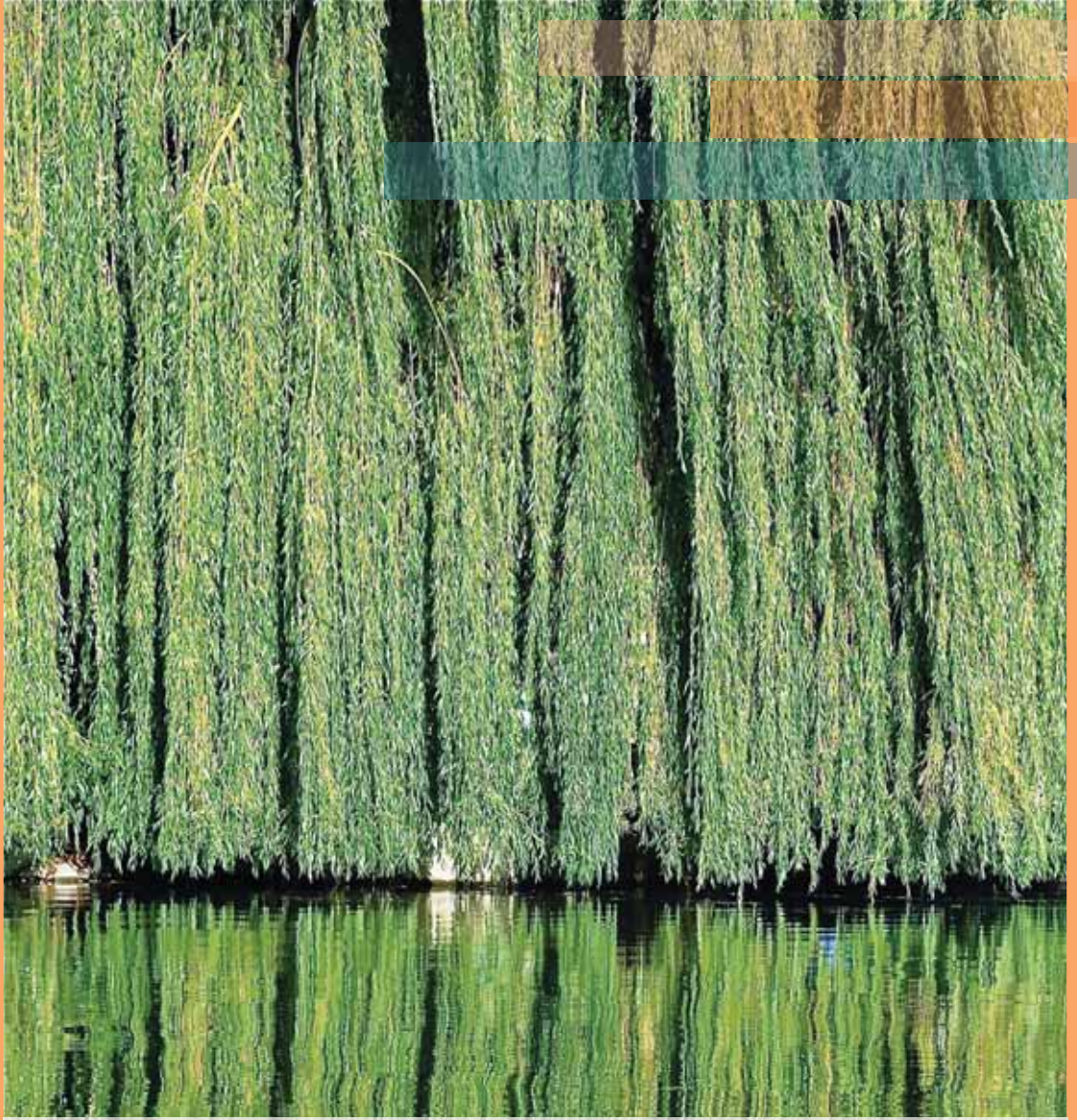


# 2012 Financial Statements



## **A Message from the Chief Financial Officer**

December 31, 2012 marked the completion of the District of West Kelowna's fifth full year of Operation.

