

2014 Financial Statements

DISTRICT OF
**WEST
KELOWNA**





**Consolidated Financial Statements
December 31, 2014**

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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, 2014, and the consolidated statement of operations and accumulated surplus, consolidated statement of changes in net debt 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, 2014, 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 12, 2015

Grant Thornton LLP
Chartered Accountants

District of West Kelowna
Consolidated statement of financial position
December 31, 2014

	2014	2013
Financial assets		
Cash and cash equivalents (Note 4)	\$ 26,886,607	\$ 33,380,807
Accounts receivable (Note 4)	<u>15,758,231</u>	<u>16,698,139</u>
	<u>42,644,838</u>	<u>50,078,946</u>
Liabilities		
Accounts payable and accrued liabilities (Note 4)	9,723,176	7,741,574
Security deposits	4,732,358	3,647,209
Deferred revenue (Note 4)	2,073,670	1,796,624
Deferred development cost charges (Note 4)	7,984,085	11,454,041
Long-term debt (Note 4)	<u>27,660,231</u>	<u>29,888,883</u>
	<u>52,173,520</u>	<u>54,528,331</u>
Net debt	<u>(9,528,682)</u>	<u>(4,449,385)</u>
Non-financial assets		
Prepaid expenses and inventory	671,298	447,728
Work in progress (Note 5)	4,091,962	290,807
Tangible capital assets (Note 5)	<u>363,715,324</u>	<u>352,364,816</u>
	<u>368,478,584</u>	<u>353,103,351</u>
Accumulated surplus (Schedule 2)	<u>\$ 358,949,902</u>	<u>\$ 348,653,966</u>

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, 2014**

	2014 Actual	2014 Budget	2013 Actual
Revenue			
Taxation - net (Note 6)	\$ 26,968,692	\$ 27,045,340	\$ 26,192,792
Sales of service and regulatory fees	15,700,177	15,631,127	14,905,243
Government transfers (Note 7)	10,387,029	1,191,376	1,926,338
Other revenue from own services (Note 8)	9,789,085	8,241,358	5,281,364
Total revenues	<u>62,844,983</u>	<u>52,109,201</u>	<u>48,305,737</u>
Expenses			
General government services	13,944,836	13,955,705	13,405,695
Protective services	11,608,237	10,253,661	10,126,960
Transportation services	5,220,182	5,732,016	4,884,786
Environmental & health development services	4,115,660	4,622,249	4,255,422
Recreation and cultural services	6,074,173	6,238,446	5,657,874
Water services	5,780,757	5,090,630	5,388,508
Sewer services	5,552,167	5,575,818	4,936,661
Storm drainage	253,035	172,076	178,239
Total expenses	<u>52,549,047</u>	<u>51,640,601</u>	<u>48,834,145</u>
Annual surplus (deficit)	10,295,936	468,600	(528,408)
Accumulated surplus, beginning of year	348,653,966	348,653,966	349,182,374
Accumulated surplus, end of year	<u>\$ 358,949,902</u>	<u>\$ 349,122,566</u>	<u>\$ 348,653,966</u>

See accompanying notes to the consolidated financial statements.

District of West Kelowna**Consolidated statement of changes in net debt****Year ended December 31, 2014**

	2014 Actual	2014 Budget	2013 Actual
Annual surplus (deficit)	\$ 10,295,936	\$ 468,600	\$ (528,408)
Acquisition of tangible capital assets	(22,293,723)	(11,122,156)	(13,909,028)
Amortization of tangible capital assets	10,940,926	10,940,926	10,437,495
Proceeds from disposal of tangible capital assets	22,004	-	2,058
(Gain) loss on disposal of tangible capital assets	(19,715)	-	13,459
Change in prepaid expenses and inventory	(223,570)	-	241,331
Change in work in progress	(3,801,155)	-	(288,929)
(Increase) decrease in net debt	(5,079,297)	287,370	(4,032,022)
Net debt, beginning of year	(4,449,385)	(4,449,385)	(417,363)
Net debt, end of year	<u>\$ (9,528,682)</u>	<u>\$ (4,162,015)</u>	<u>\$ (4,449,385)</u>

See accompanying notes to the consolidated financial statements.

