



**Financial Statements  
December 31, 2015**

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# Independent auditors' report

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To the Mayor and Council of the City of West Kelowna

We have audited the accompanying financial statements of the City of West Kelowna ("the City"), which comprise the statement of financial position as at December 31, 2015, and the statement of operations and accumulated surplus, statement of changes in net debt and 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 financial statements**

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the 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 City'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 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 financial statements present fairly, in all material respects, the financial position of the City of West Kelowna as at December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Kelowna, Canada  
May 10, 2016



Chartered Professional Accountants

**City of West Kelowna**  
**Statement of financial position**  
**December 31, 2015**

	2015	2014
<b>Financial assets</b>		
Cash and cash equivalents (Note 4)	\$ 30,181,193	\$ 26,886,607
Accounts receivable (Note 4)	<u>15,302,926</u>	<u>15,758,231</u>
	<u>45,484,119</u>	<u>42,644,838</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 4)	6,305,534	9,723,176
Security deposits	4,031,016	4,732,358
Deferred revenue (Note 4)	2,432,895	2,073,670
Deferred development cost charges (Note 4)	9,147,156	7,984,085
Long-term debt (Note 4)	<u>25,332,192</u>	<u>27,660,231</u>
	<u>47,248,793</u>	<u>52,173,520</u>
Net debt	<u>(1,764,674)</u>	<u>(9,528,682)</u>
<b>Non-financial assets</b>		
Prepaid expenses and inventory	404,606	671,298
Tangible capital assets and work in progress (Note 5)	<u>362,937,518</u>	<u>367,807,286</u>
	<u>363,342,124</u>	<u>368,478,584</u>
<b>Accumulated surplus (Schedule 2)</b>	<u>\$ 361,577,450</u>	<u>\$ 358,949,902</u>

Contingent liabilities and commitments (Note 9 and 10)



Tanya Garost  
 General Manager of Finance and  
 and Corporate Services



Doug Findlater  
 Mayor, City of West Kelowna

**City of West Kelowna**  
**Statement of operations and accumulated surplus**  
**Year ended December 31, 2015**

	2015 Actual	2015 Budget	2014 Actual
<b>Revenue</b>			
Taxation - net (Note 6)	\$ 28,586,732	\$ 28,705,191	\$ 26,942,232
Sales of service and regulatory fees	16,810,232	15,841,164	15,469,489
Government transfers (Note 7)	5,171,512	1,654,747	10,376,829
Other (Note 8)	5,173,948	3,463,544	10,056,433
<b>Total revenues</b>	<b>55,742,424</b>	<b>49,664,646</b>	<b>62,844,983</b>
<b>Expenses</b>			
General government services	13,886,868	14,224,065	13,944,836
Protective services	11,877,331	11,139,248	11,608,237
Transportation services	5,084,200	5,448,709	5,220,182
Environmental & health development services	4,275,075	4,638,011	4,115,660
Recreation and cultural services	6,462,365	6,402,661	6,074,173
Water services	5,860,350	5,547,334	5,780,757
Sewer services	5,460,716	5,873,520	5,552,167
Storm drainage	207,971	206,576	253,035
<b>Total expenses</b>	<b>53,114,876</b>	<b>53,480,124</b>	<b>52,549,047</b>
<b>Annual surplus (deficit)</b>	<b>2,627,548</b>	<b>(3,815,478)</b>	<b>10,295,936</b>
Accumulated surplus, beginning of year	358,949,902	358,949,902	348,653,966
<b>Accumulated surplus, end of year</b>	<b>\$ 361,577,450</b>	<b>\$ 355,134,424</b>	<b>\$ 358,949,902</b>

