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CITY OF KELOWNA

**MEMORANDUM**

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Date: May 20, 2009  
File No.: 1830-20 and 0540-20  
To: City Manager  
From: Mayor Shepherd, Chair, Audit Committee  
Subject: Financial Statements for the Year Ending December 31, 2008

Report Prepared by: Financial Accounting Manager

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**RECOMMENDATION:**

THAT the Statement of Financial Position, Statement of Financial Activities and Auditor's Report, for the City of Kelowna, for the year ending December 31, 2008 be received

AND THAT Council approves the appropriation of \$3,000,000 of surplus generated from all general fund operations in 2008 to general reserves as detailed in the report from the Mayor, dated May 20, 2009

AND FURTHER the Statement of Financial Position, Statement of Financial Activities and Auditor's Report be reprinted in and form part of the City of Kelowna's annual report.

**BACKGROUND:**

A detailed review of draft City of Kelowna Financial Statements for the year ending December 31, 2008 was undertaken on May 20, 2009 by the Audit Committee, the City of Kelowna Auditor, Grant Thornton LLP, and Financial Services staff.

City Administration has recommended the appropriation to reserves of 2008 surplus generated from all general fund operations, in the amount of \$3,000,000, in addition to those amounts that are normally appropriated through the budget process. The Audit Committee is in agreement with reasons provided for the appropriation. This results in an unappropriated surplus for 2008 of \$95,300 and an accumulated surplus balance of \$1.5 Million, equivalent to approximately 1.8% of taxation.



The general reserves appropriations recommended are:

Arterial Roads Reserve	\$ 600,000
Non-Arterial Roads	100,000
Snow Removal	500,000
Civic Facilities	400,000
RCMP Building	100,000
Parks Purchase & Dev't	500,000
Off-Road Bikeway	400,000
Financial Major Systems	200,000
Fringe Benefit Load	<u>200,000</u>
	<u>\$3,000,000</u>

**LEGAL/STATUTORY AUTHORITY:**

The Community Charter section 167 "Annual Financial Statements" requires that municipal financial statements for a fiscal year must be presented to council for its acceptance.

**FINANCIAL/BUDGETARY CONSIDERATIONS:**

The Financial impact is that \$3.0 million will be transferred from surplus to general reserves.

Considerations that were not applicable to this report:

**INTERNAL CIRCULATION TO:**

**LEGAL/STATUTORY PROCEDURAL REQUIREMENTS:**

**EXISTING POLICY:**

**PERSONNEL IMPLICATIONS:**

**TECHNICAL REQUIREMENTS:**

**EXTERNAL AGENCY/PUBLIC COMMENTS:**

**ALTERNATE RECOMMENDATION:**

  
Sharon Shepherd  
Mayor

Approved for Inclusion:



Encls.

c.c. Councillor R. Hobson - Audit Committee  
Councillor A. Reid - Audit Committee  
Director of Financial Services  
Financial Accounting Manager

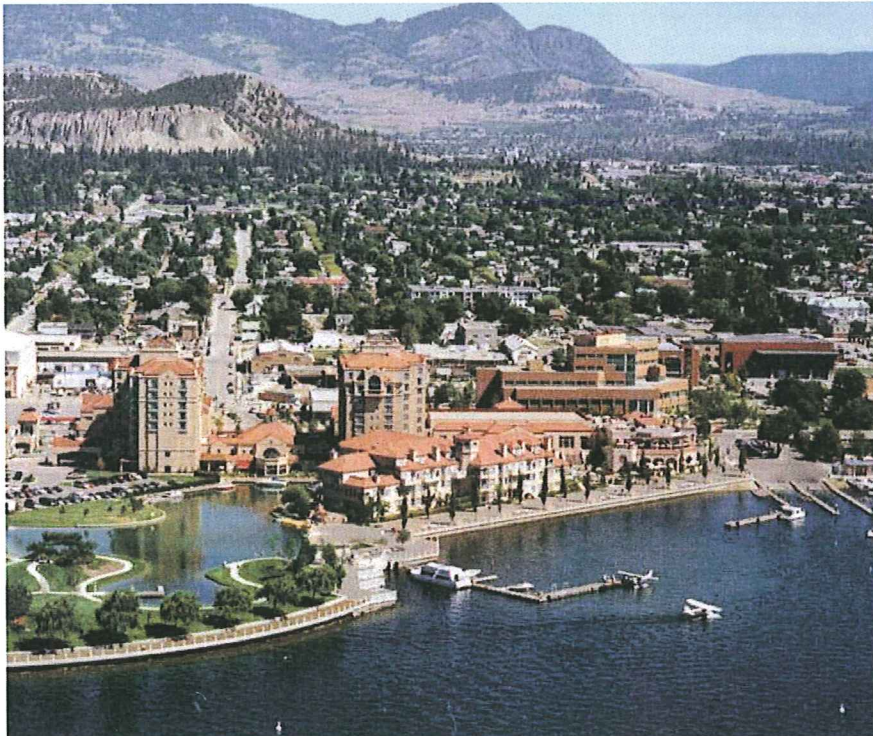
Grant Thornton LLP - Auditor  
- Mr. Jim Grant, M.B.A., C.A.



# CITY OF KELOWNA

## FINANCIAL STATEMENTS

DECEMBER 31, 2008



# CITY OF KELOWNA

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## Auditors' report

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To the Members of Council of the City of Kelowna

We have audited the consolidated statement of financial position of the City of Kelowna as at December 31, 2008 and the consolidated statements of financial activities, changes in financial position, statutory reserve funds, reserves and surplus and equity in capital assets for the year then ended. These consolidated financial statements are the responsibility of the City's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City of Kelowna as at December 31, 2008 and the results of its financial activities and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Kelowna, BC

May 4, 2009

*Grant Thornton* LLP  
Chartered accountants

**Partners**

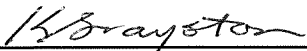
Kevin Crookes, CA, CBV  
Paul F. Gallo, CA  
Mike Gilmore, CA, CFP  
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Bill McTavish, CGA, CA  
Anne Postlewaite, CA  
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Bill Winters, CA, CFP

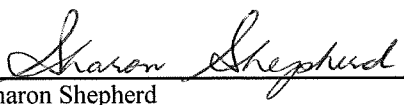
# CITY OF KELOWNA

## Consolidated Statement of Financial Position As at December 31, 2008 (in thousands of dollars)

	<u>2008</u>	<u>2007</u>
<b>Financial Assets</b>		
Cash and temporary investments	\$ 209,259	\$ 194,423
Accounts receivable	30,962	26,951
Accrued interest	513	1,208
Land held for resale	1,034	817
Long term investments	6,000	6,000
Municipal Finance Authority debt reserve deposit	8,451	6,289
Other	2,180	2,106
	<u>258,399</u>	<u>237,794</u>
<b>Liabilities</b>		
Accounts payable	34,364	42,242
Performance deposits	5,019	5,500
Deferred revenue	31,183	25,024
Deferred development cost charges	50,489	43,809
Municipal Finance Authority debt reserve	8,451	6,289
Long term debt	135,537	103,580
	<u>265,043</u>	<u>226,444</u>
<b>Net Financial Assets (Liabilities)</b>	<u>(6,644)</u>	<u>11,350</u>
<b>Non Financial Assets</b>		
Inventory	1,312	1,454
Work in progress	148,710	133,960
Capital	1,051,901	957,960
	<u>1,201,923</u>	<u>1,093,374</u>
<b>Net Financial Position</b>	<u>\$ 1,195,279</u>	<u>\$ 1,104,724</u>
<b>Fund Position</b>		
Operating surplus	21,509	11,207
Reserves for future expenditures	75,572	69,800
Statutory reserve funds	30,673	31,786
Fund Balance	127,754	112,793
Equity in capital assets	1,067,525	991,931
	<u>\$ 1,195,279</u>	<u>\$ 1,104,724</u>

See accompanying notes to the financial statements.

