

2011 Financial Statements



A Message from the Chief Financial Officer

December 31, 2011 marked the completion of the District of West Kelowna's fourth full year of operation.

Taxation is a major revenue source for the General Fund and accounted for 26.76% for a total of \$22,300,421 of the 2011 total revenue of \$83,328,525, excluding collections for other governments. Over the 5 year period of the financial plan, the taxation requirements is estimated to increase annually by a growth factor of (1.00%) and a Council authorized tax increase in 2011 of 2.24%. These increases are used to fund changes in cost of living with the remaining going into reserves to help fund future capital projects.

The District has various policies that guide and govern the budget process and include:

1. Revenue Policy
2. Surplus Funds Policy
3. Debt Policy
4. Reserve Fund Policy
5. Proportion of taxes Allocated to Classes
6. Permissive Tax Exemptions
7. Development Cost charges.

Capital projects continue to be a priority for West Kelowna and a further \$12.80 million was expended during 2011 of which \$6.6 million was for sanitary sewer. The major capital projects in 2011 were:

- Museum building - \$97,175
- Westbank Towne Centre - \$209,317
- Fire Department Vehicle - \$774,565
- Sidewalks - \$256,562
- Road Rehabilitation program - \$695,146
- JB Aquatic Centre - \$195,080
- Gellatly Road Phase 2 - \$1.059 million
- Water Park - \$272,697
- Land Acquisition Pritchard Park - \$1.485 million
- Sewer Mains - \$6.6 million

The District of West Kelowna continues to post very positive financial results, as presented in the 2011 audited financial statements:

- Cash and investments totaling \$35.86 million, and \$16.91 million in accounts receivable.
- The 2011 statutory reserves totaled \$15,939,779.
- Non statutory reserves \$14,249,023
- Development Cost Charges and CEC's \$11,535,455.

*Jim Zaffino, CGA
Chief Financial Officer*



Consolidated Financial Statements

District of West Kelowna

December 31, 2011

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Independent auditors' report

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To the members of Council of the District of West Kelowna

We have audited the accompanying consolidated financial statements of the District of West Kelowna ("the District"), which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations and accumulated surplus, consolidated statement of changes in net financial liabilities and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the District of West Kelowna as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Other matter

The consolidated financial statements of the District of West Kelowna for the year ended December 31, 2010 were audited by another auditor who expressed an unmodified opinion on these statements on May 24, 2011.

Partners

Kevin Crookes, CA, CBV, CFE
Paul F.S. Gallo, CA
Bryn Gilbert, CA, CBV
James R. Grant, MBA, CA
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Martin Rutherford, CA
Dan Vass, CA
J. Kim Ward, CA, CFP

Kelowna, BC
June 12, 2012



Chartered accountants

District of West Kelowna

Consolidated statement of financial position

December 31 2011 2010

Financial assets

Cash and temporary investments (Note 4)	\$ 35,859,884	\$ 27,337,336
Accounts receivable (Note 4)	<u>16,913,535</u>	<u>15,059,265</u>
	<u>52,773,419</u>	<u>42,396,601</u>

Financial liabilities

Accounts payable and accrued liabilities (Note 4)	6,316,378	6,424,584
Security deposits	3,023,644	3,808,381
Deferred revenue (Note 4)	2,236,433	2,534,679
Deferred development cost charges (Note 4)	11,534,455	5,843,180
Long term debt (Note 4)	<u>34,113,991</u>	<u>26,381,077</u>
	<u>57,224,901</u>	<u>44,991,901</u>

Net financial liabilities (4,451,482) (2,595,300)

Non-financial assets

Prepaid expenses and other	526,293	449,709
Tangible capital assets (Note 5)	<u>341,816,194</u>	<u>278,892,392</u>
	<u>342,342,487</u>	<u>279,342,101</u>

Accumulated surplus (Schedule 2) \$ 337,891,005 \$ 276,746,801

Contingent liabilities and commitments (Note 9 and 10)

On behalf of the Mayor and Council:



Chief Financial Officer

District of West Kelowna

Consolidated statements of operations and accumulated surplus

Year ended December 31	2011 Actual	2011 Budget	2010 Actual
Revenue			
Taxation – net (Note 6)	\$ 24,801,618	\$ 23,681,299	\$ 23,448,138
Sales of service and regulatory fees	14,552,203	12,397,215	9,906,641
Transfers from other governments (Note 7)	9,335,904	13,075,562	11,355,304
Other revenue from own sources (Note 8)	7,178,540	6,724,811	6,100,429
Total revenues	55,868,265	55,878,887	50,810,812
Expenditures			
General government services	12,243,696	5,455,289	11,570,381
Protective services	9,196,014	8,843,788	8,139,527
Transportation services	6,292,791	6,804,403	6,645,759
Environmental and health development services	2,072,275	2,154,090	1,442,980
Recreation and cultural services	5,703,845	5,665,105	5,138,694
Water services	4,902,391	2,657,731	864,780
Sewer services	4,594,754	4,381,864	4,829,384
Total expenditures (Schedule 3)	45,005,766	35,962,270	38,631,505
Operating surplus for the year	\$ 10,862,499	\$ 19,916,617	\$ 12,179,307
Accumulated surplus, beginning of year before amalgamation			
	\$ 276,746,801	\$ 276,746,801	\$ 264,567,494
Accumulated surplus acquired upon amalgamation (Note 14)	50,281,705	-	-
Operating surplus for the year	10,862,499	19,916,617	12,179,307
Accumulated surplus, end of year	\$ 337,891,005	\$ 296,663,418	\$ 276,746,801

See accompanying notes to the consolidated financial statements

District of West Kelowna

Consolidated statement of changes in net financial liabilities

Year ended December 31	2011 Actual	2011 Budget	2010 Actual
Operating surplus for the year	\$ 10,862,499	\$ 19,916,617	\$ 12,179,307
Acquisition of tangible capital assets	(13,040,813)	(26,984,111)	(16,272,345)
Amortization of tangible capital assets	9,439,949	-	7,762,736
Change in prepaid expenses and other	17,612	-	(123,172)
	<hr/>	<hr/>	<hr/>
Decrease (increase) in net financial liabilities	7,279,247	(7,067,494)	3,546,526
Net financial liabilities acquired upon amalgamation (Note 14)	(9,135,429)	-	-
Net financial liabilities, beginning of year	(2,595,300)	(2,595,300)	(6,141,826)
	<hr/>	<hr/>	<hr/>
Net financial liabilities, end of year	\$ (4,451,482)	\$ (9,662,794)	\$ (2,595,300)

See accompanying notes to the consolidated financial statements

District of West Kelowna

Consolidated statement of cash flows

Year ended December 31

2011

2010

Cash provided by (used for)

Operating activities

Operating surplus for the year	\$ 10,862,499	\$ 12,179,307
Adjustment for non cash items		
Amortization of tangible capital assets	9,439,949	7,762,736
Developer contribution of tangible capital assets	(331,476)	(28,396)
Actuarial adjustment on long term debt	(327,650)	(304,798)
(Increase) decrease in		
Accounts receivable	(1,002,589)	(10,289,234)
Prepaid expenses and other	17,612	(123,172)
Increase (decrease) in		
Accounts payable and accrued liabilities	(501,550)	1,593,336
Security deposits	(784,737)	899,178
Deferred revenue	(298,246)	854,172
	<u>17,073,812</u>	<u>12,543,129</u>

Financing activities

Deferred development cost charges	939,271	(356,930)
Repayment of long term debt	(1,705,180)	(1,366,951)
	<u>(765,909)</u>	<u>(1,723,881)</u>

Capital activities

Acquisition of tangible capital assets	<u>(12,709,337)</u>	<u>(16,243,949)</u>
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Increase (decrease) in cash and temporary investments **3,598,566** **(5,424,701)**

Cash and temporary investments acquired
upon amalgamation (Note 14) **4,923,982** -

Cash and temporary investments, beginning of year 27,337,336 32,762,037

Cash and temporary investments, end of year **\$ 35,859,884** **\$ 27,337,336**

Supplementary cash flow information

Interest paid \$ 1,966,497 \$ 1,581,746

Non-cash capital activities

Acquisition of tangible capital assets
through developer contributions \$ 331,476 \$ 28,396

See accompanying notes to the consolidated financial statements

District of West Kelowna

Notes to the consolidated financial statements

December 31, 2011

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.

1. Nature of business

The District is incorporated under the laws of British Columbia and is engaged in the operation of a municipality.

2. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

The following is a summary of the District's significant accounting policies:

Basis of presentation and principles of consolidation

The District's resources and operations are segregated into General, Water, Sewer, Statutory Reserve and Non-statutory Reserve Funds for accounting and financial reporting purposes. Each of these funds is further segregated into operating and capital funds, where applicable. The consolidated financial statements include all of the accounts of these funds. All inter-fund transactions and balances have been eliminated on consolidation.

Accrual accounting

The consolidated financial statements are prepared using the accrual basis of accounting.

Revenue recognition

Taxation revenues are recorded on the accrual basis and recognized when earned. Sale of services and regulatory fees are recognized when the service or product is provided by the District. Transfers from other governments are recognized as revenue in the period that the transfer is authorized, eligibility criteria, if any, have been met by the District, and a reasonable estimate of the amount to be received can be made. Other revenue is recorded as it is earned and measurable. Amounts that have been received in advance of services being rendered are recorded as deferred revenue until the District discharges the obligation that led to the collection of funds.