**City of West Kelowna**  
**Statement of changes in net debt**  
**Year ended December 31, 2015**

	2015 Actual	2015 Budget	2014 Actual
<b>Annual surplus (deficit)</b>	\$ 2,627,548	\$ (3,815,478)	\$ 10,295,936
Acquisition of tangible capital assets and work in progress	(5,797,559)	(9,371,536)	(26,094,878)
Amortization of tangible capital assets	10,667,327	10,667,327	10,940,926
Proceeds from disposal of tangible capital assets	-	-	22,004
Gain on disposal of tangible capital assets	-	-	(19,715)
Change in prepaid expenses and inventory	266,692	-	(223,570)
<b>Decrease (increase) in net debt</b>	<b>7,764,008</b>	<b>(2,519,687)</b>	<b>(5,079,297)</b>
Net debt, beginning of year	(9,528,682)	(9,528,682)	(4,449,385)
<b>Net debt, end of year</b>	<b><u>\$ (1,764,674)</u></b>	<b><u>\$ (12,048,369)</u></b>	<b><u>\$ (9,528,682)</u></b>

**City of West Kelowna**  
**Statement of cash flows**  
**Year ended December 31, 2015**

	2015	2014
<b>Cash provided by (used for)</b>		
<b>Operating activities</b>		
Annual surplus (deficit)	\$ 2,627,548	\$ 10,295,936
Adjustment for non cash items		
Gain on disposal of tangible capital assets	-	(19,715)
Amortization of tangible capital assets	10,667,327	10,940,926
Developer and donor contribution of tangible capital assets	(675,054)	(95,259)
Actuarial adjustment on long-term debt	(600,407)	(524,010)
Acquisition of tangible capital assets through transfer from the Province of BC	-	(8,700,000)
 (Increase) decrease in		
Accounts receivable	455,305	351,130
Prepaid expenses and inventory	266,692	(223,570)
Increase (decrease) in		
Accounts payable and accrued liabilities	(3,417,642)	2,570,380
Security deposits	(701,342)	1,085,149
Deferred revenue	359,225	277,046
	<u>8,981,652</u>	<u>15,958,013</u>
<b>Financing activities</b>		
Deferred development cost charges	1,163,071	(3,469,956)
Repayment of long-term debt	(1,727,632)	(1,704,642)
	<u>(564,561)</u>	<u>(5,174,598)</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets and work in progress	(5,122,505)	(17,299,619)
Proceeds from disposal of tangible capital assets	-	22,004
	<u>(5,122,505)</u>	<u>(17,277,615)</u>
 <b>Increase (decrease) in cash and cash equivalents</b>	 <b>3,294,586</b>	 <b>(6,494,200)</b>
Cash and cash equivalents, beginning of year	<u>26,886,607</u>	<u>33,380,807</u>
 <b>Cash and cash equivalents, end of year</b>	 <b>\$ 30,181,193</b>	 <b>\$ 26,886,607</b>
<b>Supplementary cash flow information</b>		
Interest paid	\$ 1,652,341	\$ 1,732,295
<b>Non-cash capital activities</b>		
Acquisition of tangible capital assets through developer and donor contributions	\$ 675,054	\$ 95,259
Acquisition of tangible capital assets through transfer from Province of BC	\$ -	\$ 8,700,000

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# **City of West Kelowna**

## **Notes to the financial statements**

### **December 31, 2015**

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The notes to the 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 financial statements.

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

The City 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 financial statements are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards ("PSAS"). The preparation of 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 City's significant accounting policies:

##### **Basis of presentation**

The City's resources and operations are segregated into General, Water, Sewer, Statutory Reserve and Non-statutory Reserve Funds for accounting and financial reporting purposes. The financial statements include all of the accounts of these funds. All interfund transactions and balances have been eliminated within the financial statements.

##### **Accrual accounting**

The 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.

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# City of West Kelowna

## Notes to the financial statements

### December 31, 2015

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#### 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 City has numerous works of art located throughout the City which are not reflected in these 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 statement of operations and accumulated surplus as income.