  
Keith Grayston, CGA  
Director, Financial Services

  
Sharon Shepherd  
Mayor, City of Kelowna

# CITY OF KELOWNA

## Consolidated Statement of Financial Activities For the Year Ended December 31, 2008 (in thousands of dollars)

	Budget <u>2008</u>	Actual <u>2008</u>	Actual <u>2007</u>
<b>Revenue</b>			
Taxation	\$ 94,160	\$ 94,835	\$ 86,504
Fees and Charges	103,334	114,628	104,532
Interest earned	5,125	7,152	6,099
DCC contributions	41,023	19,417	22,259
Contribution from other governments	32,382	23,751	23,488
Other Capital Contributions	-	42	2,921
	<u>276,024</u>	<u>259,825</u>	<u>245,803</u>
<b>Expenditures</b>			
General government services	20,871	16,563	14,330
Protective services	37,799	38,177	35,173
Transportation services	69,973	52,061	75,561
Recreational and cultural services	89,253	73,626	47,500
Other services	19,733	17,978	17,269
Airport operations	24,758	23,370	14,988
Electrical utility	26,487	21,116	25,181
Wastewater Utility	80,114	18,020	19,937
Water utility	19,048	11,644	6,509
Debt charges	14,505	7,559	6,133
	<u>402,541</u>	<u>280,114</u>	<u>262,581</u>
<b>Net expenditure</b>	(126,517)	(20,289)	(16,778)
Debt issuance	80,830	40,392	29,867
Debt repayment	(4,971)	(5,029)	(3,922)
Transfer (to) from other funds	-	(113)	507
	<u>-</u>	<u>(113)</u>	<u>507</u>
<b>Increase (decrease) in fund balance</b>	\$ <u>(50,658)</u>	\$ 14,961	\$ 9,674
Consolidated fund balance, beginning of year		112,793	103,119
<b>Consolidated fund balance, end of year</b>		<u>\$ 127,754</u>	<u>\$ 112,793</u>

See accompanying notes to the financial statements.

# CITY OF KELOWNA

## Consolidated Statement of Changes in Financial Position For the Year Ended December 31, 2008

(in thousands of dollars)

	Actual <u>2008</u>	Actual <u>2007</u>
<b>Net cash inflow (outflow) from operating activities</b>		
Net Expenditure	\$ (20,289)	\$ (16,778)
Items not affecting cash - transfers between funds	<u>59,287</u>	<u>70,452</u>
	<u>38,998</u>	<u>53,674</u>
Decrease (increase) in non-cash financial assets		
Accounts receivable	(3,316)	(3,957)
Other assets	(2,453)	(1,807)
Increase (decrease) in short term financial liabilities		
Accounts payable	(7,878)	11,964
Deferred development cost charges	6,680	2,050
Other liabilities	<u>7,840</u>	<u>(466)</u>
	<u>39,871</u>	<u>61,458</u>
<b>Financing</b>		
Issuance of long term debt	40,392	29,867
Contributions and Grants	12,326	12,042
Repayment of long term debt	<u>(5,029)</u>	<u>(3,922)</u>
	<u>47,689</u>	<u>37,987</u>
<b>Investing</b>		
Proceeds on sale of capital assets	42	122
Purchase of capital assets	(72,908)	(82,066)
Decrease (increase) in inventory	<u>142</u>	<u>(453)</u>
	<u>(72,724)</u>	<u>(82,397)</u>
<b>Net cash inflow (outflow)</b>	<b>14,836</b>	<b>17,048</b>
Cash position, beginning of year	194,423	177,375
<b>Cash position, end of year</b>	<u>\$ 209,259</u>	<u>\$ 194,423</u>
Cash and temporary investments	<u>\$ 209,259</u>	<u>\$ 194,423</u>

*See accompanying notes to the financial statements.*



# CITY OF KELOWNA

## Consolidated Statement of Statutory Reserve Funds For the Year Ended December 31, 2008 (in thousands of dollars)

	<b>Capital Works Mach and Equip 2008</b>	<b>Land Sales Reserve 2008</b>	<b>Parking 2008</b>	<b>Total Actual 2008</b>	<b>Total Actual 2007</b>
<b>Sources of Funds</b>					
Return on investment	\$ 905	\$ 210	\$ 38	\$ 1,153	\$ 1,240
Contributions from developers	278	-	-	278	676
Proceeds from land sales	-	3,782	-	3,782	2,347
Transfers from General Fund	5,051	736	670	6,457	5,682
Transfers from Wastewater Fund	288	-	-	288	25
Transfers from Water Fund	275	-	-	275	76
	<u>6,797</u>	<u>4,728</u>	<u>708</u>	<u>12,233</u>	<u>10,046</u>
<b>Uses of Funds</b>					
Transfers to General Fund	7,311	2,499	1,136	10,946	9,036
Transfers to Wastewater Fund	2,400	-	-	2,400	45
Transfers to Water Fund	-	-	-	-	72
	<u>9,711</u>	<u>2,499</u>	<u>1,136</u>	<u>13,346</u>	<u>9,153</u>
<b>Change in reserve fund balance</b>	(2,914)	2,229	(428)	(1,113)	893
Balance, beginning of year	25,358	5,336	1,092	31,786	30,893
<b>Balance, end of year</b>	<u>\$ 22,444</u>	<u>\$ 7,565</u>	<u>\$ 664</u>	<u>\$ 30,673</u>	<u>\$ 31,786</u>

## CITY OF KELOWNA

### Consolidated Statement of Reserves and Surplus For the Year Ended December 31, 2008

(in thousands of dollars)

	Actual <u>2008</u>	Actual <u>2007</u>
<b>Reserves for future expenditures</b>	\$ <u>75,572</u>	\$ <u>69,800</u>
<b>Surplus</b>		
Balance, beginning of year	11,207	9,081
Add:		
Transfer from reserve for future expenditures	25,411	29,085
Increase (decrease) in fund balances	16,073	8,781
Deduct:		
Transfer to reserve for future expenditures	<u>31,182</u>	<u>35,740</u>
Balance, end of year	<u>21,509</u>	<u>11,207</u>
<b>Fund balance, end of year</b>	\$ <u><u>97,081</u></u>	\$ <u><u>81,007</u></u>

### Consolidated Statement of Equity in Capital Assets For the Year Ended December 31, 2008

(in thousands of dollars)

	Actual <u>2008</u>	Actual <u>2007</u>
Balance, beginning of year	\$ <u>991,931</u>	\$ <u>906,982</u>
<b>Contributions to capital assets</b>		
Operating funds	27,992	35,537
Other trust funds	369	3,758
Statutory reserve funds	12,762	8,554
Public	44	177
Federal government	2,923	923
Provincial government	1,418	8,039
Development cost charge contribution	19,417	22,053
Developers	7,941	2,903
Proceeds on sale of capital assets	<u>42</u>	<u>122</u>
	<u>72,908</u>	<u>82,066</u>
<b>Debt retirement</b>		
Retirement of debt	5,029	3,922
Actuarial increase in sinking funds	<u>2,046</u>	<u>1,646</u>
	<u>7,075</u>	<u>5,568</u>
Asset disposal at original cost	<u>(4,389)</u>	<u>(2,685)</u>
<b>Balance, end of year</b>	\$ <u><u>1,067,525</u></u>	\$ <u><u>991,931</u></u>
<b>Capital asset additions</b>		
Contributions to capital assets	\$ 72,908	\$ 82,066
Debt Issuance	<u>40,392</u>	<u>29,867</u>
Total capital assets acquired	<u>113,300</u>	<u>111,933</u>
Assets disposal at original cost	<u>(4,389)</u>	<u>(2,685)</u>
<b>Increase in capital assets</b>	\$ <u><u>108,911</u></u>	\$ <u><u>109,248</u></u>

See accompanying notes to the financial statements.

**City of Kelowna**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**

(all tabular amounts reported in 000's of dollars)

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The notes to the consolidated financial statements are an integral part of the statements. They explain the significant accounting and reporting policies and principles underlying these statements. They also provide relevant supplementary information and explanations which cannot be conveniently expressed in the consolidated financial statements.

**1. Significant accounting policies**

The consolidated financial statements have been prepared in conformity with accounting standards established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

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

**Basis of presentation**

The City of Kelowna's resources and operations are segregated into General, Airport, Electrical Utility, Wastewater Utility, Water Utility, Natural Gas Legacy and Statutory Reserve Funds for accounting and financial reporting purposes. The consolidated financial statements include all the accounts of these funds. All material interfund transactions and balances have been eliminated within the consolidated financial statements.

The City of Kelowna Library Society and Festivals Kelowna are controlled by the City of Kelowna through its appointment of the members of the respective societies. Accordingly, the consolidated financial statements include all the accounts of the societies.

**Accrual accounting**

The accrual method for reporting revenues and expenditures has been used.

**Inventory**

Inventory is valued at the lower of cost, determined principally on a weighted average and specific item basis, or replacement cost.

**Work in progress**

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

**Capital assets**

The City records physical assets including assets held under capital lease at cost in the period they were acquired on the statement of financial position and as expenditures within the statement of financial activities.

Capital assets purchased or constructed and work in progress are reported as capital expenditures and are classified

according to their functional use. Capital assets donated are reported at their fair value at the time of the donation.

