



**2017**  
**Consolidated Financial Statements**

**Fiscal Year Ending December 31, 2017**

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**City of West Kelowna  
December 31, 2017**

**Management's Responsibility for Financial Reporting**

The Council of the City of West Kelowna has delegated the responsibility for the integrity and objectivity of the financial information contained in the consolidated financial statements to the management of the City of West Kelowna. The consolidated financial statements which, in part, are based on informed judgments and estimates, have been prepared by management in accordance with Canadian public sector accounting standards, which have been applied on a basis consistent with that of the preceding year.

To assist in carrying out their responsibility, management maintains an accounting system and internal controls to provide reasonable assurance that transactions are executed and recorded in accordance with authorization, and that financial records are reliable for preparation of financial statements.

Mayor and Council oversee management's responsibilities for the financial reporting and internal control systems. Council annually reviews and approves the consolidated financial statements.

The City of West Kelowna's independent auditors, KPMG LLP, are engaged to express an opinion as to whether these consolidated financial statements present fairly the City's consolidated financial position, financial activities and cashflows in accordance with Canadian public sector accounting standards. Their opinion is based on procedures they consider sufficient to support such an opinion in accordance with Canadian generally accepted auditing standards.

The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and in accordance with Canadian public sector accounting standards.

Jim Zaffino  
Chief Administrative Officer & Chief Financial Officer  
May 8, 2018



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## INDEPENDENT AUDITORS' REPORT

To Mayor and Council of the City of West Kelowna

We have audited the accompanying consolidated financial statements of the City of West Kelowna, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations and accumulated surplus, change in net financial assets (debt) and cash flows for the year then ended, and notes, comprising 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 our 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, we consider internal control relevant to the entity'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 entity'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 consolidated financial position of the City of West Kelowna as at December 31, 2017, and its consolidated results of operations, its consolidated changes in net financial assets (debt) and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

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Chartered Professional Accountants


May 8, 2018

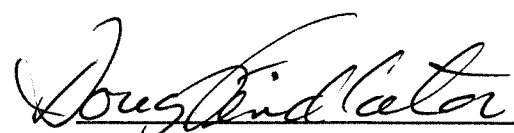
Kelowna, Canada

**City of West Kelowna**  
**Statement of financial position**  
**December 31, 2017**

	2017	2016
<b>Financial assets</b>		
Cash and cash equivalents (Note 4)	\$ 58,194,379	\$ 37,209,186
Accounts receivable (Note 5)	<u>16,987,050</u>	<u>15,622,884</u>
	<u>75,181,429</u>	<u>52,832,070</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	6,336,303	7,629,394
Security deposits	7,593,809	5,008,379
Deferred revenue (Note 7)	15,846,376	2,663,974
Deferred development cost charges (Note 8)	16,718,109	11,965,139
Debt (Note 9)	<u>20,980,417</u>	<u>23,102,952</u>
	<u>67,475,014</u>	<u>50,369,838</u>
Net financial assets (debt)	<u>7,706,415</u>	<u>2,462,232</u>
<b>Non-financial assets</b>		
Prepaid expenses and inventory	927,703	795,805
Tangible capital assets and work in progress (Note 10)	<u>358,887,027</u>	<u>359,110,773</u>
	<u>359,814,730</u>	<u>359,906,578</u>
<b>Accumulated surplus (Schedule 2)</b>	<u>\$ 367,521,145</u>	<u>\$ 362,368,810</u>

Contingent liabilities and commitments (Notes 14 and 15)

  
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 Jim Zaffino  
 Chief Administrative Officer & Chief Financial Officer

  
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 Doug Findlater  
 Mayor, City of West Kelowna

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**City of West Kelowna****Statement of operations and accumulated surplus****Year ended December 31, 2017**

