

City of Kelowna



CULTURAL CAPITALE
CAPITAL CULTURELLE
of CANADA du CANADA

2004 Annual Financial Report

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FOR THE YEAR ENDED
DECEMBER 31, 2004

City of Kelowna

KELOWNA, BRITISH COLUMBIA

Annual Financial Report

FOR THE YEAR ENDED DECEMBER 31, 2004

Report preparation by Corporate Administration
and the Department of Financial Services

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Aeriosa Dance Company performs on the walls of the Library Plaza Parkade.



Fruitfulness, a painting by local artist Lynn Tribe, interprets the City's motto in colourful forms.



A Geert Maas bronze On The Beach installed at Tugboat Bay in Waterfront Park.



A drummer from Aché Brazil performs at Island Stage in Waterfront Park.



The City of Kelowna was named a Cultural Capital of Canada by the federal department of Canadian Heritage. The \$500,000 award will help the City build a cultural legacy.



A Message from the Mayor



2004 was A GREAT YEAR for Kelowna with many announcements, plans and initiatives set to carry us forward in our Centennial and beyond.

Building activity once again led the way. In 2004 the value of building permits issued totalled \$377 million compared to \$286 million in 2003, illustrating that Kelowna's popularity as a place to live and work continues to grow. For the first time since 1996 multi-family housing outpaced single-family construction allowing the City to responsibly accommodate growth while meeting the needs of our increasingly diverse community.

The University of British Columbia announced that UBC Okanagan will open its doors in the fall of 2005. The opportunities associated with an educational facility of this calibre are many; 5,500 additional spaces for post-secondary students by 2010 and an expected annual regional economic impact of \$ 500 million to name just two.

Significant progress was made city-wide without placing an undue burden on the taxpayer. In fact, the average 2004 taxation increase for all property classes was 1.75 %, down slightly from the three year average of 1.8 %. Our eighth annual Citizen Survey showed 69% of respondents want the City to maintain current levels of service and taxation.

The City continues to invest in infrastructure to encourage alternative forms of transportation to help address residents' number one concern, traffic congestion. In 2004 over six kilometres of bike paths and six kilometres of sidewalks were constructed while the Smart Transit Plan, a long-term strategy for public transit throughout the Central Okanagan, was substantially complete. A number of roadway projects, including a \$4.1 million upgrade to Glenmore Road, will also help address traffic congestion.

As with any growing city Kelowna is also seeing an increase in criminal activity, drug addiction and homelessness. In 2004 the Central Okanagan Four Pillars Coalition was struck to develop a made-in-Kelowna solution and Kelowna City Council passed a resolution urging the provincial government to enact Safe Streets Legislation and amend the current Trespass Act. To coordinate provincial and municipal resources the province created the Premier's Task Force on Mental Illness, Addictions and Homelessness; I am one of seven Mayors on the Task Force and am encouraged by the Premier's commitment to action. Closer to home the Glenmore Community Policing Office opened its doors in 2004, bringing the City's total number of offices to three, and Council continues to work closely with the RCMP and social service agencies to address these complex issues.

As we head into 2005, the City's Centennial, I look forward to the challenges and opportunities our rapidly growing city has to offer.

Walter Gray
MAYOR



City Council 2003–2005



Standing left to right

Councillor Al Horning, Councillor Colin Day, Mayor Walter Gray, Councillor Andre Blanleil, Councillor Sharon Shepherd

Seated left to right

Councillor Robert Hobson, Councillor Brian Given, Councillor Barrie Clark, Councillor Ron Cannan

The City of Kelowna is governed by an elected Council comprised of a Mayor and eight Councillors. Councillors are elected for three-year terms and each member of council represents the city at large.

Regular meetings are scheduled Monday afternoons at 1:30 p.m. at City Hall, 1435 Water Street. During the summer months these meetings are scheduled bi-weekly. Regular meetings, as well as Public Hearings on development applications, are also held every second Tuesday at 7:00 p.m. The public is welcome to attend all sessions. In addition, Council regularly meets Monday mornings to discuss in-camera business as permitted under the *Community Charter*.

Meeting agendas and minutes are available on the City's website www.kelowna.ca under "City Hall, Council." Council meetings (Monday afternoon and Tuesday evening) are broadcast live (audio only) on the internet via www.castanet.net. Monday afternoon meetings are rebroadcast on Shaw Cable 11.

Message from the City Manager

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I'M PLEASED TO PRESENT the Annual Financial Report, which provides a summary of the City's significant achievements in 2004 and a comprehensive overview of the City's financial position.

Firstly I would like to thank all employees for their ongoing dedication to excellence. The annual Citizens Survey indicated a 94% satisfaction rating for the overall level and quality of services in Kelowna. This compares to an 82% satisfaction level in a survey conducted for several other BC municipalities. In addition five awards relating to financial reporting, energy efficiency, community partnerships and environmental awareness further solidified our reputation as an industry leader in local governance.