Taxation is a major revenue source for the General Fund and accounted for 31.45% for a total of \$23,259,339 of the 2012 total revenue of \$73,950,009, excluding collections for other governments. Over the 5 year period of the financial plan, the taxation requirements are estimated to increase annually by a growth factor of 1.00% and a Council authorized tax increase in 2012 of 3.00%. 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 including:

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 \$17.14 million was expended during 2012 of which \$8.7 million was for sanitary sewer. The major capital projects in 2012 were:

Road Rehab Construction	\$2,211,873
Wine Route Upgrade	\$2,098,000
Casa Loma Drainage	\$ 641,138
JB Aquatic upgrades	\$ 269,522
Sidewalks	\$ 250,000
Sewer Mains	\$8,765,090

The District of West Kelowna continues to post very positive financial results, as presented in the 2012 audited financial statements:

Cash and investments totaling \$31.16 million, and \$23.03 million in accounts receivable.

- The 2012 statutory reserves totaled \$20,052,750.
- Non statutory reserves \$12,275,853
- Development Cost Charges and CEC's \$11,511,832.

**Jim Zaffino, CGA**  
Chief Financial Officer



**Consolidated Financial Statements**

**December 31, 2012**



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## Independent auditors' report

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To the Mayor and 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, 2012, 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 company'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, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Grant Thornton LLP*

Chartered Accountants

Kelowna, BC  
May 14, 2013

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**District of West Kelowna**  
**Consolidated statement of financial position**  
**December 31, 2012**

	<b>2012</b>	<b>2011</b>
<b>Financial assets</b>		
Cash and temporary investments (Note 4)	\$ 31,160,222	\$ 35,859,884
Accounts receivable (Note 4)	<u>23,035,543</u>	<u>16,065,135</u>
	<u>54,195,765</u>	<u>51,925,019</u>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities (Note 4)	5,668,773	6,316,378
Security deposits	3,865,569	3,023,644
Deferred revenue (Note 4)	1,511,925	1,388,033
Deferred development cost charges (Note 4)	11,511,833	11,534,455
Long-term debt (Note 4)	<u>32,055,028</u>	<u>34,113,991</u>
	<u>54,613,128</u>	<u>56,376,501</u>
Net financial liabilities	<u>(417,363)</u>	<u>(4,451,482)</u>
<b>Non-financial assets</b>		
Prepaid expenses and inventory	690,937	526,293
Tangible capital assets (Note 5)	<u>348,908,800</u>	<u>341,816,194</u>
	<u>349,599,737</u>	<u>342,342,487</u>
<b>Accumulated surplus</b> (Schedule 2)	<u>\$ 349,182,374</u>	<u>\$ 337,891,005</u>

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Contingent liabilities and commitments (Note 9 and 10)

On behalf of the Mayor and Council:

 \_\_\_\_\_ Chief Financial Officer

See accompanying notes to the consolidated financial statements.

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**District of West Kelowna****Consolidated statements of operations and accumulated surplus****Year ended December 31, 2012**

	<b>2012 Actual</b>	<b>2012 Budget</b>	<b>2011 Actual</b>
<b>Revenue</b>			
Taxation - net (Note 6)	\$ 24,774,842	\$ 23,713,466	\$ 24,801,618
Sales of service and regulatory fees	15,123,722	19,901,370	14,552,203
Transfers from other governments (Note 7)	7,323,095	8,282,887	9,335,904
Other revenue from own sources (Note 8)	10,827,157	5,578,909	7,178,540
<b>Total revenues</b>	<u>58,048,816</u>	<u>57,476,632</u>	<u>55,868,265</u>
<b>Expenditures</b>			
General government services	12,766,906	5,404,630	12,243,696
Protective services	9,481,897	11,099,779	9,196,014
Transportation services	6,873,656	7,996,731	6,292,791
Environmental & health development services	1,941,836	2,304,792	2,072,275
Recreation and cultural services	5,783,675	6,729,512	5,703,845
Water services	4,909,206	4,265,434	4,902,391
Sewer services	4,814,996	4,512,964	4,594,754
Storm drainage	185,275	145,887	-
<b>Total expenditures</b>	<u>46,757,447</u>	<u>42,459,729</u>	<u>45,005,766</u>
<b>Operating surplus for the year</b>	<u>\$ 11,291,369</u>	<u>\$ 15,016,903</u>	<u>\$ 10,862,499</u>
<b>Accumulated surplus, beginning of year before amalgamation</b>	\$ 337,891,005	\$ 337,891,005	\$ 276,746,801
Accumulated surplus acquired upon amalgamation (Note 14)	-	-	50,281,705
Operating surplus for the year	11,291,369	15,016,903	10,862,499
<b>Accumulated surplus, end of year</b>	<u>\$ 349,182,374</u>	<u>\$ 352,907,908</u>	<u>\$ 337,891,005</u>

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See accompanying notes to the consolidated financial statements.