(continued)

District of West Kelowna

Notes to the consolidated financial statements

December 31, 2011

2. Summary of significant accounting policies (continued)

Expenditures

Expenditures are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

Budget figures

The budget figures are from the 5-Year Financial Plan Bylaw, adopted before May 15th of each year and are not subject to audit. Subsequent amendments have been made by Council to reflect changes in the budget as required by law.

Cash and cash equivalents

Management considers all highly liquid investments with maturity dates of three months or less at acquisition, or that are cashable on demand, to be cash equivalents.

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives according to an estimated useful life as follows:

Asset class	Estimated useful life
Buildings	20-40 years
Building improvements	5-30 years
Computer	3-25 years
Infrastructure	3-20 years
Machinery	10-20 years
Office furniture and equipment	10-25 years
Roads	40 years
Sewer infrastructure	20-100 years
Sidewalks	50 years
Small tools and equipment	5-25 years
Solid waste carts	25 years
Storm drain	10-50 years
Vehicles	10-20 years
Water infrastructure	25-100 years

(continued)

District of West Kelowna

Notes to the consolidated financial statements

December 31, 2011

2. Summary of significant accounting policies (continued)

Tangible capital assets (continued)

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

The District has numerous works of art located throughout the District which are not reflected in these consolidated financial statements.

Reserve funds

Non-statutory reserves represent an appropriation of surplus for specific purposes. Reserves for future expenditures represent funds to finance incomplete capital projects. Statutory reserves are restricted by the Community Charter and the associated municipal bylaws that established the reserves.

Long term debt

Outstanding debenture debt is reported net of applicable sinking fund balances.

Interest on debt is charged to current operations. Interest charges are accrued for the period from the date of the latest interest payment to the end of the year.

Municipal Finance Authority debt reserve deposits

The District issues its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds are withheld by the Municipal Finance Authority as a debt reserve fund. The District also executes demand notes in connection with each debenture whereby the District may be required to loan certain amounts to the Municipal Finance Authority. The details of the cash deposits and demand notes at year end are as follows:

	Demand <u>notes</u>	Cash <u>deposits</u>	<u>2011</u>	<u>2010</u>
General Fund	\$ 522,903	\$ 171,736	\$ 694,639	\$ 691,824
Water Funds	11,423	4,488	15,911	15,763
Sewer Fund	<u>607,917</u>	<u>270,757</u>	<u>878,674</u>	<u>871,406</u>
	<u>\$ 1,142,243</u>	<u>\$ 446,981</u>	<u>\$ 1,589,224</u>	<u>\$ 1,578,993</u>

(continued)

District of West Kelowna

Notes to the consolidated financial statements

December 31, 2011

2. Summary of significant accounting policies (continued)

Financial instruments

The District's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable and accrued liabilities, and long term debt. Unless otherwise noted, it is management's opinion that the District is not exposed to significant credit, liquidity, or market risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the determination of employee benefit accrual, allowance for doubtful accounts receivable, provision for contingencies and tangible capital asset costs associated with years prior to 2009 and related useful life and amortization expense. Actual results could differ from management's best estimates as additional information becomes available. Adjustments, if any, will be reflected in the consolidated financial statements in the period that the change in estimate is made, as well as the period of settlement if the amount is different.

3. Future accounting change

PS 3410 – Government transfers

This section replaces the existing Section PS 3410 Government transfers. This section establishes standards for recognition, presentation and disclosure for government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective. This section applies to fiscal years beginning on or after April 1, 2012, with early adoption permitted.

PS 3450 – Financial instruments

This section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. This section applies to fiscal years beginning on or after April 1, 2015, with early adoption permitted.

PS 2601 – Foreign currency translation

This section revises and replaces the existing Section PS 2600 Foreign currency translation. This section applies to fiscal years beginning on or after April 1, 2015, with early adoption permitted.

PS 1201 – Financial statement presentation

This section revises and replaces the existing Section PS 1200 Financial statement presentation. This section applies to fiscal years beginning on or after April 1, 2015, with early adoption permitted.

District of West Kelowna

Notes to the consolidated financial statements

December 31, 2011

4. Financial assets and liabilities

Cash and temporary investments

Temporary investments are recorded at cost. Cash and temporary investments are comprised of the following:

	<u>2011</u>	<u>2010</u>
Cash	\$ 11,845,826	\$ 1,964,912
Term deposits	<u>24,014,058</u>	<u>25,372,424</u>
	<u>\$ 35,859,884</u>	<u>\$ 27,337,336</u>

All term deposits held by the District are cashable, have maturity dates within 18 months of year end and interest rates between 1.35% and 1.45%.

