

2013 FINANCIAL STATEMENTS



DISTRICT OF WEST KELOWNA
ANNUAL REPORT
2013



**Consolidated Financial Statements
December 31, 2013**

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Grant Thornton

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, 2013, 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, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Kelowna, BC
May 13, 2014

Grant Thornton LLP
Chartered Accountants

**District of West Kelowna
Consolidated statement of financial position
December 31, 2013**

	2013	2012
Financial assets		
Cash and temporary investments (Note 4)	\$ 33,380,807	\$ 31,160,222
Accounts receivable (Note 4)	<u>16,698,139</u>	<u>23,035,543</u>
	<u>50,078,946</u>	<u>54,195,765</u>
Financial liabilities		
Accounts payable and accrued liabilities (Note 4)	7,741,574	5,668,773
Security deposits	3,647,209	3,839,407
Deferred revenue (Note 4)	1,796,624	1,538,087
Deferred development cost charges (Note 4)	11,454,041	11,511,833
Long-term debt (Note 4)	<u>29,888,883</u>	<u>32,055,028</u>
	<u>54,528,331</u>	<u>54,613,128</u>
Net financial liabilities	<u>(4,449,385)</u>	<u>(417,363)</u>
Non-financial assets		
Prepaid expenses and inventory	447,728	689,059
Work in progress (Note 5)	290,807	1,878
Tangible capital assets (Note 5)	<u>352,364,816</u>	<u>348,908,800</u>
	<u>353,103,351</u>	<u>349,599,737</u>
Accumulated surplus (Schedule 2)	\$ 348,653,966	\$ 349,182,374

Contingent liabilities and commitments (Note 9 and 10)

On behalf of the Mayor and Council:



Chief Financial Officer

District of West Kelowna**Consolidated statement of operations and accumulated surplus****Year ended December 31, 2013**

	2013 Actual	2013 Budget	2012 Actual
Revenue			
Taxation - net (Note 6)	\$ 26,192,792	\$ 24,719,944	\$ 24,774,842
Sales of service and regulatory fees	15,261,591	23,046,434	15,126,827
Transfers from other governments (Note 7)	1,872,035	1,465,876	7,291,618
Other revenue from own sources (Note 8)	4,979,319	2,477,154	10,855,529
Total revenues	48,305,737	51,709,408	58,048,816
Expenses			
General government services	13,405,695	7,799,843	13,167,937
Protective services	10,126,960	10,836,131	9,481,897
Transportation services	4,884,786	6,353,261	4,584,839
Environmental & health development services	4,255,422	5,586,433	4,230,655
Recreation and cultural services	5,657,874	5,535,182	5,382,642
Water services	5,388,508	4,819,119	4,909,206
Sewer services	4,936,661	5,348,043	4,814,996
Storm drainage	178,239	145,887	185,275
Total expenses	48,834,145	46,423,899	46,757,447
Annual (deficit) surplus	(528,408)	5,285,509	11,291,369
Accumulated surplus, beginning of year	349,182,374	349,182,374	337,891,005
Accumulated surplus, end of year	\$ 348,653,966	\$ 354,467,883	\$ 349,182,374

**District of West Kelowna
Consolidated statement of changes in net financial liabilities
Year ended December 31, 2013**

	2013 Actual	2013 Budget	2012 Actual
Annual (deficit) surplus	\$ (528,408)	\$ 5,285,509	\$ 11,291,369
Acquisition of tangible capital assets	(13,909,028)	-	(17,178,207)
Amortization of tangible capital assets	10,437,495	-	9,963,001
Proceeds from disposal of tangible capital assets	2,058	-	-
Loss on disposal of tangible capital assets	13,459	-	122,600
Change in prepaid expenses and inventory	241,331	-	(166,928)
Change in work in progress	(288,929)	-	(1,878)
(Increase) decrease in net financial liabilities	(4,032,022)	5,285,509	4,029,957
Net financial liabilities, beginning of year	(417,363)	(417,363)	(4,447,320)
Net financial (liabilities) assets, end of year	\$ (4,449,385)	\$ 4,868,146	\$ (417,363)

District of West Kelowna
Consolidated statement of cash flows
Year ended December 31, 2013