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**District of West Kelowna****Consolidated statement of changes in net financial liabilities****Year ended December 31, 2012**

	<b>2012 Actual</b>	<b>2012 Budget</b>	<b>2011 Actual</b>
<b>Operating surplus for the year</b>	\$ 11,291,369	\$ 15,016,903	\$ 10,862,499
Acquisition of tangible capital assets	(17,178,207)	-	(13,040,813)
Amortization of tangible capital assets	9,963,001	-	9,439,949
Loss on disposal of tangible capital assets	122,600	-	-
Change in prepaid expenses and inventory	<u>(164,644)</u>	<u>-</u>	<u>17,612</u>
Decrease in net financial liabilities	4,034,119	15,016,903	7,279,247
Net financial liabilities acquired upon amalgamation (Note 14)	-	-	(9,135,429)
Net financial liabilities, beginning of year	<u>(4,451,482)</u>	<u>(4,451,482)</u>	<u>(2,595,300)</u>
<b>Net financial liabilities, end of year</b>	<u>\$ (417,363)</u>	<u>\$ 10,565,421</u>	<u>\$ (4,451,482)</u>

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See accompanying notes to the consolidated financial statements.

**District of West Kelowna**  
**Consolidated statement of cash flows**  
**Year ended December 31, 2012**

**2012**

**2011**

**Cash provided by (used for)**

**Operating activities**

Operating surplus for the year	\$ 11,291,369	\$ 10,862,499
Adjustment for non cash items		
Loss on disposal of tangible capital assets	122,600	-
Amortization of tangible capital assets	9,963,001	9,439,949
Developer contribution of tangible capital assets	(24,817)	(331,476)
Actuarial adjustment on long-term debt	(389,876)	(327,650)
 (Increase) decrease in		
Accounts receivable	(6,970,408)	(154,189)
Prepaid expenses and inventory	(164,644)	17,612
Increase (decrease) in		
Accounts payable and accrued liabilities	(647,605)	(501,550)
Security deposits	841,925	(784,737)
Deferred revenue	123,892	(1,146,646)
	<u>14,145,437</u>	<u>17,073,812</u>

**Financing activities**

Deferred development cost charges	(22,622)	939,271
Repayment of long-term debt	(1,669,087)	(1,705,180)
	<u>(1,691,709)</u>	<u>(765,909)</u>

**Capital Activities**

Acquisition of tangible capital assets	<u>(17,153,390)</u>	<u>(12,709,337)</u>
 (Decrease) increase in cash and temporary investments	 (4,699,662)	 3,598,566
 Cash and temporary investments acquired upon amalgamation (Note 14)	 -	 4,923,982
Cash and temporary investments, beginning of year	<u>35,859,884</u>	<u>27,337,336</u>

**Cash and temporary investments, end of year**

**\$ 31,160,222    \$ 35,859,884**

**Supplementary cash flow information**

Interest paid	\$ 1,862,492	\$ 1,966,497
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**Non-cash capital activities**

Acquisition of tangible capital assets through developer contributions	\$ 24,817	\$ 331,476
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See accompanying notes to the consolidated financial statements.

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# District of West Kelowna

## Notes to the consolidated financial statements

December 31, 2012

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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.

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### **1. Nature of business**

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

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### **2. Summary of significant accounting policies**

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.

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. 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.

#### **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:

(continued)

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# District of West Kelowna

## Notes to the consolidated financial statements

December 31, 2012

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### 2. Summary of significant accounting policies (continued)

#### Tangible capital assets (continued)

Asset class	Estimated useful life
Buildings	25-50 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

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 due to the subjectivity as to their value.

#### Contributions by developers

Tangible capital assets constructed and contributed by developers are recorded at their fair value and are capitalized into tangible capital assets and reflected in the consolidated statement of operations and accumulated surplus as income.

#### 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)

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# District of West Kelowna

## Notes to the consolidated financial statements

December 31, 2012

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### 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 10-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.