Accounts receivable

Accounts receivable are recorded net of allowance and comprise:

	<u>2011</u>	<u>2010</u>
Current and arrears taxes	\$ 3,083,787	\$ 2,562,648
Due from Federal government	1,057,332	2,797,537
Due from Provincial government	328,521	656,935
Sewer funds receivable	8,052,688	7,435,456
Utilities receivable	2,416,952	692,656
Other	<u>1,974,255</u>	<u>914,033</u>
Balance, end of year	<u>\$ 16,913,535</u>	<u>\$ 15,059,265</u>

Accounts payables and accrued liabilities

Accounts payable and accrued liabilities are comprised:

	<u>2011</u>	<u>2010</u>
Trade payables	\$ 3,280,313	\$ 3,260,923
Wages and payroll benefits	1,557,443	1,093,508
Accruals	1,376,066	1,665,834
Other	<u>102,556</u>	<u>404,319</u>
Balance, end of year	<u>\$ 6,316,378</u>	<u>\$ 6,424,584</u>

(continued)

District of West Kelowna

Notes to the consolidated financial statements

December 31, 2011

4. Financial assets and liabilities (continued)

Deferred revenue

	<u>2011</u>	<u>2010</u>
Prepaid property taxes	\$ 1,108,952	\$ 978,678
Prepaid recreation program fees	55,491	34,319
Cemetery perpetual care fund	81,017	-
Tourism contributions	30,000	-
Sewer commuted payments	848,400	16,800
Prepaid utility fees	112,573	-
Incorporation Per Capita grant	-	1,425,000
BC Investment Agriculture Foundation grant	-	30,000
Westbank Town Centre Plan grant	-	49,882
	<u>\$ 2,236,433</u>	<u>\$ 2,534,679</u>
Balance, end of year	<u>\$ 2,236,433</u>	<u>\$ 2,534,679</u>

Deferred development cost charges (“DCC”)

Pursuant to the provisions of the Local Government Act, development cost charges are held in statutory reserve funds for the purpose for which the charges have been imposed. When the related costs are incurred, the DCC's are recognized as revenue. Because these funds are restricted in nature they are shown as a liability.

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 5,843,180	\$ 6,200,110
Acquired upon amalgamation	4,752,004	-
Contributions from developers	2,432,408	113,890
Interest on investments	121,139	60,438
Bylaw expenditures	(1,614,276)	(531,258)
	<u>\$ 11,534,455</u>	<u>\$ 5,843,180</u>
Balance, end of year	<u>\$ 11,534,455</u>	<u>\$ 5,843,180</u>

The balance of deferred development cost charges can be itemized as follows:

Roads DCC	\$ 5,039,197	\$ 3,302,732
Parks DCC	1,639,410	2,540,448
Water DCC	4,855,848	-
	<u>\$ 11,534,455</u>	<u>\$ 5,843,180</u>

(continued)

District of West Kelowna

Notes to the consolidated financial statements

December 31, 2011

4. Financial assets and liabilities (continued)

Long term debt

	Year of <u>maturity</u>	Balance, beginning of year	<u>Additions</u>	Sinking fund payments	Actuarial adjustment	Balance, end of year	Current interest rate (%)
General fund							
MFA issue #75	2021	\$ 4,773	\$ -	\$ 3,077	\$ 1,696	\$ -	5.69
MFA issue #95	2025	2,690,463	-	110,438	23,927	2,556,098	4.17
MFA issue #95	2015	915,679	-	138,954	30,105	746,620	4.17
MFA issue #99	2017	1,020,359	-	131,496	22,336	866,527	4.43
MFA issue #105	2028	7,983,445	-	277,414	11,097	7,694,934	4.90
Bylaw 0051	2011	52,194	-	52,194	-	-	6.00
		<u>12,666,913</u>	<u>-</u>	<u>713,573</u>	<u>89,161</u>	<u>11,864,179</u>	
Water fund							
MFA issue #101	2027	219,317	-	8,228	1,027	210,062	4.52
MFA issue #103	2028	130,915	-	4,720	385	125,810	4.65
Province of BC	2027	-	9,765,744	393,459	-	9,372,285	4.95
		<u>350,232</u>	<u>9,765,744</u>	<u>406,407</u>	<u>1,412</u>	<u>9,708,157</u>	
Sewer fund							
MFA issue #54	2011	4,753	-	658	4,095	-	8.30
MFA issue #59	2014	67,340	-	7,157	8,466	51,717	5.00
MFA issue #61	2015	8,129	-	708	764	6,657	8.00
MFA issue #64	2016	58,038	-	4,310	4,223	49,505	4.43
MFA issue #66	2017	318,758	-	20,762	18,388	279,608	4.82
MFA issue #66	2017	16,715	-	1,089	964	14,662	1.82
MFA issue #70	2019	95,064	-	5,536	3,255	86,273	3.15
MFA issue #71	2019	290,316	-	16,906	9,942	263,468	3.15
MFA issue #71	2019	620,481	-	36,133	21,248	563,100	3.15
MFA issue #73	2020	46,935	-	2,516	1,303	43,116	3.15
MFA issue #73	2020	975,220	-	52,419	27,159	895,642	3.15
MFA issue #74	2021	425,245	-	19,295	10,638	395,312	5.93
MFA issue #74	2021	111,777	-	5,072	2,796	103,909	5.93
MFA issue #74	2021	131,306	-	5,958	3,285	122,063	5.93
MFA issue #74	2021	46,657	-	2,117	1,167	43,373	5.93
MFA issue #74	2021	50,323	-	2,283	1,259	46,781	5.93
MFA issue #74	2021	93,847	-	4,258	2,348	87,241	5.93
MFA issue #75	2021	17,330	-	786	434	16,110	5.69
MFA issue #75	2021	633,202	-	28,730	15,840	588,632	5.69
MFA issue #75	2021	254,614	-	11,553	6,369	236,692	5.69
MFA issue #77	2022	1,361,968	-	57,915	27,652	1,276,401	6.05
MFA issue #79	2023	1,477,110	-	59,265	24,127	1,393,718	5.49
MFA issue #85	2024	756,266	-	28,795	9,793	717,678	4.98

