

Report to Council



Date: May 1, 2012
File: 0250-20 and 0615-20
To: City Manager
From: Mayor Gray, Chair, Audit Committee
Subject: Financial Statements for the Year Ending December 31, 2011
Report Prepared by: Special Projects Manager/Financial Services

Recommendation:

THAT Council receives, for information, the Report from the Audit Committee dated May 1, 2012 with respect to the Consolidated Financial Statements and Auditor's Report for the City of Kelowna for the year ending December 31, 2011;

AND THAT Council approves the appropriation of \$400,000 of surplus generated from all general fund operations in 2011 to general reserves as detailed in the Report from the Audit Committee dated May 1, 2012;

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 \$400,000 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, 2011 was undertaken on May 1, 2012 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 2011 surplus generated from all general fund operations, in the amount of \$400,000, 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 2011 of \$1,508 dollars and an accumulated surplus balance of \$1.7 Million, equivalent to approximately 1.7% of taxation.

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The general reserves appropriations recommended are:

Parks Purchase & Development	\$ 150,000
Civic Facilities	150,000
Snow Removal	<u>100,000</u>
	<u>\$400,000</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 \$400,000 will be transferred from surplus to general reserves.

Considerations not applicable to this report:

Internal Circulation:

Legal/Statutory Procedural Requirements:

Existing Policy:

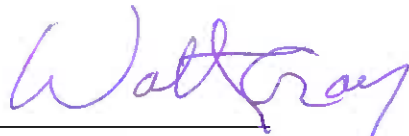
Personnel Implications:

External Agency/Public Comments:

Community & Media Relations Comments:

Alternate Recommendation:

Submitted by:

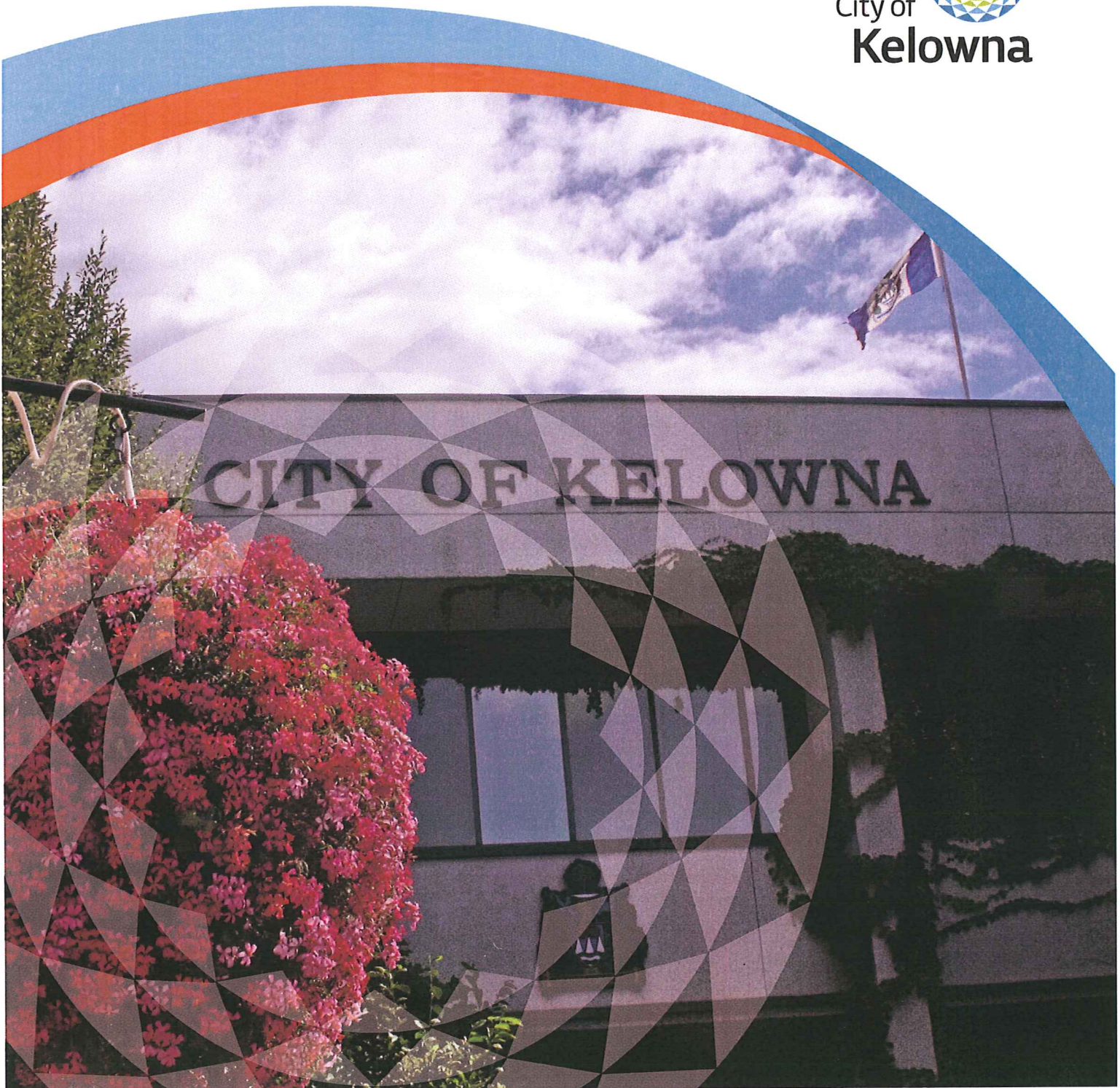


Walter Gray, Mayor

cc: Councillor R. Hobson - Audit Committee
Councillor G. Given - Audit Committee
Director, Financial Services
Special Projects Manager
Grant Thornton LLP - Auditor
- Mr. Jim Grant, M.B.A., C.A.

2011 Financial Statements

For the year ended December 31, 2011



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	

Independent auditors' report

Grant Thornton LLP
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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, 2011, and the consolidated statement 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 Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Partners

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


Kelowna, BC
May 1, 2012


Grant Thornton **LLP**
Chartered accountants

CITY OF KELOWNA
Consolidated Statement of Financial Position
As at December 31, 2011
(in thousands of dollars)

	<u>2011</u>	<u>2010</u>
Financial Assets		
Cash and temporary investments (Note 3)	\$ 216,017	\$ 207,760
Accounts receivable (Note 3)	37,158	43,353
Accrued interest	412	408
Long term investments (Note 8)	6,000	6,000
Property held for resale	217	-
Other	35	-
	<u>259,839</u>	<u>257,521</u>
Financial Liabilities		
Accounts payable	44,886	41,506
Performance deposits	6,156	6,580
Deferred revenue	34,230	32,789
Deferred development cost charges (Note 3)	38,629	43,134
Long term debt	149,528	158,849
	<u>273,429</u>	<u>282,858</u>
Net Financial Liabilities	<u>(13,590)</u>	<u>(25,337)</u>
Non-Financial Assets		
Prepaid expenses	1,506	848
Inventory	1,725	1,386
Work in progress (Note 4)	120,824	137,980
Tangible capital assets (Note 4)	1,531,444	1,507,813
	<u>1,655,499</u>	<u>1,648,027</u>
Accumulated Surplus (Note 5)	<u>\$ 1,641,909</u>	<u>\$ 1,622,690</u>

Contingent liabilities and Commitments (Notes 6 and 7)


 Keith Grayston, CGA
 Director, Financial Services


 Walter Gray
 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, 2011

(in thousands of dollars)

	Budget <u>2011</u>	Actual <u>2011</u>	Actual <u>2010</u>
Revenue			
Taxation	\$ 107,709	\$ 107,925	\$ 103,853
Fees and charges	124,098	130,423	126,266
Interest earned	4,152	5,854	4,673
DCC contributions	21,848	10,918	15,424
Contribution from other governments	24,336	19,842	33,556
Gain on disposal of tangible capital assets	-	479	-
Other capital contributions	678	4,387	2,641
	<u>282,821</u>	<u>279,828</u>	<u>286,413</u>
Expenses			
General government services	22,258	20,133	16,339
Protective services	42,214	43,578	39,579
Transportation services	35,625	36,837	34,414
Recreational and cultural services	31,442	29,532	30,368
Other services	18,520	16,375	16,857
Airport operations	9,601	9,357	8,628
Electrical utility	23,113	24,232	21,431
Wastewater utility	9,759	8,669	8,689
Water utility	5,804	5,423	4,859
Amortization of tangible capital assets	-	56,348	53,236
Loss on disposal of tangible capital assets	-	-	1,104
Debt charges	11,035	10,125	9,899
	<u>209,371</u>	<u>260,609</u>	<u>245,403</u>
Excess Revenue Over Expenses	<u>\$ 73,450</u>	<u>19,219</u>	<u>41,010</u>
Accumulated Surplus, beginning of year		1,622,690	1,581,680
Accumulated Surplus, end of year		<u>\$ 1,641,909</u>	<u>\$ 1,622,690</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, 2011

(in thousands of dollars)

	Budget <u>2011</u>	Actual <u>2011</u>	Actual <u>2010</u>
Excess Revenue Over Expenses	\$ 73,450	\$ 19,219	\$ 41,010
Amortization of tangible capital assets	-	56,348	53,236
Proceeds from disposal of tangible capital assets	-	3,102	9,899
(Gain) loss on disposal of tangible capital assets	-	(479)	1,104
Property held for resale	-	217	-
Acquisition of tangible capital assets	(156,174)	(65,663)	(100,109)
Change in inventory and prepaid expenses	-	(997)	587
Increase in Net Financial Liabilities	(82,724)	11,747	5,727
Net Financial Liabilities, beginning of year	(25,337)	(25,337)	(31,064)
Net Financial Liabilities, end of year	\$ <u>(108,061)</u>	\$ <u>(13,590)</u>	\$ <u>(25,337)</u>

See accompanying notes to the consolidated financial statements.

CITY OF KELOWNA
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2011
(in thousands of dollars)

	<u>Actual</u> <u>2011</u>	<u>Actual</u> <u>2010</u>
Net cash inflow (outflow) related to the following activities		
Operating		
Excess Revenue Over Expenses	\$ 19,219	\$ 41,010
Adjustment for non-cash items		
Amortization of tangible capital assets	56,348	53,236
(Gain) loss on disposal of tangible capital assets	(479)	1,104
Other capital contributions	(2,938)	(2,337)
Developer contributions of tangible capital assets	(4,001)	(5,080)
Decrease (increase) in non-cash financial assets		
Accounts receivable	6,195	(10,400)
Property held for resale	-	810
Inventory and prepaid expenses	(997)	587
Other assets	(39)	(519)
Increase (decrease) in non-cash liabilities		
Accounts payable	3,380	(5,247)
Deferred development cost charges	(4,505)	(3,258)
Other liabilities	1,017	2,887
	<u>73,200</u>	<u>72,793</u>
Capital		
Acquisition of tangible capital assets	(61,662)	(95,029)
Proceeds from disposal of tangible capital assets	3,102	9,899
	<u>(58,560)</u>	<u>(85,130)</u>
Financing		
Issuance of long term debt	5,800	10,000
Repayment of long term debt	(12,183)	(12,333)
	<u>(6,383)</u>	<u>(2,333)</u>
Net increase (decrease) in cash and temporary investments	8,257	(14,670)
Cash and temporary investments, beginning of year	207,760	222,430
Cash and temporary investments, end of year	\$ <u>216,017</u>	\$ <u>207,760</u>
Supplemental cash flow information		
Interest paid	\$ 10,107	\$ 9,818
Non-cash capital activities		
Acquisition of tangible capital assets through developer contributions	\$ 4,001	\$ 5,080
Property held for resale transferred from tangible capital assets	\$ 217	\$ -

See accompanying notes to the consolidated financial statements.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2011
(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 expenses 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 tangible capital assets including assets held as work in progress or 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 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, 2011
(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 and fire	15 - 20	Water	10 - 100
Site works - asphalt, water and sewer lines, etc	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. The Debt Reserve and Demand Note balances are as follows:

	<u>2011</u>	<u>2010</u>
Cash Deposits held by MFA	\$ 2,574	\$ 2,653
Demand Notes held by MFA	8,039	8,363
	<u>\$ 10,613</u>	<u>\$ 11,016</u>

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.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2011
(all tabular amounts reported in 000's of dollars)

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 credit, liquidity, or market risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying value, unless otherwise noted.

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. Actual results could differ from the estimates. 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.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2011
(all tabular amounts reported in 000's of dollars)

2. Future Accounting Changes

PS 3410 – Government transfers

This section replaces the existing Section PS 3410 Government transfers. This section establishes standards for recognition, presentation and disclosure for government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective. This section applies to fiscal years beginning on or after April 1, 2012, with early adoption permitted.

PS 3450 – Financial instruments

This section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. This section applies to fiscal years beginning on or after April 1, 2015, with early adoption permitted.

PS 2601 – Foreign currency translation

This section revises and replaces the existing Section PS 2600 Foreign currency translation. This section applies to fiscal years beginning on or after April 1, 2015, with early adoption permitted.

PS 1201 – Financial statement presentation

This section revises and replaces the existing Section PS 1200 Financial statement presentation. This section applies to fiscal years beginning on or after April 1, 2015, 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>2011</u>	<u>2010</u>
Cash	\$ 32,382	\$ 36,108
Municipal Finance Authority Bond/Intermediate Funds	42,055	40,937
Provincial and Bank Issued Accrual Notes and Debentures	111,425	110,715
Guaranteed Investment Certificates and Deposit Notes	<u>30,155</u>	<u>20,000</u>
Total Cash and temporary investments	<u>\$ 216,017</u>	<u>\$ 207,760</u>

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

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2011
(all tabular amounts reported in 000's of dollars)

Accounts receivable

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

<u>Type of Receivable</u>	<u>2011</u>	<u>2010</u>
Property Tax	\$ 6,541	\$ 6,383
Trade Receivables	16,228	11,679
Due from Federal Government	2,606	8,603
Due from Provincial Government	2,167	5,010
Due from Regional Government	87	496
Utilities	7,099	6,722
Deferred Development Cost Charges	<u>2,430</u>	<u>4,460</u>
Total Accounts Receivable	<u>\$ 37,158</u>	<u>\$ 43,353</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, 2011 the balance outstanding was \$nil (2010 - \$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.

<u>Deferred DCC by Type</u>	<u>2011</u>	<u>2010</u>
Roads	\$ 13,354	\$ 16,107
Parks	3,575	5,543
Drainage	3,446	3,336
Wastewater	6,985	6,890
Water	<u>11,269</u>	<u>11,258</u>
Total Deferred DCC	<u>\$ 38,629</u>	<u>\$ 43,134</u>
<u>Deferred DCC</u>	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ <u>43,134</u>	\$ <u>46,392</u>
Return on Investments	1,320	1,152
DCC collected in the year	<u>5,093</u>	<u>11,014</u>
	<u>6,413</u>	<u>12,166</u>
DCC contributions recognized as revenue	<u>(10,918)</u>	<u>(15,424)</u>
Balance, end of year	<u>\$ 38,629</u>	<u>\$ 43,134</u>

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2011
(all tabular amounts reported in 000's of dollars)

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 2011 was 4.69% (2010 – 4.69%). Principal repayments for the next five years are as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund	\$ 2,531	\$ 2,531	\$ 2,531	\$ 2,514	\$ 2,514
Wastewater Fund	4,703	4,703	4,703	4,297	4,256
Water Fund	355	333	378	423	423
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	354	386	422	460	502
	<u>\$ 10,975</u>	<u>\$ 10,985</u>	<u>\$ 11,066</u>	<u>\$ 10,726</u>	<u>\$ 10,727</u>

Debt as a percentage of total expenditures:

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
	57.38%	64.66%	68.61%	60.77%

Short term debt

The short term debt with the Royal Bank of Canada was repaid in full in 2011.

Mortgages payable

The City has a mortgage of \$800,000 (2010 – \$1,600,000) with Mapleheath Ranch Ltd. which is to be repaid in 2012. The annual amount of principal repayment is \$800,000 per year. The mortgage does not bear interest and is secured by specific park land.

Other Payable

The BC Ministry of Transportation has agreed to allow the City to repay its share of the infrastructure for the Highway 33 reconstruction project over a 3 year term. The City has repaid \$3,000,000 in 2011 and an estimate of \$5,850,000 remains to be paid in 2012 and 2013. This payable does not bear interest.

The City has a long term payable of \$2,971,000 (2010 – \$nil) with Risso Estates Ltd., which is to be repaid over the next 2 years. The annual amount of principal repayment is \$1,485,500 per year. The long term payable bears interest at Royal Bank prime rate and is secured by specific park land and is paid annually.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2011
(all tabular amounts reported in 000's of dollars)

4. Tangible Capital Assets and Work in Progress

	2011	2011	2010	2010
	Work in	Tangible	Work in	Tangible
	Progress	Capital	Progress	Capital
	Assets (NBV)	Assets (NBV)	Assets (NBV)	Assets (NBV)
Land	\$ 99	\$ 158,786	\$ 2,247	\$ 145,955
Land Improvements	1,806	31,690	1,543	32,340
Buidlings	12,217	163,258	9,908	166,041
Infrastructure	104,983	1,097,997	121,915	1,082,542
Machinery and Equipment	1,719	40,514	2,367	40,136
Natural Gas System (Capital Lease)	-	39,199	-	40,799
	<u>\$ 120,824</u>	<u>\$ 1,531,444</u>	<u>\$ 137,980</u>	<u>\$ 1,507,813</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	2011	2010
	Expenditures	Reserves	Surpluses	Capital	2011	2010
	Assets	Reserves	Surpluses	Assets	2011	2010
Accumulated surplus, beginning of year	\$ 81,278	\$ 39,864	\$ 19,120	\$ 1,482,428	\$ 1,622,690	\$ 1,581,680
Excess of Revenue over Expenditures	107	1,346	62,148	(44,382)	19,219	41,010
Transfers	(5,305)	6,740	(1,435)	-	-	-
Acquisition of tangible capital assets	-	-	(44,930)	44,930	-	-
Repayment of long term debt	-	-	(12,183)	12,183	-	-
Accumulated surplus, end of year	<u>\$ 76,080</u>	<u>\$ 47,950</u>	<u>\$ 22,720</u>	<u>\$ 1,495,159</u>	<u>\$ 1,641,909</u>	<u>\$ 1,622,690</u>

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2011
(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	\$ 34,023	\$ 9,722	\$ 13,249	\$ (186)	\$ 37,364
Water Fund Reserve	4,074	339	1,641	34	5,410
Waste Water Fund Reserve	14,310	7,244	1,420	18	8,504
Electrical Fund Reserve	5,651	3,208	1,068	12	3,523
Airport Fund Reserve	23,220	12,254	10,084	229	21,279
	<u>81,278</u>	<u>32,767</u>	<u>27,462</u>	<u>107</u>	<u>76,080</u>
<u>Statutory Reserves</u>					
Parking Reserve	1,152	485	674	37	1,378
Land Reserve	7,630	566	2,141	272	9,477
Capital Works, Machinery & Equip Reserve	31,082	7,326	12,302	1,037	37,095
	<u>39,864</u>	<u>8,377</u>	<u>15,117</u>	<u>1,346</u>	<u>47,950</u>
<u>Surplus by Fund</u>					
General Fund Surplus	1,696	46,739	14,527	32,215	1,699
Water Fund Surplus	1,319	3,303	760	2,714	1,490
Waste Water Fund Surplus	7,465	14,843	7,580	10,143	10,345
Electrical Fund Surplus	3,939	5,588	64	5,588	4,003
Airport Fund Surplus	165	10,400	1,439	9,067	271
Natural Gas Legacy Surplus	4,370	3,818	2,097	2,097	4,746
Library Surplus	166	324	-	324	166
Accumulated Surplus	<u>19,120</u>	<u>85,015</u>	<u>26,467</u>	<u>62,148</u>	<u>22,720</u>
<u>Investment in Non Financial Assets</u>					
Investment in Tangible Capital Assets	1,482,428	57,681	114,794	(44,382)	1,495,159
Accumulated Surplus	<u>\$ 1,622,690</u>	<u>\$ 183,840</u>	<u>\$ 183,840</u>	<u>\$ 19,219</u>	<u>\$ 1,641,909</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.

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 Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 173,000 active members and approximately 63,000 retired members. Active members include approximately 35,000 contributors from local governments.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2011

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

The latest 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. Defined contribution plan accounting is applied to the Plan as the Plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, Plan assets and cost to individual entities participating in the Plan.

The City of Kelowna paid \$4.7 million (2010 - \$4.4 million) for employer contributions while employee contributions were \$3.9 million (2010 - \$3.6 million) to the plan in fiscal 2011.

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.

Royal Canadian Mounted Police Contract

The City of Kelowna does not accrue expenses for banked time earned by RCMP members during their term of service as under the terms of the contract the City is only billed for actual costs. The City recognizes the expense for banked time when the event obligates the City to pay.

The Federal Government and the Royal Canadian Mounted Police are currently disputing a retroactive wage increase to the members dating back to 2009. While the outcome of the dispute is unknown at this time, under the terms of the contract the City of Kelowna may be required to pay the retroactive increase, estimated to be approximately \$1,000,000, to the members should the ruling be upheld. The City will recognize the expense for any retroactive wages it is obligated to pay when the dispute is resolved.

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, 2011 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 (2010 - \$3.5 million) represents the portion of the estimated total expenditure recognized as at December 31, 2011. 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 17.8 million tonnes, which is 93% 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, 2011. The landfill site is expected to reach its capacity in 2075.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2011
(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, 2011 the outstanding loan balance was \$768,750 (2010 - \$ 843,750).

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 2011 represented year 12 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 had a 20 year term expiring on March 31, 2012. A new 20 year contract has been agreed to by all parties as of March 21, 2012.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2011
(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 \$22.8 million (2010 - \$27.4 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 \$22.8 million, the City is holding irrevocable Letters of Credit in the amount of \$2.4 million (2010 - \$4.5 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") 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:

2007	\$5.2 million
2008	\$5.1 million
2009	\$4.9 million
2010	\$5.0 million
2011	\$4.8 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, 2011 the mortgage balance was \$2.3 million (2010 - \$2.6 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.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2011
(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, 2011 the Trust Fund balance is \$2.0 million (2010 - \$1.8 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.

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.

CITY OF KELOWNA
Notes to the Consolidated Financial Statements
December 31, 2011

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

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 70 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. 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, 2011
(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	\$ 246,603
Capital budget	36,218
	<u>282,821</u>
Expenses:	
Operating budget	209,371
Capital budget	156,174
	<u>365,545</u>
Annual deficit per approved budget	(82,724)
Add: tangible capital asset purchases	156,174
Annual surplus per statement of operations	<u><u>\$ 73,450</u></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, 2011
(in thousands of dollars)

	Machinery & Equipment							Subtotal Machinery & Equipment
	Land	Land Improvements	Buildings	Vehicles	Other Machinery & Equipment	Computer	Misc	
Cost								
Balance, beginning of year	\$ 145,955	\$ 52,679	\$ 252,655	\$ 22,332	\$ 42,419	\$ 10,054	\$ 3,268	\$ 78,073
Add: additions during the year	14,061	1,459	6,953	1,771	1,718	2,112	501	6,102
Less: capital held for resale	(218)	-	-	-	-	-	-	-
Less: disposals during the year	(1,012)	-	(2,012)	(276)	(52)	-	-	(328)
Balance, end of year	\$ 158,786	\$ 54,138	\$ 257,596	\$ 23,827	\$ 44,085	\$ 12,166	\$ 3,769	\$ 83,847
Accumulated Amortization								
Balance, beginning of year	-	20,340	86,614	9,146	21,254	6,880	656	37,936
Add: amortization	-	2,108	8,207	1,883	2,664	958	138	5,643
Less: accumulated amortization on disposals	-	-	(483)	(218)	(28)	-	-	(246)
Balance, end of year	-	22,448	94,338	10,811	23,890	7,838	794	43,333
Net Book Value of Tangible Capital Assets	\$ 158,786	\$ 31,690	\$ 163,258	\$ 13,016	\$ 20,195	\$ 4,328	\$ 2,975	\$ 40,514
Work in Progress	\$ 99	\$ 1,806	\$ 12,217	\$ -	\$ 290	\$ 9	\$ 1,420	\$ 1,719

	Infrastructure					Subtotal Infrastructure	Natural Gas Capital Lease	Total 2011	Total 2010
	Plant & Facilities	Roads, Lanes, Sidewalks & Bike Paths	Bridges, Tunnels & Overpasses	Underground, Overhead & Other Networks	Airport Infrastructure				
Cost									
Balance, beginning of year	\$ 89,140	\$ 416,588	\$ 22,439	\$ 1,041,424	\$ 30,370	\$ 1,599,961	\$ 55,609	\$ 2,184,932	\$ 2,122,501
Add: additions during the year	9,345	27,393	6,204	10,160	1,143	54,245	-	82,820	74,258
Less: capital held for resale	-	-	-	-	-	-	-	(218)	-
Less: disposals during the year	-	-	-	-	-	-	-	(3,352)	(11,827)
Balance, end of year	\$ 98,485	\$ 443,981	\$ 28,643	\$ 1,051,584	\$ 31,513	\$ 1,654,206	\$ 55,609	\$ 2,264,182	\$ 2,184,932
Accumulated Amortization									
Balance, beginning of year	36,904	162,714	5,385	297,679	14,737	517,419	14,810	677,119	624,707
Add: amortization	2,957	17,110	445	16,763	1,515	38,790	1,600	56,348	53,236
Less: accumulated amortization on disposals	-	-	-	-	-	-	-	(729)	(824)
Balance, end of year	\$ 39,861	\$ 179,824	\$ 5,830	\$ 314,442	\$ 16,252	\$ 556,209	\$ 16,410	\$ 732,738	\$ 677,119
Net Book Value of Tangible Capital Assets	\$ 58,624	\$ 264,157	\$ 22,813	\$ 737,142	\$ 15,261	\$ 1,097,997	\$ 39,199	\$ 1,531,444	\$ 1,507,813
Work in Progress	\$ 61,316	\$ 31,511	\$ 1,360	\$ 6,253	\$ 4,543	\$ 104,983	\$ -	\$ 120,824	\$ 137,980
							\$	\$ 1,652,268	\$ 1,645,793

CITY OF KELOWNA
Schedule 2 - Segmented Information
For the Year Ended December 31, 2011
(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	2011
Revenue													
Taxation	\$ 104,415	\$ -	\$ 149	\$ -	\$ -	\$ -	\$ -	\$ 1,973	\$ 1,388	\$ -	\$ -	\$ -	\$ 107,925
Fees and charges	23,038	378	11,877	4,294	13,443	18,787	31,809	13,822	7,160	4,993	793	29	130,423
Interest earned	3,818	-	-	-	-	236	142	263	78	-	-	1,317	5,854
DCC contributions	-	-	5,876	2,924	7	-	-	1,516	595	-	-	-	10,918
Contribution from other governments	6,575	3,596	7,219	266	1,347	409	-	400	30	-	-	-	19,842
Other capital contributions	1,555	-	-	-	-	108	54	1,013	408	1,249	-	-	4,387
Gain on disposal of tangible capital assets	754	-	(110)	(164)	-	(1)	-	-	0	-	-	-	479
	<u>140,155</u>	<u>3,974</u>	<u>25,011</u>	<u>7,320</u>	<u>14,797</u>	<u>19,539</u>	<u>32,005</u>	<u>18,987</u>	<u>9,659</u>	<u>6,242</u>	<u>793</u>	<u>1,346</u>	<u>279,828</u>
Expenses													
Salaries and Benefits	\$ 14,284	\$ 21,126	\$ 7,986	\$ 8,659	\$ 5,135	\$ 3,179	\$ 70	\$ 2,631	\$ 1,962	\$ -	\$ 21	\$ -	\$ 65,053
Contract and Professional Services	3,385	1,752	19,300	7,274	6,705	373	1,720	444	540	-	142	-	41,635
RCMP Contract	-	20,060	-	-	-	357	-	-	-	-	-	-	20,417
Materials and Supplies	5,778	1,259	6,477	9,546	1,499	4,488	21,032	1,123	1,086	-	18	-	52,306
Equipment	235	328	2,362	1,425	1,786	10	-	565	385	-	-	-	7,096
Allocations	(4,574)	-	(240)	(118)	(725)	907	1,407	2,724	654	-	-	-	35
Cost Recoveries	539	(1,434)	(370)	(252)	(6)	(507)	-	(6)	(19)	-	-	-	(2,055)
Grants and External Transfers	343	114	50	1,264	1,602	-	-	-	-	-	-	-	3,373
Utilities	143	373	1,272	1,734	125	550	3	1,188	815	-	73	-	6,276
Amortization of tangible capital assets	1,277	897	25,088	7,888	1,206	4,142	1,118	8,496	4,464	1,600	172	-	56,348
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total before Debt	<u>21,410</u>	<u>44,475</u>	<u>61,925</u>	<u>37,420</u>	<u>17,327</u>	<u>13,499</u>	<u>25,350</u>	<u>17,165</u>	<u>9,887</u>	<u>1,600</u>	<u>426</u>	<u>-</u>	<u>250,484</u>
Debt Interest and Fiscal Services	2,663	-	-	-	-	744	-	3,113	494	2,896	215	-	10,125
Total operating expenses	<u>24,073</u>	<u>44,475</u>	<u>61,925</u>	<u>37,420</u>	<u>17,327</u>	<u>14,243</u>	<u>25,350</u>	<u>20,278</u>	<u>10,381</u>	<u>4,496</u>	<u>641</u>	<u>-</u>	<u>260,609</u>
Excess (deficiency) revenue over expenses	<u>\$ 116,082</u>	<u>\$ (40,501)</u>	<u>\$ (36,914)</u>	<u>\$ (30,100)</u>	<u>\$ (2,530)</u>	<u>\$ 5,296</u>	<u>\$ 6,655</u>	<u>\$ (1,291)</u>	<u>\$ (722)</u>	<u>\$ 1,746</u>	<u>\$ 152</u>	<u>\$ 1,346</u>	<u>\$ 19,219</u>

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	-	-	-	-	-	-	-	4,098
Utilities	137	355	1,128	1,628	98	513	2	1,151	761	-	73	-	5,846
Amortization of tangible capital assets	1,199	859	23,181	7,634	1,040	3,542	1,130	8,456	4,413	1,600	182	-	53,236
Loss on disposal of tangible capital assets	1,104	-	-	-	-	-	-	-	-	-	-	-	1,104
Total before Debt	<u>18,640</u>	<u>40,439</u>	<u>57,596</u>	<u>38,001</u>	<u>17,683</u>	<u>12,170</u>	<u>22,561</u>	<u>17,145</u>	<u>9,272</u>	<u>1,600</u>	<u>397</u>	<u>-</u>	<u>235,504</u>
Debt Interest and Fiscal Services	2,638	-	-	-	-	744	-	2,805	566	2,901	245	-	9,899
Total operating expenses	<u>21,278</u>	<u>40,439</u>	<u>57,596</u>	<u>38,001</u>	<u>17,683</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	<u>\$ 119,412</u>	<u>\$ (36,373)</u>	<u>\$ (24,850)</u>	<u>\$ (27,798)</u>	<u>\$ (2,208)</u>	<u>\$ 5,019</u>	<u>\$ 5,167</u>	<u>\$ 1,247</u>	<u>\$ (1,475)</u>	<u>\$ 1,650</u>	<u>\$ 113</u>	<u>\$ 1,106</u>	<u>\$ 41,010</u>

CITY OF KELOWNA
Schedule 3 - Long Term Debt
as at December 31, 2011
(in thousands of dollars)

Long term debt - General Fund

Debenture Debt

Year of Maturity	Purpose	Debt Balance Dec. 31/11	Sinking Fund Balance Dec. 31/11	Amount of Issue	Current Interest Rate
	Public Works				%
2019	South Pandosy Spec Area 1	\$ 121	\$ 113	\$ 234	5.99
2019	South Pandosy Spec Area 2	212	198	410	5.99
2019	Automated Curb Side Carts	3,993	817	4,810	4.13
2021	Downtown Parkade	1,206	994	2,200	4.43
2022	Chapman Parkade	2,714	1,357	4,071	5.37
2028	DCC Roads	7,696	2,704	10,400	5.15
	Local Improvements				
2014	Local Improvements	124	443	567	5.00
2016	Local Improvements	136	257	393	4.00
2016	Local Improvements	93	176	269	4.43
2017	Local Improvements	22	32	54	4.82
2019	Local Improvements	36	33	69	3.15
	Recreation and Cultural				
2021	Kokanee Gym Facility	310	190	500	5.69
2027	H2O Centre	23,578	3,922	27,500	4.82
2027	Kokanee Gymnastic	686	114	800	4.82
2028	H2O Centre	1,790	210	2,000	5.15
		<u>42,717</u>	<u>\$ 11,560</u>	<u>54,277</u>	
	<u>Other Debt</u>				
	Mortgage				
2012	Mortgage - Park Property	800		3,402	
	Total Debt - General Fund	\$ 43,517		\$ 57,679	

CITY OF KELOWNA
Schedule 3 - Long Term Debt (continued)
as at December 31, 2011
(in thousands of dollars)

Long term debt - Wastewater Fund

Debenture Debt

Year of Maturity	Purpose	Debt Balance Dec. 31/11	Sinking Fund Balance Dec. 31/11	Amount of Issue	Current Interest Rate
	Specified Area Programs				%
2015	Spec. Area 17 - Mission Flats	\$ 384	\$ 966	\$ 1,350	4.75
2018	Spec. Area 18 - Caramillo	63	72	135	4.65
2018	Spec. Area 19 - Poplar Point	36	41	77	4.65
2022	Spec. Area 22A - Gerstmar	26	13	39	6.06
2024	Spec. Area 21A - McKenzie Bench	1,018	332	1,350	4.98
2024	Spec. Area 22B - Vista Rd	60	19	79	4.98
2024	Spec. Area 22C - Hein Rd	201	65	266	4.98
2024	Spec. Area 22D - Elwyn Rd	112	37	149	4.98
2024	Spec. Area 22E - Dease Rd	72	24	96	4.98
2024	Spec. Area 22F - Mills Rd	258	84	342	4.98
2024	Spec. Area 29 - Campion Cambro	659	215	874	4.98
2024	Spec. Area 30 - Acland	275	89	364	4.98
2025	Spec. Area 20 - North Rutland	5,302	1,520	6,822	4.17
2025	Spec. Area 28A - Okaview	496	142	638	4.17
2028	Spec Area 26 - Fisher Rd	1,809	212	2,021	5.15
2028	Spec Area 34 - Country Rhodes	389	46	435	5.15
2028	Spec Area 36 - Clifton	239	28	267	5.15
	Sewer Improvement Programs				
2014	Glenwood Sewer Main Replacement	24	66	90	3.15
2014	Long St. Sewer Main Replacement	17	47	64	3.15
2019	Byrns Baron Main	2,407	1,459	3,866	4.98
	Sewage Treatment Plant				
2014	Sewer Treatment Plant Phase III	2,090	5,910	8,000	5.99
2019	Waste Water Treatment Expansion	16,602	3,398	20,000	4.90
2019	Waste Water Treatment Expansion	8,301	1,699	10,000	4.13
2020	Waste Water Treatment Expansion	9,167	833	10,000	4.00
2031	Brandt's Creek Tradewaste Treatment	3,800	-	3,800	4.00
Total Debt - Wastewater Fund		\$ 53,807	\$ 17,317	\$ 71,124	

CITY OF KELOWNA
Schedule 3 - Long Term Debt (continued)
as at December 31, 2011
(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. 31/11</u>	<u>Dec. 31/11</u>		<u>Rate</u>
	Specified Area Programs				%
2023	Spec Area 16 - Byrns	\$ 28	\$ 11	\$ 39	4.78
2024	Spec Area 18 - Lakeshore	18	6	24	4.98
2028	Spec Area 26 - Fisher Rd	266	31	297	5.15
	Water Improvement Programs				
2012	Poplar Point	43	430	473	4.82
2028	Cedar Creek Pump Station	6,783	794	7,577	5.15
2031	Poplar Point Pump Station Upgrade	2,000	-	2,000	4.00
Total Debt - Water Fund		\$ 9,138	\$ 1,272	\$ 10,410	

Long term debt - Airport Fund

<u>Debenture Debt</u>					
2018	Airport Expansion	\$ 11,840	\$ 4,160	\$ 16,000	4.65
Total Debt - Airport Fund		\$ 11,840	\$ 4,160	\$ 16,000	

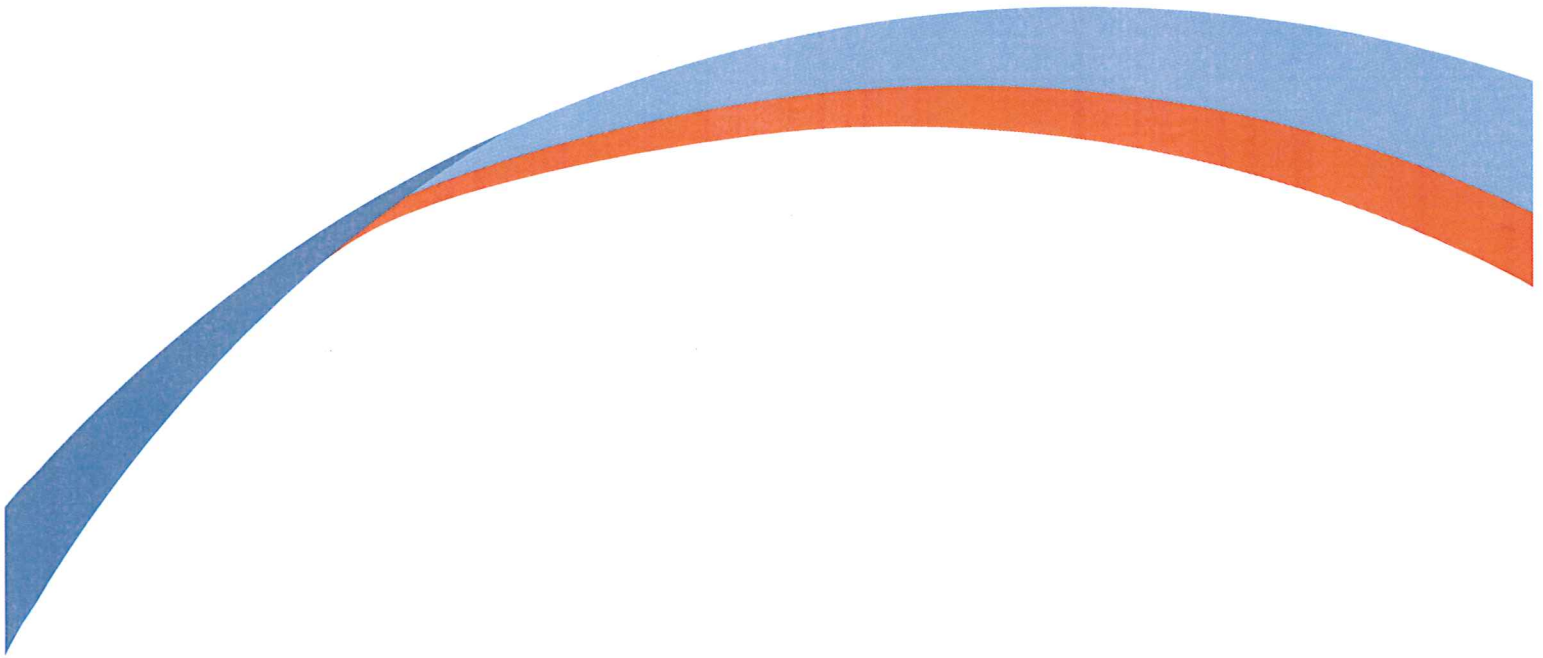
Long term debt - Natural Gas Legacy Fund

<u>Debenture Debt</u>					
2018	Leased Capital Assets	\$ 16,060	\$ 13,740	\$ 29,800	4.43
2018	Leased Capital Assets	10,509	8,991	19,500	4.43
		<u>26,569</u>	<u>22,731</u>	<u>49,300</u>	
Capital Lease Payable		2,354		2,396	10.072
Total Debt - Natural Gas Legacy Fund		\$ 28,923		\$ 51,696	

Long term debt - Library

2017	Mortgage - Building	\$ 2,303		\$ 5,100	8.94
Total Debt - Library Fund		\$ 2,303		\$ 5,100	

Total City Long Term Debt	\$ 149,528	\$ 57,040	\$ 212,009
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