#### 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 notes	Cash deposits	2012	2011
General Fund	\$ 522,903	\$ 176,924	\$ 699,827	\$ 694,639
Water Funds	11,423	4,623	16,046	15,911
Sewer Fund	607,917	278,937	886,854	878,674
	<u>\$ 1,142,243</u>	<u>\$ 460,484</u>	<u>\$ 1,602,727</u>	<u>\$ 1,589,224</u>

(continued)

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# District of West Kelowna

## Notes to the consolidated financial statements

December 31, 2012

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### 2. Summary of significant accounting policies (continued)

#### 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 estimated useful life and related 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.

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### 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 3260 – Liability for contaminated sites

This section establishes the recognition, measurement and disclosure requirements for reporting liabilities associated with remediation of contaminated sites. The section does not deal with tangible capital asset retirement obligations, liabilities associated with the disposal or sale of a tangible capital asset and acquisition/betterment costs for tangible capital assets that are less than the future economic benefits. This section applies to fiscal years beginning on or after April 1, 2014, 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.

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# District of West Kelowna

## Notes to the consolidated financial statements

December 31, 2012

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#### 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>2012</u>	<u>2011</u>
Cash	\$ 16,007,874	\$ 11,845,826
Temporary investments	<u>15,152,348</u>	<u>24,014,058</u>
	<u>\$ 31,160,222</u>	<u>\$ 35,859,884</u>

Temporary investments held by the District include a cashable term deposit with a maturity date within 18 months of year end and an interest rate of 1.40%. The remaining temporary investments are held in a Money Market Fund, cashable at any time, and earning an average yield of 1.08 % for 2012.

##### Accounts receivable

Accounts receivable are recorded net of allowance and comprise:

	<u>2012</u>	<u>2011</u>
Current and arrears taxes	\$ 3,607,440	\$ 3,041,123
Due from Federal government	1,123,593	1,057,332
Due from Provincial government	-	328,521
Due from other governments	24,946	-
Sewer funds receivable	14,806,316	7,204,288
Utilities receivable	2,467,631	2,416,952
Other	<u>1,005,617</u>	<u>2,016,919</u>
	<u>\$ 23,035,543</u>	<u>\$ 16,065,135</u>

##### Accounts payables and accrued liabilities

Accounts payable and accrued liabilities are comprised of the following:

	<u>2012</u>	<u>2011</u>
Trade payables	\$ 3,117,324	\$ 3,280,313
Wages and payroll benefits	1,692,096	1,557,443
Accruals	830,551	1,376,066
Other	<u>28,802</u>	<u>102,556</u>
	<u>\$ 5,668,773</u>	<u>\$ 6,316,378</u>

(continued)

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# District of West Kelowna

## Notes to the consolidated financial statements

December 31, 2012

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#### 4. Financial assets and liabilities (continued)

##### Deferred revenue

The District records deferred revenue for funds received in advance on services not yet rendered and is recognized into revenue during the period in which the services are provided. Because these funds are restricted in nature, they are shown as a liability.

	<u>2012</u>	<u>2011</u>
Prepaid property taxes	\$ 1,261,460	\$ 1,108,952
Prepaid recreation program fees	43,947	55,491
Cemetery perpetual care fund	84,270	81,017
Tourism contributions	30,000	30,000
Sewer commuted payments	8,400	-
Prepaid utility fees	<u>83,848</u>	<u>112,573</u>
	<u>\$ 1,511,925</u>	<u>\$ 1,388,033</u>

##### Deferred development cost charges ("DCC's")

Pursuant to the provisions of the Local Government Act, DCC's 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>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 11,534,455	\$ 5,843,180
Acquired upon amalgamation	-	4,752,004
Contributions from developers	1,106,672	2,432,408
Interest on investments	184,220	121,139
Bylaw expenditures	<u>(1,313,514)</u>	<u>(1,614,276)</u>
	<u>\$ 11,511,833</u>	<u>\$ 11,534,455</u>

The balance of DCC's can be itemized as follows:

Roads DCC	\$ 5,406,508	\$ 5,039,197
Parks DCC	1,540,930	1,639,410
Water DCC	<u>4,564,395</u>	<u>4,855,848</u>
	<u>\$ 11,511,833</u>	<u>\$ 11,534,455</u>

(continued)