	2013	2012
Cash provided by (used for)		
Operating activities		
Annual (deficit) surplus	\$ (528,408)	\$ 11,291,369
Adjustment for non cash items		
Loss on disposal of tangible capital assets	13,459	122,600
Amortization of tangible capital assets	10,437,495	9,963,001
Developer and donor contribution of tangible capital assets	(225,000)	(24,817)
Actuarial adjustment on long-term debt	(476,224)	(389,876)
(Increase) decrease in		
Accounts receivable	6,337,404	(7,289,895)
Prepaid expenses and inventory	241,331	(166,928)
Work in progress	(288,929)	(1,878)
Increase (decrease) in		
Accounts payable and accrued liabilities	2,072,801	(647,605)
Security deposits	(192,198)	880,723
Deferred revenue	258,537	458,238
	<u>17,650,268</u>	<u>14,194,932</u>
Financing activities		
Deferred development cost charges	(57,792)	(72,117)
Repayment of long-term debt	(1,689,921)	(1,669,087)
	<u>(1,747,713)</u>	<u>(1,741,204)</u>
Capital Activities		
Acquisition of tangible capital assets	(13,684,028)	(17,153,390)
Proceeds from disposal of tangible capital assets	2,058	-
	<u>(13,681,970)</u>	<u>(17,153,390)</u>
Increase (decrease) in cash and temporary investments	2,220,585	(4,699,662)
Cash and temporary investments, beginning of year	<u>31,160,222</u>	<u>35,859,884</u>
Cash and temporary investments, end of year	\$ 33,380,807	\$ 31,160,222
Supplementary cash flow information		
Interest paid	\$ 1,806,723	\$ 1,929,787
Non-cash capital activities		
Acquisition of tangible capital assets through developer and donor contributions	\$ 225,000	\$ 24,817

District of West Kelowna

Notes to the consolidated financial statements

December 31, 2013

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 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 classifies all highly liquid investments with maturity dates of three months or less or that are cashable on demand as cash equivalents.

Work in progress

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

District of West Kelowna

Notes to the consolidated financial statements

December 31, 2013

2. Summary of significant accounting policies (continued)

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	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

Work in progress is not amortized.

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.

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.

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.

District of West Kelowna
Notes to the consolidated financial statements
December 31, 2013

2. Summary of significant accounting policies (continued)

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	2013	2012
General Fund	\$ 522,903	\$ 185,549	\$ 708,452	\$ 699,827
Water Funds	11,423	4,848	16,271	16,046
Sewer Fund	593,788	284,423	878,211	886,854
	<u>\$ 1,128,114</u>	<u>\$ 474,820</u>	<u>\$ 1,602,934</u>	<u>\$ 1,602,727</u>

Reserve funds

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

Revenue recognition

Taxation revenues are recorded on the accrual basis and recognized in the year they are levied. 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.

Expenses

Expenses 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 15th of each year. Subsequent amendments have been made by Council to reflect changes in the budget as required by law.

District of West Kelowna
Notes to the consolidated financial statements
December 31, 2013

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 expenses 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.

3. Future accounting change**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 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, 2016, 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, 2016, 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, 2016, with early adoption permitted.

**District of West Kelowna
Notes to the consolidated financial statements
December 31, 2013**

4. Financial assets and liabilities

Cash and temporary investments

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

	2013	2012
Cash and cash equivalents	\$ 27,888,986	\$ 16,007,874
Temporary investments	5,491,821	15,152,348
	<u>\$ 33,380,807</u>	<u>\$ 31,160,222</u>

Temporary investments held by the District include a cashable term deposit with a maturity date within three months of year end and an interest rate of 1.40%.

Accounts receivable

Accounts receivable are recorded net of allowance and are comprised of the following:

	2013	2012
Current and arrears taxes	\$ 3,301,862	\$ 3,607,440
Due from Federal government	1,047,544	1,123,593
Due from Provincial government	151,528	-
Due from other governments	8,294	24,946
Sewer funds receivable	8,711,869	14,806,316
Utilities receivable	2,454,735	2,467,631
Other	1,022,307	1,005,617
	<u>\$ 16,698,139</u>	<u>\$ 23,035,543</u>

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are comprised of the following:

	2013	2012
Trade payables	\$ 2,877,012	\$ 3,117,324
Wages and payroll benefits	1,681,664	1,692,096
Accruals	2,535,539	830,551
Due to other governments	621,607	-
Other	25,752	28,802
	<u>\$ 7,741,574</u>	<u>\$ 5,668,773</u>

District of West Kelowna
Notes to the consolidated financial statements
December 31, 2013

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.