(continued)

District of West Kelowna

Notes to the consolidated financial statements

December 31, 2011

4. Financial assets and liabilities (continued)

MFA issue #85	2024	\$ 47,657	\$ -	\$ 1,815	\$ 617	\$ 45,225	4.98
MFA issue #95	2025	754,707	-	30,979	6,712	717,016	4.17
MFA issue #99	2027	16,842	-	660	112	16,070	4.43
MFA issue #99	2027	1,108,913	-	43,433	7,377	1,058,103	4.43
MFA issue #101	2027	2,324,760	-	87,212	10,890	2,226,658	4.52
MFA issue #101	2027	544,533	-	20,428	2,551	521,554	4.52
MFA issue #101	2027	705,126	-	26,452	3,303	675,371	4.52
		<u>13,363,932</u>	<u>-</u>	<u>585,200</u>	<u>237,077</u>	<u>12,541,655</u>	
Total long term debt		\$ 26,381,077	\$ 9,765,744	\$ 1,705,180	\$ 327,650	\$ 34,113,991	

The requirements for future repayments of principal on existing debt for the next five years are as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund	\$ 658,302	\$ 658,302	\$ 658,302	\$ 658,302	\$ 658,302
Water Fund	426,238	447,070	468,952	491,938	516,082
Sewer Fund	<u>581,093</u>	<u>581,093</u>	<u>575,077</u>	<u>567,920</u>	<u>567,212</u>
	<u>\$ 1,665,633</u>	<u>\$ 1,686,465</u>	<u>\$ 1,702,331</u>	<u>\$ 1,718,160</u>	<u>\$ 1,741,596</u>

5. Tangible capital assets

Tangible capital assets consist of the following:

	<u>2011</u>	<u>2010</u>
	Net	Net
	<u>book value</u>	<u>book value</u>
General		
Land	\$ 91,835,288	\$ 87,821,023
Buildings	26,793,794	26,794,786
Equipment	6,900,962	5,913,049
Engineering structures	<u>105,127,042</u>	<u>108,146,643</u>
	<u>230,657,086</u>	<u>228,675,501</u>
Water infrastructure	<u>65,062,587</u>	<u>9,988,076</u>
Sewer infrastructure	<u>46,096,521</u>	<u>40,228,815</u>
Total tangible capital assets (Schedule 1)	<u>\$ 341,816,194</u>	<u>\$ 278,892,392</u>

District of West Kelowna

Notes to the consolidated financial statements

December 31, 2011

6. Taxation - net

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

	<u>2011</u>	<u>2010</u>
General municipal purposes	\$ 24,821,213	\$ 23,540,808
Collections for other governments		
Provincial Government - Schools	14,537,403	14,591,784
Central Okanagan Regional Hospital District	2,312,321	2,158,536
Regional District of the Central Okanagan	2,445,207	2,338,250
British Columbia Assessment Authority	465,496	480,520
Municipal Finance Authority	1,434	1,391
	<u>44,583,074</u>	<u>43,111,289</u>
Transfers to other governments		
Provincial Government - Schools	(14,537,402)	(14,588,487)
Central Okanagan Regional Hospital District	(2,316,153)	(2,162,600)
Regional District of the Central Okanagan	(2,459,971)	(2,429,398)
British Columbia Assessment Authority	(466,493)	(481,273)
Municipal Finance Authority	(1,437)	(1,393)
	<u>(19,781,456)</u>	<u>(19,663,151)</u>
	<u>\$ 24,801,618</u>	<u>\$ 23,448,138</u>