	2017	2017 Budget (Note 18)	2016
<b>Revenue</b>			
Taxation - net (Note 11)	\$ 31,161,042	\$ 31,162,391	\$ 30,111,188
Sales of service and regulatory fees	19,030,597	18,302,808	17,168,170
Government transfers (Note 12)	2,842,988	43,266,774	2,782,655
Other (Note 13)	9,259,050	15,308,503	5,031,711
<b>Total revenues</b>	<u>62,293,677</u>	<u>108,040,476</u>	<u>55,093,724</u>
<b>Expenses (Schedule 3)</b>			
General government services	14,295,005	14,855,323	14,434,294
Protective services	14,771,327	12,665,631	11,717,618
Transportation services	5,091,641	5,286,735	5,158,736
Environmental & health development services	4,003,439	4,407,780	4,601,224
Recreation and cultural services	7,106,052	7,059,675	6,711,586
Water services	6,033,261	6,076,998	5,965,371
Sewer services	5,618,995	6,033,643	5,496,187
Storm drainage	221,622	212,577	217,348
<b>Total expenses</b>	<u>57,141,342</u>	<u>56,598,362</u>	<u>54,302,364</u>
<b>Annual surplus (deficit)</b>	5,152,335	51,442,114	791,360
Accumulated surplus, beginning of year	362,368,810	362,368,810	361,577,450
<b>Accumulated surplus, end of year</b>	<u>\$ 367,521,145</u>	<u>\$ 413,810,924</u>	<u>\$ 362,368,810</u>

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**City of West Kelowna****Statement of changes in net financial assets (debt)****Year ended December 31, 2017**

	<b>2017</b>	<b>2017 Budget (Note 18)</b>	<b>2016</b>
<b>Annual surplus (deficit)</b>	<b>\$ 5,152,335</b>	<b>\$ 51,442,114</b>	<b>\$ 791,360</b>
Acquisition of tangible capital assets and work in progress	<b>(10,730,880)</b>	<b>(79,997,325)</b>	<b>(7,053,104)</b>
Amortization of tangible capital assets	<b>10,954,626</b>	<b>10,954,626</b>	<b>10,879,842</b>
Net change in prepaid expenses and inventory	<b>(131,898)</b>	<b>-</b>	<b>(391,192)</b>
Increase (decrease) in financial assets	<b>5,244,183</b>	<b>(17,600,585)</b>	<b>4,226,906</b>
Net financial assets (debt), beginning of year	<b>2,462,232</b>	<b>2,462,232</b>	<b>(1,764,674)</b>
<b>Net financial assets (debt), end of year</b>	<b><u>\$ 7,706,415</u></b>	<b><u>\$ (15,138,353)</u></b>	<b><u>\$ 2,462,232</u></b>

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**City of West Kelowna**  
**Statement of cash flows**  
**Year ended December 31, 2017**

	2017	2016
<b>Cash provided by (used for)</b>		
<b>Operating activities</b>		
Annual surplus	\$ 5,152,335	\$ 791,360
Adjustment for non cash items		
Amortization of tangible capital assets	10,954,626	10,879,842
Actuarial adjustment on debt	(607,475)	(603,736)
Acquisition of tangible capital assets through developer & donor contributions	(1,805,505)	-
(Increase) decrease in		
Accounts receivable	(1,364,166)	(319,958)
Prepaid expenses and inventory	(131,898)	(391,192)
Increase (decrease) in		
Accounts payable and accrued liabilities	(1,293,091)	1,323,867
Security deposits	2,585,430	977,370
Deferred development cost charges	4,752,970	2,817,983
Deferred revenue	13,182,402	231,079
	<u>31,425,628</u>	<u>15,706,601</u>
<b>Financing activities</b>		
Repayment of debt	(1,515,060)	(1,625,504)
	<u>(1,515,060)</u>	<u>(1,625,504)</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets and work in progress	(8,925,375)	(7,053,104)
Proceeds from disposal of tangible capital assets	-	-
	<u>(8,925,375)</u>	<u>(7,053,104)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>20,985,193</b>	<b>7,027,993</b>
Cash and cash equivalents, beginning of year	<u>37,209,186</u>	<u>30,181,193</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 58,194,379</b>	<b>\$ 37,209,186</b>
<b>Supplementary cash flow information</b>		
Interest paid	\$ 1,252,977	\$ 1,426,706

# City of West Kelowna

## Notes to the financial statements

### December 31, 2017

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#### 1. Nature of operations

The City of West Kelowna ("the City") is a local government situated in the province of British Columbia, Canada. The City is subject to the laws and regulations of the provincial statutes of the *Community Charter*, the *Local Government Act*. West Kelowna was officially incorporated as Westside District Municipality on December 6, 2007. In 2008, the name was changed to District of West Kelowna. On June 26, 2015, West Kelowna was reclassified from District to Municipality. At that time, the City had become British Columbia's 51st city. The City provides community services to its taxpayers and is responsible for creating and maintaining an infrastructure to serve a population in excess of the full time residents.