Growth management continues to be a central issue and significant staff resources were spent updating the 1993 Strategic Plan; a report was presented to Council in early 2005. Council adopted the 20-year Major Road Network Plan, the Generalized Future Land Use Map and Financing Strategy components of the 2020 Official Community Plan.

The City continues to look for innovative ways to protect and enhance Kelowna's natural environment. In addition to a number of educational programs including the City's first "Walk and Roll Car Free Day", the City embarked on a pilot study with the Regional District of the Central Okanagan to determine the feasibility of chipping wood waste from orchard removals as an alternative to burning. Other environmental initiatives included the implementation of a comprehensive catch basin mosquito control program, the first of its kind in BC.

The \$16.4 million Capital News Centre opened its doors with two NHL-size ice arenas, two multi-court sportsfields, an indoor track and a large fitness centre bringing Mission Recreation Park one step closer to becoming a premiere recreational facility. City Council also gave preliminary support to an aquatic facility at the Park. These initiatives, combined with the \$800,000 renovation to Memorial Arena, will help position Kelowna for the rapidly expanding sport tourism market and help to attract business leading up to, during and after the 2010 Winter Olympics.

Kelowna International Airport set a new record with over 894,000 passengers travelling through the facility marking a 3.58% increase over 2003, the previous record breaking year. For the second year in a row the Airport topped the overall satisfaction ranking in an independent study of 12 medium-sized airports.

The multi-year North Rutland sewer project was completed providing service to 1,868 lots at a cost of \$18 million; the \$4 million Okaview sewer project serviced 252 homes, (109 had been destroyed by the 2003 Okanagan Mountain Park fire).

Public hearings, public meetings, Council committees and the Citizen Survey continue to be key methods for the public to provide input on a variety of municipal issues. Members of the Roads Task Force volunteered countless hours of their time and identified a solution that will accommodate traffic flows onto the new Okanagan Lake Bridge. I thank them sincerely; their recommendation was presented to City Council early in 2005.

While the challenges of managing a rapidly growing city are many, I assure all citizens that Council and staff are committed to building on our past successes.



A handwritten signature in black ink, appearing to read "Ron Born". The signature is fluid and cursive, written over a white background.

Ron Born
CITY MANAGER

Report from the Director of Financial Services



May 2005

The Mayor and Council
City of Kelowna

Your Worship and Members of Council:

In accordance with Section 167 of the *Community Charter*, I am pleased to present the *2004 Annual Financial Report of the City of Kelowna* for the fiscal year ended December 31, 2004. The report includes the Auditor's report, the 2004 audited financial statements, and supplementary information for the City of Kelowna.

The financial statements for the year ended December 31, 2004 were prepared by City staff in accordance with generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. Management is responsible for implementing and maintaining a system of internal controls to ensure that reliable financial statements and schedules are prepared and that these statements are consistent with other reporting requirements as part of the *Financial Information Act*. These financial statements were audited by Grant Thornton LLP and their responsibility was to express an opinion based on the results of their audit. The audit was planned and performed to obtain reasonable assurance as to whether the financial statements were free of material error or misstatement. The statements have been reviewed by the City's Audit Committee, whose responsibility is to ensure the financial statements are comprehensive, reliable and understandable.

The City of Kelowna has continued to promote modest annual taxation increases to support current and expanded services in a period of very high growth. Overall the City is in a strong financial position, as it continues to adapt to changing conditions in the economy and in services and funding provided by senior levels of government.