7. Transfers from other governments

	<u>2011</u>	<u>2010</u>
Cost sharing – Ministry of Transportation	\$ 960,000	\$ 960,000
Okanagan Basin Water Board grant	107,487	85,736
Provincial per capita grant	1,425,000	1,437,841
Sewer grants	3,536,530	4,649,900
Gas tax community works fund	798,287	927,240
RCMP	2,000,000	2,700,000
Miscellaneous	508,600	594,587
	<u>\$ 9,335,904</u>	<u>\$ 11,355,304</u>

District of West Kelowna

Notes to the consolidated financial statements

December 31, 2011

8. Other revenue from own services	<u>2011</u>	<u>2010</u>
Cost recoveries	\$ 3,775,640	\$ 3,058,861
Development permits	797,513	783,645
Interest earned	995,412	1,014,432
Licences and permits	179,155	165,710
Penalties and interest on taxes	409,521	386,542
Rentals	655,972	299,596
Miscellaneous	<u>365,327</u>	<u>391,645</u>
	<u>\$ 7,178,540</u>	<u>\$ 6,100,429</u>

9. 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 Regional 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 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.

Legal actions

The District 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 actions will be recorded in the accounts in the period in which the loss is realized.

Pension liability

The District and its employees contribute to the Municipal Pension Plan ("the Plan"), a jointly trusteed pension plan. The Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 173,000 active members and approximately 63,000 retired members. Active members include approximately 35,000 contributors from local governments.

(continued)

District of West Kelowna

Notes to the consolidated financial statements

December 31, 2011

9. Contingent liabilities (continued)

Pension liability (continued)

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, 2010 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the unfunded liability to individual employers. The District paid \$844,457 (2010 - \$644,519) for employer contributions to the Plan in fiscal 2011.

10. Commitments

Leases

The District has entered into various operating leases for equipment and services with terms varying from one to five years. The total lease commitments payable in each of the next five years are as follows:

2012	\$ 882,760
2013	\$ 625,954
2014	\$ 614,340
2015	\$ 566,618
2016	\$ 468,330

Vacation pay and sick leave

Vacation pay, which may be accumulated up to two weeks, is charged to expense in the year earned. Sick leave, which has a maximum accumulation of 100 days, is charged to expense in the year it is accumulated. Earned sick leave vests after 10 years of employment and is paid to a maximum of 50 days.

11. Letters of Credit

The District is holding letters of credit in the amount of \$17,381,129 (2010 - \$14,212,201), which are received as security related to performance deposits.

12. Expenditures by object

Total consolidated expenditures by object are itemized in Schedule 3.

District of West Kelowna

Notes to the consolidated financial statements

December 31, 2011

13. Segmented information

The District of West Kelowna is a diversified municipal government that provides a wide range of services to its citizens. The District'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 District such as general government services, protective services, transportation services, environmental health and developmental services, and recreation and cultural services. The utility operations are comprised of the water and sewer system, each accounting for its own operations and programs within their own funds. Operating results reported by the following segments are included in Schedule 3.

General government services

General government services are comprised of a number of different functions including Legislative Services, Administration, Finance and Information Services. Legislative Services involves staff working closely with Council and community partners to coordinate the delivery of a wide range of functions and services. Administration is responsible for the Human Resources function, which oversees the recruitment and retention of superior quality staff, management of labour relations, administration of collective agreements, employee compensation and benefit programs, staff training and development, employee health and safety and Work Safe BC regulations. Finance is responsible for the requisition of tax revenues from the Province and other taxing authorities and all treasury and accounting functions. Information Services includes an all-encompassing computer database and mapping system for properties in the District, which is used by District departments, other government agencies and members of the public.

Protective services

Protective services consists of all the various services provided by the RCMP, Fire Services and Animal Control designed to protect the lives and property of both citizens and visitors with a focus on emergency response, law enforcement, search and rescue, education and prevention.

Transportation services

Transportation services include roads and maintenance, street lighting, traffic management and transit system.

Environmental health and development services

Environmental health and development services, which also include cemetery operations, are responsible for delivering health, planning and development services to the District. The specific functions include planning, building permits and inspections, business licensing, design and engineering services as well as tourism and economic development.

(continued)

District of West Kelowna

Notes to the consolidated financial statements

December 31, 2011

13. Segmented information (continued)

Recreation and cultural services

Recreation and cultural services include recreational program design, delivery and management, municipal facilities/parks development and maintenance and the museum operation, as well as coordination of many recreational/sporting activities and groups.