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#### 2. Summary of significant accounting policies

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

##### a) Basis of consolidation

The City's resources and operations are segregated into General, Water, Sewer, Storm Drainage, 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.

##### b) Basis of accounting

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

##### c) Cash and cash equivalents

Management classifies all term deposits and highly liquid investments that are cashable on demand as cash equivalents.

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# City of West Kelowna

## Notes to the financial statements

### December 31, 2017

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

##### d) 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, excluding land, is amortized on a straight-line basis over their estimated useful lives according to an estimated useful life as follows:

<b>Asset class</b>	<b>Estimated useful life</b>
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	15-100 years

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

The 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.

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 revenue.

##### e) Work in progress

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

##### f) Prepaid expenses and inventory

Prepaid expenses consist of amounts paid related to future years' expenses. Inventory consists of supplies held for construction and are recorded at lower of costs or replacement cost.

**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2017**

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

**g) 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.

**h) 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. These amounts are contingent in nature and are not reflected in these accounts. The details of the cash deposits and demand notes at year end are as follows:

	Demand notes	Cash deposits	2017	2016
General Fund	\$ 350,582	\$ 157,284	\$ 507,866	\$ 611,882
Water Funds	11,423	5,363	16,786	16,683
Sewer Fund	558,049	290,575	848,624	890,858
	<u>\$ 920,054</u>	<u>\$ 453,222</u>	<u>\$ 1,373,276</u>	<u>\$ 1,519,423</u>

**i) Reserve funds**

Non-statutory reserves represent an appropriation of surplus for specific purposes. Reserves for future expenses represent funds that are available to temporarily finance operations until planned revenues (i.e. property taxes, grants, etc.) are received, or for other operating or capital purposes as determined by Council. Statutory reserves have been established by bylaw in accordance with the *Community Charter* and their use is restricted by legislation.

**j) 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.

**k) Budget figures**

The budget figures are from the 10-Year Financial Plan Bylaw, adopted before May 15th of each year. Subsequent amendments have been authorized by Council to reflect changes in the budget as required by law. Such amendments are not reflected in the financial statement budget figures (note 18).

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# City of West Kelowna

## Notes to the financial statements

### December 31, 2017

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

##### l) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts, and disclosure 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 payroll liabilities, the measurement of an allowance for doubtful accounts receivable, the existence and measurement of any contingent liabilities 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.

##### m) 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.

##### n) Segmented disclosure

A segment is defined as distinguishable activity of group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The City has provided definitions of segments as well as presented financial information in segmented format in Note 17.

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# City of West Kelowna

## Notes to the financial statements

### December 31, 2017

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#### 3. Future accounting changes

The following future accounting changes will be effective for the City's 2018 and future financial statements. The City is reviewing the impact, if any, of these changes on its financial statements.

##### **PS 1201 – Financial statement presentation (2019)**

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 (2018)**

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 (2020)**

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 (2020)**

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 (2018)**

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 (2018)**

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 (2018)**

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 (2018)**

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, 2017**

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

**PS 3450 – Financial instruments (2020)**

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 - 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%.

**5. Financial assets - Accounts receivable**

Accounts receivable are recorded net of an allowance for doubtful accounts and are comprised of the following:

	<b>2017</b>	<b>2016</b>
Property Taxes	\$ 2,418,211	\$ 2,606,750
Federal government	361,592	581,663
Provincial government	2,991,300	1,434,193
Other governments	17,397	(34,195)
Sewer funds	6,921,963	7,350,987
Utilities	3,164,647	2,945,343
Other	1,111,940	738,143
	<u>\$ 16,987,050</u>	<u>\$ 15,622,884</u>

**6. Liabilities - Accounts Payable and accrued liabilities**

	<b>2017</b>	<b>2016</b>
Trade accounts payables	\$ 1,588,062	\$ 1,400,799
Wages and payroll liabilities	1,657,811	1,713,590
Accrued liabilities	1,088,549	663,960
Other governments	1,981,350	3,799,595
Other	20,531	51,450
	<u>\$ 6,336,303</u>	<u>\$ 7,629,394</u>

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2017**

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**7. Liabilities - Deferred Revenue**

Deferred revenue is comprised of the following:

	2017	2016
Property taxes	\$ 2,349,185	\$ 2,232,336
Recreation program fees	153,492	97,717
Cemetery perpetual care fund	124,724	115,739
Utility fees	141,917	151,563
Other	13,077,058	66,619
	<u>\$ 15,846,376</u>	<u>\$ 2,663,974</u>

As at December 31, 2017, other deferred revenue includes \$13,041,600 in respect of the City's 2018-2021 water infrastructure project.