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2015**

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

**Municipal Finance Authority debt reserve deposits**

The City 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 City also executes demand notes in connection with each debenture whereby the City 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	2015	2014
General Fund	\$ 435,325	\$ 171,756	\$ <b>607,081</b>	\$ 713,829
Water Funds	11,423	5,117	<b>16,540</b>	16,412
Sewer Fund	592,732	299,506	<b>892,238</b>	886,454
	<u>\$ 1,039,480</u>	<u>\$ 476,379</u>	<u>\$ <b>1,515,859</b></u>	<u>\$ 1,616,695</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 City. Government transfers are recognized as revenue in the period that the transfer is authorized, eligibility criteria, if any, have been met by the City, 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 City 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.

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# City of West Kelowna

## Notes to the financial statements

### December 31, 2015

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

##### Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. 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 financial statements in the period that the change in estimate is made, as well as the period of settlement if the amount is different.

##### Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the City is directly responsible and accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring.

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#### 3. Current and future accounting changes

##### Current accounting change

Effective April 1, 2014, the Public Sector Accounting Board issued Section 3260 Liability for contaminated sites. This Section establishes standards on how to account for and report a liability associated with the remediation of contaminated sites. During the year, the City adopted this standard on a retroactive basis and there were no adjustments as a result of the adoption of this standard.

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# City of West Kelowna

## Notes to the financial statements

### December 31, 2015

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#### 3. Current and future accounting changes (continued)

##### Future accounting changes

##### **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, 2019, with early adoption permitted.

##### **PS 2200 – Related party transactions**

This section establishes the definition of a related party, the criteria for identifying related parties of the City, the circumstances in which disclosure of the transaction with the related party would be required, and the required content of those disclosures, if necessary. This section applies to fiscal years beginning on or after April 1, 2017, 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, 2019, 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, 2019, with early adoption permitted.

##### **PS 3210 – Assets**

This new section provides guidance for applying the definition of an asset set out in Section PS 1000 Financial statement concepts and establishes general disclosure standards for assets. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

##### **PS 3320 – Contingent assets**

This new section defines and establishes disclosure requirements for contingent assets. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

##### **PS 3380 – Contractual rights**

This new section defines and establishes disclosure requirements for contractual rights. Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

##### **PS 3420 – Inter-entity transactions**

This section establishes how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. This section applies to fiscal years beginning on or after April 1, 2017, with early adoption permitted.

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2015**

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**3. Current and future accounting changes (continued)**

**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, 2019, with early adoption permitted.

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**4. Financial assets and liabilities**

**Cash and cash equivalents**

Cash and cash equivalents held by the City include cash and term deposits with interest rates between 1.05% and 2.06%.

**Accounts receivable**

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

	<b>2015</b>	<b>2014</b>
Current and arrears taxes	\$ 2,635,293	\$ 2,806,555
Due from Federal government	464,106	311,104
Due from Provincial government	866,071	1,328,472
Due from other governments	33,117	11,716
Sewer funds receivable	7,771,542	7,932,174
Utilities receivable	2,946,604	2,665,554
Other	586,193	702,656
	<u>\$ 15,302,926</u>	<u>\$ 15,758,231</u>

**Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities are comprised of the following:

	<b>2015</b>	<b>2014</b>
Trade payables	\$ 1,798,738	\$ 1,011,181
Wages and payroll benefits	1,472,941	2,321,246
Accruals	52,868	5,076,842
Due to other governments	2,784,793	1,295,599
Other	196,194	18,308
	<u>\$ 6,305,534</u>	<u>\$ 9,723,176</u>

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2015**

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

**Deferred Revenue**

The City 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:

	<b>2015</b>	2014
Prepaid property taxes	\$ 2,046,361	\$ 1,738,501
Prepaid recreation program fees	105,830	49,454
Cemetery perpetual care fund	104,379	97,286
Prepaid utility fees	117,719	105,909
Other	58,606	82,520
	<u>\$ 2,432,895</u>	<u>\$ 2,073,670</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.

	<b>2015</b>	2014
Balance, beginning of year	\$ 7,984,085	\$ 11,454,041
Contributions from developers	1,311,399	1,874,851
Interest on investments	102,174	96,705
Bylaw expenditures	(250,502)	(5,441,512)
Balance, end of year	<u>\$ 9,147,156</u>	<u>\$ 7,984,085</u>

DCC's are comprised of the following:

	<b>2015</b>	2014
Roads DCC's	\$ 3,982,345	\$ 3,155,126
Water DCC's	3,823,000	3,609,637
Parks DCC's	1,341,811	1,219,322
	<u>\$ 9,147,156</u>	<u>\$ 7,984,085</u>

(continued)

**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2015**

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

**Long-term debt**

	Year of Maturity	Balance, beginning of year	Additions	Sinking fund payments	Actuarial adjustment	<b>Balance, end of year</b>	Current interest rate (%)
<b>General fund</b>							
MFA issue #95	2025	\$ 2,119,888	\$ -	\$ 110,438	\$ 46,749	\$ <b>1,962,701</b>	1.80
MFA issue #95	2015	197,775	-	138,954	58,821	-	4.17
MFA issue #99	2017	367,120	-	131,496	48,465	<b>187,159</b>	4.43
MFA issue #105	2028	6,758,295	-	277,414	60,103	<b>6,420,778</b>	4.90
		<u>9,443,078</u>	<u>-</u>	<u>658,302</u>	<u>214,138</u>	<b>8,570,638</b>	
<b>Water funds</b>							
MFA issue #101	2027	180,017	-	8,228	2,599	<b>169,190</b>	4.52
MFA issue #103	2028	109,237	-	4,720	1,251	<b>103,266</b>	4.65
Province of BC	2027	8,068,867	-	478,991	-	<b>7,589,876</b>	4.95
		<u>8,358,121</u>	<u>-</u>	<u>491,939</u>	<u>3,850</u>	<b>7,862,332</b>	
<b>Sewer fund</b>							
MFA issue #61	2015	1,788	-	708	1,080	-	3.00
MFA issue #64	2016	21,261	-	4,310	6,061	<b>10,890</b>	4.43
MFA issue #66	2017	150,018	-	20,762	26,825	<b>102,431</b>	4.82
MFA issue #66	2017	7,867	-	1,089	1,407	<b>5,371</b>	4.82
MFA issue #70	2019	57,439	-	5,536	4,958	<b>46,945</b>	2.10
MFA issue #71	2019	175,413	-	16,906	15,142	<b>143,365</b>	2.10
MFA issue #71	2019	374,903	-	36,133	32,362	<b>306,408</b>	2.10
MFA issue #73	2020	30,594	-	2,516	2,039	<b>26,039</b>	2.10
MFA issue #73	2020	637,467	-	52,425	42,480	<b>542,562</b>	2.10
MFA issue #74	2021	296,232	-	19,295	17,088	<b>259,849</b>	3.05
MFA issue #74	2021	77,865	-	5,072	4,491	<b>68,302</b>	3.05
MFA issue #74	2021	91,470	-	5,958	5,277	<b>80,235</b>	3.05
MFA issue #74	2021	32,502	-	2,117	1,875	<b>28,510</b>	3.05
MFA issue #74	2021	35,056	-	2,283	2,023	<b>30,750</b>	3.05
MFA issue #74	2021	65,375	-	4,258	3,771	<b>57,346</b>	3.05
MFA issue #75	2021	12,072	-	786	697	<b>10,589</b>	3.05
MFA issue #75	2021	441,098	-	28,730	25,446	<b>386,922</b>	3.05
MFA issue #75	2021	177,368	-	11,553	10,232	<b>155,583</b>	3.05
MFA issue #77	2022	993,166	-	57,915	46,090	<b>889,161</b>	3.05
MFA issue #79	2023	1,117,683	-	59,265	42,098	<b>1,016,320</b>	2.10
MFA issue #85	2024	589,948	-	28,795	18,108	<b>543,045</b>	2.00

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2015**

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

**Long-term debt (continued)**

MFA issue #85	2024	\$ 37,177	\$ -	\$ 1,815	\$ 1,141	\$ <b>34,221</b>	2.00
MFA issue #95	2025	594,654	-	30,979	13,114	<b>550,561</b>	1.80
MFA issue #99	2027	13,565	-	660	243	<b>12,662</b>	4.43
MFA issue #99	2027	893,149	-	43,433	16,008	<b>833,708</b>	4.43
MFA issue #101	2027	1,908,175	-	87,212	27,552	<b>1,793,411</b>	4.52
MFA issue #101	2027	446,955	-	20,428	6,453	<b>420,074</b>	4.52
MFA issue #101	2027	578,772	-	26,452	8,358	<b>543,962</b>	4.52
		<u>9,859,032</u>	<u>-</u>	<u>577,391</u>	<u>382,419</u>	<u><b>8,899,222</b></u>	
Total long-term debt		<u>\$ 27,660,231</u>	<u>\$ -</u>	<u>\$ 1,727,632</u>	<u>\$ 600,407</u>	<u><b>\$ 25,332,192</b></u>	

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

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
General Fund	\$ 529,805	\$ 398,310	\$ 398,310	\$ 398,310	\$ 398,310
Water Funds	516,082	541,442	568,082	596,063	625,456
Sewer Fund	579,614	575,304	553,453	553,453	494,879
	<u>\$ 1,625,501</u>	<u>\$ 1,515,056</u>	<u>\$ 1,519,845</u>	<u>\$ 1,547,826</u>	<u>\$ 1,518,645</u>

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**5. Tangible capital assets and work in progress**

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

	<b>2015</b>	2014
	<b>Net book value</b>	Net book value
<b>General</b>		
Land	\$ <b>101,254,568</b>	\$ 100,993,568
Buildings	<b>26,756,847</b>	27,299,717
Equipment	<b>7,284,397</b>	7,141,647
Engineering structures	<u><b>113,401,026</b></u>	<u>112,794,033</u>
	<b>248,696,838</b>	248,228,965
<b>Water infrastructure</b>	<b>60,745,271</b>	62,254,031
<b>Sewer infrastructure</b>	<u><b>52,365,338</b></u>	<u>53,232,328</u>
<b>Tangible capital assets</b>	<u><b>\$ 361,807,447</b></u>	<u>\$ 363,715,324</u>
<b>Work in progress</b>	<u><b>\$ 1,130,071</b></u>	<u>\$ 4,091,962</u>
<b>Tangible capital assets and work in progress (Schedule 1)</b>	<u><b>\$ 362,937,518</b></u>	<u>\$ 367,807,286</u>

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2015**

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**6. Taxation - net**

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

	<b>2015</b>	2014
General municipal purposes	\$ 28,586,732	\$ 26,942,232
Collections for other governments		
Provincial Government - Schools	14,841,322	14,456,872
Central Okanagan Regional Hospital District	2,574,508	2,455,637
Regional District of the Central Okanagan	3,065,034	2,903,455
British Columbia Assessment Authority	446,809	438,690
Municipal Finance Authority	1,450	1,368
	<u>49,515,855</u>	<u>47,198,254</u>
Transfers to other governments		
Provincial Government - Schools	(14,841,322)	(14,456,872)
Central Okanagan Regional Hospital District	(2,574,508)	(2,455,637)
Regional District of the Central Okanagan	(3,065,034)	(2,903,455)
British Columbia Assessment Authority	(446,809)	(438,690)
Municipal Finance Authority	(1,450)	(1,368)
	<u>(20,929,123)</u>	<u>(20,256,022)</u>
	<u>\$ 28,586,732</u>	<u>\$ 26,942,232</u>

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**7. Government transfers**

	<b>2015</b>	2014
Provincial unconditional transfers		
Province of British Columbia	\$ -	\$ 8,700,000
Other	56,953	89,388
	<u>56,953</u>	<u>8,789,388</u>
Provincial conditional transfers		
Okanagan Basin Water Board grant	48,314	48,314
Regionally significant gas tax funds	3,051,500	-
Other	111,673	173,115
	<u>3,211,487</u>	<u>221,429</u>
Federal unconditional transfers		
Traffic fine revenue sharing grant	591,570	54,510
Federal conditional transfers		
Gas tax community works fund	1,311,502	1,311,502
	<u>\$ 5,171,512</u>	<u>\$ 10,376,829</u>

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2015**

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**8. Revenue - other**

	2015	2014
DCC contributions	\$ 250,502	\$ 5,441,512
Cost recoveries	965,062	1,651,536
Development permits	825,020	673,492
Interest earned	634,655	344,763
Actuarial adjustment on long-term debt	600,407	524,010
Licenses and permits	211,445	201,421
Penalties and interest on taxes	412,543	440,403
Rentals	584,036	563,774
Donations	371,507	21,421
Other	318,771	194,101
	<u>\$ 5,173,948</u>	<u>\$ 10,056,433</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 City and each member municipality within the Regional District including the City 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 City 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. The City has insurance policies and financial reserves to offset associated risks.

**Pension liability**

The City 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 administering the Plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2014, the Plan has about 185,000 active members and approximately 80,000 retired members. Active members include approximately 37,000 contributors from local governments.

(continued)

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# City of West Kelowna

## Notes to the financial statements

### December 31, 2015

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#### 9. Contingent liabilities (continued)

##### Pension liability (continued)

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the Plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the Plan. This rate is then adjusted to the extent there is amortization of any funding deficit.

The most recent actuarial valuation for the Plan as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits on a going concern basis. 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, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

The City paid \$1,325,195 (2014 - \$1,052,909) for employer contributions while employees contributed \$1,168,351 (2014 - \$947,394) to the Plan in fiscal 2015.

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#### 10. Commitments

The City 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 five years are as follows:

2016	\$	3,001,422
2017	\$	2,333,559
2018	\$	45,919
2019	\$	25,250
2020	\$	25,250

##### Vacation pay and sick leave

Vacation pay, which may be accumulated up to 10 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.

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#### 11. Letters of Credit

The City is holding letters of credit in the amount of \$5,566,720 (2014 - \$7,624,809), which are received as security related to performance deposits.

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# City of West Kelowna

## Notes to the financial statement

### December 31, 2015

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#### 12. Expenses by object

Total expenses by object are itemized in Schedule 3.

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#### 13. Segmented information

The City of West Kelowna is a diversified municipal government that provides a wide range of services to its citizens. The City'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 City 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 City, which is used by City 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 City. The specific functions include planning, building permits and inspections, business licensing, design and engineering services as well as tourism and economic development.

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# City of West Kelowna

## Notes to the financial statements

### December 31, 2015

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#### 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 City.

##### Sewer services

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

##### Storm drainage

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

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#### 14. Budget

The budget amounts presented reflect the statutory financial plan as adopted by Council on April 28, 2015, 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 statement of operations and accumulated surplus.

Surplus as per 10 year Financial Plan Bylaw No. 0182, 2015	\$ -
Adjust for non-operating items included in Financial Plan:	
Acquisition of tangible capital assets	9,371,536
Repayment of principal portion of long-term debt	1,642,204
Net transfers from reserves	<u>(4,161,891)</u>
	<u>6,851,849</u>
Adjust for operating items excluded in Financial Plan:	
Amortization	<u>(10,667,327)</u>
	<u>(10,667,327)</u>
Budget deficit as per the statement of operations and accumulated surplus	<u>\$ (3,815,478)</u>

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2015**

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**15. Comparative figures**

Certain comparative figures have been reclassified to conform to the presentation format adopted for the current year.

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# City of West Kelowna

## Schedule 1 - Schedule of tangible capital assets and work in progress

December 31, 2015

	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	\$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
Additions	261,000	355,663	470,047	75,840	-	68,614	718,064	-	4,933,545	1,418,638	147,968	77,094	73,024	159,953	8,759,450
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Cost, end of year</b>	<b>101,254,568</b>	<b>37,176,162</b>	<b>3,351,007</b>	<b>2,069,629</b>	<b>872,932</b>	<b>1,196,531</b>	<b>7,636,079</b>	<b>1,537,145</b>	<b>9,981,435</b>	<b>231,073,256</b>	<b>5,892,046</b>	<b>2,271,487</b>	<b>87,295,770</b>	<b>64,941,501</b>	<b>556,549,548</b>
Accumulated amortization, beginning of year	-	9,520,782	2,100,730	558,778	558,119	615,076	3,995,053	361,355	753,877	126,978,277	1,683,309	431,483	24,968,715	11,549,220	184,074,774
Amortization	-	898,533	410,749	174,883	23,194	109,236	410,268	61,485	530,049	5,123,615	117,838	198,750	1,581,784	1,026,943	10,667,327
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Accumulated amortization, end of year</b>	<b>-</b>	<b>10,419,315</b>	<b>2,511,479</b>	<b>733,661</b>	<b>581,313</b>	<b>724,312</b>	<b>4,405,321</b>	<b>422,840</b>	<b>1,283,926</b>	<b>132,101,892</b>	<b>1,801,147</b>	<b>630,233</b>	<b>26,550,499</b>	<b>12,576,163</b>	<b>194,742,101</b>
<b>Net book value, end of year</b>	<b>\$101,254,568</b>	<b>\$26,756,847</b>	<b>\$839,528</b>	<b>\$1,335,968</b>	<b>\$291,619</b>	<b>\$472,219</b>	<b>\$3,230,758</b>	<b>\$1,114,305</b>	<b>\$8,697,509</b>	<b>\$98,971,364</b>	<b>\$4,090,899</b>	<b>\$1,641,254</b>	<b>\$60,745,271</b>	<b>\$52,365,338</b>	<b>\$361,807,447</b>
Work in progress	\$-	\$339,941	\$-	\$-	\$-	\$-	\$-	\$-	\$222,389	\$159,899	\$-	\$238,738	\$12,282	\$156,822	\$1,130,071
<b>Tangible capital assets and work in progress</b>	<b>\$101,254,568</b>	<b>\$27,096,788</b>	<b>\$839,528</b>	<b>\$1,335,968</b>	<b>\$291,619</b>	<b>\$472,219</b>	<b>\$3,230,758</b>	<b>\$1,114,305</b>	<b>\$8,919,898</b>	<b>\$99,131,263</b>	<b>\$4,090,899</b>	<b>\$1,879,992</b>	<b>\$60,757,553</b>	<b>\$52,522,160</b>	<b>\$362,937,518</b>

**City of West Kelowna**  
**Schedule 2 - Schedule of accumulated surplus**  
**December 31, 2015**

	Balance, beginning of year	Transfer to	Transfer from	Interest	Balance, end of year
<b>Reserves</b>					
Capital - general	4,674,844	1,604,180	(1,735,248)	55,312	<b>4,599,088</b>
Capital - water	2,900,379	320,000	(78,600)	36,254	<b>3,178,033</b>
Capital - sewer	2,608,429	80,000	(2,113,015)	7,384	<b>582,798</b>
Community projects	2,323,157	1,311,502	(192,930)	34,589	<b>3,476,318</b>
Equipment replacement	3,308,445	633,177	(904,614)	38,073	<b>3,075,081</b>
Future expenses	729,831	1,422,181	(1,650,498)	7,388	<b>508,902</b>
Municipal facilities	1,772,914	85,192	-	21,786	<b>1,879,892</b>
Other	1,764,632	16,173,837	(13,726,580)	17,161	<b>4,229,050</b>
Policing	489,398	487,449	-	8,797	<b>985,644</b>
Property acquisition	1,548,270	-	-	18,579	<b>1,566,849</b>
Recreation	37,843	126,374	-	1,212	<b>165,429</b>
Road maintenance and snow clearing	596,870	-	-	7,162	<b>604,032</b>
Storm drainage	139,797	129,484	(20,533)	2,331	<b>251,079</b>
	<u>22,894,809</u>	<u>22,373,376</u>	<u>(20,422,018)</u>	<u>256,028</u>	<u><b>25,102,195</b></u>
<b>Investment in non-financial assets</b>					
Investment in tangible capital assets	<u>336,055,093</u>	<u>11,087,489</u>	<u>(10,667,327)</u>	<u>-</u>	<u><b>336,475,255</b></u>
<b>Accumulated surplus</b>	<u>\$ 358,949,902</u>	<u>\$ 33,460,865</u>	<u>\$ (31,089,345)</u>	<u>\$ 256,028</u>	<u><b>\$ 361,577,450</b></u>