# District of West Kelowna

## Notes to the consolidated financial statements

December 31, 2012

### 4. Financial assets and liabilities (continued)

#### Long-term debt

	Year of maturity	Balance, beginning of year	Additions	Sinking fund payments	Actuarial adjustment	Balance, end of year	Current interest rate (%)
<b>General fund</b>							
MFA issue #95	2025	\$2,556,098	\$ -	\$ 110,438	\$ 29,301	\$2,416,359	4.17
MFA issue #95	2015	743,905	-	138,954	36,868	568,083	4.17
MFA issue #99	2017	866,527	-	131,496	28,488	706,543	4.43
MFA issue #105	2028	7,694,934	-	277,414	22,637	7,394,883	4.90
		<u>11,861,464</u>	<u>-</u>	<u>658,302</u>	<u>117,294</u>	<u>11,085,868</u>	
<b>Water fund</b>							
MFA issue #101	2027	210,062	-	8,228	1,397	200,437	4.52
MFA issue #103	2028	125,810	-	4,720	589	120,501	4.65
Province of BC	2027	9,372,285	-	413,290	-	8,958,995	4.95
		<u>9,708,157</u>	<u>-</u>	<u>426,238</u>	<u>1,986</u>	<u>9,279,933</u>	
<b>Sewer fund</b>							
MFA issue #59	2014	51,717	-	7,158	9,248	35,311	5.00
MFA issue #61	2015	6,657	-	708	837	5,112	8.00
MFA issue #64	2016	49,505	-	4,309	4,650	40,546	4.43
MFA issue #66	2017	279,608	-	20,762	20,345	238,501	4.82
MFA issue #66	2017	14,662	-	1,089	1,067	12,506	4.82
MFA issue #70	2019	86,273	-	5,536	3,653	77,084	3.15
MFA issue #71	2019	263,468	-	16,906	11,157	235,405	3.15
MFA issue #71	2019	563,100	-	36,133	23,845	503,122	3.15
MFA issue #73	2020	43,116	-	2,516	1,475	39,125	3.15
MFA issue #73	2020	898,357	-	52,425	30,740	815,192	3.15
MFA issue #74	2021	395,312	-	19,295	12,134	363,883	5.93
MFA issue #74	2021	103,909	-	5,072	3,189	95,648	5.93
MFA issue #74	2021	122,063	-	5,958	3,747	112,358	5.93
MFA issue #74	2021	43,373	-	2,117	1,331	39,925	5.93
MFA issue #74	2021	46,781	-	2,283	1,436	43,062	5.93
MFA issue #74	2021	87,241	-	4,258	2,678	80,305	5.93
MFA issue #75	2021	16,110	-	786	495	14,829	5.69
MFA issue #75	2021	588,632	-	28,730	18,068	541,834	5.69
MFA issue #75	2021	236,692	-	11,553	7,265	217,874	5.69
MFA issue #77	2022	1,276,401	-	57,915	31,930	1,186,556	6.05
MFA issue #79	2023	1,393,718	-	59,265	28,296	1,306,157	5.49
MFA issue #85	2024	717,678	-	28,795	11,722	677,161	4.98

(continued)

# District of West Kelowna

## Notes to the consolidated financial statements

December 31, 2012

### 4. Financial assets and liabilities (continued)

MFA issue #85	2024	\$ 45,225	\$ -	\$ 1,814	\$ 739	\$ 42,672	4.98
MFA issue #95	2025	717,016	-	30,979	8,219	677,818	4.17
MFA issue #99	2027	16,070	-	660	143	15,267	4.43
MFA issue #99	2027	1,058,103	-	43,433	9,410	1,005,260	4.43
MFA issue #101	2027	2,226,658	-	87,212	14,814	2,124,632	4.52
MFA issue #101	2027	521,554	-	20,428	3,470	497,656	4.52
MFA issue #101	2027	675,371	-	26,452	4,493	644,426	4.52
		<u>12,544,370</u>	<u>-</u>	<u>584,547</u>	<u>270,596</u>	<u>11,689,227</u>	
<b>Total long term debt</b>		<b>\$ 34,113,991</b>	<b>\$ -</b>	<b>\$ 1,669,087</b>	<b>\$ 389,876</b>	<b>32,055,028</b>	

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund	\$ 658,302	\$ 658,302	\$ 658,302	\$ 519,348	\$ 519,348
Water Fund	447,070	468,952	491,938	516,082	541,442
Sewer Fund	581,093	575,077	567,920	567,212	562,902
	<u>\$ 1,686,465</u>	<u>\$ 1,702,331</u>	<u>\$ 1,718,160</u>	<u>\$ 1,602,642</u>	<u>\$ 1,623,692</u>

