

Report to Council



Date: May 12, 2025

To: Council

From: Audit Committee

Subject: Financial Statements for the Year Ending December 31, 2024

Department: Financial Services

Recommendation:

THAT Council receives, for information, the Report from the Audit Committee dated May 12, 2025 with respect to the Consolidated Financial Statements and Auditor's Report for the City of Kelowna for the year ending December 31, 2024;

AND THAT the Consolidated Financial Statements and Auditor's Report be reprinted in and form part of the City of Kelowna's annual report;

AND THAT Council receives, for acceptance, the 2024 GEID Consolidated Financial Statements.

Purpose:

To receive a high-level review of the information provided to the Audit Committee during the meeting on May 2, 2025, to accept the Financial Statements per the legislative requirement, and to approve inclusion of the City of Kelowna Financial Statements in the annual report.

Background:

A detailed review of the draft City of Kelowna Financial Statements for the year ending December 31, 2024, Auditor's report, City Reserves and Debt, Surplus Balances and Appropriations was undertaken on May 2, 2025 by the Audit Committee, the City of Kelowna Auditor, Doane Grant Thornton LLP, and Financial Services staff.

Discussion:

The Audit Committee was provided with an in-depth review of the consolidated financial statements for the year ending December 31, 2024. There was a key theme that emerged which contributed to the City's strong financial position. The City continued with steady increases in operations which were reflected in the increases in operating revenue and expenses. Net cash flows decreased in the year largely due to the

significant increase in capital acquisition, aligning with the City's commitment to increase the level of capital delivery.

Consolidated Statement of Financial Position:

The Consolidated Statement of Financial Position shows the City's Financial Assets of \$1.02B exceeding its liabilities of \$547 million, indicating that the City has sufficient financial assets to settle its existing liabilities. The extent to which the City's assets exceed liabilities represents liquidity and is a positive indicator of the City's financial strength. In 2024, there was a \$33 million decrease in Financial Assets and a \$14 million increase in Financial Liabilities.

The decrease in Financial Assets largely resulted from a \$64 million decrease in Cash and Cash Equivalents, a decrease of \$12 million in Accounts Receivable, offset by a \$45 million increase in portfolio investments. The decrease in cash is mainly due to the timing of payments to vendors as well as increased investment activity, in order to maximize our return on cash. Accounts receivable decreased mainly due to a decrease in Development Cost charge receivables.

The increase in liabilities was the result of an increase of \$29 million in Accounts Payable and Accrued Liabilities, offset by a reduction of \$12 million in Performance deposits and Deferred Development charges.

Non-financial assets increased \$190 million largely due to an increase in capital additions.

Statement of Operations and Accumulated Surplus:

The Statement of Operations and Accumulated Surplus shows an increase of \$54 million in revenues totaling \$571 million and a \$39 million increase in expenses totaling \$417 million. This has resulted in an annual surplus of \$154 million. These increases are a reflection of the continued increase in operations resulting in growth of non-taxation revenues combined with the higher operational output.

Fees and charges revenues increased by \$7 million, which can largely be attributed to some increased parking revenue, higher than expected landfill revenue, and an increase in passenger numbers at the Airport resulting in an increase in Airport Improvement fees and terminal fees.

The City recognized a gain on sales of investments of \$30 million due to the sale of 60% of Fortis Shares the City held.

Development Cost Charges utilized this year increased by \$3.4 million in 2024 due to the completion of more DCC funded projects in 2024 compared to 2023.

The increases in expenses such as salaries and wages, and contract and professional services are also a product of the increase in operations across the organization. Cost escalations due to inflation was another contributor to the increase in expenses for 2024.

Total operating revenues over expenses has resulted in an annual surplus of \$154M and has increased the accumulated surplus to \$2.7 billion. This surplus supports the City in meeting its needs such as the 10-year capital plan and 20-year servicing plan. It also places the City in a good position to deal with catastrophic events or take advantage of opportunities without negatively impacting taxpayers.

Consolidated Statement of Cash Flows:

The Consolidated Statement of Cash Flows outlines the cash generated and used by the City's operations, capital, investing and financing activities. These activities resulted in a net decrease of \$64 million in cash and cash equivalents, to end with a balance of \$44 million.

Audit report:

The Audit report outlined the areas of review that took place and provided a clean audit opinion stating that the City of Kelowna's consolidated financial statements present fairly, in all material respects, the financial position of the City of Kelowna as at December 31, 2024, and the results of operations, its changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Glenmore Ellison Improvement District (GEID):

The Glenmore Ellison Improvement District (GEID) officially joined the City of Kelowna on January 1, 2025, with full transition expected by 2028. Up to Dec 31, 2024, a Board of Trustees provided oversight in the performance of GEID's financial reporting responsibilities. Annually this Board of Trustees would review and accept the financial statements per legislative requirements. The board was dissolved as of December 31, 2024, and with the audit just completed in May 2025, this requirement falls to the City of Kelowna Council to fulfill.

MNP LLP were the independent auditors that performed the audit for GEID. They provided a clean audit opinion stating that GEID's consolidated financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2024, and the results of operations, its changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The Audit Committee was also provided a review of the consolidated financial statements as at December 31, 2024.

Conclusion:

The preparation for year-end and the audit process provides a detailed review and assessment of the City's financial results for the year ended December 31, 2024, and compares those results to the previous year's actuals and budget. An increase in operating activities is reflected in the favorable 2024 financial results. However, the City is still experiencing economic and geopolitical challenges such as higher inflation and tariffs. The City's strong financial position at the end of 2024 enables the City to take advantage of opportunities and overcome challenges. Starting in 2025 GEID will be incorporated into the City's consolidated financial statements.

Considerations applicable to this report:

Legal/Statutory Authority:

The Community Charter section 167 "Annual Financial Statements" requires that municipal financial statements for a fiscal year must be presented to Council for its acceptance.

Considerations not applicable to this report:

Internal Circulation
Legal/Statutory Authority
Legal/Statutory Procedural Requirements
Existing Policy
Financial/Budgetary Considerations
Consultation and Engagement
Communications Comments

Submitted by: Mayor Dyas, Chair, Audit Committee

cc: General Manager, Corporate Services
Deputy Chief Financial Officer
Controller
Financial Planning Manager
Grant Thornton LLP – Auditor - Mr. Tyler Neels, CPA, CA