All capital assets are valued at cost and written off when they are disposed of.

During the period 1974 to 1995, all Airport capital additions were the responsibility of the Federal Government Ministry of Transport and therefore are not reflected in these financial statements. In 1996, the City commenced financing some of the capital additions. Those additions funded by the City are reflected in these consolidated financial statements and valued at cost.

**Amortization**

In accordance with the accounting principles accepted for local governments in British Columbia for 2008, no provision has been made for amortization.

**Municipal Finance Authority cash deposits and demand notes**

The City issues the majority of its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds is 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 demand notes are contingent in nature.

**Reserves for future expenditures**

Reserves for future expenditures are non-statutory reserves which represent an appropriation of surplus for specific purposes. Transfers to reserves for future expenditures include funds to finance incomplete projects and accumulations for specific purposes.

**Statutory reserve funds**

The use of these funds is restricted by the Community Charter and associated Municipal Bylaws. Statutory reserve funds are funded 100% by cash and temporary investments.

**Financial instruments**

The City's financial instruments consist of cash and temporary investments, accounts receivable, accrued interest, long term investments, accounts payable and long term debt. Unless otherwise noted, it is management's opinion that the City is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying value, unless otherwise noted.

**City of Kelowna**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**  
(all tabular amounts reported in 000's of dollars)

**Revenue recognition**

**Taxation revenue**

Annual levies for non-optional municipal services and general administrative services are recorded as taxes for municipal purposes. Levies imposed by other taxing authorities are not included as taxes for municipal purposes. Taxes are recognized as revenue in the year they are levied.

Through the British Columbia Assessments appeal process taxes may be adjusted by way of supplementary roll adjustments. The affects of these adjustments on taxes are recognized at the time they are awarded.

**Fees and charges revenue**

Charges for transportation, environmental health, building permits, electrical, water, wastewater, natural gas and airport are included in this category. These revenues are recorded on the accrual basis and recognized when earned.

**Government transfers**

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 can be made.

**Investment income**

The City's investments are disclosed in note 2.

Investment income is recorded on the accrual basis and recognized when earned.

A portion of the City's investments are invested in pooled funds of the Municipal Finance Authority of British Columbia. Earnings of these funds are allocated to the members from time to time based on the market value of the pool. The City recognizes only its share of the realized earnings of the pool. This revenue is recorded as investment income and the amount is added to the cost of the units held.

To the extent that investments have no stated rate of return, investment income is recognized as it is received.

**Proceeds from disposal of property and equipment**

Proceeds from the sale of tangible property and equipment are recognized as revenue at the time of sale.

**Expenditures**

Expenditures are recorded in the period in which the goods or services are acquired and a liability is incurred.

**Use of estimates**

Management has made estimates and assumptions that affect the amounts reported in preparing these financial statements.

Significant areas requiring the use of management estimates relate to the determination of landfill post closure costs and settlement costs associated with outstanding legal actions. Actual results could differ from the estimates and adjustments, if any, will be reflected in the operations in the year of settlement.

**Budget figures**

The budget figures are from the Annual Five-Year Financial Plan Bylaw adopted before May 15 of each year. Subsequent amendments have been made by Council to reflect changes in the budget as required by law.

The budget reflects operating and capital financial activities. The majority of the significant variances relate to significant capital projects budgeted for but not completed in the year.

**2. Financial Assets and Liabilities**

**Cash and temporary investments**

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

<u>Type of Investments</u>	<u>2008</u>	<u>2007</u>
Cash	\$47,406	\$25,988
Municipal Finance Authority Bond / Money Market Funds	55,553	-
Provincial and Bank Issued Accrual Notes and Debentures	104,302	166,437
Guaranteed Investment Certificates and Term Deposit Notes	1,998	1,998
Total Cash and temporary investments	<u>\$209,259</u>	<u>\$194,423</u>

**Accounts Receivable**

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

<u>Type of Receivables</u>	<u>2008</u>	<u>2007</u>
Property Tax	\$3,856	\$3,163
Trade Receivables	8,350	9,473
Due from Federal Government	1,985	1,544
Due from Provincial Government	2,247	2,056
Due from Regional Government	462	91
Utilities	4,911	4,736
Deferred Development Cost Charges	9,151	5,888
Total Accounts Receivable	<u>\$30,962</u>	<u>\$26,951</u>

**Operating line of credit**

The City has an operating line of credit with the Royal Bank of Canada for an authorized amount of \$5 million, bearing interest at bank prime rate. At December 31, 2008 the balance was \$nil (2007 - \$nil).

**City of Kelowna**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2008**  
(all tabular amounts reported in 000's of dollars)

**Deferred Development Cost Charges (DCC)**

The City collects development cost charges to pay for a proportionate share of infrastructure related to new growth. In accordance with the Local Government Act, these funds must be deposited into a separate reserve fund. When the related costs are incurred, the DCCs are recognized as revenue. Because these funds are restricted in nature they are shown as a liability.

<u>Deferred DCC by Type</u>	<u>2008</u>	<u>2007</u>
Roads	\$19,630	\$ 9,057
Parks	7,127	10,177
Drainage	3,181	3,068
Wastewater	10,338	12,477
Water	10,213	9,030
Total Deferred DCC	<u>\$50,489</u>	<u>\$43,809</u>

<u>Deferred DCC</u>	<u>2008</u>	<u>2007</u>
Balance, beginning of year	<u>\$43,809</u>	<u>\$41,759</u>
Return on Investments	1,547	1,720
DCC collected in the year	<u>25,391</u>	<u>23,168</u>
	<u>26,938</u>	<u>24,888</u>
Transfers to General Capital	(12,574)	(16,459)
Transfers to General Operating	(60)	-
Transfers to Wastewater Capital	(6,828)	(5,358)
Transfers to Wastewater Operating	(781)	(785)
Transfers to Water Capital	(15)	(236)
	<u>(20,258)</u>	<u>(22,838)</u>
Balance, end of year	<u>\$50,489</u>	<u>\$43,809</u>

**Debenture debt**

Debenture debt principal is reported net of sinking fund balances. Interest rates on debenture debt ranged from 3.15% to 10.25%. The weighted average rate for 2008 was 5.26% (2007 – 5.12%). Principal repayments for the next five years are as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund	\$2,199	\$2,199	\$2,199	\$2,128	\$2,128
Wastewater Fund	1,534	1,367	1,334	1,090	1,090
Water Fund	422	414	388	288	266
Nat. Gas Legacy	1,699	1,699	1,699	1,699	1,699
Airport	1,333	1,333	1,333	1,333	1,333
Library Society	272	297	324	354	386
	<u>\$7,459</u>	<u>\$7,309</u>	<u>\$7,277</u>	<u>\$6,892</u>	<u>\$6,902</u>

Debt as a percentage of total expenditures:

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>48.39%</u>	<u>39.40%</u>	<u>31.73%</u>	<u>41.73%</u>

**Short Term Debt**

Total short term debt of \$1.4 million (\$1.6 million – 2007) with the Royal Bank of Canada is to be repaid over the next 5 years. The amount of the principal repayment is \$315,500

per year. Interest is to be paid annually at bank prime rate on the outstanding balance.

**3. Capital Assets and Work in Progress**

	<u>2008</u> <u>Work in</u> <u>Progress</u>	<u>2008</u> <u>Capital</u> <u>Assets</u>	<u>2007</u> <u>Work in</u> <u>Progress</u>	<u>2007</u> <u>Capital</u> <u>Assets</u>
Land	\$ -	\$159,225	\$ -	\$147,959
Buildings	70,885	102,248	38,718	99,250
Engineering Structures	73,837	668,074	93,022	591,737
Machinery and Equipment	3,988	66,745	2,220	63,405
N. Gas System (capital lease)	-	55,609	-	55,609
	<u>\$148,710</u>	<u>\$1,051,901</u>	<u>\$133,960</u>	<u>\$957,960</u>

**Transitional Provisions**

Effective January 1, 2007, The City adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants (“CICA”) with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 – Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2008, the City continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2008, the City has not yet completed a listing of individual capital assets and values for the asset classes. The accumulation of data is currently underway and is expected to be completed for presentation on the 2009 statements.

**4. Contingent liabilities**

**Regional District of Central Okanagan**

Regional District debt is, under the provisions of the Local Government Act, a direct, joint and several liability of the District and each member municipality within the District including the City of 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.

**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 overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits

**City of Kelowna**  
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(all tabular amounts reported in 000's of dollars)

provided are defined. The plan has about 150,000 active members and approximately 54,000 retired members. Active members include approximately 32,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in mid 2010. The actuary does not attribute portions of the surplus to individual employers. The City of Kelowna paid \$3.8 million for employer contributions to the plan in fiscal 2008. Employee contributions were \$3.1 million.