### 5. Tangible capital assets

Tangible capital assets consist of the following:

	<u>2012</u>	<u>2011</u>
	<u>Net</u>	<u>Net</u>
	<u>book value</u>	<u>book value</u>
<b>General</b>		
Land	\$ 91,859,024	\$ 91,835,288
Buildings	26,669,946	26,793,794
Equipment	6,844,247	6,900,962
Engineering structures	105,563,619	105,127,042
	<u>230,936,836</u>	<u>230,657,086</u>
<b>Water infrastructure</b>	<u>64,149,399</u>	<u>65,062,587</u>
<b>Sewer infrastructure</b>	<u>53,822,565</u>	<u>46,096,521</u>
<b>Total tangible capital assets (Schedule 1)</b>	<b><u>\$348,908,800</u></b>	<b><u>\$ 341,816,194</u></b>

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# District of West Kelowna

## Notes to the consolidated financial statements

December 31, 2012

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### 6. Taxation - net

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

	<u>2012</u>	<u>2011</u>
General municipal purposes	\$ 24,774,843	\$ 24,821,213
Collections for other governments		
Provincial Government - Schools	14,379,053	14,537,403
Central Okanagan Regional Hospital District	2,416,043	2,312,321
Regional District of the Central Okanagan	2,490,611	2,445,207
British Columbia Assessment Authority	444,703	465,496
Municipal Finance Authority	1,411	1,434
	<u>44,506,664</u>	<u>44,583,074</u>
Transfers to other governments		
Provincial Government - Schools	(14,379,053)	(14,537,402)
Central Okanagan Regional Hospital District	(2,416,044)	(2,316,153)
Regional District of the Central Okanagan	(2,490,611)	(2,459,971)
British Columbia Assessment Authority	(444,703)	(466,493)
Municipal Finance Authority	(1,411)	(1,437)
	<u>(19,731,822)</u>	<u>(19,781,456)</u>
	<u>\$ 24,774,842</u>	<u>\$ 24,801,618</u>

### 7. Transfers from other governments

	<u>2012</u>	<u>2011</u>
Cost sharing – Ministry of Transportation	\$ 960,000	\$ 960,000
Okanagan Basin Water Board grant	131,267	107,487
Provincial per capita grant	1,425,000	1,425,000
Sewer grants	1,506,737	3,536,530
Gas tax community works fund	779,938	798,287
Provincial Community Recreation grant	400,000	-
RCMP	2,000,000	2,000,000
Miscellaneous	120,153	508,600
	<u>\$ 7,323,095</u>	<u>\$ 9,335,904</u>

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# District of West Kelowna

## Notes to the consolidated financial statements

December 31, 2012

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<b>8. Other revenue from own services</b>	<u>2012</u>	<u>2011</u>
Cost recoveries	\$ 8,004,072	\$ 3,775,640
Development permits	813,303	797,513
Interest earned	569,151	995,412
Licences and permits	186,053	179,155
Penalties and interest on taxes	448,169	409,521
Rentals	450,878	655,972
Traffic fine revenue	265,225	265,225
Miscellaneous	90,306	100,102
	<u>\$ 10,827,157</u>	<u>\$ 7,178,540</u>

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### 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 the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

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# District of West Kelowna

## Notes to the consolidated financial statements

December 31, 2012

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### 9. Contingent liabilities (continued)

#### Pension liability (continued)

The most recent actuarial valuation as at December 31, 2009 indicated a \$1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the Plan as the Plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, Plan assets and cost to individual entities participating in the Plan.

The District paid \$945,040 (2011 - \$844,457) for employer contributions to the Plan in fiscal 2012.

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### 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:

2013	\$2,600,677
2014	\$2,562,170
2015	\$2,446,310
2016	\$2,335,823
2017	\$1,818,071

#### 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.

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### 11. Letters of Credit

The District is holding letters of credit in the amount of \$6,746,416 (2011 - \$17,381,129), which are received as security related to performance deposits.

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# District of West Kelowna

## Notes to the consolidated financial statements

December 31, 2012

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### 12. Expenditures by object

Total consolidated expenditures by object are itemized in Schedule 3.

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### 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, sewer and storm drainage systems, 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.