**8. Liabilities - 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.

	2017	2016
Balance, beginning of year	\$ 11,965,139	\$ 9,147,156
Contributions from developers	5,063,003	3,112,354
Interest on investments	171,074	125,919
Bylaw expenditures	(481,107)	(420,290)
Balance, end of year	<u>\$ 16,718,109</u>	<u>\$ 11,965,139</u>

DCC's are comprised of the following:

	2017	2016
Roads	\$ 9,114,762	\$ 6,257,380
Water	4,955,090	4,192,629
Parks	2,565,224	1,507,091
Sewer	24,763	2,485
Storm Sewer	58,270	5,554
	<u>\$ 16,718,109</u>	<u>\$ 11,965,139</u>

**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2017**

**9. Liabilities - Debt**

	Current interest rate (%)	Year of Maturity	Balance, beginning of year	Additions	Sinking fund payments	Actuarial adjustment	Balance, end of year
<b>General fund</b>							
MFA issue #95	1.80	2025	\$ 1,795,397	\$ -	\$ 120,896	\$ 52,263	\$ 1,622,238
MFA issue #105	4.90	2029	6,069,761	-	277,414	87,644	5,704,703
			<u>7,865,158</u>	<u>-</u>	<u>398,310</u>	<u>139,907</u>	<u>7,326,941</u>
<b>Water funds</b>							
MFA issue #101	4.52	2027	157,930	-	8,228	3,483	146,219
MFA issue #103	4.65	2028	97,056	-	4,720	1,740	90,596
Province of BC	4.95	2027	7,086,742	-	528,495	-	6,558,247
			<u>7,341,728</u>	<u>-</u>	<u>541,443</u>	<u>5,223</u>	<u>6,795,062</u>
<b>Sewer fund</b>							
MFA issue #66	4.82	2017	52,464	-	20,762	31,702	-
MFA issue #66	4.82	2017	2,751	-	1,089	1,662	-
MFA issue #70	2.10	2019	35,976	-	5,536	5,931	24,509
MFA issue #71	2.10	2019	109,867	-	16,906	18,108	74,853
MFA issue #71	2.10	2019	234,815	-	36,133	38,701	159,981
MFA issue #73	2.10	2020	21,279	-	2,516	2,458	16,305
MFA issue #73	2.10	2020	443,386	-	52,425	51,214	339,747
MFA issue #74	3.05	2021	221,648	-	19,295	20,818	181,535
MFA issue #74	3.05	2021	58,261	-	5,072	5,472	47,717
MFA issue #74	3.05	2021	68,439	-	5,958	6,428	56,053
MFA issue #74	3.05	2021	24,319	-	2,117	2,284	19,918
MFA issue #74	3.05	2021	26,228	-	2,283	2,464	21,481
MFA issue #74	3.05	2021	48,915	-	4,258	4,594	40,063
MFA issue #75	3.05	2021	9,032	-	786	848	7,398
MFA issue #75	3.05	2021	330,038	-	28,730	30,998	270,310
MFA issue #75	3.05	2021	132,711	-	11,553	12,465	108,693
MFA issue #77	3.05	2022	779,955	-	57,915	56,752	665,288
MFA issue #79	2.10	2023	909,890	-	59,265	52,488	798,137
MFA issue #85	2.00	2024	493,797	-	28,795	22,916	442,086

**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2017**

**9. Liabilities - Long-term debt (continued)**

MFA issue #85	2.00	2024	\$ 31,118	\$ -	\$ 1,815	\$ 1,444	\$ 27,859
MFA issue #85	2.00	2024	\$ 31,118	\$ -	\$ 1,815	\$ 1,444	\$ 27,859
MFA issue #95	1.80	2025	503,630	-	33,913	14,660	455,057
MFA issue #99	4.43	2027	11,724	-	660	317	10,747
MFA issue #99	4.43	2027	771,889	-	43,433	20,858	707,598
MFA issue #101	4.52	2027	1,674,056	-	87,212	36,918	1,549,926
MFA issue #101	4.52	2027	392,118	-	20,428	8,647	363,043
MFA issue #101	4.52	2027	507,760	-	26,452	11,198	470,110
			<u>7,896,066</u>	<u>-</u>	<u>575,307</u>	<u>462,345</u>	<u>6,858,414</u>
Total long-term debt			<u>\$ 23,102,952</u>	<u>\$ -</u>	<u>\$ 1,515,060</u>	<u>\$ 607,475</u>	<u>\$ 20,980,417</u>

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

	2018	2019	2020	2021	2022
General Fund	\$ 398,310	\$ 398,310	\$ 398,310	\$ 398,310	\$ 398,310
Water Funds	568,082	596,063	625,456	656,330	688,760
Sewer Fund	553,453	553,453	494,879	439,938	359,886
	<u>\$ 1,519,845</u>	<u>\$ 1,547,826</u>	<u>\$ 1,518,645</u>	<u>\$ 1,494,578</u>	<u>\$ 1,446,956</u>

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

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

	2017	2016
	Net book value	Net book value
<b>General</b>		
Land	\$ 102,331,062	\$ 101,254,568
Buildings	26,624,954	26,202,261
Equipment	6,526,443	6,958,164
Engineering structures	<u>106,070,566</u>	<u>111,569,864</u>
	<b>241,553,025</b>	<b>245,984,857</b>
<b>Water infrastructure</b>	<b>58,540,438</b>	<b>59,456,292</b>
<b>Sewer infrastructure</b>	<u><b>53,368,059</b></u>	<u><b>51,445,643</b></u>
<b>Tangible capital assets</b>	<u><b>\$ 353,461,522</b></u>	<u><b>\$ 356,886,792</b></u>
<b>Work in progress</b>	<u><b>\$ 5,425,505</b></u>	<u><b>\$ 2,223,981</b></u>
<b>Tangible capital assets and work in progress (Schedule 1)</b>	<u><b>\$ 358,887,027</b></u>	<u><b>\$ 359,110,773</b></u>

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2017**

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**11. Taxation - net**

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

	2017	2016
General municipal purposes	\$ 31,161,042	\$ 29,904,553
Collections for other governments		
Provincial Government - Schools	14,294,497	14,835,839
Central Okanagan Regional Hospital District	2,568,146	2,580,702
Regional District of the Central Okanagan	3,354,549	3,395,149
British Columbia Assessment Authority	393,646	438,146
Municipal Finance Authority	1,704	1,549
	<u>51,773,584</u>	<u>51,155,938</u>
Transfers to other governments		
Provincial Government - Schools	(14,294,497)	(14,835,839)
Central Okanagan Regional Hospital District	(2,568,146)	(2,580,702)
Regional District of the Central Okanagan	(3,354,549)	(3,188,514)
British Columbia Assessment Authority	(393,646)	(438,146)
Municipal Finance Authority	(1,704)	(1,549)
	<u>(20,612,542)</u>	<u>(21,044,750)</u>
	<u>\$ 31,161,042</u>	<u>\$ 30,111,188</u>

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**12. Government transfers**

	2017	2016
Provincial unconditional transfers		
Sewer grants	648,993	-
Other	57,583	51,572
	<u>706,576</u>	<u>51,572</u>
Provincial conditional transfers		
Okanagan Basin Water Board grant	87,203	45,559
Other	124,211	406,638
	<u>211,414</u>	<u>452,197</u>
Federal unconditional transfers		
Traffic fine revenue sharing grant and Federal grants	551,219	923,218
	<u>551,219</u>	<u>923,218</u>
Federal conditional transfers		
Gas tax community works fund	1,373,779	1,355,668
	<u>1,373,779</u>	<u>1,355,668</u>
<b>Total transfers from other governments</b>	<u>\$ 2,842,988</u>	<u>\$ 2,782,655</u>

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2017**

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**13. Revenue - other**

	<u>2017</u>	<u>2016</u>
DCC contributions	\$ 481,107	\$ 420,290
Cost recoveries	2,848,893	648,984
Development permits	1,529,738	1,395,466
Interest earned	510,777	231,144
Actuarial adjustment on long-term debt	607,475	603,736
Licenses and permits	241,025	232,694
Penalties and interest on taxes	411,493	465,165
Rentals	532,880	591,740
Donations	1,941,079	23,221
Other	154,583	419,271
	<u>\$ 9,259,050</u>	<u>\$ 5,031,711</u>

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**14. 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. As at December 31, 2017, the City does not anticipate being required to assume any of the Regional District's debt.