Deferred revenue is comprised of the following:

	2013	2012
Prepaid property taxes	\$ 1,533,280	\$ 1,261,460
Prepaid recreation program fees	47,384	43,947
Cemetery perpetual care fund	87,737	84,270
Tourism contributions	30,000	30,000
Sewer commuted payments	-	8,400
Prepaid utility fees	33,798	83,848
Other	64,425	26,162
	<u>\$ 1,796,624</u>	<u>\$ 1,538,087</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.

	2013	2012
Balance, beginning of year	\$ 11,511,833	\$ 11,534,455
Contributions from developers	1,378,419	1,106,672
Interest on investments	114,257	184,220
Bylaw expenses	(1,550,468)	(1,313,514)
Balance, end of year	<u>\$ 11,454,041</u>	<u>\$ 11,511,833</u>

DCC's are comprised of the following:

	2013	2012
Roads DCC's	\$ 5,481,793	\$ 5,406,508
Water DCC's	4,639,202	4,564,395
Parks DCC's	1,333,046	1,540,930
	<u>\$ 11,454,041</u>	<u>\$ 11,511,833</u>

District of West Kelowna
Notes to the consolidated financial statements
December 31, 2013

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 (%)
General fund							
MFA issue #95	2025	\$ 2,416,359	\$ -	\$ 110,438	\$ 34,891	\$ 2,271,030	4.17
MFA issue #95	2015	568,083	-	138,954	41,185	387,944	4.17
MFA issue #99	2017	706,543	-	131,496	34,888	540,159	4.43
MFA issue #105	2028	7,394,883	-	277,414	34,639	7,082,830	4.90
		<u>11,085,868</u>	<u>-</u>	<u>658,302</u>	<u>145,603</u>	<u>10,281,963</u>	
Water funds							
MFA issue #101	2027	200,437	-	8,228	1,782	190,427	4.52
MFA issue #103	2028	120,501	-	4,720	801	114,980	4.65
Province of BC	2027	8,958,995	-	434,123	-	8,524,872	4.95
		<u>9,279,933</u>	<u>-</u>	<u>447,071</u>	<u>2,583</u>	<u>8,830,279</u>	
Sewer fund							
MFA issue #59	2014	35,311	-	7,157	28,154	-	5.00
MFA issue #61	2015	5,112	-	708	913	3,491	8.00
MFA issue #64	2016	40,546	-	4,310	5,097	31,139	4.43
MFA issue #66	2017	238,501	-	20,762	22,401	195,338	4.82
MFA issue #66	2017	12,506	-	1,089	1,174	10,243	4.82
MFA issue #70	2019	77,084	-	5,536	4,069	67,479	3.15
MFA issue #71	2019	235,405	-	16,906	12,426	206,073	3.15
MFA issue #71	2019	503,122	-	36,133	26,558	440,431	3.15
MFA issue #73	2020	39,125	-	2,516	1,656	34,953	3.15
MFA issue #73	2020	815,192	-	52,425	34,482	728,285	3.15
MFA issue #74	2021	363,883	-	19,295	13,705	330,883	5.93
MFA issue #74	2021	95,648	-	5,072	3,603	86,973	5.93
MFA issue #74	2021	112,358	-	5,958	4,231	102,169	5.93
MFA issue #74	2021	39,925	-	2,117	1,504	36,304	5.93
MFA issue #74	2021	43,062	-	2,283	1,623	39,156	5.93
MFA issue #74	2021	80,305	-	4,258	3,025	73,022	5.93
MFA issue #75	2021	14,829	-	786	559	13,484	5.69
MFA issue #75	2021	541,834	-	28,730	20,410	492,694	5.69
MFA issue #75	2021	217,874	-	11,553	8,206	198,115	5.69
MFA issue #77	2022	1,186,556	-	57,915	36,421	1,092,220	6.05
MFA issue #79	2023	1,306,157	-	59,265	32,673	1,214,219	5.49
MFA issue #85	2024	677,161	-	28,795	13,748	634,618	4.98

District of West Kelowna
Notes to the consolidated financial statements
December 31, 2013

4. Financial assets and liabilities (continued)

Long-term debt (continued)