**Post employment benefits**

The City of Kelowna does not accrue expenses for post employment benefits such as retirement allowances or compensated absences (sick leave). City employees retiring do not receive any retirement allowance that either vests or accrues over the period of employment. Sick benefits do not accrue and are not vested. The City recognizes the expense for sick time when the event obligates the City to pay.

**Legal actions**

The City of Kelowna 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 contingent liabilities will be recorded in the accounts in the period in which the loss is realized. The City of Kelowna has insurance policies and financial reserves to offset associated risks.

**5. Commitments**

**Agreements, contracts and purchase orders**

The City has entered into various agreements and contracts for services and construction with periods ranging from one to five years.

The City has purchase orders open as at December 31, 2008 which have not been recorded in the accounts. Due to an update to the Peoplesoft system in prior years, the balance of these open purchase orders are not determinable at this time. The funding for the majority of these obligations has been set aside in reserves for future expenditures. These amounts will be recorded in the accounts in the period the goods and services, to which they relate, are received.

**Landfill closure and post closure costs**

As recommended by PSAB and regulated by the Ministry of Water, Land and Air Protection, the City has agreed to

obligations regarding the operation of the landfill site. These obligations include recognition of closure and post-closure liability. The City's estimated liability for these expenditures is recognized as the landfill site's capacity is used. The reported liability of \$3.3 million (2007 - \$2.8 million) represents the portion of the estimated total expenditure recognized as at December 31, 2008. The liability and annual expenditure is calculated based on the ratio of current usage to the total capacity of the site and the discounted estimated future cash flows associated with closure and post-closure activities.

The reported liability is based on estimates and assumptions with respect to events extending over the remaining life of the landfill. The remaining capacity of the landfill site is estimated at 6.9 million tonnes, which is 88% of the site's total capacity. The discounted future cash flows for closure and post-closure cost is estimated at \$53.0 million as at December 31, 2008. The landfill site is expected to reach its capacity in 2048.

**Kelowna Family Y Centre loan guarantee agreement**

The City has, under the terms of the partnering agreement between the City of Kelowna and YMCA-YWCA of Central Okanagan, guaranteed repayment in the event that the YMCA-YWCA of Central Okanagan defaults on a \$1.8 million, 20 year loan. Under the agreement the City shall resume operation of the facility and assume responsibility for the repayment of the debt incurred by the YMCA-YWCA of Central Okanagan. As at December 31, 2008 the outstanding loan balance was \$361,250.

**Multi-Purpose Facility Public/Private Partnership**

The City has, under the terms of the Preferred Share Agreement between the City of Kelowna and RG Properties Ltd., purchased \$6.0 million of preferred shares in RG Arenas (Kelowna) Ltd. at a cost of \$1 per share. The terms and conditions of the purchase are subject to the terms of a Tripartite Agreement between the City of Kelowna, Royal Bank of Canada and RG Arenas (Kelowna) Ltd., RG Properties Ltd., Prospero Canadian Land Investment Fund Ltd. group of companies.

The City has, under the terms of the above noted Tripartite Agreement, committed to the annual purchase of community use time at the Multi-Purpose facility, commencing with Substantial Completion, on November 10, 1999 under the following terms:

- (i) \$1.3 million per annum for Years 1 to 3 comprised of a payment of \$1.1 million, which for Years 2 and 3 is subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum, plus an annual payment of \$150,000 without any adjustment for CPI;
- (ii) \$1.2 million per annum for Years 4 to 7, subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum;

**City of Kelowna**  
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(all tabular amounts reported in 000's of dollars)

- (iii) \$1.2 million per annum for Years 8 to 10, subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum, minus \$150,000 per annum;
- (iv) \$1.0 million per annum for Years 11 to 20, subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum; and
- (v) \$0.5 million per annum for Years 21 to 30, subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum.

The year 2008 represented year 9 of the agreement.

Should the City not exercise, in its sole discretion, its option to renew any future term for community use time in the Multi-Purpose facility, under the above terms it shall be required to make a lump sum payment to RG Arenas (Kelowna) Ltd. on or before the 15<sup>th</sup> day of one of year 6, 11, 16, 21 or 26 commencing with the year of Substantial Completion in the following amounts:

Year 6	\$13.2 million
Year 11	\$11.9 million
Year 16	\$10.4 million
Year 21	\$6.7 million
Year 26	\$4.5 million

Upon such payment, no further amounts will be payable to RG Arenas (Kelowna) Ltd. and the City will have the right to the community use time for the period from the beginning of the year in which the payment was made until November 9, 2029 without any additional payment.

The City did exercise its option to renew the purchase of community use time under the above annual payments terms and accordingly did not make the lump sum payment of \$13.2 million otherwise due to RG Arenas (Kelowna) Ltd. in year 6.

**Mission Recreation Park Sports Centre**

The City has under the terms of the design build contract with RG Construction (Mission) Ltd. agreed to pay \$16.6 million for the construction of a sports facility. As at December 31, 2008 there was an outstanding commitment of \$185,200. This will become due as the project is completed.

**Mission Recreation Park Aquatic Centre**

The City has under the terms of the pre-load and design build contract with PCL Constructors Westcoast Inc. agreed to pay \$42.6 million for the construction of an aquatic facility. As at December 31, 2008 there was an outstanding commitment of \$5.3 million. This will become due as the project is completed which is estimated to be in early 2009.

**6. Investments**

**Kelowna Developments Ltd.**

The investment in Kelowna Developments Ltd., a wholly owned subsidiary, is carried at its cost of \$2. The company is inactive with no assets or liabilities and is being retained for potential future use.

**RG Arenas (Kelowna) Ltd.**

The investment in preferred shares in RG Arenas (Kelowna) Ltd. is carried at its cost of \$6.0 million. The shares were purchased under the terms of the Preferred Share Agreement between the City of Kelowna and RG Properties Ltd. and are to be retained until 2028 per the terms of that agreement described in note 5.

**7. Letters of credit**

In addition to the performance deposits reflected in cash balances, the City is holding irrevocable Letters of Credit in the amount of \$48.3 million (2007 - \$46.0 million) which were received from depositors to ensure their performance of works to be undertaken within the City. These amounts are not reflected in the financial statements but are available to satisfy any liabilities arising from non-performance by the depositors. Included in the \$48.3 million, the City is holding irrevocable Letters of Credit in the amount of \$9.2 million (2007 - \$5.7 million) which are received from developers to ensure payment of development cost charges in future years.

**8. Capital lease payable**

The City has entered into an agreement with Terasen Gas Inc. that has resulted in the creation of the Natural Gas Legacy Fund.

**Capital lease**

Under the terms of the agreement the City entered into a 35 year capital lease with Terasen Gas Inc. on November 1, 2001 for the natural gas distribution system within the City's municipal boundary. The City has prepaid \$47.5 million of the capital lease obligation and has financed the prepayment through debenture debt. The remaining obligation of \$2.5 million, which is included in long term debt, will be paid with annual lease payments of \$260,870 including interest based on Terasen approved pre-tax weighted average cost of capital of 10.072%.

**Operating lease**

The City also entered into a 17 year operating lease with Terasen Gas Inc. on November 1, 2001 whereby the City leases back to Terasen Gas Inc. the operations of the gas distribution system. Under the operating lease Terasen Gas Inc. is required to make annual lease payments to the City calculated by a formula specified in the agreement which is based on the total annual revenue generated by the transaction. At the end of the 17 year term Terasen Gas Inc.

**City of Kelowna**  
**Notes to the Consolidated Financial Statements**  
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(all tabular amounts reported in 000's of dollars)

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has the option of making a termination payment to the City equal to the unamortized portion of the City's \$47.5 million prepayment under the capital lease, which is estimated to be \$24.4 million, or negotiate a new 18 year operating lease with a continuation of the annual lease payments which existed under the previous 17 year operating lease.

Annual Lease revenues for the past five years are:

2004	\$5.8 million
2005	\$4.9 million
2006	\$5.4 million
2007	\$5.2 million
2008	\$5.1 million

**9. City of Kelowna Library Society**

In March 1997, the City transferred the Library building and land located on Ellis Street in the City of Kelowna and the related mortgage loan to the City of Kelowna Library Society, a non-profit society. The City has guaranteed the repayment of the mortgage. As at December 31, 2008 the mortgage balance was \$3.2 million. The City has taken back an option to purchase these assets at a nominal value. The Society's financial information is included in with the City of Kelowna consolidated financial statements.

