



Table of contents

- 3** Message from Chief Financial Officer
- 4** Auditors' Report
- 5** Financial Position
- 6** Financial Activities
- 7** Changes in Financial Position
- 8** Equity in Capital Assets
- 9** Statutory Reserve Fund Operations
- 10** Summary of Significant Accounting Policies
- 12** Notes to Financial Statements

A Message from the Chief Financial Officer

December 31, 2008 marked completion of the first full year of the District of West Kelowna's operation. Despite numerous challenges, the District posted positive financial results.

- **Cash and investments at the end of 2008 was \$23.17 million**
- **Capital Expenditures in 2008 was \$6.18 million**

The Financial Services Department conducted a review to establish a procurement process that met departmental operational needs in a cost-effective and expeditious manner while ensuring effective controls, accountability and mechanisms for reporting to Council. In addition, the District also established a purchasing card program for employees. This card system provides for a 2% cash rebate back to the District.

The District established a "made in West Kelowna" charge code system, which helps various departments control their budgets.

In 2008, the District completed its first Five and Ten-Year Financial Plan. The District's first budget included a tax increase which was set at 5% over the previous year. The 5% was established by reviewing the taxing authorities which tax this area and calculating the average amount. The increase was transferred directly into reserves.

The District will receive \$1,425,000 in restructuring assistance grant funding. These funds will go directly into reserve accounts. In 2008, District taxpayers did not pay directly for policing expenses but instead were taxed directly by the Surveyor of Taxes for \$1,300,000.

The annual budgeting process strives to maintain or enhance priority services delivered by District programs and services. This has been achieved through vigorous budget reviews, and the use of a Citizen Budget Survey.

Chief Financial Officer
Jim Zaffino, CGA



BDO Dunwoody LLP
Chartered Accountants
and Advisors

Landmark Technology Centre
300 - 1632 Dickson Avenue
Kelowna BC Canada V1Y 7T2
Telephone: (250) 763-6700
Fax: (250) 763-4457
Toll Free: 1-800-928-3307
www.bdo.ca

Auditors' Report

To the Mayor and Council of District of West Kelowna

We have audited the consolidated statement of financial position of District of West Kelowna as at December 31, 2008 and the consolidated statements of financial activities, changes in financial position, equity in capital assets and statutory reserve fund operations for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Kelowna, British Columbia
June 4, 2009

The District of West Kelowna
BRITISH COLUMBIA

Consolidated Statement of Financial Position

December 31, 2008
(No comparative figures)

	<u>2008</u>	<u>2007 (Note 4)</u>
FINANCIAL ASSETS		
Cash	375,758	
Term Deposits	22,802,109	
Receivables		
Property Taxes	1,566,086	
Federal Government	295,966	
Province of B.C.	369,634	
Other Government Agencies	125,113	
Other	194,518	
	<u>\$ 25,729,184</u>	<u>\$ -</u>
LIABILITIES		
Payables		
Trade Accounts and Accrued Liabilities	6,439,283	
Other Govt Agencies	89,424	
Development Cost Charges	4,376,592	
Deferred Revenue (Note 2)	1,659,830	
Sundry Deposits	20,000	
Long-term Debt	20,840,143	
	<u>\$ 33,425,272</u>	<u>\$ -</u>
Net Financial Assets (Liabilities)	(7,696,088)	-
Physical Assets		
Capital Assets (Note 6)	186,259,681	
Net Position	<u>\$ 178,563,593</u>	<u>\$ -</u>
Municipal Position		
Equity in Physical Assets	165,419,538	-
Capital and Operating Fund	3,958,643	-
Statutory Reserve Funds	9,185,412	-
	<u>\$ 178,563,593</u>	<u>\$ -</u>


Chief Financial Officer

The District of West Kelowna
BRITISH COLUMBIA

Consolidated Statement of Financial Activities

For the year ended December 31, 2008
(No comparative figures)