Water services

Water services is responsible for the operation and maintenance of the five water systems that provide water services to the residents and businesses within the municipal boundaries of the District.

Sewer services

Sewer services deals with the operation and maintenance of the sewer collection system within the municipal boundaries of the District.

14. Amalgamation

On January 1, 2011 the District assumed the assets, liabilities and operations of both the Westbank Irrigation District and Lakeview Irrigation District which were dissolved on December 31, 2010.

On dissolution, these irrigation districts were included in the District's letters patent and are designated as local services areas within the District.

(continued)

District of West Kelowna

Notes to the consolidated financial statements

December 31, 2011

14. Amalgamation (continued)

The following balances were assumed by the District on January 1, 2011:

	Westbank Irrigation District	Lakeview Irrigation District	<u>Total</u>
Financial assets			
Cash	\$ 2,240,394	\$ 2,683,588	\$ 4,923,982
Accounts receivable	527,757	323,924	851,681
	<u>2,768,151</u>	<u>3,007,512</u>	<u>5,775,663</u>
Financial liabilities			
Accounts payable and accrued liabilities	168,243	225,101	393,344
Deferred development cost charges	1,874,036	2,877,968	4,752,004
Long term debt	9,765,744	-	9,765,744
	<u>11,808,023</u>	<u>3,103,069</u>	<u>14,911,092</u>
Net financial liabilities	<u>(9,039,872)</u>	<u>(95,557)</u>	<u>(9,135,429)</u>
Non-financial assets			
Prepaid expenses and other	31,722	62,474	94,196
Tangible capital assets	33,856,950	25,465,988	59,322,938
	<u>33,888,672</u>	<u>25,528,462</u>	<u>59,417,134</u>
Accumulated surplus	<u>\$ 24,848,800</u>	<u>\$ 25,432,905</u>	<u>\$ 50,281,705</u>

15. Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation.

District of West Kelowna

Schedule 1 – Consolidated schedule of tangible capital assets

December 31, 2011

	Equipment										Engineering structures					Total
	Land	Building	Computer	Machinery	Office furniture and equipment	Small tools and equipment	Vehicles	Solid waste cans	Infrastructure	Roads	Sidewalks	Storm drain	Water infrastructure	Sewer infrastructure		
Cost, beginning of year	\$87,821,023	\$32,831,685	\$1,701,850	\$588,338	\$719,727	\$456,480	\$4,787,055	\$1,445,813	\$579,185	\$2,088,902,199	\$4,846,811	\$156,108	\$15,358,824	\$47,909,702	\$408,104,800	
Acquired upon amalgamation	2,601,760	413,305	124,420	-	171,353	46,493	524,157	-	-	-	-	-	69,638,774	-	73,522,662	
Additions	1,412,505	603,779	103,474	55,233	6,007	594,739	774,602	58,779	119,877	1,954,442	256,563	97,790	297,229	6,703,794	13,040,813	
Cost, end of year	91,835,288	33,852,769	1,929,744	643,571	897,087	1,097,712	6,085,814	1,504,592	699,062	210,856,641	5,103,374	253,898	85,294,827	54,613,496	494,667,975	
Accumulated amortization, beginning of year	-	6,036,899	809,787	170,352	312,990	220,366	2,157,053	115,666	50,066	105,025,036	1,247,226	15,332	5,370,748	7,680,887	129,212,408	
Acquired upon amalgamation	-	284,918	85,249	-	147,903	40,101	326,779	-	-	-	-	-	13,314,374	-	14,199,324	
Amortization	-	737,158	289,756	31,457	27,020	92,541	368,003	62,535	49,779	5,271,383	102,067	25,044	1,547,118	836,088	9,439,949	
Accumulated amortization, end of year	-	7,058,975	1,184,792	201,809	487,913	353,008	2,851,835	178,201	99,845	110,296,419	1,349,293	40,376	20,232,240	8,516,975	152,851,681	
Net carrying amount, end of year	\$91,835,288	\$26,793,794	\$744,952	\$441,762	\$409,174	\$744,704	\$3,233,979	\$1,326,391	\$599,217	\$100,560,222	\$3,754,081	\$21,352	\$65,062,587	\$46,096,521	\$341,816,194	