**10. Trust funds**

In accordance with PSAB recommendations for local governments, trust funds are not included in the City's consolidated Financial statements. The City administers a Cemetery Maintenance Fund for the perpetual care and maintenance of the City owned and operated cemetery. As at December 31, 2008 the Trust Fund balance is \$1.7 million (2007 - \$1.5 million).

**11. Capital management**

The City's objectives when managing capital are:

1. To safeguard the City's ability to operate as a going concern; and
2. To maintain a flexible capital structure.

The City's credit facilities are reviewed annually to ensure sufficient funds are available to meet operational needs.

**12. Prior year's figures**

Certain of the prior year's figures have been restated to conform to the presentation format adopted in the current year.



## Auditors' report on supplementary financial information

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To the Members of Council of the City of Kelowna

We have audited and reported separately herein on the consolidated financial statements of the City of Kelowna as at and for the year ended December 31, 2008.

Our audit was conducted for the purpose of expressing an opinion on the consolidated financial statements of the City taken as a whole. The supplementary information on the financial position, financial activities of operations of the individual funds and the schedule of receipts and disbursements of Federal Gas Tax for the year ended December 31, 2008 included in the following supporting schedules are presented for the purposes of additional analysis. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Kelowna, BC

May 4, 2009

*Grant Thornton LLP*  
Chartered accountants

**Partners**  
Kevin Crookes, CA, CBV  
Paul F. Gallo, CA  
Mike Gilmore, CA, CFP  
James R. Grant, CA  
Bill McTavish, CGA, CA  
Anne Postlewaite, CA  
Dan Vass, CA  
J. Kim Ward, CA, CFP  
Bill Winters, CA, CFP

## CITY OF KELOWNA

### Statement of Financial Position - by Fund

As at December 31, 2008

(in thousands of dollars)

	General Fund <u>2008</u>	Airport Fund <u>2008</u>	Electrical Fund <u>2008</u>	Waste- water Fund <u>2008</u>
<b>Financial Assets</b>				
Cash and temporary investments	\$ 82,647	\$ 16,953	\$ 6,010	\$ 23,323
Accounts receivable	13,133	2,422	2,729	2,026
Accrued interest	513	-	-	-
Land held for resale	1,034	-	-	-
Long term investments	6,000	-	-	-
Municipal Finance Authority debt reserve deposit	2,565	1,043	-	2,140
Other	2,026	115	-	18
	<u>107,918</u>	<u>20,533</u>	<u>8,739</u>	<u>27,507</u>
<b>Liabilities</b>				
Accounts payable	28,025	1,411	2,686	1,142
Performance deposits	4,805	214	-	-
Deferred revenue	26,929	13	-	4,179
Deferred development cost charges	-	-	-	-
Municipal Finance Authority debt reserve				
Cash deposits	612	165	-	609
Demand notes	1,950	878	-	1,534
Long term debt	47,769	16,000	-	22,535
	<u>110,090</u>	<u>18,681</u>	<u>2,686</u>	<u>29,999</u>
<b>Net Financial Assets (Liabilities)</b>	<u>(2,172)</u>	<u>1,852</u>	<u>6,053</u>	<u>(2,492)</u>
<b>Non Financial Assets</b>				
Inventory	873	-	263	105
Work in progress	94,422	19,934	694	26,407
Capital	645,243	50,128	44,849	183,196
	<u>740,538</u>	<u>70,062</u>	<u>45,806</u>	<u>209,708</u>
<b>Net Financial Position</b>	<u>\$ 738,366</u>	<u>\$ 71,914</u>	<u>\$ 51,859</u>	<u>\$ 207,216</u>
<b>Fund Position</b>				
Operating surplus (deficit)	10,894	161	1,084	3,593
Reserves for future expenditures	35,702	17,691	5,231	13,934
Statutory Reserve Funds	-	-	-	-
Fund Balance	46,596	17,852	6,315	17,527
Equity in capital assets	691,770	54,062	45,544	189,689
	<u>\$ 738,366</u>	<u>\$ 71,914</u>	<u>\$ 51,859</u>	<u>\$ 207,216</u>

<u>Water Fund 2008</u>	<u>Statutory Reserves 2008</u>	<u>Nat. Gas Legacy Fund 2008</u>	<u>Festivals Kelowna 2008</u>	<u>Library Society 2008</u>	<u>Consolidated 2008</u>	<u>Consolidated 2007</u>
\$ 4,924	\$ 72,010	\$ 3,170	\$ 45	\$ 177	\$ 209,259	\$ 194,423
613	9,152	839	6	42	30,962	26,951
-	-	-	-	-	513	1,208
-	-	-	-	-	1,034	817
-	-	-	-	-	6,000	6,000
559	-	2,144	-	-	8,451	6,289
16	-	-	5	-	2,180	2,106
<u>6,112</u>	<u>81,162</u>	<u>6,153</u>	<u>56</u>	<u>219</u>	<u>258,399</u>	<u>237,794</u>
610	-	427	10	53	34,364	42,242
-	-	-	-	-	5,019	5,500
52	-	-	10	-	31,183	25,024
-	50,489	-	-	-	50,489	43,809
143	-	665	-	-	2,194	1,795
416	-	1,479	-	-	6,257	4,494
8,725	-	37,313	-	3,195	135,537	103,580
<u>9,946</u>	<u>50,489</u>	<u>39,884</u>	<u>20</u>	<u>3,248</u>	<u>265,043</u>	<u>226,444</u>
<u>(3,834)</u>	<u>30,673</u>	<u>(33,731)</u>	<u>36</u>	<u>(3,029)</u>	<u>(6,644)</u>	<u>11,350</u>
71	-	-	-	-	1,312	1,454
7,253	-	-	-	-	148,710	133,960
64,869	-	55,609	-	8,007	1,051,901	957,960
72,193	-	55,609	-	8,007	1,201,923	1,093,374
<u>\$ 68,359</u>	<u>\$ 30,673</u>	<u>\$ 21,878</u>	<u>\$ 36</u>	<u>\$ 4,978</u>	<u>\$ 1,195,279</u>	<u>\$ 1,104,724</u>
1,992	-	3,582	36	166	21,509	11,207
3,015	-	-	-	-	75,572	69,800
-	30,673	-	-	-	30,673	31,786
5,007	30,673	3,582	36	166	127,754	112,793
63,352	-	18,296	-	4,812	1,067,525	991,931
<u>\$ 68,359</u>	<u>\$ 30,673</u>	<u>\$ 21,878</u>	<u>\$ 36</u>	<u>\$ 4,978</u>	<u>\$ 1,195,279</u>	<u>\$ 1,104,724</u>

## CITY OF KELOWNA

### Statement of Financial Activities - by Fund For the Year Ended December 31, 2008 (in thousands of dollars)

	<b>General Fund 2008</b>	<b>Airport Fund 2008</b>	<b>Electrical Fund 2008</b>	<b>Waste- water Fund 2008</b>
<b>Revenue</b>				
Taxation	\$ 91,236	\$ -	\$ -	\$ 1,864
Fees and Charges	43,301	16,309	24,034	18,259
Interest earned	4,833	450	283	306
Stat Reserve Cont to Capital	10,362	-	-	2,400
DCC Contributions	12,574	-	-	6,828
Contributions from other governments	16,512	2,926	-	530
Other Capital Contributions	42	-	-	-
	<u>178,860</u>	<u>19,685</u>	<u>24,317</u>	<u>30,186</u>
<b>Expenditures</b>				
General government services	16,563	-	-	-
Protective services	38,177	-	-	-
Transportation services	52,061	-	-	-
Recreational and cultural services	72,880	-	-	-
Other services	17,767	-	-	-
Airport operations	-	23,370	-	-
Electrical utility	-	-	21,116	-
Wastewater utility	-	-	-	18,020
Water utility	-	-	-	-
Debt Charges	2,481	-	-	1,738
	<u>199,929</u>	<u>23,370</u>	<u>21,116</u>	<u>19,757</u>
<b>Net Revenue (Expenditure)</b>	(21,069)	(3,685)	3,202	10,429
Debt issuance	13,794	16,000	-	2,723
Debt repayment	(1,465)	-	-	(1,443)
Transfer (to) from other funds	(3,892)	(25)	(2,208)	112
<b>(Decrease) increase in fund balances</b>	\$ (12,632)	\$ 12,290	\$ 993	\$ 11,821
Fund balance, beginning of year	59,228	5,562	5,322	5,706
<b>Fund balance, end of year</b>	\$ <u>46,596</u>	\$ <u>17,852</u>	\$ <u>6,315</u>	\$ <u>17,527</u>

