

Memo



Date: May 3, 2011
File: 0250-20 and 0615-20
To: City Manager
From: Mayor Shepherd, Chair, Audit Committee
Subject: Financial Statements for the Year Ending December 31, 2010
Report Prepared by: Special Projects Manager/Financial Services

Recommendation:

THAT Council receives, for information, the Report from the Audit Committee dated May 3, 2011 with respect to the Consolidated Financial Statements and Auditor's Report for the City of Kelowna for the year ending December 31, 2010;

AND THAT Council approves the appropriation of \$1,950,000 of surplus generated from all general fund operations in 2010 to general reserves as detailed in the Report from the Audit Committee dated May 3, 2011;

AND FURTHER THAT the Consolidated Financial Statements and Auditor's Report be reprinted in and form part of the City of Kelowna's annual report.

Purpose:

To present the Financial Statements to Council for acceptance per the legislative requirement, to provide Council with a recommendation on the appropriation of \$1,950,000 of surplus to general reserves and to seek approval to include the Financial Statements in the annual report.

Background:

A detailed review of draft City of Kelowna Financial Statements for the year ending December 31, 2010 was undertaken on May 3, 2011 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 2010 surplus generated from all general fund operations, in the amount of \$1,950,000, 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 2010 of \$70,800 and an accumulated surplus balance of \$1.7 Million, equivalent to approximately 1.8% of taxation.

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The general reserves appropriations recommended are:

Parks Purchase & Dev't	\$ 500,000
Civic Facilities	250,000
Arterial Roads	250,000
RCMP Contract	250,000
Insurance Deductible	200,000
Strategic Plan Process	200,000
Off-Road Bikeway	100,000
Sidewalk Network	100,000
Fire Equipment Replacement	100,000
	<u>\$1,950,000</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 \$1,950,000 will be transferred from surplus to general reserves.

Considerations not applicable to this report:

Internal Circulation:

Legal/Statutory Procedural Requirements:

Existing Policy:

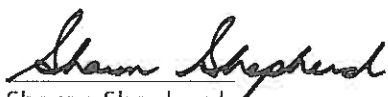
Personnel Implications:

External Agency/Public Comments:

Community & Media Relations Comments:

Alternate Recommendation:

Submitted by:



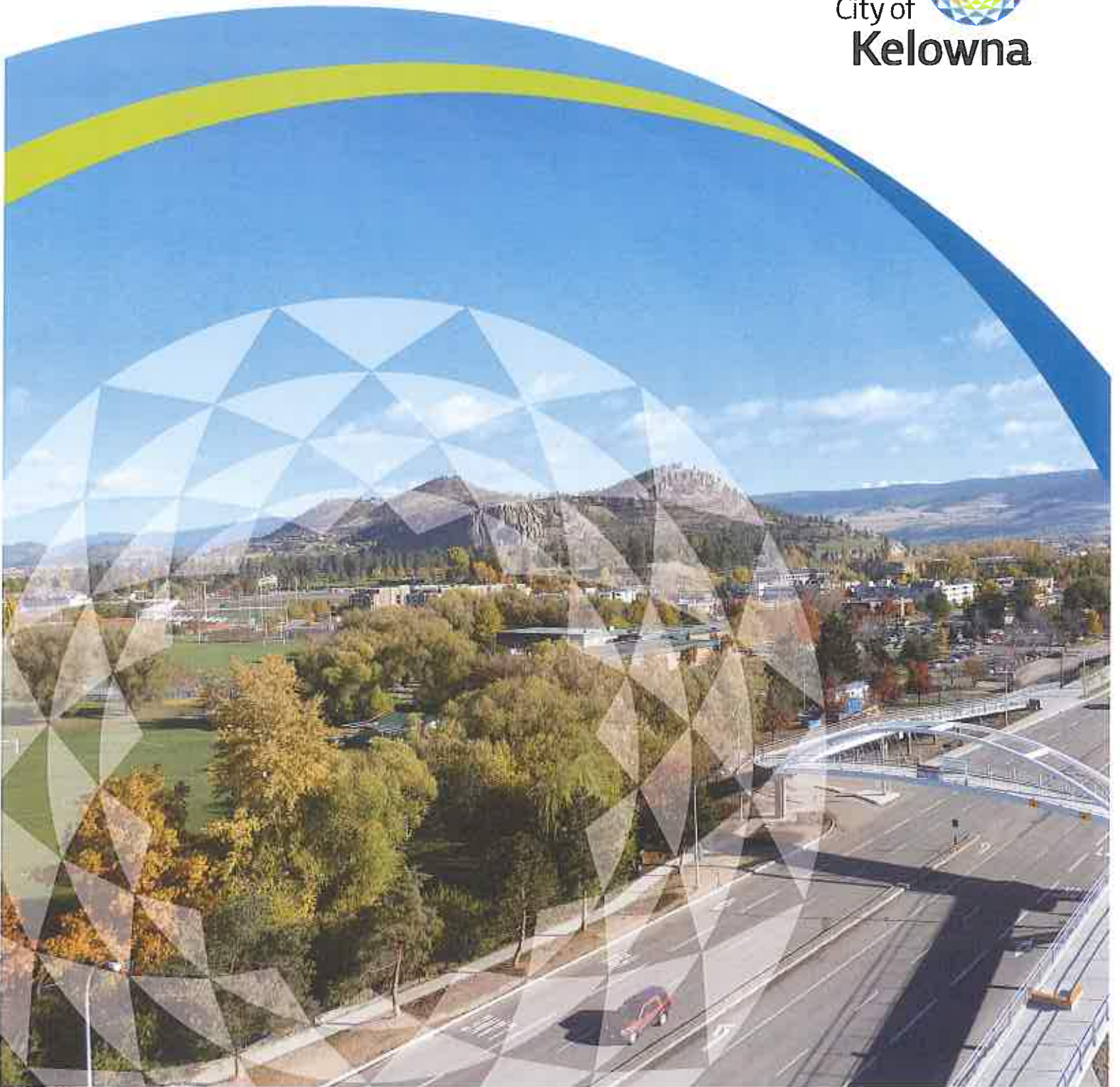
Sharon Shepherd
Mayor

cc: Councillor R. Hobson - Audit Committee
Councillor A. Reid - Audit Committee
Director, Financial Services
Special Projects Manager

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

2010 Financial Statements

For the year ended December 31, 2010



CITY OF KELOWNA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Financial Section	
Independent Auditors' Report.....	2
Consolidated Statement of Financial Position.....	3
Consolidated Statement of Operations and Accumulated Surplus	4
Consolidated Statement of Changes in Net Financial Liabilities.....	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7
Schedules	
Schedule 1 – Tangible Capital Assets	
Schedule 2 – Segmented Information	
Schedule 3 – Long Term Debt	



Grant Thornton

Independent auditors' report

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To the members of Council of the City of Kelowna

We have audited the accompanying consolidated financial statements of the City of Kelowna (the "City"), which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations and accumulated surplus, consolidated statement of changes in net financial liabilities and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Kelowna as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

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

Kelowna, BC
May 3, 2011

Grant Thornton LLP
Chartered accountants

Audit • Tax • Advisory

Grant Thornton LLP, A Canadian Member of Grant Thornton International Ltd

CITY OF KELOWNA

Consolidated Statement of Financial Position

As at December 31, 2010

(in thousands of dollars)

	<u>2010</u>	<u>2009</u>
Financial Assets		
Cash and temporary investments (Note 3)	\$ 206,386	\$ 222,430
Accounts receivable (Note 3)	43,353	32,953
Accrued interest	408	466
Long term investments (Note 8)	6,000	6,000
Municipal Finance Authority debt reserve deposit	11,016	10,439
Property held for resale	-	810
	<u>267,163</u>	<u>273,098</u>
Financial Liabilities		
Accounts payable	40,132	46,753
Performance deposits	6,580	4,860
Deferred revenue	32,789	32,199
Deferred development cost charges (Note 3)	43,134	46,392
Municipal Finance Authority debt reserve	11,016	10,439
Long term debt	158,849	163,519
	<u>292,500</u>	<u>304,162</u>
Net Financial Liabilities	<u>(25,337)</u>	<u>(31,064)</u>
Non-Financial Assets		
Prepaid expenses	848	1,328
Inventory	1,386	1,493
Work in progress (Note 4)	137,980	112,129
Tangible capital assets (Note 4)	1,507,813	1,497,794
	<u>1,648,027</u>	<u>1,612,744</u>
Accumulated Surplus (Note 5)	<u>\$ 1,622,690</u>	<u>\$ 1,581,680</u>

Contingent liabilities and Commitments (Notes 6 and 7)



Keith Grayston, CGA
Director, Financial Services



Sharon Shepherd
Mayor, City of Kelowna

See accompanying notes to the consolidated financial statements.

CITY OF KELOWNA**Consolidated Statement of Operations and Accumulated Surplus****For the Year Ended December 31, 2010****(in thousands of dollars)**

	Budget 2010	Actual 2010	Actual 2009
Revenue			
Taxation	\$ 103,866	\$ 103,853	\$ 100,620
Fees and charges	127,418	126,266	121,546
Interest earned	4,080	4,673	4,102
DCC contributions	20,658	15,424	12,177
Contribution from other governments	46,414	33,556	22,151
Other capital contributions	968	2,641	2,072
	<u>303,404</u>	<u>286,413</u>	<u>262,668</u>
Expenses			
General government services	22,289	16,339	14,126
Protective services	41,565	39,579	40,141
Transportation services	37,957	34,414	32,432
Recreational and cultural services	39,425	30,368	29,785
Other services	19,137	16,857	18,795
Airport operations	8,931	8,628	9,038
Electrical utility	20,980	21,431	20,721
Wastewater utility	7,776	8,689	8,220
Water utility	5,412	4,859	5,282
Amortization of tangible capital assets	-	53,236	50,617
Loss on disposal of tangible capital assets	-	1,104	80
Debt charges	11,964	9,899	9,085
	<u>215,436</u>	<u>245,403</u>	<u>238,322</u>
Excess Revenue Over Expenses	<u>\$ 87,968</u>	41,010	24,346
Accumulated Surplus, beginning of year		1,581,680	1,557,334
Accumulated Surplus, end of year		<u>\$ 1,622,690</u>	<u>\$ 1,581,680</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, 2010****(in thousands of dollars)**

	Budget <u>2010</u>	Actual <u>2010</u>	Actual <u>2009</u>
Excess Revenues Over Expenses	\$ 87,968	\$ 41,010	\$ 24,346
Amortization of tangible capital assets	-	53,236	50,617
Proceeds from disposal of tangible capital assets	-	9,899	1,335
Loss on disposal of tangible capital assets	-	1,104	80
Acquisition of tangible capital assets	(177,052)	(100,109)	(99,282)
Change in inventory and prepaid expenses	-	587	639
Decrease (increase) in Net Financial Liabilities	(89,084)	5,727	(22,265)
Net Financial Liabilities, beginning of year	(31,064)	(31,064)	(8,799)
Net Financial Liabilities, end of year	\$ <u>(120,148)</u>	\$ <u>(25,337)</u>	\$ <u>(31,064)</u>

See accompanying notes to the consolidated financial statements.

CITY OF KELOWNA

Consolidated Statement of Cash Flows For the Year Ended December 31, 2010 (in thousands of dollars)

	Actual 2010	Actual 2009
Net cash inflow (outflow) related to the following activities		
Operating		
Excess Revenues Over Expenses	\$ 41,010	\$ 24,346
Adjustment for non-cash items		
Amortization of tangible capital assets	53,236	50,617
Loss on disposal of tangible capital assets	1,104	80
Actuarial adjustment on long term debt	(2,337)	(2,010)
Developer contributions of tangible capital assets	(5,080)	(3,805)
Decrease (increase) in non-cash financial assets		
Accounts receivable	(10,400)	(1,944)
Property held for resale	810	224
Inventory and prepaid expenses	587	639
Other assets	(519)	(1,963)
Increase (decrease) in non-cash liabilities		
Accounts payable	(6,621)	12,389
Deferred development cost charges	(3,258)	(4,097)
Other liabilities	2,887	2,845
	<u>71,419</u>	<u>77,321</u>
Capital		
Acquisition of tangible capital assets	(95,029)	(95,477)
Proceeds from disposal of tangible capital assets	9,899	1,335
	<u>(85,130)</u>	<u>(94,142)</u>
Financing		
Issuance of long term debt	10,000	38,207
Repayment of long term debt	(12,333)	(8,215)
	<u>(2,333)</u>	<u>29,992</u>
Net (decrease) increase in cash and temporary investments	(16,044)	13,171
Cash and temporary investments, beginning of year	222,430	209,259
Cash and temporary investments, end of year	\$ <u>206,386</u>	\$ <u>222,430</u>
Supplemental cash flow information		
Interest paid	\$ 9,818	\$ 8,925
Non-cash capital activities		
Acquisition of tangible capital assets through developer contributions	\$ 5,080	\$ 3,805

See accompanying notes to the consolidated financial statements.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2010
(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 accordance with accounting standards recommended for local governments and prescribed 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, 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 is controlled by the City of Kelowna through its appointment of the members of the society. Accordingly, the consolidated financial statements include all the accounts of the society.

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.

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 on the statement of financial position.

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 at the date of contribution, dedication, gift or donation, where fair value is reasonably determinable.

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

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2010
(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 envelope	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, et	10 - 100	Wastewater	10 - 100
Machinery & equipment		Drainage	10 - 100
General equipment	7 - 10	Transportation	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, 2010
(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 as earned which is usually when services are provided or facilities are utilized.

DCC contributions

DCCs are recognized as revenue during the period in which the related costs are incurred.

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 on 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 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.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2010
(all tabular amounts reported in 000's of dollars)

2. Future Accounting Change

PS 3260 – Liability for contaminated sites

This section establishes the recognition criteria, measurement and disclosure requirements for reporting liabilities associated with remediation of contaminated sites that either are not in use or resulted from unexpected environmental events. This section applies to fiscal years beginning on or after April 1, 2014, with early adoption permitted.

3. Financial Assets and Liabilities

Cash and temporary investments

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

<u>Type of Investment</u>	<u>2010</u>	<u>2009</u>
Cash	\$ 34,734	\$ 32,889
Municipal Finance Authority Bond/Intermediate Funds	40,937	54,387
Provincial and Bank Issued Accrual Notes and Debentures	110,715	115,154
Guaranteed Investment Certificates and Deposit Notes	<u>20,000</u>	<u>20,000</u>
Total Cash and temporary investments	\$ <u>206,386</u>	\$ <u>222,430</u>

The temporary investments held are readily convertible to cash and are therefore included in Cash and temporary investments.

Accounts receivable

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

<u>Type of Receivable</u>	<u>2010</u>	<u>2009</u>
Property Tax	\$ 6,383	\$ 5,225
Trade Receivables	11,679	10,510
Due from Federal Government	8,603	4,712
Due from Provincial Government	5,010	2,227
Due from Regional Government	496	492
Utilities	6,722	5,794
Deferred Development Cost Charges	<u>4,460</u>	<u>3,993</u>
Total Accounts Receivable	\$ <u>43,353</u>	\$ <u>32,953</u>

Operating line of credit

The City has an operating line of credit with the Royal Bank of Canada for an authorized amount of \$5.0 million, bearing interest at bank prime rate. At December 31, 2010 the balance outstanding was \$nil (2009 - \$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. Because these funds are restricted in nature they are shown as a liability.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2010
(all tabular amounts reported in 000's of dollars)

<u>Deferred DCC by Type</u>	<u>2010</u>	<u>2009</u>
Roads	\$ 16,107	\$ 16,798
Parks	5,543	5,520
Drainage	3,336	3,248
Wastewater	6,890	10,522
Water	<u>11,258</u>	<u>10,304</u>
Total Deferred DCC	<u>\$ 43,134</u>	<u>\$ 46,392</u>
 <u>Deferred DCC</u>	 <u>2010</u>	 <u>2009</u>
Balance, beginning of year	\$ 46,392	\$ 50,489
Return on Investments	1,152	915
DCC collected in the year	<u>11,014</u>	<u>7,165</u>
	<u>12,166</u>	<u>8,080</u>
Transfer to General Capital	(7,294)	(8,298)
Transfer to General Operating	(3,022)	(1,468)
Transfer to Wastewater Capital	(247)	(217)
Transfer to Wastewater Operating	(4,685)	(1,627)
Transfer to Water Capital	<u>(176)</u>	<u>(567)</u>
	<u>(15,424)</u>	<u>(12,177)</u>
Balance, end of year	<u>\$ 43,134</u>	<u>\$ 46,392</u>

Debenture debt

Debenture debt principal is reported net of sinking fund balances. Interest rates on debenture debt ranged from 3.15% to 10.07%. The weighted average rate for 2010 was 4.69% (2009 – 4.69%). Principal repayments for the next five years are as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund	\$ 2,598	\$ 2,528	\$ 2,528	\$ 2,528	\$ 2,528
Wastewater Fund	4,666	4,421	4,421	4,385	4,008
Water Fund	388	288	266	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>324</u>	<u>353</u>	<u>386</u>	<u>421</u>	<u>460</u>
	<u>\$ 11,008</u>	<u>\$ 10,622</u>	<u>\$ 10,633</u>	<u>\$ 10,632</u>	<u>\$ 10,294</u>

Debt as a percentage of total expenditures:

<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>64.66%</u>	<u>68.61%</u>	<u>60.77%</u>

Short term debt

Total short term debt of \$374,000 (2009 – \$622,000) with the Royal Bank of Canada is to be repaid over the next 2 years. The annual amount of principal repayment is \$173,350 per year. Interest is to be paid annually at bank prime rate on the outstanding balance.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2010
(all tabular amounts reported in 000's of dollars)

Mortgage payable

The City has a mortgage of \$1,600,000 (2009 – \$3,400,000) with Mapleheath Ranch Ltd. which is to be repaid over the next 2 years. The annual amount of principal repayment is \$800,000 per year. The mortgage does not bear interest and is secured by specific park land.

4. Tangible Capital Assets and Work in Progress

	2010	2010	2009	2009
	Work in	Tangible	Work in	Tangible
	Progress	Capital	Progress	Capital
		Assets (NBV)		Assets (NBV)
Land	\$ 2,247	\$ 145,955	\$ 514	\$ 143,062
Land Improvements	1,543	32,340	2,198	32,394
Buidlings	9,908	166,041	12,823	163,010
Infrastructure	121,915	1,082,542	94,312	1,076,967
Machinery and Equipment	2,367	40,136	2,282	39,962
Natural Gas System (Capital Lease)	-	40,799	-	42,399
	<u>\$ 137,980</u>	<u>\$ 1,507,813</u>	<u>\$ 112,129</u>	<u>\$ 1,497,794</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 tangible capital assets.

5. Accumulated Surplus

	Reserves for	Statutory	Fund	Investment in	Total	Total
	Future	Reserves	Surpluses	Tangible	2010	2009
	Expenditures			Capital		
				Assets		
Accumulated surplus, beginning of	\$ 79,866	\$ 32,204	\$ 18,403	\$ 1,451,207	\$ 1,581,680	\$ 1,557,334
Excess of Revenue over Expenditures	1,923	1,106	65,069	(27,088)	41,010	24,346
Transfers	(2,461)	6,554	(4,093)	-	-	-
Acquisition of tangible capital assets	-	-	(46,012)	46,012	-	-
Repayment of long term debt	-	-	(12,297)	12,297	-	-
Accumulated surplus, end of year	<u>\$ 79,328</u>	<u>\$ 39,864</u>	<u>\$ 21,070</u>	<u>\$ 1,482,428</u>	<u>\$ 1,622,690</u>	<u>\$ 1,581,680</u>

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2010
(all tabular amounts reported in 000's of dollars)

Accumulated Surplus detail as follows:

Description	Balances, Beginning of Year	Transfer From	Transfer To	Interest and other	Balances, End of Year
<u>Non-Statutory Reserves</u>					
General Fund Reserve	\$ 36,460	\$ 16,548	\$ 11,830	\$ 331	\$ 32,073
Water Fund Reserve	3,558	174	17	673	4,074
Waste Water Fund Reserve	13,872	353	9	782	14,310
Electrical Fund Reserve	5,017	1,208	1,835	7	5,651
Airport Fund Reserve	20,959	7,149	9,280	130	23,220
	<u>79,866</u>	<u>25,432</u>	<u>22,971</u>	<u>1,923</u>	<u>79,328</u>
<u>Statutory Reserves</u>					
Parking Reserve	631	770	1,273	18	1,152
Land Reserve	8,255	1,868	1,003	240	7,630
Capital Works, Machinery & Equip Reserve	23,318	12,209	19,125	848	31,082
	<u>32,204</u>	<u>14,847</u>	<u>21,401</u>	<u>1,106</u>	<u>39,864</u>
<u>Surplus by Fund</u>					
General Fund Surplus	1,628	48,731	6,696	44,053	3,646
Water Fund Surplus	1,224	1,982	498	1,579	1,319
Waste Water Fund Surplus	8,257	8,457	3,080	4,585	7,465
Electrical Fund Surplus	3,084	4,177	855	4,177	3,939
Festivals Kelowna	(29)	-	29	-	-
Airport Fund Surplus	160	9,537	1,337	8,205	165
Natural Gas Legacy Surplus	3,913	3,893	2,175	2,175	4,370
Library Surplus	166	295	-	295	166
	<u>18,403</u>	<u>77,072</u>	<u>14,670</u>	<u>65,069</u>	<u>21,070</u>
<u>Investment in Non Financial Assets</u>					
Investment in Tangible Capital Assets	1,451,207	9,080	67,389	(27,088)	1,482,428
Accumulated Surplus	\$ 1,581,680	\$ 126,431	\$ 126,431	\$ 41,010	\$ 1,622,690

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
December 31, 2010
(all tabular amounts reported in 000's of dollars)

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 163,000 active members and approximately 60,000 retired members. Active members include approximately 35,000 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, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the unfunded liability to individual employers.

The City of Kelowna paid \$4.4 million (2009 - \$4.2 million) for employer contributions while employee contributions were \$3.6 million (2009 - \$3.5 million) to the plan in fiscal 2010.

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, 2010 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 expenditures is recognized as the landfill site's capacity is used. The reported liability of \$3.5 million (2009 - \$3.5 million) represents the portion of the estimated total expenditure recognized as at December 31, 2010. 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 19.0 million tonnes, which is 94% of the site's total capacity. The future cash flows for closure and post-closure cost is estimated at \$11.9 million as at December 31, 2010. The landfill site is expected to reach its capacity in 2075.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2010
(all tabular amounts reported in 000's of dollars)

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, 2010 the outstanding loan balance was \$318,750 (2009 - \$ 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 2010 represented year 11 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 payment of \$13.2 or \$11.9 million otherwise due to RG Arenas (Kelowna) Ltd. in years 6 or 11.

Royal Canadian Mounted Police Services

The Province of British Columbia and the Federal Government have an agreement with the Royal Canadian Mounted Police to provide police services for various municipalities in the Province. This agreement has a 20 year term expiring on March 31, 2012 and the contract renewal process is underway.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2010
(all tabular amounts reported in 000's of dollars)

8. Long-term 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 \$27.4 million (2009 - \$30.9 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 \$27.4 million, the City is holding irrevocable Letters of Credit in the amount of \$4.5 million (2009 - \$4.0 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 FortisBC Energy Inc. ("Fortis") (formerly 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 Fortis 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 \$2.4 million, which is included in long term debt, will be paid with annual lease payments of \$260,870 including interest based on Fortis approved pre-tax weighted average cost of capital of 10.072%.

Operating lease

The City also entered into a 17 year operating lease with Fortis on November 1, 2001 whereby the City leases back to Fortis the operations of the gas distribution system. Under the operating lease Fortis 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 Fortis 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:

2006	\$5.4 million
2007	\$5.2 million
2008	\$5.1 million
2009	\$4.9 million
2010	\$5.0 million

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2010
(all tabular amounts reported in 000's of dollars)

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, 2010 the mortgage balance was \$2.6 million (2009 - \$ 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 with the City of Kelowna consolidated financial statements.

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, 2010 the Trust Fund balance is \$1.8 million (2009 - \$1.7 million).

13. Segmented Information

The City of Kelowna is connecting communities and 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 Schedule 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.

Costs 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.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2010
(all tabular amounts reported in 000's of dollars)

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, environmental and development services including community planning and zoning as well as landfill operations.

Airport Services

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 Services

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.

Wastewater Services

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 approximately 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. Wastewater Utility is accounted for in its own fund.

Water Services

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.

Natural Gas Legacy Services

Natural Gas Legacy Fund was created from an agreement with FortisBC Energy Inc. (formerly 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 FortisBC Energy Inc. the operations of the gas distribution system. The Natural Gas Legacy Fund is accounted for in its own fund.

Library Services

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.

14. Expenses by object

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

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2010
(all tabular amounts reported in 000's of dollars)

15. Budget data

The budget figures are from the Annual Five-Year Financial Plan Bylaw adopted before May 15 of each year and are not subject to audit. Subsequent amendments have been made by Council to reflect changes in the budget as required by law. Amortization of tangible capital assets was not included in the budget. The table below shows the reconciliation between the approved budget and the budget presented in these consolidated financial statements.

	<u>Budget Amount</u>
Revenues:	
Operating budget	\$ 246,351
Capital budget	<u>57,054</u>
	<u>303,405</u>
Expenses:	
Operating budget	215,437
Capital budget	<u>177,052</u>
	<u>392,489</u>
Annual deficit per approved budget	(89,084)
Add: capital expenses	<u>177,052</u>
Annual surplus per statement of operations	<u>\$ 87,968</u>

16. Comparative figures

Certain of the comparative figures have been reclassified 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, 2010

(in thousands of dollars)

[illegible]

CITY OF KELOWNA

Schedule 2 - Segmented Information For the Year Ended December 31, 2010

(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	Nat. Gas Legacy Services	Library Services	Statutory Reserves	2010
Revenue													
Taxation	\$ 100,749	\$ -	\$ 154	\$ -	\$ -	\$ -	\$ -	\$ 1,573	\$ 1,377	\$ -	\$ -	\$ -	\$ 103,853
Fees and charges	26,338	366	10,849	3,951	14,042	17,349	27,691	13,416	6,312	5,077	755	120	126,266
Interest earned	3,281	-	-	-	-	135	37	183	51	-	-	986	4,673
DCC contributions	-	-	6,901	1,982	1,433	-	-	4,932	176	-	-	-	15,424
Contribution from other governments	9,931	3,700	14,842	4,270	-	396	-	404	13	-	-	-	33,556
Other capital contributions	391	-	-	-	-	53	-	689	434	1,074	-	-	2,641
	<u>140,690</u>	<u>4,066</u>	<u>32,746</u>	<u>10,203</u>	<u>15,475</u>	<u>17,933</u>	<u>27,728</u>	<u>21,197</u>	<u>8,363</u>	<u>6,151</u>	<u>755</u>	<u>1,106</u>	<u>286,413</u>
Expenses													
Salaries and Benefits	12,920	20,097	7,887	8,675	4,777	3,088	72	2,349	1,839	-	14	-	61,718
Contract and Professional Services	2,402	1,790	18,621	7,908	6,215	341	1,827	505	767	-	106	-	40,482
RCMP Contract	-	17,019	-	-	-	220	-	-	-	-	-	-	17,239
Materials and Supplies	5,047	1,263	5,271	10,023	1,630	4,089	18,420	887	1,044	-	20	-	47,694
Equipment	134	322	2,366	1,546	2,232	16	2	519	430	-	2	-	7,569
Allocations	(4,360)	-	(500)	(118)	(304)	765	1,134	3,346	58	-	-	-	21
Cost Recoveries	(317)	(1,372)	(592)	(670)	(14)	(404)	(26)	(68)	(40)	-	-	-	(3,503)
Grants and External Transfers	374	106	234	1,375	2,009	513	2	1,151	761	-	73	-	5,846
Utilities	137	355	1,128	1,628	98	3,542	1,130	8,456	4,413	1,600	182	-	53,236
Amortization of tangible capital assets	33,913	-	-	-	-	-	-	-	-	-	-	-	1,104
Loss on disposal of tangible capital assets	1,104	-	-	-	-	-	-	-	-	-	-	-	-
Total before Debt	51,354	39,580	34,415	30,367	16,643	12,170	22,561	17,145	9,272	1,600	397	-	235,504
Debt Interest and Fiscal Services	2,638	-	-	-	-	744	-	2,805	566	2,901	245	-	9,899
Total operating expenses	<u>53,992</u>	<u>39,580</u>	<u>34,415</u>	<u>30,367</u>	<u>16,643</u>	<u>12,914</u>	<u>22,561</u>	<u>19,950</u>	<u>9,838</u>	<u>4,501</u>	<u>642</u>	<u>-</u>	<u>245,403</u>
Excess (deficiency) revenue over expenses	\$ 86,698	\$ (35,514)	\$ (1,669)	\$ (20,164)	\$ (1,168)	\$ 5,019	\$ 5,167	\$ 1,247	\$ (1,475)	\$ 1,650	\$ 113	\$ 1,106	\$ 41,010

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	\$ -	\$ -	\$ -	\$ -	\$ 100,620
Fees and charges	23,433	399	12,168	3,717	13,647	16,890	26,659	12,552	6,138	197	4,946	708	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>555</u>	<u>5,856</u>	<u>708</u>	<u>743</u>	<u>267,668</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	17,752	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 3 - Long Term Debt

as at December 31, 2010

(in thousands of dollars)

Long term debt - General Fund

Debenture Debt

Year of Maturity	Purpose	Debt Balance Dec. 31/10	Sinking Fund Balance Dec. 31/10	Amount of Issue	Current Interest Rate
	Public Works				%
2019	South Pandosy Spec Area 1	\$ 133	\$ 101	\$ 234	5.99
2019	South Pandosy Spec Area 2	233	177	410	5.99
2019	Automated Curb Side Carts	4,409	401	4,810	4.13
2021	Downtown Parkade	1,297	903	2,200	4.43
2022	Chapman Parkade	2,896	1,175	4,071	5.37
2028	DCC Roads	8,633	1,767	10,400	5.15
	Local Improvements				
2011	Local Improvements	6	69	75	7.42
2014	Local Improvements	161	406	567	5.00
2016	Local Improvements	160	233	393	4.00
2016	Local Improvements	110	159	269	4.43
2017	Local Improvements	25	29	54	4.82
2019	Local Improvements	39	30	69	3.15
	Recreation and Cultural				
2011	Brandt's Creek	92	908	1,000	4.00
2021	Kokanee Gym Facility	333	167	500	5.69
2027	H2O Centre	24,617	2,883	27,500	4.82
2027	Kokanee Gymnastic	716	84	800	4.82
2028	H2O Centre	1,862	138	2,000	5.15
		<u>45,722</u>	<u>9,630</u>	<u>55,352</u>	

Other Debt

	Mortgage payable				
2012	Mortgage - Park Property	<u>1,600</u>		<u>3,402</u>	0.00
	Short Term Debt				
2013	Cedar Avenue Land	-		700	Prime
2013	Agresso Software System	<u>347</u>		<u>855</u>	Prime
		<u>347</u>		<u>1,555</u>	

Total Debt - General Fund

\$ 47,669 \$ 9,630 \$ 60,309

CITY OF KELOWNA

Schedule 3 - Long Term Debt (continued)

as at December 31, 2010

(in thousands of dollars)

Long term debt - Wastewater Fund

Debenture Debt

Year of Maturity	Purpose	Debt Balance Dec. 31/10	Sinking Fund Balance Dec. 31/10	Amount of Issue	Current Interest Rate
	Specified Area Programs				%
2013	Spec. Area 15 - Belgo Molnar	\$ 8	\$ 29	\$ 37	6.25
2013	Spec. Area 6 - Black Mtn/Toovey	249	891	1,140	6.25
2015	Spec. Area 17 - Mission Flats	469	881	1,350	4.75
2018	Spec. Area 18 - Caramillo	70	65	135	4.65
2018	Spec. Area 19 - Poplar Point	40	37	77	4.65
2022	Spec. Area 22A - Gerstmar	28	11	39	6.06
2024	Spec. Area 21A - McKenzie Bench	1,072	278	1,350	4.98
2024	Spec. Area 22B - Vista Rd	63	16	79	4.98
2024	Spec. Area 22C - Hein Rd	211	55	266	4.98
2024	Spec. Area 22D - Elwyn Rd	118	31	149	4.98
2024	Spec. Area 22E - Dease Rd	76	20	96	4.98
2024	Spec. Area 22F - Mills Rd	272	70	342	4.98
2024	Spec. Area 29 - Campion Cambro	694	180	874	4.98
2024	Spec. Area 30 - Acland	289	75	364	4.98
2025	Spec. Area 20 - North Rutland	5,581	1,241	6,822	4.17
2025	Spec. Area 28A - Okaview	522	116	638	4.17
2028	Spec Area 26 - Fisher Rd	1,883	138	2,021	5.15
2028	Spec Area 34 - Country Rhodes	405	30	435	5.15
2028	Spec Area 36 - Clifton	249	18	267	5.15
	Sewer Improvement Programs				
2014	Glenwood Sewer Main Replacement	31	59	90	3.15
2014	Long St. Sewer Main Replacement	22	42	64	3.15
2019	Byrns Baron Main	2,647	1,219	3,866	4.98
	Sewage Treatment Plant				
2011	KPCC Administration Building	92	908	1,000	4.00
2011	KPCC Administration Building	64	636	700	4.43
2011	KPCC Sewer Treatment Plant	184	1,816	2,000	4.43
2011	Sewer Treatment Plant Stage II	28	272	300	4.43
2011	Sewer Treatment Plant Upgrade	117	1,158	1,275	4.00
2014	Sewer Treatment Plant Phase III	2,727	5,273	8,000	5.99
2019	Waste Water Treatment Expansion	18,334	1,666	20,000	4.90
2019	Waste Water Treatment Expansion	9,167	833	10,000	4.13
2020	Waste Water Treatment Expansion	10,000	-	10,000	4.00
Total Debt - Wastewater Fund		\$ 55,712	\$ 18,064	\$ 73,776	

CITY OF KELOWNA**Schedule 3 - Long Term Debt (continued)****as at December 31, 2010****(in thousands of dollars)****Long term debt - Water Fund**

<u>Debenture Debt</u>		<u>Debt</u>	<u>Sinking Fund</u>		<u>Current</u>
<u>Maturity</u>	<u>Purpose</u>	<u>Balance</u>	<u>Balance</u>	<u>Amount</u>	<u>Interest</u>
		<u>Dec. 31/10</u>	<u>Dec. 31/10</u>	<u>of Issue</u>	<u>Rate</u>
	Specified Area Programs				%
2023	Spec Area 16 - Byrns	\$ 30	\$ 9	\$ 39	4.78
2024	Spec Area 18 - Lakeshore	19	5	24	4.98
2028	Spec Area 26 - Fisher Rd	277	20	297	5.15
	Water Improvement Programs				
2011	Caramillo Pressure Valve	5	45	50	4.43
2011	Dilworth Reservoir Repairs	23	227	250	4.43
2011	Knox Mountain Reservoir	92	908	1,000	4.00
2011	Knox Mountain Reservoir	50	494	544	4.43
2011	Water System Improvements	28	282	310	4.00
2012	Poplar Point	85	388	473	4.82
2028	Cedar Creek Pump Station	7,058	519	7,577	5.15
Total Debt - Water Fund		\$ 7,667	\$ 2,897	\$ 10,564	

Long term debt - Airport Fund

<u>Debenture Debt</u>					
2018	Airport Expansion	\$ 13,281	\$ 2,719	\$ 16,000	4.65
Total Debt - Airport Fund		\$ 13,281	\$ 2,719	\$ 16,000	

Long term debt - Natural Gas Legacy Fund

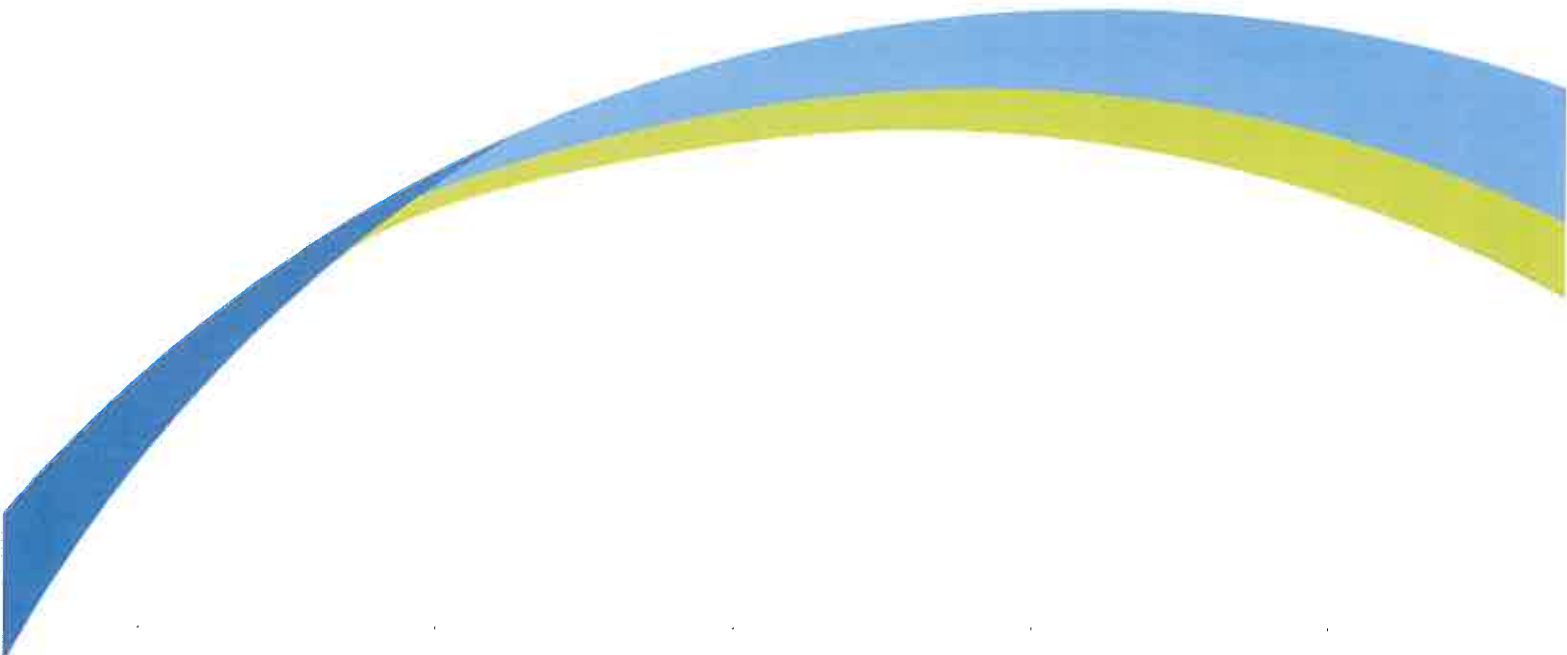
<u>Debenture Debt</u>					
2018	Leased Capital Assets	\$ 17,842	\$ 11,958	\$ 29,800	4.43
2018	Leased Capital Assets	11,675	7,825	19,500	4.43
		29,517	19,783	49,300	
Capital Lease Payable		2,376		2,396	10.072
Total Debt - Natural Gas Legacy Fund		\$ 31,893	\$ 19,783	\$ 51,696	

Long term debt - Library

2017	Mortgage - Building	\$ 2,627		\$ 5,100	8.94
Total Debt - Library Fund		\$ 2,627		\$ 5,100	

Total City Long Term Debt

\$ 158,849	\$ 53,093	\$ 217,445
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