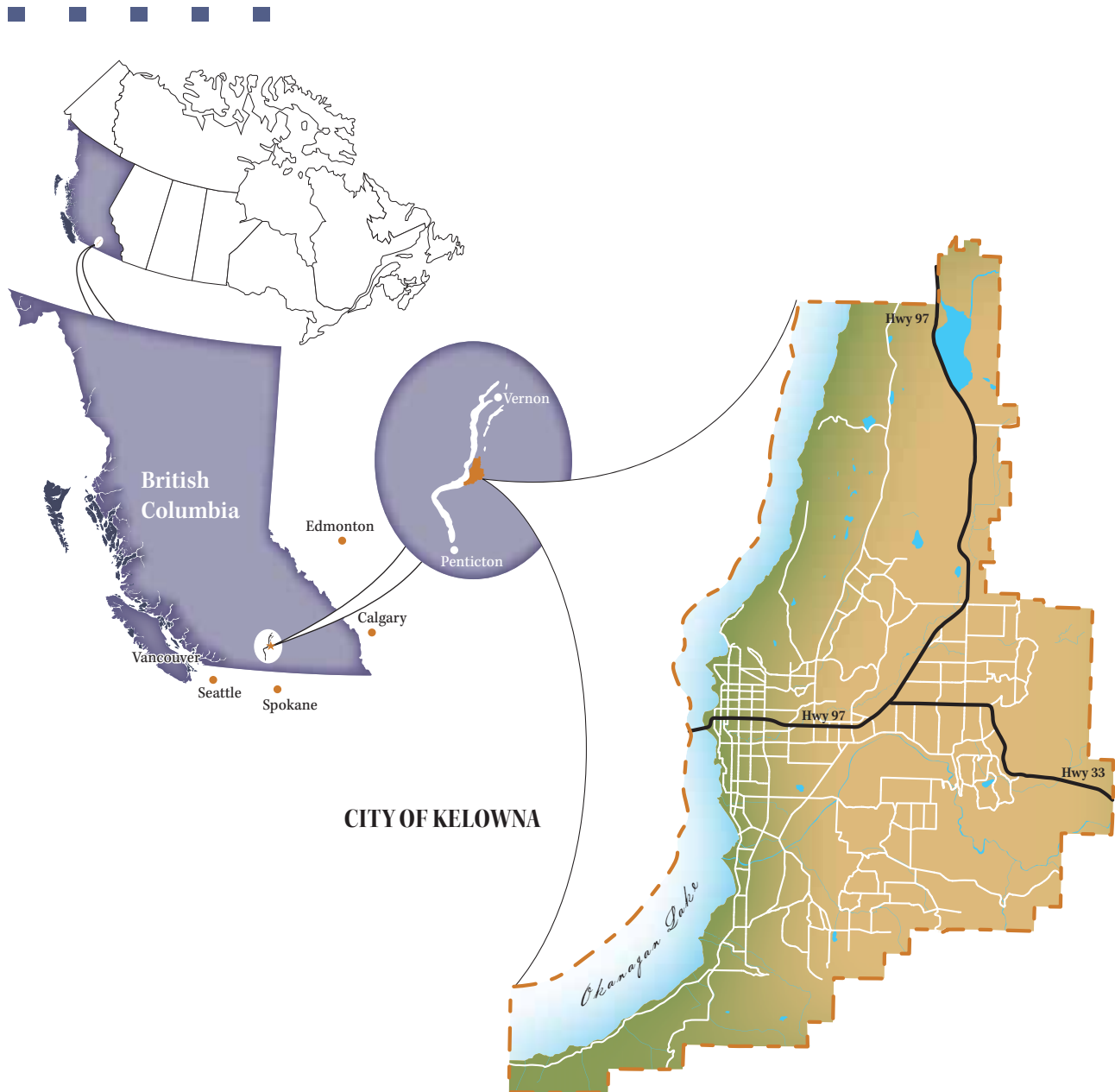
The City strives to be innovative and creative in terms of finding more efficient and effective ways of delivering services to reflect Council and community desires, in spite of the challenges of an increasingly complex operating environment. The City remains committed to providing sound financial management and long-term strategic planning to achieve its vision.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Paul Macklem', with a stylized flourish extending to the right.

Paul Macklem, CMA
DIRECTOR OF FINANCIAL SERVICES

Map of the City's Geographic Location



The City of Kelowna is centrally located in the Okanagan Valley, in the interior of British Columbia, Canada. Kelowna is situated on the eastern shore of Okanagan Lake, midway between Penticton to the south and Vernon to the north.

- With a population of approximately 103,000, Kelowna is the largest city in the Okanagan Valley.
- The city occupies approximately 214 square kilometres of land and 48 square kilometres of water area.
- Kelowna is well known for its hot summers and temperate winters. The average daytime high during July and August is 27.4 °C, the average daytime high during December and January is -0.3 °C.
- Kelowna receives over 2,000 hours of sunshine annually and just under 28 centimetres of precipitation.

City of Kelowna Managers



ADMINISTRATION

City Manager Ron Born
Airport General Manager Roger Sellick
Communications Manager Karen Cairns
RCMP Superintendent Bill McKinnon

FINANCIAL SERVICES

Director Paul Macklem
Financial Planning Manager Keith Grayston
Financial Accounting and
Systems Manager Rob Mayne
Investments and Payroll Manager Lynn Walter
Purchasing Manager Ron Reiter
Revenue Supervisor Genelle Davidson
Risk Manager Lance Kayfish

PLANNING AND CORPORATE SERVICES

Director Ron Mattiussi
Acting City Clerk Stephen Fleming
Community Development and
Real Estate Manager David Shipclark
Community Planning Manager Theresa Eichler
Development Services Manager Andrew Bruce
Fire Chief Gerry Zimmermann
Information Services Manager Doug Rasmussen
Inspection Services Manager Keith Skinner
Acting Policy, Research and
Strategic Planning Manager Gary Stephen
Special Projects Manager Hazel Christy
Subdivision Approving Officer Bob Shaughnessy

WORKS AND UTILITIES

Director John Vos
Administration Manager Elaine Shipclark
Development Engineering Manager Steve Muenz
Electrical Manager Rod Carle
Environment/Solid Waste Manager Mark Watt
Transportation Manager Ron Westlake
Wastewater Manager Bill Berry
Water/Drainage Manager Don Degen

PARKS AND LEISURE SERVICES

Director David Graham
Cemetery Manager Dennis Radford
Civic Properties Manager Jim Waugh
Cultural Services Manager Lorna Gunn
Parks Manager Joe Creron
Recreation Manager Reid Oddleifson
Sports and Facilities Manager Jim Gabriel