	<u>2008</u>	<u>2008</u> Budget (Unaudited)	<u>2007 (Note 4)</u>
REVENUE			
Taxation - net	18,560,326	18,468,683	
Grants in Lieu of Taxes		308	
Sales of Services	3,089,166	3,475,818	
Other Revenue from Own Sources	2,304,129	1,264,907	
Contributions from Developers and Others	7,768	-	
Unconditional Transfers - Provincial Government	3,188,551	2,485,626	
Conditional Transfers - Federal Government	575,224	404,310	
Conditional Transfers - Provincial Government		100,000	
	<u>\$ 27,725,164</u>	<u>\$ 26,199,652</u>	<u>\$ -</u>
EXPENDITURE			
General Government Services	2,533,524	3,059,940	
Protective Services	5,198,127	6,085,722	
Transportation Services	1,725,139	2,560,329	
Environmental Health Services	578,101	510,077	
Environmental Development Services	826,890	932,649	
Recreation and Cultural Services	5,098,342	4,876,112	
Bank Charges and Interest	8,028	13,350	
Debt Interest	515,325	535,711	
Transfer of Net Debt from Regional District	12,755,817	-	
Capital Expenditures	6,181,959	19,504,472	
	<u>\$ 35,421,252</u>	<u>\$ 38,078,362</u>	<u>\$ -</u>
Net Revenue/(Expenditure)	(7,696,088)	(11,878,710)	-
Proceeds from Debt	22,082,615		
Debt Principal Repayments	(1,242,472)		
Increase/(Decrease) in Fund Balances	<u>\$ 13,144,055</u>	<u>\$ -</u>	<u>\$ -</u>

The District of West Kelowna
BRITISH COLUMBIA

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 2008
(No comparative figures)

	<u>2008</u>	<u>2007 (Note 4)</u>
Cash flows from (to)		
Operations		
Net increase(decrease) in financial equity	13,144,055	
Net increase in equity in capital assets	165,419,538	
Decrease(increase) in accounts receivable	(891,292)	
Decrease(increase) in taxes and utilities receivable	(1,566,087)	
Decrease(increase) in prepaid expenses	(95,642)	
Increase(decrease) in accounts payable	6,530,411	
Increase(decrease) in refundable deposits	20,000	
Increase(decrease) in deferred revenue	6,036,422	
Net cash from operations	<u>\$ 188,597,405</u>	<u>\$ -</u>
Financing		
Principal repayments on long-term debt	20,840,143	
	<u>\$ 20,840,143</u>	<u>\$ -</u>
Investments		
Expenditures on capital assets	(186,259,681)	
	<u>\$ (186,259,681)</u>	<u>\$ -</u>
Change in cash and short-term investments	23,177,867	-
Cash and short-term investments, beginning of year	0	
Cash and short-term investments, end of year	<u><u>\$ 23,177,867</u></u>	<u><u>\$ -</u></u>
Consisting of:		
Restricted cash		
Statutory reserves and deferred revenue	15,221,834	
Utilities	10,943	
	<u>\$ 15,232,777</u>	<u>\$ -</u>
Current funds	7,945,090	-
	<u><u>\$ 23,177,867</u></u>	<u><u>\$ -</u></u>

The District of West Kelowna
BRITISH COLUMBIA

Consolidated Statement of Equity in Capital Assets

December 31, 2008
(No comparative figures)

	<u>2008</u>	<u>2007 (Note 4)</u>
BALANCE, BEGINNING OF YEAR	-	
ADD		
Assets Acquired by Transfer (net)	159,237,577	
Federal Government	766,929	
Capital Reserve Fund	1,517,243	
Equipment Replacement Reserve Fund	978,259	
Electric Capital Reserve Fund	233,332	
Revenue Funds	879,820	
Reserves from Future Expenditures	892,279	
Other Contributions	7,768	
Internal Debt	906,331	
	<u>\$ 165,419,538</u>	<u>\$ -</u>
BALANCE, END OF YEAR	<u>\$ 165,419,538</u>	<u>\$ -</u>

The District of West Kelowna
BRITISH COLUMBIA

Consolidated Statement of Statutory Reserve Fund Operations

December 31, 2008
(No comparative figures)

	<u>2008</u>	<u>2007 (Note 4)</u>
BALANCE, BEGINNING OF YEAR	-	
ADD		
Transfers from Revenue Funds	12,057,808	
	<u>\$ 12,057,808</u>	<u>\$ -</u>
DEDUCT		
Transfers to Capital Funds	2,872,396	
BALANCE, END OF YEAR	<u><u>\$ 9,185,412</u></u>	<u><u>\$ -</u></u>

Summary of Statutory Reserve Fund Balances

Equipment Replacement	2,070,727	
Capital	1,298,393	
Sewer System Capital	2,774,103	
Water System Capital	3,042,189	
	<u><u>\$ 9,185,412</u></u>	<u><u>\$ -</u></u>