MFA issue #85	2024	\$ 42,672	\$ -	\$ 1,815	\$ 865	\$ 39,992	4.98
MFA issue #95	2025	677,818	-	30,979	9,788	637,051	4.17
MFA issue #99	2027	15,267	-	660	174	14,433	4.43
MFA issue #99	2027	1,005,260	-	43,433	11,523	950,304	4.43
MFA issue #101	2027	2,124,632	-	87,212	18,894	2,018,526	4.52
MFA issue #101	2027	497,656	-	20,428	4,425	472,803	4.52
MFA issue #101	2027	644,426	-	26,452	5,731	612,243	4.52
		<u>11,689,227</u>	<u>-</u>	<u>584,548</u>	<u>328,038</u>	<u>10,776,641</u>	
Total long-term debt		\$ <u>32,055,028</u>	\$ <u>-</u>	\$ <u>1,689,921</u>	\$ <u>476,224</u>	\$ <u>29,888,883</u>	

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

	2014	2015	2016	2017	2018
General Fund	\$ 658,302	\$ 658,302	\$ 519,348	\$ 387,852	\$ 387,852
Water Funds	468,952	491,938	516,082	541,442	568,082
Sewer Fund	577,388	577,388	576,680	572,370	550,520
	<u>\$ 1,704,642</u>	<u>\$ 1,727,628</u>	<u>\$ 1,612,110</u>	<u>\$ 1,501,664</u>	<u>\$ 1,506,454</u>

5. Tangible capital assets and work in progress

Tangible capital assets and work in progress are comprised of the following:

	2013	2012
	Net book value	Net book value
General		
Land	\$ 92,265,336	\$ 91,859,024
Buildings	27,618,230	26,669,946
Equipment	7,001,189	6,844,247
Engineering structures	<u>108,599,177</u>	<u>105,563,619</u>
	235,483,932	230,936,836
Water infrastructure	63,434,122	64,149,399
Sewer infrastructure	53,446,762	53,822,565
Tangible capital assets	\$ 352,364,816	\$ 348,908,800
Work in progress	\$ 290,807	\$ 1,878
Tangible capital assets and work in progress (Schedule 1)	\$ 352,655,623	\$ 348,910,678

District of West Kelowna
Notes to the consolidated financial statements
December 31, 2013

6. Taxation - net

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

	2013	2012
General municipal purposes	\$ 26,192,792	\$ 24,774,842
Collections for other governments		
Provincial Government - Schools	14,463,422	14,379,053
Central Okanagan Regional Hospital District	2,483,021	2,416,043
Regional District of the Central Okanagan	2,542,946	2,490,611
British Columbia Assessment Authority	441,031	444,703
Municipal Finance Authority	1,383	1,411
	<u>46,124,595</u>	<u>44,506,663</u>
Transfers to other governments		
Provincial Government - Schools	(14,463,422)	(14,379,053)
Central Okanagan Regional Hospital District	(2,483,021)	(2,416,043)
Regional District of the Central Okanagan	(2,542,946)	(2,490,611)
British Columbia Assessment Authority	(441,031)	(444,703)
Municipal Finance Authority	(1,383)	(1,411)
	<u>(19,931,803)</u>	<u>(19,731,821)</u>
	<u>\$ 26,192,792</u>	<u>\$ 24,774,842</u>

7. Transfers from other governments

	2013	2012
Cost sharing - Ministry of Transportation	\$ 540,701	\$ 960,000
Okanagan Basin Water Board grant	69,295	131,267
Provincial per capita grant	-	1,425,000
Sewer grants	-	1,506,737
Gas tax community works fund	1,165,632	779,938
Provincial Community Recreation grant	-	400,000
RCMP	-	2,000,000
Other	96,407	88,676
	<u>\$ 1,872,035</u>	<u>\$ 7,291,618</u>

District of West Kelowna
Notes to the consolidated financial statements
December 31, 2013

8. Other revenue from own services

	2013	2012
Cost recoveries	\$ 1,849,139	\$ 8,104,495
Development permits	848,892	813,303
Interest earned	313,486	97,966
Actuarial adjustment on long-term debt	476,224	389,876
Licenses and permits	171,301	186,053
Penalties and interest on taxes	450,762	448,169
Rentals	450,878	450,878
Donations	236,525	31,477
Traffic fine revenue	54,303	265,225
Other	127,809	68,087
	<u>\$ 4,979,319</u>	<u>\$ 10,855,529</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 trustee 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 179,000 active members and approximately 71,000 retired members. Active members include approximately 39,000 contributors from local governments.