HUMAN RESOURCES

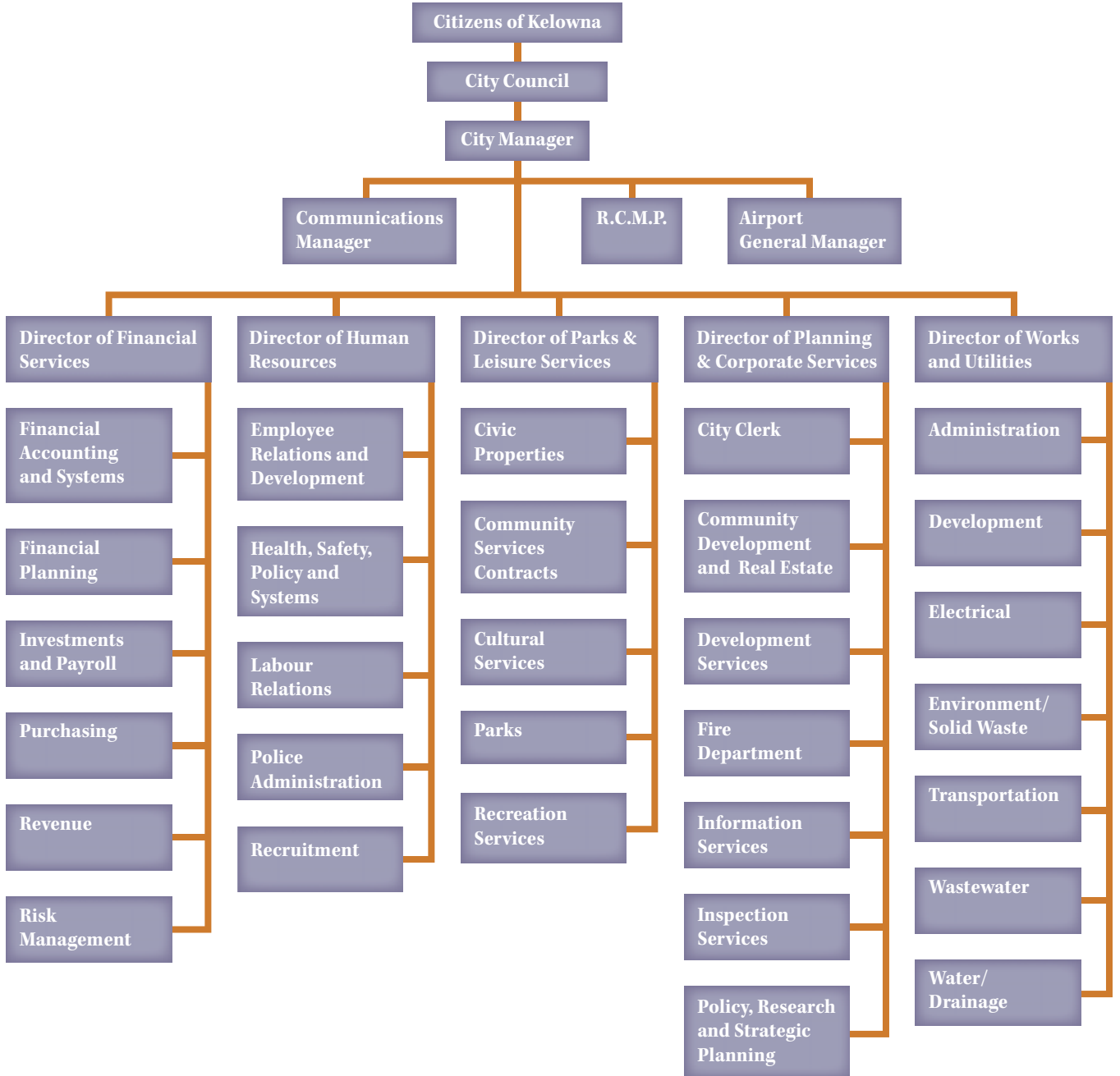
Director Rick Baker
Employee Relations and
Development Manager Charlene Covington
Human Resources Manager *vacant*
Labour Relations Manager Joe Staniszewski
Police Administration
Services Manager Dave Cassels
Recruitment Advisor Shirley Clement

CITY SOLICITORLidstone, Young, Anderson

AUDITORS Grant Thorton LLP, Kelowna, BC

BANKER Royal Bank of Canada

Organization of the City of Kelowna



City Of Kelowna — Municipal Objectives

On January 1, 2004 the *Community Charter* was enacted replacing a large portion of the *Local Government Act*. The new legislation encourages an increased commitment to public reporting. In addition to traditional financial and operational information, the annual report now contains a statement of municipal objectives. These objectives are integrated with the overall strategic plan and vision of the municipality and form part of a corporate performance management program. This year reporting has been expanded to include 2005 objectives and measures and 2006 objectives, strategies and measures.

The performance measurement program has identified seven key areas for which objectives have been established and strategic direction developed.

Strategic Performance Direction And Objectives for 2005

FINANCE

Objective

To ensure a fair balance between taxation, other revenue and control of expenditure in order to have sufficient resources for ongoing services, capital expenditures and financial reserves.

Strategies

- To “put in place” 10 corporate financial strategies
- To implement the 10-year Capital Plan on time and within budget
- To develop financial policies and procedures for the corporation

Measures

- Strategies implemented during the year
- Comparison of capital budget to actual
- Number of policies implemented

HUMAN RESOURCES

Objective

To retain, develop, and attract appropriate staff, volunteers and elected officials who are committed to our Vision and Mission

Strategies

- To develop and implement an HR Management Plan that meets current and future City strategic directions and objectives

Measures

- Number of candidates hired from succession plans
- Employee satisfaction survey

PARTNERSHIPS

Objective

To identify and develop partnerships that will provide efficient and quality services

Strategy

- To explore partnering opportunities that will provide efficient and quality service

Measures

- Number of partnering agreements and associations with the community

FACILITIES, EQUIPMENT AND TECHNOLOGY

Objectives

To provide appropriate technology, spaces and places to support our programs, services, staff and volunteers.

Strategies

- To construct and renovate City facilities that respond to the community needs in accordance with the 10 Year Capital Plan, timing and budget allocations
- To provide appropriate technology supportive of strategic and operational directions

Measures

- Percentage of projects and renovations completed
- New technologies introduced

IMAGE

Objective

To be respected and valued by our community

Strategies

- To ensure that Kelowna is ranked in the top five Canadian communities in which to live and do business

Measure

- Kelowna's ranking amongst other communities

Strategic Performance Direction And Objectives for 2005 continued

RESEARCH AND DEVELOPMENT

Objective

To continuously seek improvements in corporate performance and to monitor key community and external indicators that may influence future operations

Strategies

- Increase training and educational opportunities for staff to build on teamwork and morale

Measures

- Citizen's satisfaction survey results

PRODUCTS AND SERVICE

Objective

To offer high quality relevant programs and services that wisely use available resources in order to meet the challenges and opportunities of our community

Parks and Leisure Services

Strategies

- To provide parks, recreation and cultural services for citizens of all ages and backgrounds that maximizes their potential

Measures

- Completion of a Parks and Recreation Master Plan

Works and Utilities

Strategies

- To meet water quality standards
- To meet wastewater effluent quality standards
- To process Works and Utilities development applications within 35 days
- To reduce roadway congestion
- To provide efficient infrastructure maintenance services

Measures

- Water sampling tests and effluent quality tests
- Time to process development applications

Planning and Corporate Services

Strategies

- To provide development and building permit applications within established processing timelines
- To ensure OCP objectives for housing, commercial growth and parks and open spaces, are understood and accepted by the public

Measures

- Number of permit applications
- Citizen satisfaction survey results

Community Quality of Life

Strategies

- Develop measurement criteria for: Crimes against persons, crimes against properties, vehicle accidents, fire response incidents, medical response incidents

Strategic Performance Direction And Objectives for 2006

FINANCE

Objective

To ensure a fair balance between taxation, other revenue and control of expenditure in order to have sufficient resources for ongoing services, capital expenditures and financial reserves.

Strategies

- To develop financial policies and procedures for the corporation
- To implement the 10-year Capital Plan on time and within budget

Measures

- Number of policies created or updated
- Percentage of capital projects completed on time and on budget

HUMAN RESOURCES

Objectives

To retain, develop, and attract appropriate staff, volunteers and elected officials who are committed to our Vision and Mission

Strategies

- Develop and implement an HR Management Plan that meets the current and future City strategic directions and objectives
- Complete a review of various division programs and organizational structures

Measures

- Number of vacant positions filled internally
- Number of completed internal department reviews

Strategic Performance Direction And Objectives for 2006 continued

PARTNERSHIPS

Objectives

To explore partnering opportunities that will provide efficient and quality services

Strategies

- Effectively liaise with external organizations such as OUC, UBC and vocational colleges to ensure a future supply of candidates for City of Kelowna employment opportunities
- Work with senior governments, non-profit groups, developers and others to increase the number of affordable housing units constructed
- Promote the Partners in Parks program focused on community need and reducing reliance on taxation

Measures

- Percentage of match between employees hired and preferred job qualifications
- Units of affordable housing constructed
- Number of Parks partnerships developed during the year

FACILITIES, EQUIPMENT AND TECHNOLOGY

Objectives

To provide appropriate technology, spaces and places to support our programs, services, staff and volunteers.