**City of West Kelowna**  
**Schedule 3 - Schedule of segment disclosure**  
**December 31, 2015**

	General Fund								2015 Totals	2014 Totals
	General government services	Protective services	Transportation services	Environmental health & development services	Recreation & cultural services	Water services	Sewer services	Storm drainage		
<b>Revenue</b>										
Taxation-net	\$ 10,409,540	\$ 8,617,497	\$ 4,132,462	\$ 545,471	\$ 4,665,164	\$ -	\$ -	\$ 216,598	\$ 28,586,732	\$ 26,942,232
Sale of services and regulatory fees	-	1,387,095	700,835	2,827,579	1,524,777	5,781,905	4,588,041	-	16,810,232	15,469,489
Government transfers	4,520,325	596,183	440	-	6,250	-	48,314	-	5,171,512	10,376,829
Other	2,866,158	784,878	14,682	870,903	-	254,352	382,975	-	5,173,948	10,056,433
<b>Total revenue</b>	<b>17,796,023</b>	<b>11,385,653</b>	<b>4,848,419</b>	<b>4,243,953</b>	<b>6,196,191</b>	<b>6,036,257</b>	<b>5,019,330</b>	<b>216,598</b>	<b>55,742,424</b>	<b>62,844,983</b>
<b>Expenses</b>										
Amortization	7,957,343	-	-	36,678	-	1,646,363	1,026,943	-	10,667,327	10,940,926
Building and grounds maintenance	252,901	80,998	-	-	275,163	151,178	-	-	760,240	697,127
Civic grants	350,204	-	-	-	-	-	-	-	350,204	341,726
Contract services	475,175	217,257	2,300,796	2,113,774	1,386,906	537,405	3,354,854	126,992	10,513,159	10,503,563
Interest on long-term debt	646,806	-	-	-	-	379,511	626,024	-	1,652,341	1,732,295
Equipment maintenance and fuel	367,641	264,127	70,822	9,367	221,797	474,780	29,852	5,884	1,444,270	1,493,814
Library	-	-	-	-	1,346,416	-	-	-	1,346,416	1,328,334
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-	-	-	(19,715)
RCMP E-Division Contract	-	3,624,445	-	-	-	-	-	-	3,624,445	3,236,481
Supplies, small tools and equipment	306,090	893,709	142,661	199,022	277,135	311,827	12,159	3,182	2,145,785	2,483,418
Transit	-	-	1,719,588	-	-	-	-	-	1,719,588	1,935,673
Utilities	113,578	135,514	208,784	11,007	595,287	388,255	61,439	-	1,513,864	1,460,440
Wages, benefits & professional development	3,417,130	6,661,281	641,549	1,905,227	2,359,661	1,971,031	349,445	71,913	17,377,237	16,414,965
<b>Total expenses</b>	<b>13,886,868</b>	<b>11,877,331</b>	<b>5,084,200</b>	<b>4,275,075</b>	<b>6,462,365</b>	<b>5,860,350</b>	<b>5,460,716</b>	<b>207,971</b>	<b>53,114,876</b>	<b>52,549,047</b>
<b>Annual surplus (deficit) for the year</b>	<b>\$ 3,909,155</b>	<b>\$ (491,678)</b>	<b>\$ (235,781)</b>	<b>\$ (31,122)</b>	<b>\$ (266,174)</b>	<b>\$ 175,907</b>	<b>\$ (441,386)</b>	<b>\$ 8,627</b>	<b>\$ 2,627,548</b>	<b>\$ 10,295,936</b>