District of West Kelowna
Consolidated statement of cash flows
Year ended December 31, 2014

	2014	2013
Cash provided by (used for)		
Operating activities		
Annual surplus (deficit)	\$ 10,295,936	\$ (528,408)
Adjustment for non cash items		
(Gain) loss on disposal of tangible capital assets	(19,715)	13,459
Amortization of tangible capital assets	10,940,926	10,437,495
Developer and donor contribution of tangible capital assets	(95,259)	(225,000)
Actuarial adjustment on long-term debt	(524,010)	(476,224)
Acquisition of tangible capital assets through transfer from the Province of BC	(8,700,000)	-
(Increase) decrease in		
Accounts receivable	939,908	6,337,404
Prepaid expenses and inventory	(223,570)	241,331
Increase (decrease) in		
Accounts payable and accrued liabilities	1,981,602	2,072,801
Security deposits	1,085,149	(192,198)
Deferred revenue	277,046	258,537
	<u>15,958,013</u>	<u>17,939,197</u>
Financing activities		
Deferred development cost charges	(3,469,956)	(57,792)
Repayment of long-term debt	(1,704,642)	(1,689,921)
	<u>(5,174,598)</u>	<u>(1,747,713)</u>
Capital Activities		
Acquisition of work in progress	(3,801,155)	(288,929)
Acquisition of tangible capital assets	(13,498,464)	(13,684,028)
Proceeds from disposal of tangible capital assets	22,004	2,058
	<u>(17,277,615)</u>	<u>(13,970,899)</u>
(Decrease) increase in cash and cash equivalents	(6,494,200)	2,220,585
Cash and cash equivalents, beginning of year	<u>33,380,807</u>	<u>31,160,222</u>
Cash and cash equivalents, end of year	\$ 26,886,607	\$ 33,380,807
Supplementary cash flow information		
Interest paid	\$ 1,732,295	\$ 1,806,723
Non-cash capital activities		
Acquisition of tangible capital assets through developer and donor contributions	\$ 95,259	\$ 225,000
Acquisition of tangible capital assets through transfer from Province of BC	\$ 8,700,000	\$ -

See accompanying notes to the consolidated financial statements.

District of West Kelowna

Notes to the consolidated financial statements

December 31, 2014

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 are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards ("PSAS"). The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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 term deposits and highly liquid investments 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, 2014

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, 2014

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	2014	2013
General Fund	\$ 522,903	\$ 190,926	\$ 713,829	\$ 708,452
Water Funds	11,423	4,989	16,412	16,271
Sewer Fund	593,788	292,666	886,454	878,211
	<u>\$ 1,128,114</u>	<u>\$ 488,581</u>	<u>\$ 1,616,695</u>	<u>\$ 1,602,934</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. Government transfers 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 from own services 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, 2014

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 changes

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 3041 – Portfolio investments

This section revises and replaces the existing Section PS 3040 - Portfolio investments. 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.

PS 2200 – Related party transactions

This new Section defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated. This Section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

District of West Kelowna
Notes to the consolidated financial statements
December 31, 2014

4. Financial assets and liabilities

Cash and cash equivalents

Cash and cash equivalents held by the District include cash and term deposits with interest rates between 1.35% and 2.06%.

