u>\$ 14,389</u></b>	

**CITY OF KELOWNA**  
**Schedule 3 - Long Term Debt**  
**For the Year Ended December 31, 2023**  
**(in thousands of dollars)**

**Long term debt - Water Fund**

**Debenture Debt**

<u>Year of Maturity</u>	<u>Purpose</u>	<u>Debt Balance December 31, 2022</u>	<u>Amount of Issue</u>	<u>Debt Balance December 31, 2023</u>	<u>Sinking Fund Balance December 31, 2023</u>	<u>Current Interest Rate</u>
	<b>Specified Area Programs</b>					%
2023	Spec Area 16 - Byrns	\$ 3	\$ 39	\$ -	\$ 39	2.85
2024	Spec Area 18 - Lakeshore	4	24	2	22	2.25
2028	Spec Area 26 - Fisher Rd	115	297	97	200	4.30
2038	Local Area Service - Aspen Rd	41	48	38	10	3.20
2042	Local Area Service - Somid	441	441	424	17	3.36
	<b>Water Improvement Programs</b>					
2028	Cedar Creek Pump Station	2,923	7,577	2,482	5,095	4.30
2031	Poplar Point Pump Station Upgrade	1,091	2,000	987	1,013	1.47
	<b>Total Debt - Water Fund</b>	<b>\$ 4,618</b>	<b>\$ 10,426</b>	<b>\$ 4,030</b>	<b>\$ 6,396</b>	

**Long term debt - Airport Fund**

**Debenture Debt**

2025	Airport Expansion	\$ 2,527	\$ 7,500	\$ 1,713	\$ 5,787	2.75
2026	Airport Expansion	1,546	3,500	1,179	2,321	2.60
2026	Airport Expansion	1,307	3,000	995	2,005	2.10
2027	Airport Expansion	4,295	8,000	3,486	4,514	2.80
	<b>Total Debt - Airport Fund</b>	<b>\$ 9,675</b>	<b>\$ 22,000</b>	<b>\$ 7,373</b>	<b>\$ 14,627</b>	

**Long term debt - Other**

2029	Airport - Enterprise Rental Car Kiosk	\$ 51	\$ 73	\$ 44		nil
2028	South Perimeter DCC Road B	-	4,902	3,249		nil
	<b>Total Debt - Other</b>	<b>\$ 51</b>	<b>\$ 4,975</b>	<b>\$ 3,293</b>		

<b>Total City Long Term Debt</b>	<b>\$ 70,920</b>	<b>\$ 141,910</b>	<b>\$ 65,720</b>
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# CITY OF KELOWNA

## Schedule 4 - COVID-19 Safe Restart Grant for Local Governments

For the Year Ended December 31, 2023

(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>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 370	\$ 1,716
Interest earned	12	37
Less funds used to support:		
Community services revenue losses	(107)	(204)
Technological costs	(170)	(210)
Support for vulnerable persons	-	(285)
Enforcement and protective services	(105)	(684)
	<u>(370)</u>	<u>(1,346)</u>
<b>Balance, end of year</b>	<u>\$ -</u>	<u>\$ 370</u>

**CITY OF KELOWNA**  
**Schedule 5 - BC Growing Communities Fund Grant**  
**For the Year Ended December 31, 2023**  
**(in thousands of dollars)**

The BC Growing Communities Fund Grant was received from the Provincial Government in 2023 and was included in the Government transfers Revenue line (Note 7) under Operating transfers, Provincial. The schedule below provides disclosure of funds received, spent and remaining. A balance at the end of the year represents unused funds received and is included in the General fund reserve.

	<u>2023</u>	<u>2022</u>
BC Growing Communities Fund Grant received	\$ 26,228	\$ -
Interest earned	241	-
Less use of funds:		
Public safety equipment	<u>(213)</u>	<u>-</u>
	<u>28</u>	<u>-</u>
<b>Balance, end of year</b>	<b><u>\$ 26,256</u></b>	<b><u>\$ -</u></b>



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