District of West Kelowna
Notes to the consolidated financial statements
December 31, 2013

9. Contingent liabilities (continued)

Pension liability (continued)

The most recent actuarial valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

The District paid \$1,020,734 (2012 - \$945,040) for employer contributions while employees contributed \$915,538 (2012 - \$816,532) to the Plan in fiscal 2013.

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:

2014	\$ 2,707,489
2015	\$ 2,461,365
2016	\$ 2,336,856
2017	\$ 1,778,332
2018	\$ 12,044

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 \$8,033,997 (2012 - \$6,746,416), which are received as security related to performance deposits.

District of West Kelowna
Notes to the consolidated financial statement
December 31, 2013

12. Expenses by object

Total consolidated expenses by object are itemized in Schedule 3.

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.

District of West Kelowna Notes to the consolidated financial statements December 31, 2013

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.

14. 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 and work in progress
December 31, 2013

	Equipment										Engineering structures					Total
	Land	Buildings	Computer	Machinery	Office furniture & equipment	Small tools & equipment	Vehicles	Solid waste carts	Infrastructure	Roads	Sidewalks	Storm drains	Water Infrastructure	Sewer Infrastructure		
Cost, beginning 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	\$ 699,539	\$ 85,943,267	\$ 63,340,826	\$ 511,723,482	
Additions	406,312	1,778,383	333,880	428,987	10,900	140,423	233,622	32,553	1,888,884	6,636,813	250,000	233,835	877,712	654,724	13,909,028	
Disposals					(746,067)										(746,067)	
Cost, end of year	92,265,336	36,255,942	2,608,048	1,583,375	872,932	982,087	6,620,966	1,537,145	3,198,461	222,139,874	5,603,374	1,143,374	86,819,979	63,975,550	525,606,443	
Accumulated amortization, beginning 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	21,793,868	9,518,261	162,814,682	
Amortization	-	830,099	286,532	128,846	26,995	95,343	406,684	61,466	217,812	5,553,497	112,067	112,598	1,592,989	1,010,527	10,437,495	
Disposals	-	-	-	-	(10,550)	-	-	-	-	-	-	-	-	-	(10,550)	
Accumulated amortization, end of year	-	8,637,712	1,790,830	408,874	529,322	502,362	3,672,085	299,871	437,626	121,236,943	1,568,427	242,910	23,385,857	10,528,788	173,241,627	
Net book value, end of year	\$ 92,265,336	\$ 27,618,230	\$ 817,198	\$ 1,174,501	\$ 343,610	\$ 479,725	\$ 2,948,881	\$ 1,237,274	\$ 2,760,835	\$ 100,902,931	\$ 4,034,947	\$ 900,464	\$ 63,434,122	\$ 53,446,762	\$ 352,364,816	
Work in progress	\$ -	\$ 53,726	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 161,079	\$ 73,872	\$ -	\$ 1,830	\$ -	\$ -	\$ 290,807	
Tangible capital assets and work in progress	\$ 92,265,336	\$ 27,671,956	\$ 817,198	\$ 1,174,501	\$ 343,610	\$ 479,725	\$ 2,948,881	\$ 1,237,274	\$ 2,922,914	\$ 100,976,803	\$ 4,034,947	\$ 902,394	\$ 63,434,122	\$ 53,446,762	\$ 352,655,623	

**District of West Kelowna
 Schedule 2 - Consolidated schedule of accumulated surplus
 December 31, 2013**

	Balance, beginning of year	Transfer to	Transfer from	Interest	Balance, end of year
Statutory reserves					
Capital	\$ 8,239,523	\$ 996,545	\$ (3,048,702)	\$ 72,134	\$ 6,259,500
Equipment replacement	4,003,960	744,864	(1,069,601)	38,416	3,717,639
Water capital	4,060,844	158,400	(1,002,137)	36,390	3,253,497
Sewer capital	3,748,423	-	(423,648)	35,367	3,360,142
	<u>20,052,750</u>	<u>1,899,809</u>	<u>(5,544,088)</u>	<u>182,307</u>	<u>16,590,778</u>
Non-statutory reserves					
City Hall/Community Hall	253,884	85,192	-	2,965	342,041
Community projects	2,099,369	-	(425,852)	18,864	1,692,381
Future expenses	4,172,055	776,834	(3,500,068)	28,104	1,476,925
Insurance claims	122,679	-	-	1,227	123,906
Lakeview Hall	37,843	-	-	-	37,843
Land acquisition	1,517,763	-	-	15,178	1,532,941
Municipal yards	303,553	-	-	3,036	306,589
New City Hall	1,011,842	-	-	10,118	1,021,960
Operating general	(1,253,812)	10,899,022	(9,640,832)	-	4,378
Other	95,852	30,045	-	555	126,452
Parks capital	413,188	-	-	4,132	417,320
Policing	1,420,924	-	(729,345)	10,563	702,142
Rate stabilization	279,951	-	-	2,800	282,751
Road maintenance	406,941	-	-	4,069	411,010
Snow control	178,168	-	-	1,782	179,950
Solid waste	81,394	14,310	-	885	96,589
Storm drainage	510,500	-	(179,095)	4,105	335,510
Transit	623,759	-	(285,406)	4,811	343,164
Wildfire	-	152,640	-	763	153,403
	<u>12,275,853</u>	<u>11,958,043</u>	<u>(14,760,598)</u>	<u>113,957</u>	<u>9,587,255</u>
Investment in non-financial assets					
Investment in tangible capital assets	<u>316,853,771</u>	<u>16,075,174</u>	<u>(10,453,012)</u>	<u>-</u>	<u>322,475,933</u>
Accumulated surplus	<u>\$ 349,182,374</u>	<u>\$ 29,933,026</u>	<u>\$ (30,757,698)</u>	<u>\$ 296,264</u>	<u>\$ 348,653,966</u>

District of West Kelowna
Schedule 3 - Consolidated schedule of segment disclosure
December 31, 2013

	General Fund							2013 Totals	2012 Totals
	General government services	Protective services	Transportation services	Environmental health & development services	Recreation & cultural services	Water services	Sewer services		
Revenue									
Taxation-net	\$ 9,862,282	\$ 8,310,566	\$ 3,064,927	\$ 814,885	\$ 4,017,230	\$ -	\$ -	\$ 122,902	\$ 26,192,792
Sale of services and regulatory fees	296,107	1,127,987	797,088	2,550,358	1,446,092	5,476,612	3,567,347	-	15,261,591
Transfers from other governments	1,791,292	-	5,198	-	6,250	15,000	54,295	-	1,872,035
Other revenue from own sources	1,460,996	692,605	1,019,121	890,590	190,331	2,584	723,092	-	4,979,319
Total revenue	13,410,677	10,131,158	4,886,334	4,255,833	5,659,903	5,494,196	4,344,734	122,902	48,305,737
Expenses									
Amortization	7,754,103	-	-	6,433	-	1,666,433	1,010,526	-	10,437,495
Building and grounds maintenance	205,662	116,482	-	-	238,348	162,046	728	-	723,266
Civic grants	314,788	-	-	-	-	-	-	-	314,788
Contract services	327,546	382,134	2,033,448	2,535,396	1,322,188	449,105	2,837,041	109,695	9,996,553
Interest on long-term debt	681,425	-	-	-	-	422,767	702,531	-	1,806,723
Equipment maintenance and fuel	465,293	326,844	66,695	7,275	179,843	486,333	23,045	5,243	1,560,571
Library	-	-	-	-	1,236,496	-	-	-	1,236,496
Loss on disposal of tangible capital assets	13,459	-	-	-	-	-	-	-	13,459
RCMP E-Division Contract	327,041	3,164,356	-	-	-	-	-	-	3,164,356
Supplies, small tools and equipment	-	371,858	138,994	55,133	188,068	241,048	21,560	5,368	1,349,070
Transit	-	-	1,959,474	-	-	-	-	-	1,959,474
Utilities	151,580	138,665	186,067	5,140	534,208	270,240	64,912	-	1,350,812
Wages, salaries & professional development	3,164,798	5,626,621	500,108	1,646,045	1,958,723	1,690,536	276,318	57,933	14,921,082
Total expenses	13,405,695	10,126,960	4,884,786	4,255,422	5,657,874	5,388,508	4,936,661	178,239	48,834,145
Annual (deficit) surplus for the year	\$ 4,982	\$ 4,198	\$ 1,548	\$ 411	\$ 2,029	\$ 105,688	\$ (591,927)	\$ (55,337)	\$ 11,291,369



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