Accounts receivable

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

	2014	2013
Current and arrears taxes	\$ 2,806,555	\$ 3,301,862
Due from Federal government	311,104	1,047,544
Due from Provincial government	1,134,639	151,528
Due from other governments	11,716	8,294
Sewer funds receivable	7,932,174	8,711,869
Utilities receivable	2,665,554	2,454,735
Other	896,489	1,022,307
	<u>\$ 15,758,231</u>	<u>\$ 16,698,139</u>

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are comprised of the following:

	2014	2013
Trade payables	\$ 2,187,775	\$ 2,877,012
Wages and payroll benefits	2,321,246	1,681,664
Accruals	5,136,875	2,535,539
Due to other governments	56,248	621,607
Other	21,032	25,752
	<u>\$ 9,723,176</u>	<u>\$ 7,741,574</u>

District of West Kelowna
Notes to the consolidated financial statements
December 31, 2014

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:

	2014	2013
Prepaid property taxes	\$ 1,738,501	\$ 1,533,280
Prepaid recreation program fees	49,454	47,384
Cemetery perpetual care fund	97,286	87,737
Tourism contributions	30,000	30,000
Prepaid utility fees	105,909	33,798
Other	52,520	64,425
	<u>\$ 2,073,670</u>	<u>\$ 1,796,624</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.

	2014	2013
Balance, beginning of year	\$ 11,454,041	\$ 11,511,833
Contributions from developers	1,874,851	1,378,419
Interest on investments	96,705	114,257
Bylaw expenses	(5,441,512)	(1,550,468)
Balance, end of year	<u>\$ 7,984,085</u>	<u>\$ 11,454,041</u>

DCC's are comprised of the following:

	2014	2013
Roads DCC's	\$ 3,155,126	\$ 5,481,793
Water DCC's	3,609,637	4,639,202
Parks DCC's	1,219,322	1,333,046
	<u>\$ 7,984,085</u>	<u>\$ 11,454,041</u>

(continued)

District of West Kelowna
Notes to the consolidated financial statements
December 31, 2014

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	\$ 2,271,030	\$ -	\$ 110,438	\$ 40,704	\$ 2,119,888	4.17
MFA issue #95	2015	387,944	-	138,955	51,214	197,775	4.17
MFA issue #99	2017	540,159	-	131,495	41,544	367,120	4.43
MFA issue #105	2028	7,082,830	-	277,414	47,121	6,758,295	4.90
		<u>10,281,963</u>	<u>-</u>	<u>658,302</u>	<u>180,583</u>	<u>9,443,078</u>	
Water funds							
MFA issue #101	2027	190,427	-	8,227	2,183	180,017	4.52
MFA issue #103	2028	114,980	-	4,720	1,023	109,237	4.65
Province of BC	2027	8,524,872	-	456,005	-	8,068,867	4.95
		<u>8,830,279</u>	<u>-</u>	<u>468,952</u>	<u>3,206</u>	<u>8,358,121</u>	
Sewer fund							
MFA issue #61	2015	3,491	-	708	995	1,788	8.00
MFA issue #64	2016	31,139	-	4,310	5,568	21,261	4.43
MFA issue #66	2017	195,338	-	20,761	24,559	150,018	4.82
MFA issue #66	2017	10,243	-	1,088	1,288	7,867	4.82
MFA issue #70	2019	67,479	-	5,536	4,504	57,439	3.15
MFA issue #71	2019	206,073	-	16,906	13,754	175,413	3.15
MFA issue #71	2019	440,431	-	36,132	29,396	374,903	3.15
MFA issue #73	2020	34,953	-	2,516	1,843	30,594	3.15
MFA issue #73	2020	728,285	-	52,424	38,394	637,467	3.15
MFA issue #74	2021	330,883	-	19,295	15,356	296,232	5.93
MFA issue #74	2021	86,973	-	5,072	4,036	77,865	5.93
MFA issue #74	2021	102,169	-	5,957	4,742	91,470	5.93
MFA issue #74	2021	36,304	-	2,117	1,685	32,502	5.93
MFA issue #74	2021	39,156	-	2,283	1,817	35,056	5.93
MFA issue #74	2021	73,022	-	4,258	3,389	65,375	5.93
MFA issue #75	2021	13,484	-	786	626	12,072	5.69
MFA issue #75	2021	492,694	-	28,731	22,865	441,098	5.69
MFA issue #75	2021	198,115	-	11,553	9,194	177,368	5.69
MFA issue #77	2022	1,092,220	-	57,915	41,139	993,166	6.05
MFA issue #79	2023	1,214,219	-	59,265	37,271	1,117,683	5.49
MFA issue #85	2024	634,618	-	28,795	15,875	589,948	4.98

(continued)

District of West Kelowna
Notes to the consolidated financial statements
December 31, 2014

4. Financial assets and liabilities (continued)

Long-term debt (continued)

MFA issue #85	2024	\$ 39,992	\$ -	\$ 1,815	\$ 1,000	\$ 37,177	4.98
MFA issue #95	2025	637,051	-	30,979	11,418	594,654	4.17
MFA issue #99	2027	14,433	-	660	208	13,565	4.43
MFA issue #99	2027	950,304	-	43,433	13,722	893,149	4.43
MFA issue #101	2027	2,018,526	-	87,212	23,139	1,908,175	4.52
MFA issue #101	2027	472,803	-	20,428	5,420	446,955	4.52
MFA issue #101	2027	<u>612,243</u>	<u>-</u>	<u>26,453</u>	<u>7,018</u>	<u>578,772</u>	4.52
		<u>10,776,641</u>	<u>-</u>	<u>577,388</u>	<u>340,221</u>	<u>9,859,032</u>	
Total long-term debt		<u>\$ 29,888,883</u>	<u>\$ -</u>	<u>\$ 1,704,642</u>	<u>\$ 524,010</u>	<u>\$ 27,660,231</u>	

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

	2015	2016	2017	2018	2019
General Fund	\$ 658,302	\$ 519,348	\$ 387,852	\$ 387,852	\$ 387,852
Water Funds	491,938	516,082	541,442	568,082	596,063
Sewer Fund	<u>577,388</u>	<u>576,680</u>	<u>572,370</u>	<u>550,520</u>	<u>550,520</u>
	<u>\$ 1,727,628</u>	<u>\$ 1,612,110</u>	<u>\$ 1,501,664</u>	<u>\$ 1,506,454</u>	<u>\$ 1,534,435</u>

5. Tangible capital assets and work in progress

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

	2014	2013
	Net book value	Net book value
General		
Land	\$ 100,993,568	\$ 92,265,336
Buildings	27,299,717	27,618,230
Equipment	7,141,647	7,001,189
Engineering structures	<u>112,794,033</u>	<u>108,599,177</u>
	248,228,965	235,483,932
Water infrastructure	62,254,031	63,434,122
Sewer infrastructure	<u>53,232,328</u>	<u>53,446,762</u>
Tangible capital assets	<u>\$ 363,715,324</u>	<u>\$ 352,364,816</u>
Work in progress	<u>\$ 4,091,962</u>	<u>\$ 290,807</u>
Tangible capital assets and work in progress (Schedule 1)	<u>\$ 367,807,286</u>	<u>\$ 352,655,623</u>

District of West Kelowna
Notes to the consolidated financial statements
December 31, 2014

6. Taxation - net

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

	2014	2013
General municipal purposes	\$ 26,968,692	\$ 26,192,792
Collections for other governments		
Provincial Government - Schools	14,456,872	14,463,422
Central Okanagan Regional Hospital District	2,455,637	2,483,021
Regional District of the Central Okanagan	2,903,455	2,542,946
British Columbia Assessment Authority	438,690	441,031
Municipal Finance Authority	1,368	1,383
	<u>47,224,714</u>	<u>46,124,595</u>
Transfers to other governments		
Provincial Government - Schools	(14,456,872)	(14,463,422)
Central Okanagan Regional Hospital District	(2,455,637)	(2,483,021)
Regional District of the Central Okanagan	(2,903,455)	(2,542,946)
British Columbia Assessment Authority	(438,690)	(441,031)
Municipal Finance Authority	(1,368)	(1,383)
	<u>(20,256,022)</u>	<u>(19,931,803)</u>
	<u>\$ 26,968,692</u>	<u>\$ 26,192,792</u>

7. Government transfers

	2014	2013
Provincial unconditional transfers		
Province of BC	\$ 8,700,000	\$ -
Other	99,588	96,407
	<u>8,799,588</u>	<u>96,407</u>
Provincial conditional transfers		
Cost sharing - Ministry of Transportation	173,115	540,701
Okanagan Basin Water Board grant	48,314	69,295
	<u>221,429</u>	<u>609,996</u>
Federal unconditional transfers		
Traffic fine revenue sharing grant	54,510	54,303
Federal conditional transfers		
Gas tax community works fund	1,311,502	1,165,632
	<u>1,311,502</u>	<u>1,165,632</u>
	<u>\$ 10,387,029</u>	<u>\$ 1,926,338</u>

District of West Kelowna
Notes to the consolidated financial statements
December 31, 2014

8. Other revenue from own services

	2014	2013
DCC contributions	\$ 5,441,512	\$ 1,550,468
Cost recoveries	1,420,849	655,018
Development permits	673,492	848,892
Interest earned	344,763	313,486
Actuarial adjustment on long-term debt	524,010	476,224
Licenses and permits	201,421	171,301
Penalties and interest on taxes	440,403	450,762
Rentals	563,774	450,878
Donations	21,421	236,525
Other	157,440	127,810
	<u>\$ 9,789,085</u>	<u>\$ 5,281,364</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 182,000 active members and approximately 75,000 retired members. Active members include approximately 36,000 contributors from local government.

District of West Kelowna
Notes to the consolidated financial statements
December 31, 2014

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 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 \$1,052,909 (2013 - \$1,020,734) for employer contributions while employees contributed \$947,394 (2013 - \$915,538) to the Plan in fiscal 2014.

10. Commitments

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

2015	\$	2,734,684
2016	\$	2,590,623
2017	\$	2,038,427
2018	\$	12,044

Vacation pay and sick leave

Vacation pay, which may be accumulated up to ten days, 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 \$7,624,809 (2013 - \$8,033,997), which are received as security related to performance deposits.

District of West Kelowna

Notes to the consolidated financial statement

December 31, 2014

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.

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.

District of West Kelowna
Notes to the consolidated financial statements
December 31, 2014

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.

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. Budget

The budget amounts presented for comparative purposes reflect the statutory financial plan as adopted by Council on May 13, 2014, adjusted for amortization and other items for comparability with the actual results.

The following table reconciles the balanced statutory financial plan to the budget surplus reported on the consolidated statement of operations and accumulated surplus.

Surplus as per 10 year Financial Plan Bylaw No. 0171, 2014	\$ -
Adjust for non-operating items included in Financial Plan:	
Acquisition of tangible capital assets	11,122,156
Repayment of principal portion of long-term debt	1,636,536
Net transfers from reserves	<u>(1,349,166)</u>
	<u>11,409,526</u>
Adjust for operating items excluded in Financial Plan:	
Amortization	<u>(10,940,926)</u>
	<u>(10,940,926)</u>
Budget surplus as per the consolidated statement of operations and accumulated surplus	<u>\$ 468,600</u>

District of West Kelowna
Notes to the consolidated financial statements
December 31, 2014

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 and work in progress December 31, 2014