**Municipal Insurance Association**

The City is a participant in the Municipal Insurance Association of British Columbia (the "Association"). Should the Association pay out claims in excess of premiums received, it is possible that the City, along with the other participants, would be required to contribute towards the deficit. Management does not consider external payments under this contingency to be likely and therefore no amounts have been accrued.

**Legal actions**

The nature of the City's operations are such that the City is subject to potential or ongoing litigation, 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 ongoing litigation 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**

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

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# City of West Kelowna

## Notes to the financial statements

### December 31, 2017

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#### 14. Contingent liabilities (continued)

##### Pension (continued)

pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2016, the Plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from local governments.

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 may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The City paid \$1,422,217 (2016-\$1,317,740) for employer contributions while employees contributed \$1,187,035 (2016-\$1,132,503) to the Plan in fiscal 2017.

The next valuation will be as at December 31, 2018 with results available in 2019.

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.

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#### 15. Commitments

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

2018	\$	652,984
2019	\$	621,560
2020	\$	135,759
2021	\$	51,240
	\$	<u>1,461,543</u>

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## City of West Kelowna

### Notes to the financial statement

#### December 31, 2017

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#### 15. Commitments (continued)

##### Vacation pay and sick leave

Vacation pay, which may be accumulated up to 10 days, is charged to expense in the year earned. The ALGEU Collective Agreement allows for the accumulation of sick leave to a maximum of 100 days, it is expensed 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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#### 16. Letters of Credit

The City is holding letters of credit in the amount of \$6,524,836 (2016-\$6,663,764), which are received as security related to performance deposits.

#### 17. 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.

The various segments are described as follows:

##### a) General government services

This segment is responsible for 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 people, 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.

##### b) Protective services

This segment is responsible for all the various services provided by the RCMP, Fire Services and Bylaw Enforcement 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.

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2017**

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**17. Segmented information (continued)**

**c) Transportation services**

This segment is responsible for roads and maintenance, street lighting, traffic management and transit system.

**d) Environmental health and development services**

This segment is 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.

**e) Recreation and cultural services**

This segment is responsible for recreational program design, delivery and management, municipal facilities/parks development and maintenance and museum operations, as well as coordination of many recreational/sporting activities and groups.

**f) Water services**

This segment 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.

**g) Sewer services**

This segment is responsible for the operation and maintenance of the sewer collection system within the municipal boundaries of the City.

**h) Storm drainage**

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

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**City of West Kelowna**  
**Notes to the financial statements**  
**December 31, 2017**

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**18. Budget**

The budget amounts presented reflect the statutory financial plan as adopted by Council on May 9, 2017, 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. 0238, 2017	\$ -
Adjust for non-operating items included in Financial Plan:	
Acquisition of tangible capital assets	79,997,325
Repayment of principal portion of long-term debt	1,515,060
Net transfers from reserves	<u>(19,115,645)</u>
	<u>62,396,740</u>
Adjust for operating items excluded in Financial Plan:	
Amortization (actual)	<u>(10,954,626)</u>
	<u>(10,954,626)</u>
Budget surplus/(deficit) as per the statement of operations and accumulated surplus	<u>\$ 51,442,114</u>

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**City of West Kelowna**  
**Schedule 1 - Schedule of tangible capital assets and work in progress**  
**December 31, 2017**