<u>Water Fund 2008</u>	<u>Natural Gas Legacy Fund 2008</u>	<u>Statutory Reserve Funds 2008</u>	<u>Festivals Kelowna 2008</u>	<u>Library Society 2008</u>	<u>Consolidated 2008</u>	<u>Consolidated 2007</u>
\$ 1,269	\$ -	\$ -	\$ 466	\$ -	\$ 94,835	\$ 86,504
6,155	5,277	278	265	751	114,628	104,532
127	-	1,153	-	-	7,152	6,099
-	-	(12,762)	-	-	-	-
15	-	-	-	-	19,417	22,259
-	-	3,782	-	-	23,751	23,488
-	-	-	-	-	42	2,921
<u>7,567</u>	<u>5,277</u>	<u>(7,549)</u>	<u>731</u>	<u>751</u>	<u>259,825</u>	<u>245,803</u>
-	-	-	-	-	16,563	14,330
-	-	-	-	-	38,177	35,173
-	-	-	-	-	52,061	75,561
-	-	-	746	-	73,626	47,500
-	-	-	-	211	17,978	17,269
-	-	-	-	-	23,370	14,988
-	-	-	-	-	21,116	25,181
-	-	-	-	-	18,020	19,937
11,644	-	-	-	-	11,644	6,509
149	2,902	-	-	291	7,559	6,133
<u>11,792</u>	<u>2,902</u>	<u>-</u>	<u>746</u>	<u>501</u>	<u>280,114</u>	<u>262,581</u>
(4,225)	2,376	(7,549)	(15)	249	(20,289)	(16,778)
7,875	-	-	-	-	40,392	29,867
(157)	(1,715)	-	-	(249)	(5,029)	(3,922)
<u>(536)</u>	<u>-</u>	<u>6,437</u>	<u>-</u>	<u>-</u>	<u>(113)</u>	<u>507</u>
\$ 2,957	\$ 660	\$ (1,113)	\$ (15)	\$ -	\$ 14,961	\$ 9,674
2,050	2,922	31,786	51	166	112,793	103,119
<u>\$ 5,007</u>	<u>\$ 3,582</u>	<u>\$ 30,673</u>	<u>\$ 36</u>	<u>\$ 166</u>	<u>\$ 127,754</u>	<u>\$ 112,793</u>

## CITY OF KELOWNA

### Statement of Reserves and Surplus - by Fund For the Year Ended December 31, 2008

(in thousands of dollars)

	General Fund <u>2008</u>	Airport Fund <u>2008</u>	Electrical Fund <u>2008</u>	Waste- water Fund <u>2008</u>
Reserves for future expenditures	\$ 35,702	\$ 17,691	\$ 5,231	\$ 13,934
<b>Surplus</b>				
Balance, beginning of year	22,780	(8,154)	3,184	(9,539)
Add:				
Transfer from reserve for future expenditure	15,032	6,563	472	3,164
Increase (decrease) in fund balance	(12,632)	12,289	993	11,821
Deduct:				
Transfer to reserve for future expenditure	14,286	10,537	3,565	1,853
Balance, end of year	<u>10,894</u>	<u>161</u>	<u>1,084</u>	<u>3,593</u>
<b>Fund balance, end of year</b>	<u>\$ 46,596</u>	<u>\$ 17,852</u>	<u>\$ 6,315</u>	<u>\$ 17,527</u>

### Statement of Equity in Capital Assets - by Fund For the Year Ended December 31, 2008

Balance, beginning of year	\$ 631,102	\$ 55,092	\$ 42,145	\$ 179,439
<b>Contributions to Capital Assets</b>				
Operating fund	36,687	(3,495)	3,322	(7,437)
Trust and other funds	369	-	-	-
Statutory reserve funds	10,362	-	-	2,400
Public	44	-	-	-
Federal government	458	2,465	-	-
Provincial government	1,343	-	-	74
Development cost charge contribution	12,574	-	-	6,828
Developers	1,378	-	77	6,162
Proceeds from the sale of capital assets	42	-	-	-
	<u>63,257</u>	<u>(1,030)</u>	<u>3,399</u>	<u>8,027</u>
<b>Debt Retirement</b>				
Retirement of debt	1,465	-	-	1,443
Actuarial increase in sinking funds	336	-	-	780
	<u>1,801</u>	<u>-</u>	<u>-</u>	<u>2,223</u>
Asset disposal at original cost	(4,389)	-	-	-
<b>Balance, end of year</b>	<u>\$ 691,770</u>	<u>\$ 54,062</u>	<u>\$ 45,544</u>	<u>\$ 189,689</u>
<b>Capital asset additions</b>				
Contributions to capital assets	\$ 63,257	\$ (1,030)	\$ 3,399	\$ 8,027
Debt Issuance	13,794	16,000	-	2,723
Total capital assets acquired	<u>77,051</u>	<u>14,970</u>	<u>3,399</u>	<u>10,750</u>
Assets disposal at original cost	(4,389)	-	-	-
<b>Increase in capital assets</b>	<u>\$ 72,662</u>	<u>\$ 14,970</u>	<u>\$ 3,399</u>	<u>\$ 10,750</u>

Water Fund 2008	Natural Gas Legacy 2008	Festivals Kelowna 2008	Library Society 2008	Consolidated 2008	Consolidated 2007
\$ 3,015	\$ -	\$ -	\$ -	\$ 75,572	\$ 69,800
(203)	2,922	51	166	11,207	9,081
179	-	-	-	25,411	29,085
2,957	660	(15)	-	16,073	8,781
941	-	-	-	31,182	35,740
<u>1,992</u>	<u>3,582</u>	<u>36</u>	<u>166</u>	<u>21,509</u>	<u>11,207</u>
<u>\$ 5,007</u>	<u>\$ 3,582</u>	<u>\$ 36</u>	<u>\$ 166</u>	<u>\$ 97,081</u>	<u>\$ 81,007</u>

\$ 63,765	\$ 15,826	\$ -	\$ 4,563	\$ 991,931	\$ 906,982
(1,085)	-	-	-	27,992	35,537
-	-	-	-	369	3,758
-	-	-	-	12,762	8,554
-	-	-	-	44	177
-	-	-	-	2,923	923
-	-	-	-	1,418	8,039
15	-	-	-	19,417	22,053
324	-	-	-	7,941	2,903
-	-	-	-	42	122
<u>(746)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,908</u>	<u>82,066</u>
157	1,715	-	249	5,029	3,922
175	755	-	-	2,046	1,646
<u>332</u>	<u>2,470</u>	<u>-</u>	<u>249</u>	<u>7,075</u>	<u>5,568</u>
-	-	-	-	(4,389)	(2,685)
<u>\$ 63,352</u>	<u>\$ 18,296</u>	<u>\$ -</u>	<u>\$ 4,812</u>	<u>\$ 1,067,525</u>	<u>\$ 991,931</u>

\$ (746)	\$ -	\$ -	\$ -	\$ 72,908	\$ 82,066
7,875	-	-	-	40,392	29,867
<u>7,129</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,300</u>	<u>111,933</u>
-	-	-	-	(4,389)	(2,685)
<u>\$ 7,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,911</u>	<u>\$ 109,248</u>

## CITY OF KELOWNA

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### Debenture Debt - General Fund as at December 31, 2008

(in thousands of dollars)

Year of Maturity	Purpose	Debenture Balance Dec. 31/08	Sinking Fund Balance Dec. 31/08	Amount of Issue	Current Interest Rate
	<b>Public Works</b>				%
2019	South Pandosy Spec Area 1	\$ 156	\$ 78	\$ 234	5.99
2019	South Pandosy Spec Area 2	273	137	410	5.99
2021	Downtown Parkade	1,466	734	2,200	7.42
2022	Chapman Parkade	3,268	803	4,071	5.37
2028	DCC Roads	10,400	-	10,400	4.35
	<b>Local Improvements</b>				
2010	Local Improvements	-	866	866	6.50
2011	Local Improvements	155	555	710	10.25
2011	Local Improvements	16	59	75	7.42
2014	Local Improvements	231	336	567	9.52
2016	Local Improvements	204	189	393	4.00
2016	Local Improvements	140	129	269	7.42
2017	Local Improvements	31	23	54	5.85
2019	Local Improvements	46	23	69	5.49
	<b>Recreation and Cultural</b>				
2011	Brandt's Creek	262	738	1,000	4.00
2021	Kokanee Gym Facility	377	123	500	5.69
2027	H2O Centre	26,577	923	27,500	4.82
2027	Kokanee Gymnasium	773	27	800	4.82
2028	H2O Centre	2,000	-	2,000	4.35
		<u>\$ 46,375</u>	<u>\$ 5,743</u>	<u>\$ 52,118</u>	
	<b>Short Term Debt</b>				
2013	Cedar Avenue Land	\$ 700	\$ -	\$ 700	Prime
2013	Agresso Software System	694	-	694	Prime
		<u>1394</u>	<u>-</u>	<u>1394</u>	
		<u>\$ 47,769</u>	<u>\$ 5,743</u>	<u>\$ 53,512</u>	