District of West Kelowna
Summary of Significant Accounting Policies

December 31, 2008

Nature of Business	The District is incorporated under the laws of British Columbia and is engaged in the operation of a municipality.
Basis of Presentation	It is the District's policy to follow Canadian generally accepted accounting principles. The consolidated financial statements include the accounts of all funds of the District. All inter-fund transactions have been eliminated. The consolidated statements have been prepared by management using guidelines issued by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.
Revenue Recognition	Taxation revenues are recognized at the time of issuing the property tax notices for the fiscal year. Sale of services and user fee revenues are recognized when the service of product is provided by the District. Grant revenues are recognized when the funding becomes receivable.
Physical Assets and Amortization	Capital asset expenditures are recorded on the cost basis. Cost includes interest on short term financing. Amortization is not recorded.
Debt Charges	The interest portion of debt charge is charged against current operating revenue in the year in which it is paid. Principal payments are recorded as a reduction of fund balances and net debt.
Vacation and Sick Pay	Vacation pay, which may be accumulated up to two weeks, is charged to expense in the year paid. Sick leave, which has a maximum accumulation of thirty-five weeks, is also charged to expense in the year it is accumulated. Earned sick leave is paid to a maximum of seventeen and a half weeks upon termination of employment.
Reserves	Reserves for future expenditures represents amounts set aside for future operating and capital expenditures. The District has also appropriated funds for future capital expenditures, the reserves are Capital and Equipment reserves. Expenditures from a reserve can only be made in accordance with by-law directives.
Development Cost Charges	Development Cost Charge (DCC) levies are restricted by by-law in their use for Water, Sewer and Road expansion, and the revenue is deferred until the expenditures are incurred. When DCC expenditures are made, a corresponding amount is recorded as a contribution from property owners and developers.
Financial Instruments	It is management's opinion that the District is not exposed to significant interest, currency or credit risks arising from its financial instruments unless otherwise noted. The fair values of the District's financial instruments approximate their carrying values, unless otherwise noted.

Budget Figures

The budget figures are from the Annual Budget Bylaw adopted by May 15 of each year. They have been reallocated to conform to PSAB financial statement presentation. Subsequent amendments have been made by Council to reflect changes in the budget as required by law.

Commitments

The District has entered into various agreements and contracts for services, for periods ranging from one to five years.

Use of Estimates

The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

December 31, 2008

1. Contingent Liabilities and Commitments

(a) Pension Liabilities

The municipality and its employees contribute to the Municipal Pension Plan (Plan), a jointly trusted pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 150,000 active members and approximately 54,000 retired members. Active members include approximately 32,000 contributors from local government.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009, with results available in 2010. The actuary does not attribute portions of the surplus to individual employers. The District of West Kelowna paid \$253,620.74 for employer contributions to the Plan in fiscal 2008.

(b) Regional District of Central Okanagan

Regional District debt is, under the provisions of the Local Government Act, a joint and several liability of the District and each member municipality within the District, including the District of West Kelowna. The loan agreements with the Regional District of Central Okanagan and the Municipal Finance Authority provide that, if at any time the schedule payments provided for in the agreements are not sufficient to meet the Authority's obligations with respect to such borrowing, the resulting deficiency becomes the liability of the member municipalities.

(c) Commitments

The District of West Kelowna has entered into one contract to purchase a fire truck in 2008. This truck is to be delivered in 2009 and the funds have been brought forward to the 2009 budget.

2. Deferred Revenues

Deferred Revenues includes:

- a prepayment amount of \$1,425,000 received from the Provincial Government for restructuring assistance. These funds will be transferred to reserves in 2009.
- a prepayment of \$100,000 received from the Provincial government for planning. This will be expended in 2009.
- a planning grant of \$100,000 was received from the Provincial government for planning in 2008. \$84,830 was unused in 2008 and therefore transferred to 2009. These funds will be expended in 2009.
- a prepayment of \$50,000 for a conditional grant for Spirits Square was received in 2008. The project will be completed in 2009 and the remainder of the funding will be received and all applied at that time.

3. Federal Gas Reporting

Gas tax funding is provided by the Government of Canada. The use of the funding is established by funding agreement between the District of West Kelowna and the Union of British Columbia Municipalities. Gas tax funding may be used toward designated public transit, community energy, water, wastewater, solid waste and capacity building projects as specified in the funding agreements.

	<u>2008</u>	<u>2007</u>
Opening balance of unspent funds	-	-
Interest earned	3,302	-
Add: Amounts received during the year	404,311	-
Transfer from CORD	170,913	-
Less: Amounts spent during the year	<u>-</u>	<u>-</u>
Total Deferred Gas Tax Revenue	\$578,526	-

4. Comparative Figures

The District of West Kelowna was incorporated under letters patent on December 6, 2007 and therefore, does not have comparative figures for 2007.

5. Reporting Period

The reporting period for 2008 is from December 6, 2007 to December 31, 2008. This is allowed through the letters patent, and no financial statements were required in 2007.

6. Tangible Capital Assets

In anticipation of the new reporting requirements for 2009, the District of West Kelowna has a conceptual plan for valuation of costing and threshold development, staff has attended training sessions, and action plan meetings have been scheduled for addressing tangible capital assets reporting requirements. We are using GFOA software and recommended standards to value our current assets.

Capital Assets break down as follows:

	<u>Cost</u>	<u>Accumulated Amortization</u>
Land	6,164,584	-
Buildings	21,566,209	-
Machinery	8,510,141	-
Engineering Structures	36,133,648	-
Roads	113,885,099	-
	<u>\$ 186,259,681</u>	<u>\$ -</u>
Net Book Value		<u>\$ 186,259,681</u>

7. Expenditures by Object

	<u>2008</u>	<u>2007</u>
Advertising	63,001	-
Audit Fees	27,000	-
Bad Debts	7,383	-
Bank Charges	7,112	-
Building Maintenance	125,543	-
Capital Expenditures	6,181,959	-
Civic Grants	231,300	-
Communities in Bloom	517	-
Conferences & Seminars	73,415	-
Contingency Funds	96,647	-
Contract Services	3,809,732	-
RDCO Administration	421,544	-
Cost Relocation	27,910	-
Debt - Interest	515,325	-
Dues & Memberships	31,045	-
Equipment Maintenance & Fuel	212,132	-
Equipment Replacement Reserve Trsfr	849,793	-
Freight/Courier/Postage	28,105	-
Ground Maintenance	52,172	-
Hydrant Maintenance	73,634	-
Information Technology	405	-
Insurance Liability	180,438	-
Legal	141,500	-
Licenses	23,798	-
Marketing	39,726	-
Meetings - Food & Beverages	10,391	-
Miscellaneous	13,836	-
Net Debt from RDCO	12,755,817	-
Presentations, Awards & Recognition	11,036	-
Protective Equipment Maintenance	19,558	-
Public Relations	17,251	-
Publication & Subscriptions	5,173	-
Recoverable Costs	19,981	-
Recruitment Costs	53,930	-
Refunded Fees	2,782	-
Rental	282,336	-
Safety Training & Supplies	94,238	-
Snow Removal	23,970	-
Supplies	8,993	-
Supplies/Small Tools & Equipment	336,347	-
Training	16,239	-
Travel & Mileage	6,554	-
Uniforms	104,787	-
Utilities (Telephone/Water/Power)	759,026	-
Vandalism repairs	1,089	-
Wages/Salaries	7,647,467	-
Wellness	9,318	-
Grand Total	\$ 35,421,252	\$ -

8. Sewer System Utility Statements

Prior to 2009 and the Memorandum of Understanding (MOU) discussions, the Regional District of Central Okanagan (RDCO) did not break out the costs of sewer lines by area. Regular operating and maintenance expenses, if there were any for 2008, were taken care of by RDCO. There are no revenues to be detailed as the revenues are RDCO's and the expenses to that point are regarded as part of the entire system. Going forward, RDCO is examining their costs and fees.

RDCO collects the sewer fees from each municipality/partner. As such, the revenues and expenses are reflected in Regional District's Financial Statements, including the billing amounts that were charged by West Kelowna prior to the MOU discussions.

9. Incorporation of The District of West Kelowna

The District of West Kelowna was incorporated through letters patent on December 06, 2007 and accordingly these statements represent thirteen months of expenses rather than the normal twelve.

10. Assumption of Equity on Transfer of Assets

When the District of West Kelowna (DWK) was incorporated, the Central Okanagan Regional District, who governed the area, transferred a total of \$66,192,623 of assets (general, water and sewer funds) and the Province of BC transferred \$113,885,099 of roads (general fund). On the transfer of assets, the District assumed related Municipal Finance Authority debt of \$21,842,012. The resulting equity assumed is included in the equity in capital assets as December 31, 2008.

11. Commitments

The District has entered into various leases for equipment and services with terms varying from one to five years. The total lease commitments for 2009 are \$519,698.



Mixed Sources

Product group from well-managed forests, and other controlled sources
www.fsc.org Cert no. SW-COC-002234
© 1996 Forest Stewardship Council