	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	\$ 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	\$ 2,224,139,874	\$ 5,603,374	\$ 1,143,374	\$ 86,819,979	\$ 63,975,550	\$ 525,606,443	
Additions	8,728,232	564,557	272,912	433,319	-	145,830	384,212	-	1,849,429	7,514,744	140,704	1,051,019	402,767	805,998	22,293,723	
Disposals	-	-	-	(22,905)	-	-	(87,163)	-	-	-	-	-	-	-	(110,068)	
Cost, end of year	100,993,568	36,820,499	2,880,960	1,993,789	872,932	1,127,917	6,918,015	1,537,145	5,047,890	229,654,618	5,744,078	2,194,393	87,222,746	64,781,548	547,790,098	
Accumulated amortization, beginning of year	-	8,637,712	1,790,850	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	
Amortization	-	883,070	309,880	170,520	28,797	112,714	410,131	61,484	316,251	5,741,334	114,882	188,573	1,582,858	1,020,432	10,940,926	
Disposals	-	-	-	(20,616)	-	-	(87,163)	-	-	-	-	-	-	-	(107,779)	
Accumulated amortization, end of year	-	9,520,782	2,100,730	588,778	558,119	615,076	3,995,053	361,355	753,877	126,978,277	1,683,309	431,483	24,968,715	11,569,220	184,074,774	
Net book value, end of year	\$100,993,568	\$ 27,299,717	\$ 780,230	\$ 1,435,011	\$ 314,813	\$ 512,841	\$ 2,922,962	\$ 1,175,790	\$ 4,294,013	\$102,676,341	\$ 4,060,769	\$ 1,762,910	\$ 62,254,031	\$ 53,232,328	\$ 363,715,324	
Work in progress	\$ -	\$ 300,327	\$ 112,980	\$ -	\$ -	\$ -	\$ 253,840	\$ -	\$ 3,288,089	\$ 132,024	\$ -	\$ -	\$ -	\$ 4,702	\$ 4,091,962	
Tangible capital assets and work in progress	\$100,993,568	\$ 27,600,044	\$ 893,210	\$ 1,435,011	\$ 314,813	\$ 512,841	\$ 3,176,802	\$ 1,175,790	\$ 7,582,102	\$102,808,365	\$ 4,060,769	\$ 1,762,910	\$ 62,254,031	\$ 53,237,030	\$ 367,807,286	

District of West Kelowna

Schedule 2 - Consolidated schedule of accumulated surplus

December 31, 2014

	Balance, beginning of year	Transfer to	Transfer from	Interest	Balance, end of year
Statutory reserves					
Capital	\$ 6,259,500	\$ 733,000	\$ (2,372,056)	\$ 54,400	\$ 4,674,844
Equipment replacement	3,717,639	628,253	(1,072,403)	34,956	3,308,445
Water capital	3,253,497	-	(383,734)	30,616	2,900,379
Sewer capital	3,360,142	54,000	(835,408)	29,695	2,608,429
	<u>16,590,778</u>	<u>1,415,253</u>	<u>(4,663,601)</u>	<u>149,667</u>	<u>13,492,097</u>
Non-statutory reserves					
City Hall/Community Hall	342,041	85,192	-	3,846	431,079
Community projects	1,692,381	1,311,502	(700,704)	19,978	2,323,157
Future expenses	1,476,925	1,386,593	(2,144,666)	10,979	729,831
Insurance claims	123,906	-	-	1,239	125,145
Lakeview Hall	37,843	-	-	-	37,843
Land acquisition	1,532,941	-	-	15,329	1,548,270
Municipal yards	306,589	-	-	3,066	309,655
New City Hall	1,021,960	-	-	10,220	1,032,180
Operating general	4,378	21,649,308	(21,296,884)	-	356,802
Other	126,452	30,091	(38,082)	590	119,051
Parks capital	417,320	-	-	4,173	421,493
Policing	702,142	-	(218,672)	5,928	489,398
Rate stabilization	282,751	-	-	2,828	285,579
Road maintenance	411,010	-	-	4,110	415,120
Snow control	179,950	-	-	1,800	181,750
Solid waste	96,589	12,349	-	1,028	109,966
Storm drainage	335,510	-	(198,078)	2,365	139,797
Transit	343,164	-	-	3,432	346,596
Wildfire	153,403	-	(153,403)	-	-
	<u>9,587,255</u>	<u>24,475,035</u>	<u>(24,750,489)</u>	<u>90,911</u>	<u>9,402,712</u>
Investment in non-financial assets					
Investment in tangible capital assets	<u>322,475,933</u>	<u>24,522,375</u>	<u>(10,943,215)</u>	<u>-</u>	<u>336,055,093</u>
Accumulated surplus	<u>\$ 348,653,966</u>	<u>\$ 50,412,663</u>	<u>\$ (40,357,305)</u>	<u>\$ 240,578</u>	<u>\$ 358,949,902</u>

District of West Kelowna Schedule 3 - Consolidated schedule of segment disclosure December 31, 2014

	General Fund							2013 Totals	2014 Totals	2013 Totals	
	General government services	Protective services	Transportation services	Environmental health & development services	Recreation & cultural services	Water services	Sewer services				Storm drainage
Revenue											
Taxation-net	\$ 9,959,737	\$ 7,965,064	\$ 3,942,274	\$ 685,622	\$ 4,243,901	\$ -	\$ -	\$ -	\$ 172,094	\$ 26,968,692	\$ 26,192,792
Sale of services and regulatory fees	230,687	1,197,268	815,711	2,686,827	1,477,634	5,205,965	4,086,085	-	-	15,700,177	14,905,243
Government transfers	10,261,721	56,512	9,232	-	11,250	-	48,314	-	-	10,387,029	1,926,338
Other revenue from own services	1,391,508	1,748,666	4,050,352	688,058	241,187	1,290,290	379,024	-	-	9,789,085	5,281,364
Total revenue	21,843,653	10,967,510	8,817,569	4,060,507	5,973,972	6,496,255	4,513,423	172,094	172,094	62,844,983	48,305,737
Expenses											
Amortization	8,237,510	-	-	19,681	-	1,663,303	1,020,432	-	-	10,940,926	10,437,495
Building and grounds maintenance	221,890	67,502	-	-	251,576	156,159	-	-	-	697,127	723,266
Civic grants	341,726	-	-	-	-	-	-	-	-	341,726	314,788
Contract services	320,173	244,771	2,230,800	2,235,514	1,396,792	585,374	3,345,197	144,942	-	10,503,563	9,996,553
Interest on long-term debt	681,425	-	-	-	-	394,275	656,595	-	-	1,732,295	1,806,723
Equipment maintenance and fuel	391,886	335,897	83,306	7,961	193,514	450,243	24,485	6,522	-	1,493,814	1,560,571
Library	-	-	-	-	1,328,334	-	-	-	-	1,328,334	1,236,496
(Gain) loss on disposal of tangible capital assets	(19,715)	-	-	-	-	-	-	-	-	(19,715)	13,459
RCMP E-Division Contract	-	3,236,481	-	-	-	-	-	-	-	3,236,481	3,164,356
Supplies, small tools and equipment	327,758	1,405,975	107,529	86,548	207,824	304,774	15,043	27,967	-	2,483,418	1,349,070
Transit	-	-	1,935,673	-	-	-	-	-	-	1,935,673	1,959,474
Utilities	145,834	139,405	204,485	13,197	562,237	338,103	57,179	-	-	1,460,440	1,350,812
Wages, salaries & professional development	3,296,349	6,178,206	658,389	1,752,759	2,133,896	1,888,526	433,236	73,604	-	16,414,965	14,921,082
Total expenses	13,944,836	11,608,237	5,220,182	4,115,660	6,074,173	5,780,757	5,552,167	253,035	253,035	52,549,047	48,834,145
Annual surplus (deficit) for the year	\$ 7,898,817	\$ (640,727)	\$ 3,597,387	\$ (55,153)	\$ (100,201)	\$ 715,498	\$ (1,038,744)	\$ (80,941)	\$ (80,941)	\$ 10,295,936	\$ (528,408)



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