Strategies

- To construct and renovate City facilities that respond to the community needs in accordance with the 10 Year Capital Plan, timing and budget allocations
- Expand use of internet site for eBusiness

Measures

- Percentage of city facilities capital budgeted projects completed
- Number of eBusiness applications added to web page

IMAGE

Objectives

To be respected and valued by our community

Strategies

- To ensure that Kelowna is ranked in the top five Canadian communities in which to live and do business
- Ensure that all customer inquires and complaints for utility related matters are responded to within 24 hours
- Confirm the effectiveness of customer appreciation days for the Revenue Division

Measures

- Kelowna's ranking against other municipalities
- Percentage of calls addressed within the 24 hour target period
- Survey customers attending the customer appreciation days and solicit them for improvements

RESEARCH AND DEVELOPMENT

Objectives

To continuously seek improvements in corporate performance and to monitor key community and external indicators that may influence future operations

Strategies

- To further implement a culture of continuous process improvement
- Increase training and educational opportunities for staff to build on teamwork and morale
- Research better products and methods of turf management and irrigation

Measures

- Number of new initiatives developed during the year

Strategic Performance Direction And Objectives for 2006 continued

PRODUCTS AND SERVICE

Objectives

To offer high quality relevant programs and services that wisely use available resources in order to meet the challenges and opportunities of our community

Parks and Leisure Services

Strategies

- *To provide parks, recreation and cultural services for citizens of all ages and backgrounds that maximizes their satisfaction*
- *Completion of the City of Kelowna Linear Park Plan*

Measures

- *Attendance levels at various Parks & Leisure Services programs*
- *Customer satisfaction rating from the annual city survey*

Works and Utilities

Strategies

- *To reduce water consumption on a per capita basis*
- *Work with all water purveyors within the City to ensure that wherever possible, a consistent approach to water management is achieved*
- *Conduct a commercial and industrial customer education, monitoring and control program*
- *To provide efficient infrastructure maintenance services*
- *Continue modifying the “Living Greener Program” to ensure the largest outreach possible*

Measures

- *Change in water consumption percentage per capita*
- *Condition rating of city roads, number of water main service interruptions and the number of sewer main back-ups*
- *Customer satisfaction survey and environmental education*

Planning and Corporate Services

Strategies

- *Introduce pre-screening program for complex projects that will improve efficiency for both the City and the developer*

Measures

- *Developers acceptance of the pre-screening program*

Community Quality of Life

Strategies

- *Produce Community indicators report that will explore crime statistics and comparative quality of life indicators for Kelowna relative to other Canadian cities*

Measures

- *Customer satisfaction survey results surrounding quality of life in Kelowna*
- *Number of action plans initiated to address strategic plan issues*

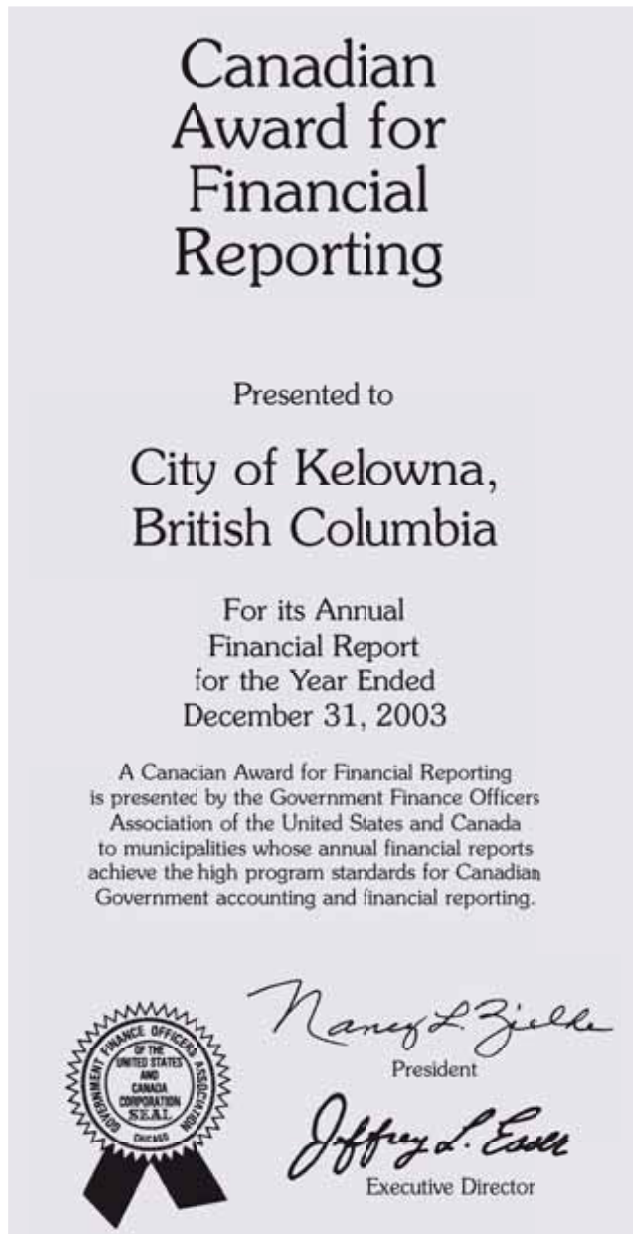
VISION STATEMENT THE CITY OF KELOWNA

We will meet the challenges and opportunities of our community through innovation, creativity and flexibility.

MISSION STATEMENT THE CITY OF KELOWNA

Our corporation is a diverse team of talented and dedicated people striving collectively to provide leadership and services to build a healthy, safe and vibrant community.

Canadian Award for Financial Reporting



The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award for Financial Reporting to the City of Kelowna for its annual financial report for the fiscal year ended December 31, 2003. The Canadian Award for Financial reporting program was established to encourage municipal governments throughout Canada to publish high quality reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. This 2004 report also conforms to the Canadian Award for Financial Reporting program guidelines and will be submitted to the GFOA.

Financial Services



- ✦ *Provides current and long term financial planning; prepares financial reports*
- ✦ *Administers the City's assets through financial systems, budgets, insurance planning and internal control systems*
- ✦ *Manages the City's investment portfolio ; administers the property tax and accounts receivable systems*
- ✦ *Recommends purchasing policy and provides centralized purchasing and stores inventory service*
- ✦ *Provides payroll and risk management services, including claims administration*

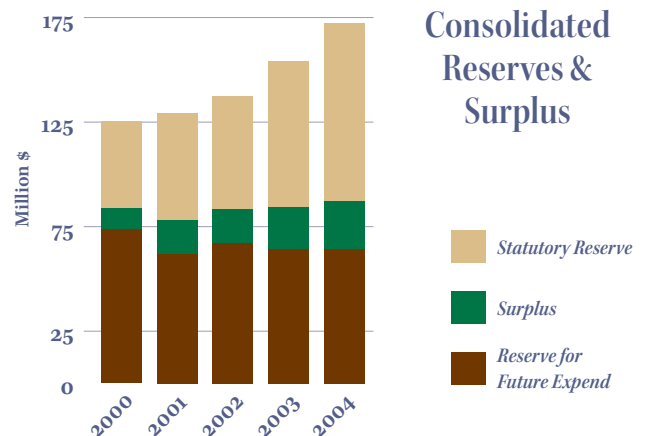
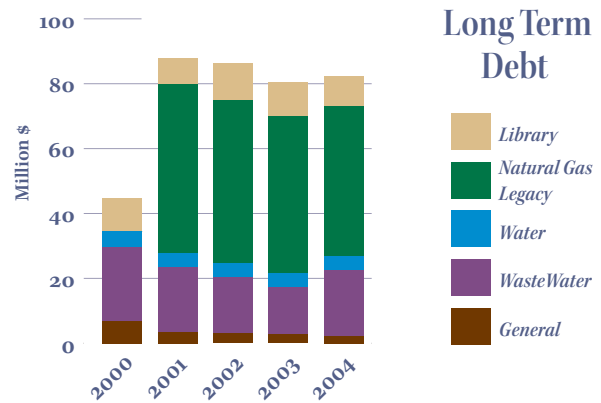
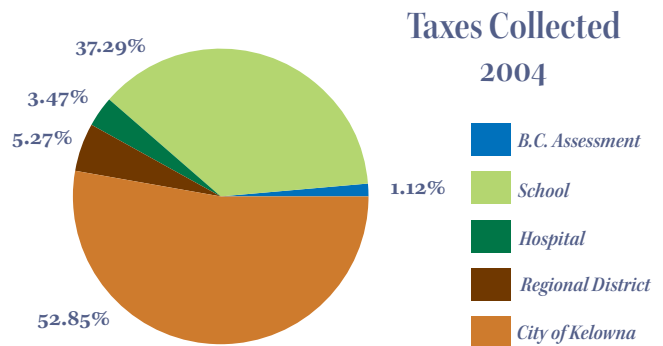
The 2004 taxation increase averaged 1.75% for all property classes. Modest taxation increases, and the utilization of tax revenue and development cost charges generated from new growth, assist in providing a balanced approach to the expansion of services and infrastructure required to accommodate continuous growth within the municipality.

The City budgeted to collect a total of \$125.5 million in taxation revenues, 53% of which was retained for municipal purposes. The remaining 47% is levied by the Province to provide funding for schools, by the Regional District of the Central Okanagan for shared services and by BC Assessment to cover the City's share of the costs associated with providing assessment information.

The City continues to rely on pay-as-you-go rather than debt financing for major infrastructure needs wherever possible in achieving strategic servicing goals. This limits debt-servicing costs and provides increased flexibility to meet the general needs of the community. In 2004, a modest 2.3 cents of each municipal tax dollar collected was budgeted for tax-supported debt servicing programs. Pay-as-you-go capital project funding represented 2.4% of the 2004 taxation requirement.

Maintenance of adequate levels of reserves and surplus continues to play a significant role in achieving a level of financial stability for Kelowna taxpayers and ratepayers. Reserves fall into two categories, the most significant of which is a capital reserve to ensure that existing City equipment and infrastructure can be maintained, and an operating reserve to ensure that unusual and unforeseen operating conditions can be met without the need for extraordinary tax increases.

Committed to excellence in governmental accounting and financial reporting, Financial Services earned the Government Finance Officers Association's (GFOA) "Canadian Award for Financial Reporting" for the City's 2003 Annual Financial Report (2nd year) and the "Distinguished Budget Presentation Award" for the City's 2004 budget (3rd year). The GFOA supports 16,000 local governments in the United States and Canada.