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### Debenture Debt - Airport Fund as at December 31, 2008

(in thousands of dollars)

2018	Airport expansion	\$ <u>16,000</u>	\$ <u>-</u>	\$ <u>16,000</u>	4.65
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## CITY OF KELOWNA

### Debenture Debt - Wastewater Fund as at December 31, 2008 (in thousands of dollars)

Year of Maturity	Purpose	Debenture Balance Dec. 31/08	Sinking Fund Balance Dec. 31/08	Amount of Issue	Current Interest Rate
	<b>Specified Area Programs</b>				%
2013	Spec. Area 14 - N. Glenmore	\$ 48	\$ 91	\$ 139	5.50
2013	Spec. Area 15 - Belgo Molnar	13	24	37	6.25
2013	Spec. Area 6 - Black Mtn/Toovey	396	744	1,140	6.25
2015	Spec. Area 17 - Mission Flats	627	723	1,350	4.75
2018	Spec. Area 18 - Caramillo	84	51	135	5.55
2018	Spec. Area 19 - Poplar Point	48	29	77	5.55
2022	Spec. Area 22A- Gerstmar	31	8	39	6.06
2024	Spec. Area 21A- McKenzie Bench	1,174	176	1,350	4.98
2024	Spec. Area 22B- Vista Rd	69	10	79	4.98
2024	Spec. Area 22C- Hein Rd	231	35	266	4.98
2024	Spec. Area 22D- Elwyn Rd	129	20	149	4.98
2024	Spec. Area 22E- Dease Rd	83	13	96	4.98
2024	Spec. Area 22F- Mills Rd	298	44	342	4.98
2024	Spec. Area 29 - Campion Cambro	760	114	874	4.98
2024	Spec. Area 30- Acland	317	47	364	4.98
2025	Spec. Area 20-North Rutland	6,107	715	6,822	4.17
2025	Spec. Area 28A - Okaview	572	66	638	4.17
2028	Spec Area 26 - Fisher Rd	2,021	-	2,021	4.35
2028	Spec Area 34 - Country Rhodes	435	-	435	4.35
2028	Spec Area 36 - Clifton	267	-	267	4.35
	<b>Sewer Improvement Programs</b>				
2009	Mission Sewer Trunk Main	30	298	328	5.00
2009	Sewer Trunk Main	72	716	788	5.00
2010	Sewer System Improvements	28	130	158	4.00
2014	Glenwood Sewer Main Replacement	44	46	90	5.49
2014	Long St. Sewer Main Replacement	31	33	64	5.49
2019	Byrns Baron Main	3,094	772	3,866	4.98
	<b>Sewage Treatment Plant</b>				
2009	KPCC Upgrade #1	229	2,271	2,500	5.00
2011	KPCC Administration Building	262	738	1,000	4.00
2011	KPCC Administration Building	184	516	700	7.42
2011	KPCC Sewer Treatment Plant	525	1,475	2,000	7.42
2011	Sewer Treatment Plant Stage II	79	221	300	7.42
2011	Sewer Treatment Plant Upgrade	335	940	1,275	4.00
2014	Sewer Treatment Plant Phase III	3,912	4,088	8,000	5.99
		<u>\$ 22,535</u>	<u>\$ 15,154</u>	<u>\$ 37,689</u>	

## CITY OF KELOWNA

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### Debenture Debt - Water Fund as at December 31, 2008 (in thousands of dollars)

Year of Maturity	Purpose	Debenture Balance Dec. 31/08	Sinking Fund Balance Dec. 31/08	Amount of Issue	Current Interest Rate
	<b>Specified Area Programs</b>				%
2023	Spec Area 16 - Byrns	\$ 33	\$ 7	\$ 39	4.78
2024	Spec Area 18 - Lakeshore	20	3	24	4.98
2028	Spec Area 26 - Fisher Rd	298	-	298	4.35
	<b>Water Improvement Programs</b>				
2008	Poplar Point Reservoir Covers	-	386	386	5.50
2008	Water System Improvements	-	118	118	5.50
2009	Cadder Ave Improvements	6	64	70	5.00
2009	McDougal Ave Improvements	2	23	25	5.00
2009	Wilson Ave Improvements	5	54	60	5.00
2010	Water System Improvements	57	261	318	4.00
2011	Caramillo Pressure Valve	13	37	50	7.42
2011	Dilworth Reservoir Repairs	66	184	250	7.42
2011	Knox Mountain Reservoir	262	738	1,000	4.00
2011	Knox Mountain Reservoir	143	401	544	7.42
2011	Water System Improvements	81	229	310	4.00
2012	Poplar Point	162	311	473	5.85
2028	Cedar Creek Pump Station	7,577	-	7,577	4.35
		<u>\$ 8,725</u>	<u>\$ 2,816</u>	<u>\$ 11,542</u>	

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### Debenture Debt - Natural Gas Legacy Fund as at December 31, 2008 (in thousands of dollars)

2018	Leased Capital Assets	\$ 21,096	\$ 8,704	\$ 29,800	6.01
2018	Leased Capital Assets	13,804	5,696	19,500	3.15
		<u>\$ 34,900</u>	<u>\$ 14,400</u>	<u>\$ 49,300</u>	

# CITY OF KELOWNA

## Reserves and Surplus - 5 Year Comparison

(in thousands of dollars)

	Actual <u>2008</u>	Actual <u>2007</u>	Actual <u>2006</u>	Actual <u>2005</u>	Actual <u>2004</u>
<b>Surplus and Reserves for Future Expenditure</b>					
<b>General Fund</b>					
Reserves	\$ 35,702	\$ 36,449	\$ 42,859	\$ 47,368	\$ 46,178
Surplus	10,894	22,780	1,133	3,167	3,122
<b>Airport Fund</b>					
Reserves	17,691	13,716	9,663	8,165	7,083
Surplus (deficit)	161	(8,154)	(4,891)	(2,923)	(3,444)
<b>Electrical Fund</b>					
Reserves	5,231	2,137	3,026	3,078	3,131
Surplus	1,084	3,184	9,242	9,376	8,574
<b>Wastewater Fund</b>					
Reserves	13,934	15,245	5,686	3,795	3,021
Surplus (deficit)	3,593	(9,539)	1,420	7,297	10,749
<b>Water Fund</b>					
Reserves	3,015	2,253	1,911	3,457	4,696
Surplus (deficit)	1,992	(203)	(307)	1,082	1,632
<b>Natural Gas Legacy Fund</b>					
Surplus	3,582	2,922	2,318	1,270	2,248
<b>Festivals Kelowna</b>					
Surplus	36	51	-	-	-
<b>Library Fund</b>					
Surplus	166	166	166	166	166
<b>Total Surplus and Reserves for Future Expenditures</b>	<b>\$ 97,081</b>	<b>\$ 81,007</b>	<b>\$ 72,226</b>	<b>\$ 85,298</b>	<b>\$ 87,156</b>
<b>Statutory Reserves</b>					
Capital Works Machinery and Equipment	22,444	25,358	24,355	32,619	30,403
Land Sales	7,565	5,336	4,661	3,095	4,843
Parking	664	1,092	1,877	2,123	1,852
<b>Total Statutory Reserves</b>	<b>30,673</b>	<b>31,786</b>	<b>30,893</b>	<b>37,837</b>	<b>37,098</b>
<b>Deferred development cost charges</b>	<b>50,489</b>	<b>43,809</b>	<b>41,759</b>	<b>53,358</b>	<b>48,162</b>
	<b>\$ 178,243</b>	<b>\$ 156,602</b>	<b>\$ 144,878</b>	<b>\$ 176,493</b>	<b>\$ 172,416</b>