	Equipment								Engineering structures						Total
	Buildings & Land Improvements	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	\$101,254,568	\$ 37,537,954	\$ 3,562,913	\$ 2,173,384	\$ 872,932	\$ 1,309,935	\$ 8,085,274	\$ 1,537,145	\$ 12,092,060	\$231,698,118	\$ 6,363,664	\$ 3,366,462	\$ 87,590,572	\$ 65,040,358	\$ 562,485,339
Additions	1,076,494	1,406,570	312,053	3,787	-	237,883	203,761	-	476,170	156,958	14,349	-	678,112	2,963,218	7,529,355
Disposals	-	-	-	-	-	-	(27,397)	-	-	-	-	-	-	-	(27,397)
<b>Cost, end of year</b>	<b>102,331,062</b>	<b>38,944,524</b>	<b>3,874,966</b>	<b>2,177,171</b>	<b>872,932</b>	<b>1,547,818</b>	<b>8,261,638</b>	<b>1,537,145</b>	<b>12,568,230</b>	<b>231,855,076</b>	<b>6,378,013</b>	<b>3,366,462</b>	<b>88,268,684</b>	<b>68,003,576</b>	<b>569,987,297</b>
Accumulated amortization, beginning of year	-	11,335,694	2,954,170	918,925	604,514	816,306	4,805,177	484,327	1,943,882	137,219,948	1,928,431	858,177	28,134,281	13,594,714	205,598,546
Amortization	-	983,876	380,969	185,290	23,196	113,020	425,245	61,485	672,462	5,119,070	127,298	227,947	1,593,965	1,040,803	10,954,626
Disposals	-	-	-	-	-	-	(27,397)	-	-	-	-	-	-	-	(27,397)
<b>Accumulated amortization, end of year</b>	<b>-</b>	<b>12,319,570</b>	<b>3,335,139</b>	<b>1,104,215</b>	<b>627,710</b>	<b>929,326</b>	<b>5,203,025</b>	<b>545,812</b>	<b>2,616,344</b>	<b>142,339,018</b>	<b>2,055,729</b>	<b>1,086,124</b>	<b>29,728,246</b>	<b>14,635,517</b>	<b>216,525,775</b>
<b>Net book value, end of year</b>	<b>102,331,062</b>	<b>26,624,954</b>	<b>539,827</b>	<b>1,072,956</b>	<b>245,222</b>	<b>618,492</b>	<b>3,058,613</b>	<b>991,333</b>	<b>9,951,886</b>	<b>89,516,058</b>	<b>4,322,284</b>	<b>2,280,338</b>	<b>58,540,438</b>	<b>53,368,059</b>	<b>353,461,522</b>
<b>Work in progress</b>	<b>32,733</b>	<b>60,847</b>	<b>170,781</b>	<b>-</b>	<b>-</b>	<b>36,944</b>	<b>399,062</b>	<b>-</b>	<b>3,186,040</b>	<b>165,467</b>	<b>-</b>	<b>998,558</b>	<b>283,761</b>	<b>91,312</b>	<b>5,425,505</b>
<b>Tangible capital assets and work in progress</b>	<b>102,363,795</b>	<b>26,685,801</b>	<b>710,608</b>	<b>1,072,956</b>	<b>245,222</b>	<b>655,436</b>	<b>3,457,675</b>	<b>991,333</b>	<b>13,137,926</b>	<b>89,681,525</b>	<b>4,322,284</b>	<b>3,278,896</b>	<b>58,824,199</b>	<b>53,459,371</b>	<b>358,887,027</b>

See accompanying notes to the financial statements.

**City of West Kelowna**  
**Schedule 2 - Schedule of accumulated surplus**  
**December 31, 2017**

	Balance, beginning of year	Transfer to	Transfer from	Interest	Balance, end of year
<b>Reserves</b>					
Capital - general	4,266,103	2,661,649	(791,911)	64,882	<b>6,200,723</b>
Capital - water	3,913,589	1,201,579	(727,723)	50,772	<b>4,438,217</b>
Capital - sewer	643,937	474,043	(861,662)	8,022	<b>264,341</b>
Community projects	3,954,316	1,355,667	(156,958)	54,644	<b>5,207,668</b>
Equipment replacement	3,185,883	980,000	(638,698)	40,278	<b>3,567,465</b>
Future expenses	1,224,278	1,063,860	(311,251)	20,389	<b>1,997,276</b>
Municipal facilities	3,497,154	370,000	-	44,186	<b>3,911,338</b>
Other	4,273,318	16,938,869	(15,997,224)	16,111	<b>5,231,067</b>
Policing	796,273	441,039	-	12,202	<b>1,249,515</b>
Property acquisition	1,585,651	-	-	19,028	<b>1,604,679</b>
Recreation	270,561	105,879	(8,164)	3,833	<b>372,108</b>
Road maintenance and snow clearing	611,281	-	-	7,336	<b>618,618</b>
Storm drainage	362,624	10,000	-	4,411	<b>377,035</b>
	<u>28,584,968</u>	<u>25,602,585</u>	<u>(19,493,591)</u>	<u>346,094</u>	<u>35,040,050</u>
<b>Investment in non-financial assets</b>					
Investment in tangible capital assets	<u>333,783,842</u>	<u>9,651,885</u>	<u>(10,954,627)</u>	<u>-</u>	<u>332,481,100</u>
<b>Accumulated surplus</b>	<u>\$362,368,810</u>	<u>\$ 35,254,470</u>	<u>\$ (30,448,218)</u>	<u>\$ 346,094</u>	<u>\$367,521,150</u>