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# District of West Kelowna

## Notes to the consolidated financial statements

December 31, 2012

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### 13. Segmented information (continued)

#### **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.

#### **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.

#### **Storm drainage**

Storm drainage is responsible for the operation and maintenance of the storm drainage collection system within the municipal boundaries of the District.

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### 14. Prior year 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.

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# District of West Kelowna

## Notes to the consolidated financial statements

December 31, 2012

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### 14. Prior year amalgamation (continued)

The following balances were assumed by the District on January 2, 2011:

	Westbank Irrigation District	Lakeview Irrigation District	Total
<b>Financial assets</b>			
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>
<b>Financial liabilities</b>			
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>
<b>Non-financial assets</b>			
Prepaid expenses and inventory	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>

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### 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, 2012

	Equipment										Engineering structures				
	Land	Building	Computer	Machinery	Office furniture & equipment	Small tools & equipment	Vehicles	Solid waste carts	Infrastructure	Roads	Sidewalks	Storm drain	Water infrastructure	Sewer infrastructure	Total
Cost, beginning of year	\$ 91,835,288	\$ 33,852,769	\$ 1,929,744	\$ 643,571	\$ 877,695	\$ 748,825	\$ 6,085,814	\$ 1,504,592	\$ 1,067,341	\$ 210,856,641	\$ 5,103,374	\$ 263,898	\$ 85,294,827	\$ 54,613,496	\$ 494,667,875
Additions	23,736	747,300	344,424	510,817	10,404	92,839	301,530	-	242,236	4,624,420	250,000	655,641	647,440	8,727,330	17,178,207
Disposals	-	(122,600)	-	-	-	-	-	-	-	-	-	-	-	-	(122,600)
Cost, end of year	91,859,024	34,477,559	2,274,168	1,154,388	888,099	841,664	6,387,344	1,504,592	1,309,577	215,481,061	5,353,374	909,539	85,942,267	63,340,826	511,723,462
Accumulated amortization, beginning of year	-	7,058,975	1,194,792	201,809	483,665	329,366	2,851,835	178,201	127,735	110,206,419	1,340,283	40,376	20,232,240	8,516,975	152,851,681
Amortization	-	748,638	317,506	78,219	26,212	77,653	413,566	60,184	92,079	5,387,027	107,067	89,936	1,560,628	1,001,286	9,963,001
Accumulated amortization, end of year	-	7,807,613	1,502,298	280,028	512,877	407,019	3,265,401	238,385	219,814	115,683,446	1,456,360	130,312	21,792,868	9,518,261	162,814,682
Net book value, end of year	\$ 91,859,024	\$ 26,669,946	\$ 771,870	\$ 874,360	\$ 375,222	\$ 434,645	\$ 3,121,943	\$ 1,266,207	\$ 1,089,763	\$ 99,797,615	\$ 3,897,014	\$ 779,227	\$ 64,149,399	\$ 53,822,565	\$ 348,908,800

# District of West Kelowna

## Schedule 2 – Consolidated schedule of accumulated surplus

December 31, 2012

	Balance, beginning of year	Transfer to	Transfer from	Interest	Balance, end of year
<b>Reserve for future expenditure</b>					
Capital	\$ 5,933,063	\$ 2,765,529	\$ (555,350)	\$ 96,281	\$ 8,239,523
Equipment replacement	3,865,454	791,843	(700,197)	46,860	4,003,960
Sewer capital	2,376,002	1,455,500	(99,110)	16,031	3,748,423
Water capital	3,765,260	858,952	(647,439)	84,071	4,060,844
	<u>15,939,779</u>	<u>5,871,824</u>	<u>(2,002,096)</u>	<u>243,243</u>	<u>20,052,750</u>
<b>Non statutory reserves</b>					
Aquatic	49,956	-	(49,956)	-	-
City Hall/Community Hall	168,692	85,192	-	-	253,884
Future expenditures	4,185,051	4,509,306	(4,571,139)	48,837	4,172,055
Gas tax	2,274,862	779,937	(980,000)	24,570	2,099,369
Insurance claims	21,243	100,000	-	1,436	122,679
Lakeview Hall	166,932	-	(129,532)	443	37,843
Land Acquisition	-	1,500,000	-	17,763	1,517,763
New City Hall	-	1,000,000	-	11,842	1,011,842
Municipal Yards	-	300,000	-	3,553	303,553
Operating general	4,005,997	30,851,418	(36,111,227)	-	(1,253,812)
Other	45,772	49,000	-	1,080	95,852
Parks capital	408,352	-	-	4,836	413,188
Policing	2,054,346	123,726	(774,260)	17,112	1,420,924
Rate stabilization	176,675	100,000	-	3,276	279,951
Road maintenance	202,178	200,000	-	4,763	406,941
Snow control	76,083	100,000	-	2,085	178,168
Solid waste	61,031	20,363	-	-	81,394
Storm drainage	10,500	500,000	-	-	510,500
Transit	341,353	279,101	-	3,305	623,759
	<u>14,249,023</u>	<u>40,498,043</u>	<u>(42,616,114)</u>	<u>144,901</u>	<u>12,275,853</u>
<b>Investment in non-financial assets</b>					
Investment in tangible capital assets	307,702,203	19,237,169	(10,085,601)	-	316,853,771
<b>Total</b>	<u>\$337,891,005</u>	<u>\$ 65,607,036</u>	<u>\$ (54,703,811)</u>	<u>\$ 388,144</u>	<u>\$ 349,182,374</u>