District of West Kelowna

Schedule 2 – Consolidated schedule of accumulated surplus

December 31, 2011

	Balance, beginning of year	Acquired upon amalgamation	Transfer to	Transfer from	Interest	Balance, end of year
Reserve for future expenditure						
Capital	\$ 3,696,626	\$ -	\$ 2,317,806	\$ (144,982)	\$ 63,613	\$ 5,933,063
Equipment replacement	3,939,433	-	815,842	(931,724)	41,903	3,865,454
Sewer capital	2,350,676	-	-	-	25,326	2,376,002
Water capital	2,941,295	-	936,227	(144,491)	32,229	3,765,260
	<u>12,928,030</u>	<u>-</u>	<u>4,069,875</u>	<u>(1,221,197)</u>	<u>163,071</u>	<u>15,939,779</u>
Non statutory reserves						
Aquatic	96,722	-	6,929	(54,158)	463	49,956
City Hall/Community Hall	83,500	-	85,192	-	-	168,692
Future expenditures	3,027,360	-	3,562,253	(2,447,235)	42,673	4,185,051
Gas tax	1,945,422	-	779,938	(475,000)	24,502	2,274,862
Insurance claims	63,079	-	-	(42,065)	229	21,243
Lakeview Hall	-	-	257,771	(92,668)	1,829	166,932
Operating general	2,978,437	724,511	26,209,514	(25,906,465)	-	4,005,997
Other	17,086	-	28,500	-	186	45,772
Parks capital	403,954	-	-	-	4,398	408,352
Policing	2,201,030	-	-	(158,853)	12,169	2,054,346
Rate stabilization	174,772	-	-	-	1,903	176,675
Road maintenance	200,000	-	-	-	2,178	202,178
Snow control	75,264	-	-	-	819	76,083
Solid waste	40,830	-	20,201	-	-	61,031
Storm drainage	-	-	10,500	-	-	10,500
Transit	-	-	341,353	-	-	341,353
	<u>11,307,456</u>	<u>724,511</u>	<u>31,302,151</u>	<u>(29,176,444)</u>	<u>91,349</u>	<u>14,249,023</u>
Investment in non-financial assets						
Investment in tangible capital assets	252,511,315	49,557,194	15,073,643	(9,439,949)	-	307,702,203
Total	<u>\$ 276,746,801</u>	<u>\$ 50,281,705</u>	<u>\$ 50,445,669</u>	<u>\$ (39,837,590)</u>	<u>\$ 254,420</u>	<u>\$ 337,891,005</u>

District of West Kelowna

Schedule 3 – Consolidated schedule of segment disclosure

December 31, 2011

	General Fund								
	General government services	Protective services	Transportation services	Environmental health & Recreation/ development cultural		Water services	Sewer services	2011 Total	2010 Total
				services	services				
Revenue									
Taxation	\$ 7,986,121	\$ 6,324,413	\$ 4,067,465	\$ 2,306,550	\$ 4,117,069	\$ -	\$ -	\$ 24,801,618	\$ 23,448,138
Sale of services	63,714	1,074,069	802,635	2,330,459	1,396,198	5,531,037	3,354,091	14,552,203	9,906,941
Transfers from other governments	2,726,204	2,000,000	961,285	-	4,398	22,671	3,621,346	9,335,904	11,355,304
Other revenue	2,329,216	834,586	8,364	9,288	1,485,226	36,685	2,475,175	7,178,540	6,100,429
Total	13,105,255	10,233,068	5,839,749	4,646,297	7,002,891	5,590,393	9,450,612	55,868,265	50,810,812
Expenditures									
Amortization	6,965,558	-	-	-	-	1,638,303	836,088	9,439,949	7,762,736
Building and grounds maintenance	191,161	186,620	352	-	303,308	180,375	-	861,816	621,158
Civic grants	303,066	-	-	-	-	-	-	303,066	393,997
Contract services	472,950	342,250	3,337,732	519,038	1,377,779	414,986	2,767,815	9,232,550	8,628,496
Interest on long-term debt	683,627	-	-	-	-	463,200	819,670	1,966,497	1,581,746
Equipment maintenance and fuel	232,886	255,415	50,220	10,956	342,839	435,273	5,936	1,333,525	804,140
Library	-	-	-	-	1,137,375	-	-	1,137,375	1,114,309
RCMP E-Division Contract	-	2,669,855	-	-	-	-	-	2,669,855	1,935,820
Supplies, small tools, and equipment	252,453	475,082	122,564	34,049	206,209	186,778	35,833	1,312,968	1,327,474
Transit	-	-	2,178,453	-	-	-	-	2,178,453	2,313,067
Utilities	77,331	133,196	145,815	5,913	528,796	280,083	49,840	1,220,974	1,023,830
Wages, salaries and professional development	3,064,664	5,133,596	457,655	1,502,319	1,807,539	1,303,393	79,572	13,348,738	11,124,732
	12,243,696	9,196,014	6,292,791	2,072,275	5,703,845	4,902,391	4,594,754	45,005,766	38,631,505
Excess (deficiency) in revenues over expenditures	\$ 861,559	\$ 1,037,054	\$ (453,042)	\$ 2,574,022	\$ 1,299,046	\$ 688,002	\$ 4,855,858	\$ 10,862,499	\$ 12,179,307



District of West Kelowna

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General Inquiry

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