**City of West Kelowna**  
**Schedule 3 - Schedule of segment disclosure**  
**December 31, 2017**

	General Fund								2017 Totals	2016 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	\$ 10,393,798	\$ 9,578,869	\$ 4,427,608	\$ 1,822,048	\$ 4,719,396	\$ -	\$ -	\$ 219,323	\$ 31,161,042	\$ 30,111,188
Sale of services and regulatory fees	-	1,778,385	696,036	2,897,559	1,654,341	7,104,346	4,899,930	-	19,030,597	17,168,170
Government transfers	1,890,864	215,339	590	-	-	44,414	691,781	-	2,842,988	2,782,655
Other	3,522,902	3,221,084	165	1,558,225	233,298	253,031	470,345	-	9,259,050	5,031,711
<b>Total revenue</b>	<b>15,807,564</b>	<b>14,793,677</b>	<b>5,124,399</b>	<b>6,277,832</b>	<b>6,607,035</b>	<b>7,401,791</b>	<b>6,062,056</b>	<b>219,323</b>	<b>62,293,677</b>	<b>55,093,724</b>
<b>Expenses</b>										
Amortization of tangible assets	8,211,449	-	-	43,918	-	1,658,456	1,040,803	-	10,954,626	10,879,842
Building and grounds maintenance	263,130	68,102	-	-	289,139	155,533	-	-	775,904	712,049
Civic grants	394,078	-	-	-	-	-	-	-	394,078	110,777
Contract services	449,593	262,815	2,241,794	1,836,620	1,490,077	718,185	3,577,861	146,226	10,723,171	11,234,007
Interest on long-term debt	483,769	-	-	-	-	320,966	448,242	-	1,252,977	1,426,706
Equipment maintenance and fuel	403,182	241,005	76,955	9,518	233,206	522,535	21,655	5,190	1,513,246	1,542,311
Library	-	-	-	-	1,473,865	-	-	-	1,473,865	1,410,926
Recoverable Emergency Operations	-	2,508,511	-	-	-	-	-	-	2,508,511	-
RCMP E-Division Contract	-	3,199,904	-	-	-	-	-	-	3,199,904	3,349,116
Supplies, small tools and equipment	321,450	443,604	75,000	77,158	258,276	232,472	112,442	7,147	1,527,549	1,613,380
Transit	-	-	1,746,635	-	-	-	-	-	1,746,635	1,796,136
Utilities	201,567	117,465	225,528	6,964	592,848	518,262	58,844	-	1,721,478	1,788,612
Wages, benefits & professional development	3,566,787	7,929,921	725,729	2,029,261	2,768,641	1,906,852	359,148	63,059	19,349,398	18,438,502
<b>Total expenses</b>	<b>14,295,005</b>	<b>14,771,327</b>	<b>5,091,641</b>	<b>4,003,439</b>	<b>7,106,052</b>	<b>6,033,261</b>	<b>5,618,995</b>	<b>221,622</b>	<b>57,141,342</b>	<b>54,302,364</b>
<b>Annual surplus (deficit) for the year</b>	<b>\$ 1,512,559</b>	<b>\$ 22,350</b>	<b>\$ 32,758</b>	<b>\$ 2,274,393</b>	<b>\$ (499,017)</b>	<b>\$ 1,368,530</b>	<b>\$ 443,061</b>	<b>\$ (2,299)</b>	<b>\$ 5,152,335</b>	<b>\$ 791,360</b>

See accompanying notes to the financial statements.