**District of West Kelowna**  
**Schedule 3 – Consolidated schedule of segment disclosure**  
 December 31, 2012

	General Fund							2012 Total	2011 Total	
	General government services	Protective services	Transportation services	Environmental health & development services	Recreation & cultural services	Water services	Sewer services			Storm drainage
<b>Revenue</b>										
Taxation	\$ 8,918,943	\$ 6,689,207	\$ 2,972,981	\$ 1,734,239	\$ 4,459,472	\$ -	\$ -	\$ -	\$ 24,774,842	\$ 24,801,618
Sale of services and regulatory fees	273,895	1,211,336	909,727	2,297,039	1,477,738	5,494,860	3,459,127	-	15,423,722	14,552,203
Transfer from other governments	2,302,200	2,000,000	961,284	-	421,606	46,452	1,591,553	-	7,323,095	9,335,904
Other revenue from own sources	1,821,397	738,321	51,044	15,081	610,240	50,320	7,540,754	-	10,827,157	7,178,540
<b>Total</b>	13,316,435	10,638,864	4,895,036	4,046,359	6,969,056	5,591,632	12,591,434	-	58,048,816	55,868,265
<b>Expenditures</b>										
Amortization	7,328,129	-	-	-	-	1,633,586	1,001,286	-	9,963,001	9,439,949
Building and grounds maintenance	197,174	98,512	-	-	265,470	163,280	-	-	724,436	861,816
Civic grants	319,176	-	-	-	-	-	-	-	319,176	303,066
Contract services	468,001	354,116	3,675,695	411,137	1,275,653	288,275	2,818,329	183,472	9,474,678	9,232,550
Interest on long-term debt	681,425	-	-	-	-	445,310	735,757	-	1,862,492	1,966,497
Equipment maintenance and fuel	234,152	285,666	53,229	5,975	348,359	411,934	9,212	-	1,348,527	1,333,525
Library	-	-	-	-	1,176,092	-	-	-	1,176,092	1,137,375
Loss on disposal of assets	122,600	-	-	-	-	-	-	-	122,600	-
RCMP E-Division Contract	-	2,846,865	-	-	-	-	-	-	2,846,865	2,669,855
Supplies, small tools & equipment	419,833	547,521	86,277	54,466	158,667	254,655	25,267	91	1,546,777	1,312,968
Transit	-	-	2,405,786	-	-	-	-	-	2,405,786	2,178,453
Utilities	81,313	130,198	170,689	5,131	582,364	299,792	55,386	-	1,324,873	1,220,974
Wages, salaries & professional development	2,915,103	5,219,019	481,980	1,465,127	1,977,070	1,412,374	169,759	1,712	13,642,144	13,348,738
<b>Total</b>	12,766,906	9,481,897	6,873,656	1,941,836	5,783,675	4,909,206	4,814,996	185,275	46,757,447	45,005,766
<b>Operating surplus for the year</b>	\$ 549,529	\$ 1,156,967	(\$1,978,620)	\$ 2,104,523	\$ 1,185,381	\$ 682,426	\$ 7,776,438	(\$185,275)	\$ 11,291,369	\$ 10,862,499



**District of West Kelowna**

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