**CITY OF KELOWNA**

**Capital Expenditures and Funding Sources  
For the Year Ended December 31, 2008  
(in thousands of dollars)**

	<u>Operating Fund</u>	<u>Fed/Prov Funding</u>	<u>Statutory Reserves</u>	<u>Developer / Public</u>	<u>Borrowing/ Other</u>	<u>Actual 2008</u>	<u>Actual 2007</u>
<b>General Fund</b>							
<b>Land</b>							
General government services	\$ -	\$ -	1,388	\$ -	\$ -	1,388	\$ -
Transportation services	1,530	-	14	1,115	-	2,659	7,758
Public health and welfare	-	-	-	-	-	-	319
Recreation and cultural services	1,766	-	962	8,488	-	11,216	4,098
Other	-	-	-	-	-	-	34
	<u>3,296</u>	<u>-</u>	<u>2,364</u>	<u>9,603</u>	<u>-</u>	<u>15,263</u>	<u>12,209</u>
<b>Buildings</b>							
General government services	204	-	-	-	-	204	418
Protective services	150	-	-	-	-	150	943
Transportation services	23	-	-	37	-	60	159
Recreation and cultural services	2,767	-	829	484	26,818	30,898	13,305
	<u>3,144</u>	<u>-</u>	<u>829</u>	<u>521</u>	<u>26,818</u>	<u>31,312</u>	<u>14,825</u>
<b>Engineering Structures</b>							
Transportation services	9,176	1,021	2,257	3,375	1,956	17,785	39,437
Environmental health services	-	-	2,843	153	-	2,996	2,917
Recreation and cultural services	3,426	724	21	683	-	4,854	5,190
	<u>12,602</u>	<u>1,745</u>	<u>5,121</u>	<u>4,211</u>	<u>1,956</u>	<u>25,635</u>	<u>47,544</u>
<b>Machinery and Equipment</b>							
General government services	1,602	-	-	-	-	1,602	1,890
Protective services	209	-	76	8	-	293	320
Transportation services	368	57	1,973	30	-	2,428	3,353
Environmental health services	(5)	-	-	34	-	29	90
Recreation and cultural services	490	-	-	-	-	490	485
	<u>2,664</u>	<u>57</u>	<u>2,049</u>	<u>72</u>	<u>-</u>	<u>4,842</u>	<u>6,138</u>
<b>Total General Fund</b>	<b>\$ 21,706</b>	<b>\$ 1,802</b>	<b>\$ 10,363</b>	<b>\$ 14,407</b>	<b>\$ 28,774</b>	<b>\$ 77,052</b>	<b>\$ 80,716</b>

**CITY OF KELOWNA**

**Capital Expenditures and Funding Sources (continued)**  
**For the Year Ended December 31, 2008**  
(in thousands of dollars)

	<u>Operating Fund</u>	<u>Fed/Prov Funding</u>	<u>Statutory Reserves</u>	<u>Developer / Public</u>	<u>Borrowing/ Other</u>	<u>Actual 2008</u>	<u>Actual 2007</u>
Total General Fund	\$ 21,706	\$ 1,802	\$ 10,363	\$ 14,407	\$ 28,774	\$ 77,052	\$ 80,716
<b>Airport Fund</b>							
Buildings	(7,619)	-	-	-	16,000	8,381	7,609
Engineering Structures	3,777	2,465	-	-	-	6,242	505
Machinery and Equipment	347	-	-	-	-	347	50
	<u>(3,495)</u>	<u>2,465</u>	<u>-</u>	<u>-</u>	<u>16,000</u>	<u>14,970</u>	<u>8,164</u>
<b>Electric Utility Fund</b>							
Engineering Structures	3,172	-	-	77	-	3,249	7,662
Machinery and Equipment	150	-	-	-	-	150	390
	<u>3,322</u>	<u>-</u>	<u>-</u>	<u>77</u>	<u>-</u>	<u>3,399</u>	<u>8,052</u>
<b>Wastewater Utility Fund</b>							
Engineering Structures	4,835	74	2,400	12,990	(9,728)	10,571	12,553
Machinery and Equipment	179	-	-	-	-	179	17
	<u>5,014</u>	<u>74</u>	<u>2,400</u>	<u>12,990</u>	<u>(9,728)</u>	<u>10,750</u>	<u>12,570</u>
<b>Water Utility Fund</b>							
Engineering Structures	2,023	-	-	213	4,701	6,937	2,400
Machinery and Equipment	66	-	-	126	-	192	31
	<u>2,089</u>	<u>-</u>	<u>-</u>	<u>339</u>	<u>4,701</u>	<u>7,129</u>	<u>2,431</u>
	<u>\$ 28,636</u>	<u>\$ 4,341</u>	<u>\$ 12,763</u>	<u>\$ 27,813</u>	<u>\$ 39,747</u>	<u>\$ 113,300</u>	<u>\$ 111,933</u>

## CITY OF KELOWNA

**Consolidated Expenditures  
By Function and Object  
For the Year Ended December 31, 2008**  
(in thousands of dollars)

	<u>General Gov't</u>	<u>Protective Services</u>	<u>Trans. Services</u>	<u>Recreation/ Cultural Services</u>	<u>Other Services</u>	<u>Airport Services</u>
Salaries and Benefits	\$ 9,192	\$ 18,491	\$ 7,013	\$ 8,255	\$ 4,102	\$ 2,651
Contract and Professional Services	2,585	1,676	15,763	7,142	6,642	2,737
RCMP Contract	-	15,818	-	-	-	302
Materials and Supplies	4,370	1,124	3,982	3,205	1,850	2,173
Equipment	172	267	1,825	1,012	1,105	16
Allocations	(3,151)	-	(216)	(117)	(744)	608
Cost Recoveries	(239)	(12)	(208)	(139)	(1)	(551)
Grants and External Transfers	246	48		5,024	1,704	
Utilities	194	323	969	1,042	84	464
Capital Assets	3,194	442	22,933	47,457	3,024	14,970
	<u>16,563</u>	<u>38,177</u>	<u>52,061</u>	<u>72,881</u>	<u>17,766</u>	<u>23,370</u>
Debt Interest and Fiscal Services	2,481	-	-	-	-	-
	<u>\$ 19,044</u>	<u>\$ 38,177</u>	<u>\$ 52,061</u>	<u>\$ 72,881</u>	<u>\$ 17,766</u>	<u>\$ 23,370</u>

	<u>Electrical Services</u>	<u>Waste-water Services</u>	<u>Water Services</u>	<u>Festivals Kelowna</u>	<u>Nat. Gas Legacy Services</u>	<u>Library Services</u>	<u>Total</u>				
							<u>Actual 2008</u>	<u>Actual 2007</u>	<u>Actual 2006</u>	<u>Actual 2005</u>	<u>Actual 2004</u>
\$	104	\$ 2,650	\$ 1,968	\$ 275	\$ -	\$ 20	\$ 54,721	\$ 49,404	\$ 45,209	\$ 41,593	\$ 40,085
	765	421	405	29	-	35	38,200	33,263	28,039	26,727	26,597
	-	-	-	-	-	-	16,120	14,559	14,014	12,659	11,385
	15,775	657	727	441	-	40	34,344	31,410	29,379	27,084	27,386
	-	394	276	-	-	-	5,067	5,284	4,511	3,515	3,501
	1,066	2,115	533	-	-	3	97	51	22	79	(474)
	-	-	(32)	-	-	-	(1,182)	(1,065)	(722)	(865)	(801)
	-	-	-	-	-	-	7,022	6,937	6,577	5,813	6,085
	7	1,033	637	-	-	113	4,867	4,673	4,300	3,821	3,638
	3,399	10,750	7,130	-	-	-	113,299	111,932	112,224	76,392	64,139
	<u>21,116</u>	<u>18,020</u>	<u>11,644</u>	<u>745</u>	<u>-</u>	<u>212</u>	<u>272,555</u>	<u>256,448</u>	<u>243,553</u>	<u>196,818</u>	<u>181,541</u>
	-	1,737	149	-	2,902	290	7,559	6,133	6,230	6,018	6,197
\$	<u>21,116</u>	<u>19,757</u>	<u>11,793</u>	<u>745</u>	<u>2,902</u>	<u>502</u>	<u>280,114</u>	<u>262,581</u>	<u>249,783</u>	<u>202,836</u>	<u>187,738</u>

# CITY OF KELOWNA

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## Schedule of Receipts and Disbursements of Federal Gas Tax For the Year Ended December 31, 2008 (in thousands of dollars)

	<u>Actual 2008</u>	<u>Actual 2007</u>
<b>Federal Gas Tax Agreement Funds</b>		
Balance, beginning of the year	\$ 1,637	\$ 1,275
Add:		
Amount received during the year	1,437	1,116
Interest earned	28	48
Deduct:		
Program expenditures	<u>2,276</u>	<u>802</u>
Balance, end of the year	<u>\$ 826</u>	<u>\$ 1,637</u>

### Federal Gas Tax

Gas Tax funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Municipality and the Union of British Columbia Municipalities. Gas tax funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements.