

Memo



Date: Jun 1, 2010
File: 0250-20 and 0615-20
To: City Manager
From: Mayor Shepherd, Chair, Audit Committee
Subject: Financial Statements for the Year Ending December 31, 2009
Report Prepared by: Financial Accounting Manager

Recommendation:

THAT Council receive, for information, the Consolidated Financial Statements and Auditor's Report, for the City of Kelowna, for the year ending December 31, 2009.

AND THAT Council approves the appropriation of \$900,000 of surplus generated from all general fund operations in 2009 to general reserves as detailed in the report from the Mayor, dated June 1, 2009.

AND FURTHER THAT Council directs staff to reprint the Consolidated Financial Statements and Auditor's Report so that they form part of the City of Kelowna's annual report.

Purpose:

To meet the requirements of the Community Charter section 167 which states that the "Annual Financial Statements" be presented to council for its acceptance

Background:

A detailed review of draft City of Kelowna Financial Statements for the year ending December 31, 2009 was undertaken on June 1, 2010 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 2009 surplus generated from all general fund operations, in the amount of \$900,000, 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 2009 of \$13,421 and an accumulated surplus balance of \$1.6 Million, equivalent to approximately 1.8% of taxation.

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The general reserves appropriations recommended are:

City Rental Facilities	\$ 150,000
Civic Facilities	200,000
Parks Purchase & Dev't	200,000
Off-Road Bikeway	250,000
Financial Major Systems	<u>100,000</u>
	\$900,000

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 \$900,000 will be transferred from surplus to general reserves.

Considerations not applicable to this report:

Internal Circulation:

Legal/Statutory Procedural Requirements:

Existing Policy:

Personnel Implications:

External Agency/Public Comments:

Community & Media Relations Comments:

Alternate Recommendation:

Submitted by:



Sharon Shepherd, Mayor

cc: Councillor R. Hobson - Audit Committee

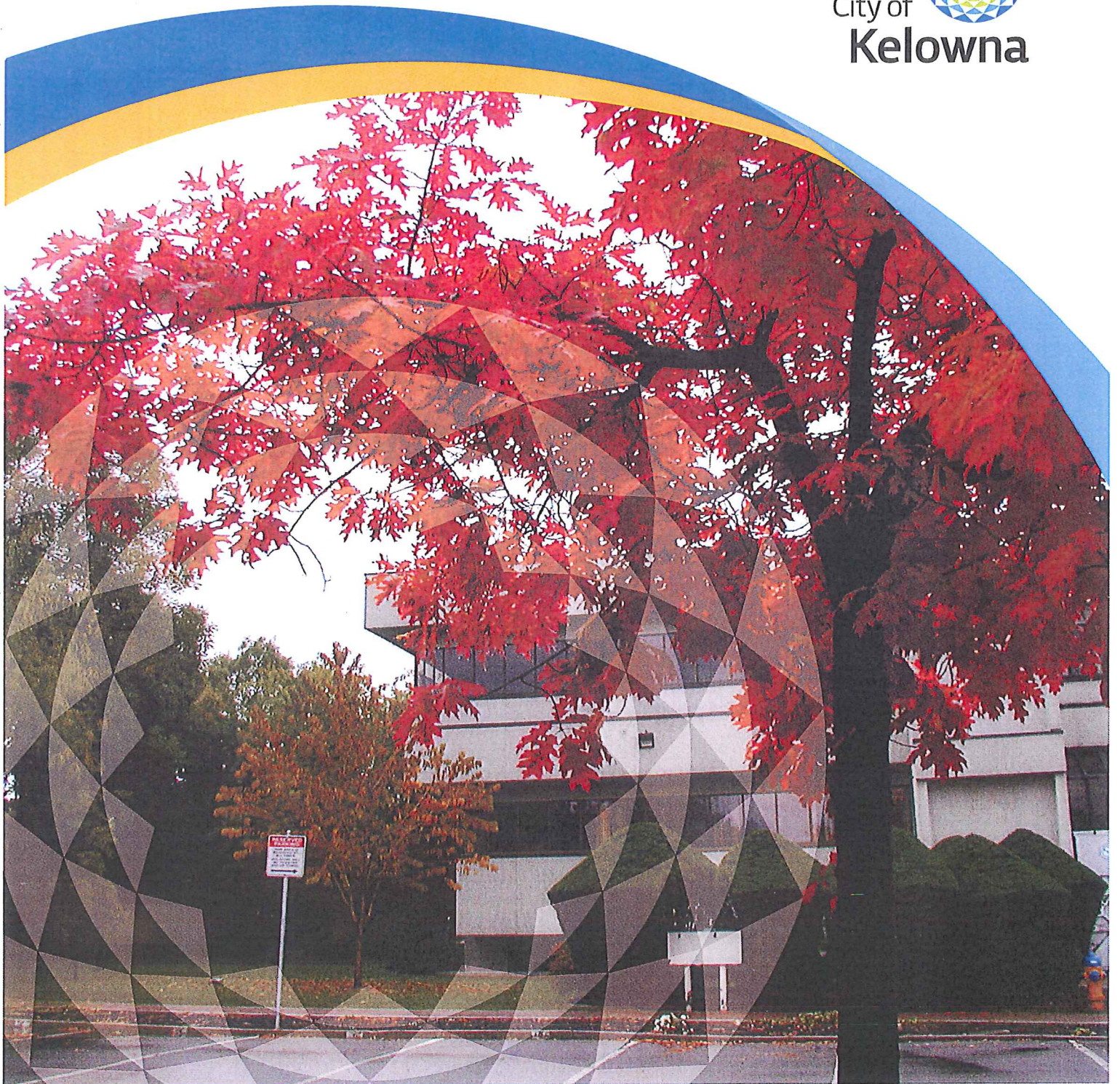
Councillor A. Reid - Audit Committee

Director of Financial Services

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

2009 Financial Statements

December 31, 2009



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, 2009 and the consolidated statements of operations and accumulated surplus, changes in net financial liabilities and cash flows 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, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kelowna, BC



May 21, 2010

Chartered accountants

Partners

Kevin Crookes, CA, CBV, CFE
Paul F.S. Gallo, CA
Bryn Gilbert, CA, CBV
James R. Grant, MBA, CA
Bill McTavish, CGA, CA
Anne C. Postlewaite, CA
Martin Rutherford, CA
Dan Vass, CA
J. Kim Ward, CA, CFP

CITY OF KELOWNA

Consolidated Statement of Financial Position As at December 31, 2009 (in thousands of dollars)

	<u>2009</u>	<u>2008</u> (Restated - Note 13)
Financial Assets		
Cash and temporary investments (Note 3)	\$ 222,430	\$ 209,259
Accounts receivable (Note 3)	32,953	30,962
Accrued interest	466	513
Long term investments (Note 8)	6,000	6,000
Municipal Finance Authority debt reserve deposit	10,439	8,451
Property held for resale	810	1,034
Other	-	25
	<u>273,098</u>	<u>256,244</u>
Financial Liabilities		
Accounts payable	46,753	34,364
Performance deposits	4,860	5,019
Deferred revenue	32,199	31,183
Deferred development cost charges (Note 3)	46,392	50,489
Municipal Finance Authority debt reserve	10,439	8,451
Long term debt	163,519	135,537
	<u>304,162</u>	<u>265,043</u>
Net Financial Liabilities	<u>(31,064)</u>	<u>(8,799)</u>
Non-Financial Assets		
Prepaid	1,328	2,148
Inventory	1,493	1,312
Work in progress (Note 4)	112,129	137,445
Tangible capital (Note 4)	1,497,794	1,425,228
	<u>1,612,744</u>	<u>1,566,133</u>
Accumulated Surplus (Note 5)	<u>\$ 1,581,680</u>	<u>\$ 1,557,334</u>

Contingent liabilities and Commitments (Notes 6 and 7)

See accompanying notes to the consolidated financial statements.



Keith Grayston, CGA
Director, Financial Services



Sharon Shepherd
Mayor, City of Kelowna

CITY OF KELOWNA

Consolidated Statement of Operations and Accumulated Surplus

For the Year Ended December 31, 2009

(in thousands of dollars)

	Budget <u>2009</u>	Actual <u>2009</u>	Actual <u>2008</u> (Restated - Note 13)
Revenue			
Taxation	\$ 95,814	\$ 100,620	\$ 94,831
Fees and charges	114,060	121,546	118,698
Interest earned	4,403	4,102	7,153
DCC contributions	34,016	12,177	14,343
Contribution from other governments	47,394	22,151	24,503
Other capital contributions	-	2,072	2,167
	<u>295,687</u>	<u>262,668</u>	<u>261,695</u>
Expenses			
General government services	18,978	14,126	13,719
Protective services	39,177	40,141	37,786
Transportation services	36,487	32,432	32,456
Recreational and cultural services	33,984	29,785	29,003
Other services	18,084	18,795	15,558
Airport operations	8,168	9,038	8,446
Electrical utility	20,018	20,721	19,024
Wastewater utility	7,391	8,220	7,468
Water utility	5,418	5,282	4,846
Amortization of tangible capital assets	-	50,617	47,242
Loss on disposal of tangible capital assets	-	80	-
Debt charges	12,970	9,085	7,559
	<u>200,675</u>	<u>238,322</u>	<u>223,107</u>
Excess Revenue Over Expenses	<u>\$ 95,012</u>	<u>24,346</u>	<u>38,588</u>
Accumulated Surplus, beginning of year		1,557,334	1,518,746
Accumulated Surplus, end of year		<u>\$ 1,581,680</u>	<u>\$ 1,557,334</u>

See accompanying notes to the consolidated financial statements.

CITY OF KELOWNA

Consolidated Statement of Changes in Net Financial Liabilities For the Year Ended December 31, 2009 (in thousands of dollars)

	Budget <u>2009</u>	Actual <u>2009</u>	Actual <u>2008</u> (Restated - Note 13)
Excess Revenues Over Expenses	\$ 95,012	\$ 24,346	\$ 38,588
Amortization of tangible capital assets	-	50,617	47,242
Proceeds from disposal of tangible capital assets	-	1,335	-
Loss on disposal of tangible capital assets	-	80	-
Acquisition of tangible capital assets	(218,978)	(99,282)	(103,947)
Change in inventories and prepaid expenses	-	639	100
	<u>(123,966)</u>	<u>(22,265)</u>	<u>(18,017)</u>
Increase in Net Financial Liabilities	(123,966)	(22,265)	(18,017)
Net Financial (Liabilities) Assets, beginning	(8,799)	(8,799)	9,218
Net Financial Liabilities, ending	\$ <u>(132,765)</u>	\$ <u>(31,064)</u>	\$ <u>(8,799)</u>

See accompanying notes to the consolidated financial statements.

CITY OF KELOWNA

Consolidated Statement of Cash Flows For the Year Ended December 31, 2009 (in thousands of dollars)

	<u>Actual 2009</u>	<u>Actual 2008</u> (Restated - Note 13)
Net cash inflow (outflow) related to the following activities		
Operating		
Excess Revenues Over Expenses	\$ 24,346	\$ 38,588
Adjustment for non-cash items		
Amortization of tangible capital assets	50,617	47,242
Proceeds included in land sales reserve	-	(1,357)
Loss on disposal of tangible capital assets	80	-
Decrease (increase) in non-cash financial assets		
Accounts receivable	(1,944)	(3,328)
Property held for resale	224	(217)
Other assets	(1,963)	(2,188)
Increase (decrease) in non-cash liabilities		
Accounts payable	12,389	(7,872)
Deferred development cost charges	(4,097)	6,680
Other liabilities	2,845	7,819
	<u>82,497</u>	<u>85,367</u>
Investing		
Acquisition of tangible capital assets	(99,282)	(103,947)
Proceeds from sale of tangible capital assets	1,335	-
Change in inventories and prepaid expenses	639	100
	<u>(97,308)</u>	<u>(103,847)</u>
Financing		
Issuance of long term debt	38,207	40,392
Repayment of long term debt	(10,225)	(7,075)
	<u>27,982</u>	<u>33,317</u>
Net increase in cash and temporary investments	13,171	14,837
Cash and temporary investments, beginning of year	209,259	194,422
Cash and temporary investments, end of year	\$ 222,430	\$ 209,259

See accompanying notes to the consolidated financial statements.

City of Kelowna
Notes to the Consolidated Financial Statements
December 31, 2009

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

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 and principles of consolidation

The City of Kelowna's resources and operations are segregated into General, Airport, Electrical Utility, Wastewater Utility, Water Utility, Natural Gas Legacy, Development Cost Charges 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 and Special Events Development Society of 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.

Property held for resale

The assets included in property held for resale are items that are designated to be sold within one year. They are valued at the lower of cost and net realizable value.

Work in progress

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

Tangible capital assets

The City records physical assets including assets held under capital lease, at cost in the period they were acquired or when the asset is put into use.

All tangible capital assets are valued at cost which includes all costs directly attributable to acquisition, construction, development or betterment of the tangible capital asset.

Assets owned by the City but not paid for by the City including contributions, dedications, gifts and donations, are valued at fair value where fair value is reasonably determinable.

The City has numerous works of art which located throughout the City which are not reflected in these consolidated financial statements.

City of Kelowna
Notes to the Consolidated Financial Statements
December 31, 2009

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

Amortization

The cost, less residual value of the tangible capital assets is amortized on a straight-line basis over the useful lives of the asset as follows:

<u>Asset Type</u>	<u>Useful Life Years</u>	<u>Asset Type</u>	<u>Useful Life Years</u>
Parks infrastructure		Vehicles	
Playground equipment	15 - 20	Cars and light trucks	5 - 10
Artificial turf field	10 - 12	Fire trucks	15 - 20
Washrooms, concessions, picnic shelters	40 - 50	IT infrastructure	
Outdoor pools, spray pools	50 - 60	Hardware	4 - 5
Building structure	40 - 75	Software	5 - 10
Building improvements		Telephone system	7 - 10
Exterior envelop	30 - 40	Infrastructure	
HVAC systems	10 - 12	(dependent upon component and material)	
Roofs	15 - 20	Electrical	20 - 25
Electrical/plumbing/fire	15 - 20	Water	10 - 100
Site works - asphalt, water and sewer lines, etc	10 - 100	Sewer	10 - 100
Machinery & equipment		Drainage	10 - 100
General equipment	7 - 10	Transporation	10 - 100
Grounds equipment and machinery	10 - 15		
Heavy construction equipment	5 - 10		

One half of the annual amortization is charged in the year of acquisition and in the year of disposal.

Land and Work in Progress are not amortized.

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, 2009

(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 effects 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 to be received can be made.

Investment income

The City's investments are disclosed in Note 3.

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.

Expenses

Expenses 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 tangible capital assets historical cost, estimated useful life and related amortization, landfill post closure costs and settlement costs associated with outstanding legal actions. Actual results could differ from the estimates.

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.

City of Kelowna
Notes to the Consolidated Financial Statements
December 31, 2009

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

2. Application of new accounting standards

PS 1100 – Financial Statement Objectives

Effective January 1, 2009, the City of Kelowna adopted PS1100, *Financial Statement Objectives* of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants (“CICA”). Under this new standard entities reporting under Public Sector Accounting Standards are required to present four statements including a statement of financial position, operations, changes in net financial assets (liabilities) and cash flows.

PS 1200 – Financial Statement Presentation

Effective January 1, 2009, the City of Kelowna adopted PS 1200 – *Financial Statement Presentation* of the Public Sector Accounting Handbook of the CICA. Under this new standard entities reporting under Public Sector Accounting Standards are required to present budget and actual figures on both of the statements of operations and changes in net financial assets.

PS 3150 – Tangible Capital Assets

Effective January 1, 2009, the City of Kelowna adopted PS 3150, *Tangible Capital Assets* of the Public Sector Accounting Handbook of the CICA. Under this revised section entities reporting under Public Sector Accounting Standards are required to recognize and amortize their tangible capital assets. The effect of applying this revised section on the City of Kelowna is disclosed in Note 13.

3. 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 Investment</u>	<u>2009</u>	<u>2008</u>
Cash	\$ 32,889	\$ 47,452
Municipal Finance Authority Bond/Money Market Funds	54,387	53,899
Provincial and Bank Issued Accrual Notes and Debentures	115,154	97,908
Guaranteed Investment Certificates and Deposit Notes	<u>20,000</u>	<u>10,000</u>
Total Cash and temporary investments	<u>\$ 222,430</u>	<u>\$ 209,259</u>

Accounts Receivable

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

<u>Type of Receivable</u>	<u>2009</u>	<u>2008</u>
Property Tax	\$ 5,225	\$ 3,856
Trade Receivables	10,510	8,350
Due from Federal Government	4,712	1,985
Due from Provincial Government	2,934	2,247
Due from Regional Government	492	462
Utilities	5,087	4,911
Deferred Development Cost Charges	<u>3,993</u>	<u>9,151</u>
Total Accounts Receivable	<u>\$ 32,953</u>	<u>\$ 30,962</u>

City of Kelowna
Notes to the Consolidated Financial Statements
December 31, 2009

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

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, 2009 the balance was \$nil (2008 - \$nil).

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>2009</u>	<u>2008</u>
Roads	\$ 16,798	\$ 19,630
Parks	5,520	7,127
Drainage	3,248	3,181
Wastewater	10,522	10,338
Water	<u>10,304</u>	<u>10,213</u>
Total Deferred DCC	<u>\$ 46,392</u>	<u>\$ 50,489</u>
<u>Deferred DCC</u>	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 50,489	\$ 43,809
Return on Investments	915	1,547
DCC collected in the year	<u>7,165</u>	<u>25,391</u>
	<u>8,080</u>	<u>26,938</u>
Transfer to General Capital	(8,298)	(12,574)
Transfer to General Operating	(1,468)	(60)
Transfer to Wastewater Capital	(217)	(6,828)
Transfer to Wastewater Operating	(1,627)	(781)
Transfer to Water Capital	<u>(567)</u>	<u>(15)</u>
	<u>(12,177)</u>	<u>(20,258)</u>
Balance, end of year	<u>\$ 46,392</u>	<u>\$ 50,489</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 2009 was 4.69% (2008 – 5.26%). Principal repayments for the next five years are as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund	\$ 4,401	\$ 3,401	\$ 3,331	\$ 2,531	\$ 2,531
Wastewater Fund	3,813	3,806	3,620	3,620	3,681
Water Fund	462	447	288	266	266
Natural 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	<u>297</u>	<u>324</u>	<u>354</u>	<u>386</u>	<u>421</u>
	<u>\$ 12,005</u>	<u>\$ 11,010</u>	<u>\$ 10,625</u>	<u>\$ 9,835</u>	<u>\$ 9,931</u>

Debt as a percentage of total expenditures:

<u>2009</u>	<u>2008</u>
<u>68.61%</u>	<u>60.77%</u>

City of Kelowna
Notes to the Consolidated Financial Statements
December 31, 2009

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

Short Term Debt

Total short term debt of \$622,000 (\$1.4 million – 2008) with the Royal Bank of Canada is to be repaid over the next 4 years. The annual amount of the principal repayment is \$173,350 per year. Interest is to be paid annually at bank prime rate on the outstanding balance.

4. Tangible Capital Assets and Work in Progress

	2009	2009	2008	2008
	<u>Work in</u>	<u>Capital</u>	<u>Work in</u>	<u>Capital</u>
	<u>Progress</u>	<u>Asset NBV</u>	<u>Progress</u>	<u>Asset NBV</u>
			(Restated	(Restated
			- Note 13)	- Note 13)
Land	\$ 514	\$ 143,062	\$ 727	\$ 132,184
Land Improvements	2,198	32,394	2,746	31,955
Buildings	12,823	163,010	54,291	121,479
Infrastructure	94,312	1,076,967	77,358	1,063,611
Machinery and Equipment	2,282	39,962	2,323	32,000
Natural Gas System (Capital Lease)	-	42,399	-	43,999
	<u>\$ 112,129</u>	<u>\$ 1,497,794</u>	<u>\$ 137,445</u>	<u>\$ 1,425,228</u>

Schedule 1 provides a break down of tangible capital assets and work in progress by function showing the cost, accumulated amortization and net book value of the capital assets.

5. Accumulated Surplus

	Reserves for	Statutory	Fund	Tangible	Total	Total
	Future	Reserves	Surpluses	Capital	2009	2008
	Expenditures			Assets		(Restated
						- Note 13)
Surplus, beginning of year as previously reported	\$ 75,572	\$ 30,671	\$ 21,510	\$ 1,067,525	\$ 1,195,278	\$ 1,104,724
Transitional adjustment (Note 13)	2,999	-	(7,246)	366,303	362,056	414,022
Balance as Restated	<u>78,571</u>	<u>30,671</u>	<u>14,264</u>	<u>1,433,828</u>	<u>1,557,334</u>	<u>1,518,746</u>
Excess Revenue over Expenditures	395	1,533	13,254	9,164	24,346	38,588
Retirement of Long Term Debt	-	-	(8,215)	8,215	-	-
Surplus, end of year	<u>\$ 78,966</u>	<u>\$ 32,204</u>	<u>\$ 19,303</u>	<u>\$ 1,451,207</u>	<u>\$ 1,581,680</u>	<u>\$ 1,557,334</u>

City of Kelowna
Notes to the Consolidated Financial Statements
December 31, 2009

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

Accumulated Surplus detail as follows:

Description	Balances,	Transfer From	Transfer To	Interest	Balances, End of Year
	Beginning of Year (Restated - Note 13)				
<u>Non-Statutory Reserves</u>					
General Fund Reserve	\$ 38,702	\$ (17,060)	\$ 14,305	\$ (387)	\$ 35,560
Water Fund Reserve	3,014	(336)	878	2	3,558
Wastewater Fund Reserve	13,934	(1,024)	955	7	13,872
Electrical Fund Reserve	5,230	(1,973)	1,755	5	5,017
Airport Fund Reserve	17,691	(6,434)	9,724	(22)	20,959
	<u>78,571</u>	<u>(26,827)</u>	<u>27,617</u>	<u>(395)</u>	<u>78,966</u>
<u>Statutory Reserves</u>					
Parking Reserve	663	(727)	682	13	631
Land Reserve	7,565	(998)	1,523	165	8,255
Capital Works, Machinery & Equip Reserve	22,443	(8,329)	8,731	473	23,318
	<u>30,671</u>	<u>(10,054)</u>	<u>10,936</u>	<u>651</u>	<u>32,204</u>
<u>Surplus by Fund</u>					
General Fund Surplus	1,613	(2,971)	3,885	-	2,527
Water Fund Surplus	1,241	(410)	393	-	1,224
Wastewater Fund Surplus	6,380	(1,513)	3,390	-	8,257
Electrical Fund Surplus	1,086	-	1,998	-	3,084
Festivals Kelowna	36	-	(65)	-	(29)
Airport Fund Surplus	161	(1,333)	1,332	-	160
Natural Gas Legacy Surplus	3,581	(1,717)	2,049	-	3,913
Library Surplus	166	(272)	272	-	166
	<u>14,264</u>	<u>(8,215)</u>	<u>13,254</u>	<u>-</u>	<u>19,303</u>
<u>Investment in Non Financial Assets</u>					
Investment in Tangible Capital Assets	1,433,828	(9,629)	27,008	-	1,451,207
Accumulated Surplus	<u>\$ 1,557,334</u>	<u>\$ (54,725)</u>	<u>\$ 78,815</u>	<u>\$ 256</u>	<u>\$ 1,581,680</u>

6. 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.

City of Kelowna
Notes to the Consolidated Financial Statements
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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 provided are defined. The plan has about 158,000 active members and approximately 57,000 retired members. Active members include approximately 33,000 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 2010. The actuary does not attribute portions of the surplus to individual employers.

The City of Kelowna paid \$4.2 million for employer contributions to the plan in fiscal 2009. Employee contributions were \$3.5 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.

7. 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, 2009 which have not been recorded in the accounts. Due to the reporting capabilities in the Agresso financial system 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 expenses is recognized as the landfill site's capacity is used. The reported liability of \$3.5 million (2008 - \$3.3 million) represents the portion of the estimated total expense recognized as at December 31, 2009. The liability and annual expense 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 14.6 million tonnes, which is 93% of the site's total capacity. The future cash flows for closure and post-closure cost is estimated at \$22.3 million as at December 31, 2009. The landfill site is expected to reach its capacity in 2075.

City of Kelowna
Notes to the Consolidated Financial Statements
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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, 2009 the outstanding loan balance was \$340,000.

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;
- (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 2009 represented year 10 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 15th day of one of year 6, 11, 16, 21 or 26 commencing with the year of Substantial Completion in the following amounts:

2005	Year 6	\$13.2 million
2010	Year 11	\$11.9 million
2015	Year 16	\$10.4 million
2020	Year 21	\$6.7 million
2025	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 either of the lump sum payments of \$13.2 or \$11.9 million otherwise due to RG Arenas (Kelowna) Ltd. in years 6 or 11.

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

8. 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 7.

9. 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 \$30.9 million (2008 - \$48.3 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 \$30.9 million, the City is holding irrevocable Letters of Credit in the amount of \$4.0 million (2008 - \$9.2 million) which are received from developers to ensure payment of development cost charges in future years.

10. 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 at 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. 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:

2005	\$4.9 million
2006	\$5.4 million
2007	\$5.2 million
2008	\$5.1 million
2009	\$4.9 million

11. 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, 2009 the mortgage balance was \$2.9 million. The City has taken back an option to purchase these assets at a nominal value. The Society's financial information is included in the City of Kelowna consolidated financial statements.

City of Kelowna
Notes to the Consolidated Financial Statements
December 31, 2009

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

12. 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, 2009 the Trust Fund balance is \$1.7 million (2008 - \$1.7 million).

13. Transitional adjustment for new accounting standard

The City has restated its consolidated financial statements to comply with the provisions of PS 3150 – *Tangible Capital Assets* of the Public Sector Accounting Handbook which requires governments to record and amortize their tangible capital assets in their consolidated financial statements. In addition, revenues from contributed assets and government grants related to capital acquisitions have been included in income.

The changes have been applied retroactively. As a result, the December 31, 2008 figures presented for comparative purposes have been restated from those previously reported. The retroactive adjustments have resulted in the following changes to the 2008 comparative figures.

Accumulated surplus, January 1, 2008 as previously reported	\$1,104,724
Change in accounting standards related to tangible capital assets	414,022
Accumulated surplus, January 1, 2008, as restated	<u>\$1,518,746</u>

<u>Statement of Financial Position</u>	<u>As Restated</u>	<u>As Previously Reported</u>	<u>Increase (Decrease)</u>
Work in Progress	\$ 137,445	\$ 148,710	\$ (11,265)
Capital	1,425,228	1,051,901	373,327
Other	25	31	(6)
The changes in the Statement of Financial Position increased beginning accumulated surplus by:			<u>\$ 362,056</u>

<u>Statement of Operations</u>	<u>As Restated</u>	<u>As Previously Reported</u>	<u>Increase (Decrease)</u>
Impact on Revenues:			
Fees and Charges	\$ 118,698	\$ 114,631	\$ 4,067
DCC contributions	14,343	19,417	(5,074)
Contributions from other governments	24,503	23,751	752
Other capital contributions	2,167	42	2,125
			<u>1,870</u>
Impact on Expenses:			
Capital expenses	-	113,075	(113,075)
Amortization	47,242	-	47,242
Operation expenses	168,078	159,252	8,826
			<u>(57,007)</u>
Total changes in Operating Surplus for the year and accumulated surplus, end of year			<u>\$ 58,877</u>

City of Kelowna
Notes to the Consolidated Financial Statements
December 31, 2009
(all tabular amounts reported in 000's of dollars)

14. Segmented Information

The City of Kelowna is a vibrant and active municipal government, providing a multitude of services to the citizens of Kelowna. 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, protective services, transportation services, recreation and cultural services, as well as public health, and environmental and development services. The City also operates its own airport and City utilities comprised of the electrical, wastewater and water systems that are self-sustaining operations. Operating results reported by the following segments are included in Schedules 2.

General Government

General Government operations are primarily funded by property taxation and business tax revenues. The expenses within the department are for executive and legislative costs, general administration, and other general government areas such as community service grants and rental property operating costs within the municipality. The general revenue reported under the department includes revenues associated with taxation, business tax revenues and senior government payments in lieu of taxes. These revenues have not been apportioned to other departments supported by the General Fund.

Protective Services

Protective services are comprised of police services provided by the Royal Canadian Mounted Police, fire protection services, building inspection services and bylaw enforcement as well as the Provincial Emergency Program.

Police services include administration, crime investigation and prevention, traffic, prisoner custody and court liaison expenses.

The fire department is responsible for effective fire protection and public safety services to the City. This includes fire suppression and rescue, prevention and investigation, specialty rescue/first medical responses and fire safety inspections.

Cost for maintenance and repair of police and fire buildings are included in this section.

Transportation Services

Transportation services are responsible for the delivery of municipal public works services related to the planning, development and maintenance of streets and roads, bridges, drainage systems, street lights, traffic lights and signals, parking lots and on-street parking, and public transit as well as maintenance of workshops, yards and other buildings. The mandate is to provide a safe, efficient, environmentally-sensitive and cost-effective transportation network.

Recreation & Cultural Services

Recreation & cultural services provide services related to recreation, leisure and culture including administration and program costs as well as grounds and building maintenance. Facilities managed within this department include parks and playgrounds, arenas, swimming pools, beaches, boat launches, stadiums as well as community and seniors centers. The H2O Adventure Centre, Parkinson Recreation Centre, Kelowna Community Theatre, Kelowna Museum, Kelowna Art Gallery and the Rotary Centre for the Arts are some of the larger facilities included.

Other Services (Public Health/Environmental/Development Services)

Public health services are comprised of cemetery operations and maintenance, environment and development services include community planning and zoning as well as landfill operations.

Airport

The Airport, owned and operated by the City of Kelowna, provides quality airport services in a safe and cost effective manner in compliance with Federal regulations. The Airport is accounted for in its own fund.

Electrical

The Electrical Division oversees the delivery of reliable and safe electricity within the City's electrical utility boundary. FortisBC supplies power to the electric utility. FortisBC provides all network operations for the distribution system including maintenance, capital project planning, management and construction and electric meter management. The Electrical Utility is accounted for in its own fund.

City of Kelowna
Notes to the Consolidated Financial Statements
December 31, 2009

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

Wastewater

Kelowna's sanitary sewer system collects, conveys, treats and disposes of domestic wastewater (derived from the home) and industrial wastewater (resulting from business use, manufacturing and processing). The system currently services 70% of Kelowna's population and continues to be extended to unserved areas. Kelowna's wastewater system has a treatment capacity of 40 million liters per day. The Wastewater Utility is accounted for in its own fund.

Water

The Water Utility is responsible for planning, designing, building, operating and maintaining the City's Water Utility and is one of five water suppliers operating within Kelowna's boundaries. The Water Utility is accounted for in its own fund.

Festivals Kelowna

Festivals and Special Events Development Society of Kelowna is a non-profit society instituted and controlled by the City of Kelowna. The Society collaborates with the City of Kelowna in the strategic development of Kelowna festivals and special events for the benefit of the City of Kelowna and its citizens. Financial statements for the Society are prepared separately and are consolidated with the City of Kelowna.

Natural Gas

Natural Gas Legacy Fund was created from an agreement with Terasen Gas Inc. for a 35 year capital lease for the natural gas distribution system within the City's municipal boundary and a 17 year operating lease whereby the City leases back to Terasen Gas Inc. the operations of the gas distribution system. The Natural Gas Legacy Fund is accounted for in its own fund.

Library Society

The City of Kelowna Library Society is a non-profit society instituted and controlled by the City of Kelowna. The Society was incorporated for the purpose of establishing, operating and maintaining libraries and library services for the benefit of the City of Kelowna and its citizens. Financial statements for the Society are prepared separately and are consolidated with the City of Kelowna.

Statutory Reserves

Statutory Reserves include funds for parking, land and capital works, machinery and equipment.

15. Expenses by object

Total consolidated expenses by object are itemized in Schedule 2 – Segmented Information.

16. Comparative figures

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

CITY OF KELOWNA
Schedule 1 - Tangible Capital Assets
For the Year Ended December 31, 2009
(in thousands of dollars)

	Machinery & Equipment										Infrastructure						Natural Gas Capital Lease	Total 2009	Total 2008 (Restated - Note 13)
	Land	Land Improvements	Buildings	Vehicles	Other Machinery & Equipment	Computer	Misc	Subtotal Machinery & Equipment	Park & Facilities	Sidewalks & Bike Paths	Tunnels & Overpasses	Overhead & Other Networks	Airport Infrastructure	Subtotal Infrastructure					
Balance, beginning of year	\$ 132,184	\$ 48,234	\$ 193,450	\$ 19,114	\$ 33,505	\$ 7,291	\$ 1,159	\$ 61,069	\$ 77,390	\$ 392,940	\$ 19,862	\$ 999,795	\$ 19,685	\$ 1,509,672	\$ 55,609	\$ 2,000,218	\$ 1,821,202		
Add: additions during the year	11,139	2,537	48,507	2,994	8,177	2,213	107	13,431	4,465	18,975	2,577	19,866	2,839	48,523	-	124,136	81,482		
Less: disposals during the year	(281)	-	(359)	(1,233)	-	-	-	(1,233)	-	-	-	-	-	-	-	(1,853)	(2,465)		
Balance, end of year	143,082	50,771	241,598	20,815	41,682	9,504	1,285	73,267	81,855	411,915	22,439	1,019,661	22,324	1,558,195	55,609	2,122,501	2,000,218		
Accumulated Amortization																			
Balance, beginning of year	-	16,278	71,970	7,160	16,262	5,165	483	29,070	31,601	131,594	4,670	265,341	12,856	446,062	11,610	574,990	528,347		
Add: amortization	-	2,099	6,882	1,602	2,407	802	61	4,672	2,477	15,194	349	16,389	756	35,165	1,600	50,618	47,242		
Less: accumulated amortization on disposals	-	-	(254)	(637)	-	-	-	(637)	-	-	-	-	-	-	-	(801)	(599)		
Balance, end of year	-	18,377	78,598	8,125	18,669	5,967	544	33,305	34,078	146,788	5,019	281,730	13,612	481,227	13,210	624,707	574,990		
Net Book Value of Tangible Capital Assets	\$ 143,082	\$ 32,395	\$ 163,010	\$ 12,690	\$ 23,013	\$ 3,537	\$ 722	\$ 39,962	\$ 47,777	\$ 265,127	\$ 17,420	\$ 737,931	\$ 8,712	\$ 1,076,967	\$ 42,399	\$ 1,497,794	\$ 1,425,228		
Work in Progress	\$ 514	\$ 2,198	\$ 12,823	\$ -	\$ 242	\$ 436	\$ 1,604	\$ 2,282	\$ 44,398	\$ 22,987	\$ 215	\$ 18,350	\$ 8,382	\$ 94,312	\$ -	\$ 112,129	\$ 137,445		
																\$ 1,609,923	\$ 1,562,673		

CITY OF KELOWNA

Schedule 2 - Segmented Information
For the Year Ended December 31, 2009
(in thousands of dollars)

	General Gov't	Protective Services	Transportation Services	Recreation & Cultural Services	Other Services	Airport Services	Electrical Services	Waste-water Services	Water Services	Festivals Kelowna	Nat. Gas Legacy Services	Library Services	Statutory Reserves	2009
Revenue														
Taxation	\$ 96,998	\$ -	\$ 223	\$ -	\$ -	\$ -	\$ -	\$ 2,080	\$ 1,319	\$ -	\$ -	\$ 708	\$ -	\$ 100,620
Fees and charges	23,433	399	12,168	3,717	13,647	16,890	26,659	12,532	6,138	197	4,946	-	92	121,546
Interest earned	3,083	-	-	-	-	83	74	161	50	-	-	-	651	4,102
DCC contributions	-	-	6,805	2,961	-	-	-	1,844	567	-	-	-	-	12,177
Contribution from other governments	8,738	4,101	5,577	2,266	-	548	-	439	24	458	-	-	-	22,151
Other capital contributions	235	-	-	-	-	-	-	754	173	-	910	-	-	2,072
	<u>132,487</u>	<u>4,500</u>	<u>24,773</u>	<u>8,944</u>	<u>13,647</u>	<u>17,521</u>	<u>26,733</u>	<u>17,830</u>	<u>8,271</u>	<u>655</u>	<u>5,836</u>	<u>708</u>	<u>743</u>	<u>262,668</u>
Expenses														
Salaries and benefits	9,539	19,700	7,914	9,214	4,985	2,918	80	2,769	2,124	248	-	19	-	59,510
Contract and professional Services	2,631	1,701	17,732	7,265	8,676	2,915	1,920	688	605	9	-	39	-	44,201
RCMP contract	-	16,915	-	-	-	298	-	-	-	-	-	-	-	17,213
Materials and supplies	4,915	1,296	4,292	9,538	1,775	2,012	17,704	1,224	929	463	-	25	-	44,173
Equipment	192	332	2,112	1,275	1,579	17	1	467	370	-	-	3	-	6,348
Allocations	(3,240)	-	(376)	(114)	(807)	735	1,015	2,105	546	-	-	-	-	(136)
Cost recoveries	(252)	(238)	(308)	(248)	(18)	(372)	(1)	(138)	(19)	-	-	-	-	(1,594)
Grants and external transfers	260	122	-	1,397	1,532	-	-	-	-	-	-	-	-	3,311
Utilities	178	313	1,045	1,458	91	515	2	1,103	727	-	-	82	-	5,514
Amortization of tangible capital assets	32,165	-	-	-	-	2,985	1,045	8,300	4,340	-	1,600	182	-	50,617
Loss (gain) on disposal of tangible capital assets	11	-	-	-	95	(26)	-	-	-	-	-	-	-	80
Total before Debt	46,399	40,141	32,431	29,785	17,908	11,997	21,766	16,518	9,622	720	1,600	350	-	229,237
Debt interest and fiscal services	2,742	-	-	-	-	-	-	2,638	540	-	2,897	268	-	9,085
Total operating expenses	<u>49,141</u>	<u>40,141</u>	<u>32,431</u>	<u>29,785</u>	<u>17,908</u>	<u>11,997</u>	<u>21,766</u>	<u>19,156</u>	<u>10,162</u>	<u>720</u>	<u>4,497</u>	<u>618</u>	<u>-</u>	<u>238,322</u>
Excess (deficiency) revenue over expenses	\$ 83,346	\$ (35,641)	\$ (7,658)	\$ (20,841)	\$ (4,261)	\$ 5,524	\$ 4,967	\$ (1,326)	\$ (1,891)	\$ (65)	\$ 1,359	\$ 90	\$ 743	\$ 24,346

CITY OF KELOWNA

Schedule 2 - Segmented Information (continued)

For the Year Ended December 31, 2008

(in thousands of dollars)

	General Gov't	Protective Services	Transportation Services	Recreation & Cultural Services	Other Services	Airport Services	Electrical Services	Waste-water Services	Water Services	Festivals Kelowna	Nat. Gas Legacy Services	Library Services	Statutory Reserves	2008 (Restated) - Note 13)
Revenue														
Taxation	\$ 91,236	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,864	\$ 1,265	\$ 466	\$ -	\$ -	\$ -	\$ 94,831
Fees and charges	21,170	305	11,739	3,204	11,001	16,309	23,956	18,258	6,164	286	5,277	751	278	118,698
Interest earned	4,834	-	-	-	-	450	283	306	127	-	-	-	1,153	7,153
DCC contributions	-	-	5,226	2,274	-	-	-	6,828	15	-	-	-	-	14,343
Contribution from other governments	7,204	3,453	4,708	1,900	-	2,926	-	530	-	-	-	-	3,782	24,503
Other capital contributions	381	-	-	-	-	-	77	780	175	-	754	-	-	2,167
	<u>124,825</u>	<u>3,758</u>	<u>21,673</u>	<u>7,378</u>	<u>11,001</u>	<u>19,685</u>	<u>24,316</u>	<u>28,566</u>	<u>7,746</u>	<u>752</u>	<u>6,031</u>	<u>751</u>	<u>5,213</u>	<u>261,695</u>
Expenses														
Salaries and benefits	9,237	18,491	7,580	8,644	4,139	2,651	104	2,617	1,996	275	-	20	-	55,754
Contract and professional services	2,337	1,609	16,453	7,124	6,558	2,738	1,954	501	453	29	-	35	-	39,791
RCMP contract	-	15,885	-	-	-	302	-	-	-	-	-	-	-	16,187
Materials and supplies	4,002	1,062	5,812	10,506	2,306	2,214	15,894	789	963	441	-	41	-	44,030
Equipment	175	267	2,057	1,033	1,542	16	-	413	292	-	-	2	-	5,797
Allocations	(3,198)	-	(150)	(113)	(744)	608	1,066	2,115	533	-	-	-	-	117
Cost recoveries	(239)	(13)	(276)	(143)	(32)	(548)	-	-	(28)	-	-	-	-	(1,279)
Grants and external transfers	255	161	-	911	1,704	-	-	-	-	-	-	-	-	3,031
Utilities	194	324	980	1,041	85	465	6	-	637	-	-	113	-	4,878
Amortization of tangible capital assets	29,024	-	-	-	-	2,918	993	8,286	4,239	-	1,600	182	-	47,242
Total before Debt	41,787	37,786	32,456	29,003	15,558	11,364	20,017	15,754	9,085	745	1,600	393	-	215,548
Debt interest and fiscal services	2,480	-	-	-	-	-	-	1,738	149	-	2,901	291	-	7,559
Total operating expenses	<u>44,267</u>	<u>37,786</u>	<u>32,456</u>	<u>29,003</u>	<u>15,558</u>	<u>11,364</u>	<u>20,017</u>	<u>17,492</u>	<u>9,234</u>	<u>745</u>	<u>4,501</u>	<u>684</u>	<u>-</u>	<u>223,107</u>
Excess (deficiency) revenue over expenses	\$ 80,558	\$ (34,028)	\$ (10,783)	\$ (21,625)	\$ (4,537)	\$ 8,321	\$ 4,299	\$ 11,074	\$ (1,488)	\$ 7	\$ 1,530	\$ 67	\$ 5,213	\$ 38,588

CITY OF KELOWNA

Schedule 3 - Long Term Debt

as at December 31, 2009

(in thousands of dollars)

Long term debt - General Fund

<u>Debenture Debt</u>			Sinking Fund		Current
Year of		Debt Balance	B alance	Amount	Interest
Maturity	Purpose	Dec. 31/09	Dec. 31/09	of Issue	Rate
	Public Works				%
2019	South Pandosy Spec Area 1	\$ 146	\$ 89	\$ 235	5.99
2019	South Pandosy Spec Area 2	255	156	411	5.99
2019	Automated Curb Side Carts	4,811	-	4,811	4.13
2021	Downtown Parkade	1,385	816	2,201	7.42
2022	Chapman Parkade	3,070	1,002	4,072	5.37
2028	DCC Roads	9,535	866	10,401	4.35
	Local Improvements				
2011	Local Improvements	107	604	711	10.25
2011	Local Improvements	12	64	76	7.42
2014	Local Improvements	197	372	569	9.52
2016	Local Improvements	183	210	393	4.00
2016	Local Improvements	126	143	269	7.42
2017	Local Improvements	29	26	55	5.85
2019	Local Improvements	44	26	70	5.49
	Recreation and Cultural				
2011	Brandt's Creek	180	821	1,001	4.00
2021	Kokanee Gym Facility	357	144	501	5.69
2027	H2O Centre	25,617	1,884	27,501	4.82
2027	Kokanee Gymnastic	746	55	801	4.82
2028	H2O Centre	1,934	67	2,001	4.35
		\$ <u>48,734</u>	\$ <u>7,345</u>	\$ <u>56,079</u>	
Other Debt					
	Mortgages				
2012	Mortgage - Park Property	\$ <u>3,402</u>		\$ <u>3,402</u>	0.00
	Short Term Debt				
2013	Cedar Avenue Land	98		700	Prime
2013	Agresso Software System	524		694	Prime
		\$ <u>622</u>		\$ <u>1,394</u>	
Total Debt - General Fund		\$ <u>52,758</u>		\$ <u>60,875</u>	

CITY OF KELOWNA

Schedule 3 - Long Term Debt (continued)

as at December 31, 2009

(in thousands of dollars)

Long term debt - Wastewater Fund

Debenture Debt

Year of Maturity	Purpose	Debt Balance Dec. 31/09	Sinking Fund Balance Dec. 31/09	Amount of Issue	Current Interest Rate
	Specified Area Programs				%
2013	Spec. Area 14 - N. Glenmore	\$ 39	\$ 100	\$ 139	5.50
2013	Spec. Area 15 - Belgo Molnar	11	26	37	6.25
2013	Spec. Area 6 - Black Mtn/Toovey	324	816	1,140	6.25
2015	Spec. Area 17 - Mission Flats	550	800	1,350	4.75
2018	Spec. Area 18 - Caramillo	77	58	135	5.55
2018	Spec. Area 19 - Poplar Point	44	33	77	5.55
2022	Spec. Area 22A - Gerstmar	30	9	39	6.06
2024	Spec. Area 21A - McKenzie Bench	1,124	226	1,350	4.98
2024	Spec. Area 22B - Vista Rd	66	13	79	4.98
2024	Spec. Area 22C - Hein Rd	222	44	266	4.98
2024	Spec. Area 22D - Elwyn Rd	125	25	150	4.98
2024	Spec. Area 22E - Dease Rd	80	16	96	4.98
2024	Spec. Area 22F - Mills Rd	285	57	342	4.98
2024	Spec. Area 29 - Campion Cambro	729	146	875	4.98
2024	Spec. Area 30 - Acland	304	61	365	4.98
2025	Spec. Area 20 - North Rutland	5,850	973	6,823	4.17
2025	Spec. Area 28A - Okaview	548	91	639	4.17
2028	Spec Area 26 - Fisher Rd	1,954	68	2,022	5.15
2028	Spec Area 34 - Country Rhodes	420	15	435	5.15
2028	Spec Area 36 - Clifton	258	9	267	5.15
	Sewer Improvement Programs				
2010	Sewer System Improvements	14	144	158	4.00
2014	Glenwood Sewer Main Replacement	37	53	90	5.49
2014	Long St. Sewer Main Replacement	27	37	64	5.49
2019	Byrns Baron Main	2,877	990	3,867	4.98
	Sewage Treatment Plant				
2011	KPCC Administration Building	179	821	1,000	4.00
2011	KPCC Administration Building	125	575	700	7.42
2011	KPCC Sewer Treatment Plant	358	1,642	2,000	7.42
2011	Sewer Treatment Plant Stage II	54	246	300	7.42
2011	Sewer Treatment Plant Upgrade	229	1,047	1,276	4.00
2014	Sewer Treatment Plant Phase III	3,337	4,663	8,000	5.99
2019	Waste Water Treatment Facility	20,000	-	20,000	4.90
2019	Waste Water Treatment Expansion	10,000	-	10,000	4.13
Total Debt - Wastewater Fund		\$ 50,277	\$ 13,804	\$ 64,081	

CITY OF KELOWNA

Schedule 3 - Long Term Debt (continued)

as at December 31, 2009

(in thousands of dollars)

Long term debt - Water Fund

<u>Debenture Debt</u>		<u>Debt</u>	<u>Sinking Fund</u>	<u>Amount</u>	<u>Current</u>
<u>Maturity</u>	<u>Purpose</u>	<u>Balance</u>	<u>Balance</u>	<u>of Issue</u>	<u>Interest</u>
		<u>Dec. 31/09</u>	<u>Dec. 31/09</u>		<u>Rate</u>
	Specified Area Programs				%
2023	Spec Area 16 - Byrns	\$ 31	\$ 8	\$ 39	4.78
2024	Spec Area 18 - Lakeshore	20	4	24	4.98
2028	Spec Area 26 - Fisher Rd	288	10	298	5.15
	Water Improvement Programs				
2010	Water System Improvements	30	288	318	4.00
2011	Caramillo Pressure Valve	9	41	50	7.42
2011	Dilworth Reservoir Repairs	46	205	251	7.42
2011	Knox Mountain Reservoir	179	822	1,001	4.00
2011	Knox Mountain Reservoir	99	446	545	7.42
2011	Water System Improvements	57	254	311	4.00
2012	Poplar Point	124	350	474	5.85
2028	Cedar Creek Pump Station	7,324	254	7,578	5.15
Total Debt - Water Fund		\$ 8,207	\$ 2,682	\$ 10,889	

Long term debt - Airport Fund

<u>Debenture Debt</u>					
2018	Airport Expansion	\$ 14,667	\$ 1,333	\$ 16,000	4.65
Total Debt - Airport Fund		\$ 14,667	\$ 1,333	\$ 16,000	

Long term debt - Natural Gas Legacy Fund

<u>Debenture Debt</u>					
2018	Leased Capital Assets	\$ 19,519	\$ 10,281	\$ 29,800	6.01
2018	Leased Capital Assets	12,772	6,728	19,500	3.15
		32,291	17,009	49,300	
Capital Lease Payable		2,396		2,396	10.072
Total Debt - Natural Gas Legacy Fund		\$ 34,687		\$ 51,696	

Long term debt - Library

2017	Mortgage - Building	\$ 2,923		\$ 5,100	8.94
Total Debt - Library Fund		\$ 2,923		\$ 5,100	

Total City Long Term Debt	\$ 163,519	\$ 42,173	\$ 208,641
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