Human Resources

- -
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 -
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- ✦ *Creates and coordinates staff development, training and recognition programs*
 - ✦ *Recruits and retains superior quality staff*
 - ✦ *Manages labour relations*
 - ✦ *Manages occupational health, safety and accident prevention programs, WCB claims and attendance/safety related cost containment programs*
 - ✦ *Administers compensation and benefit programs*

TRAINING AND DEVELOPMENT

A new apprentice program will allow the development of in-house skills and will build the skill set required for the future.

EMPLOYEE RELATIONS

Employees were recognised with 74 long service awards, ten retirement acknowledgments and five customer service awards. The New Employee Orientation program continues to improve customer service.

SAFETY AND OCCUPATIONAL HEALTH

The annual Department Safety Award was awarded to four departments, all of which had perfect scores. The City's Safety Program was ranked number one for the second year in a row among BC municipalities of similar size with a 41.1% Workers' Compensation Board merit rating, representing cost savings of \$207,263.

In 2004 the City recorded 1,216 Lost Time Injury hours ; however, the City of Kelowna is still considered an industry leader compared to other municipalities of similar size.

ADMINISTRATION

In conjunction with the Okanagan Mainline Municipal Labour Relations Association, the City implemented an automated health and welfare benefit administration process that significantly reduced the cost of both premiums and administration.

EMPLOYMENT

Recruitment activity remained high with 226 vacancies being filled. Eighteen seasonal labourers and nineteen relief staff were hired in the spring of 2004 representing the largest number of hirings in these two categories to date.

LABOUR

For the 18th consecutive year the City did not lose any work time to labour disputes.

A new International Association of Fire Fighters Collective Agreement, which includes a flexible benefit program, was finalized.



Michelle Kam of the City's Environment Division helps a youngster with Kokanee fry to be released into Mission Creek.

Parks and Leisure Services



- ✦ *Delivers recreational, sports, cultural and parks services*
- ✦ *Coordinates design, construction, maintenance and operation of civic facilities, buildings and parks*
- ✦ *Develops plans for future facilities, parks and open space*
- ✦ *Provides opportunities for leisure, artistic and cultural enrichment*



Residents watch one of many performances held on Island Stage in Waterfront Park in 2004.

MILESTONES

The \$16.4 million Capital News Centre opened its doors offering residents a variety of recreational opportunities with two NHL-size arenas, two indoor playing fields, a running track, fitness centre and regional library.

BUILDING BLOCKS

Building on the City's vision to make Mission Recreation Park a first class recreational facility, City Council gave support in principle to a major aquatic facility, including a 50 metre pool, if the tax impact can be kept to four percent. City staff is reviewing various funding options.

The former Kelowna Secondary School was substantially demolished paving the way for a significant redevelopment at the corner of Highway 97 and Richter Street, and the Glenmore Community Policing Office opened bringing the city's total number of offices to three.

PARKS AND PARTNERSHIPS

Partnerships with senior levels of government, developers and the community continue to maximize every tax dollar spent to enhance facilities and services. In 2004 the Brevity Memorial at Kelowna Memorial Park Cemetery placed first in the International Cemetery and Funeral Association's 2004 "Keeping It Personal" contest. The project is a partnership between the City and the Kelowna chapter of Compassionate Friends, an international organization that provides support for bereaved parents. The City also undertook its largest fuel reduction program to date with the help of more than \$700,000 from Human Resources and Skills Development Canada, while \$650,000 from the community and a private developer helped to rebuild the Quilchena playground destroyed by the 2003 Okanagan Mountain Park fire.

The Integrated Pest Management program saw the municipal use of pesticides drop by a further 58%.

RECREATION AND CULTURE

Memorial Arena received a substantial upgrade at the cost of \$800,000; improvements included new dasher boards, a concrete slab and refrigeration.

Eleven Sport Event Development Grants valued at \$14,433 were issued in 2004; the 11 events are expected to have an economic impact of \$3.3 million. Kelowna hosted the Indo Pacific Tumbling and Trampoline Championships, and in 2005 will host the 2005 Trap Seat 16 World Championships. Sporting activities continue to be one of the main reasons people visit Kelowna.

The number of recreational programs offered at various venues increased to 4,330 from 4,123, and program and drop-in attendance continued to rise. Volunteers contributed more than 49,000 hours, greatly enhancing our ability to deliver a wide range of services.

Several initiatives were launched in the Cultural District with the help of a \$500,000 Cultural Capitals of Canada Award; in 2004 residents and visitors enjoyed the inaugural Life and Arts Festival and the Holiday Season Passport. The Cultural District Charette, developed collaboratively by a variety of stakeholders, provides an exciting vision for the physical future of the District. Kelowna Arts Foundation Grants totalling \$160,750 were provided to 17 organizations including the Okanagan Symphony and Kelowna Ballet Society.

Planning and Corporate Services

- Prepares the Official Community Plan, the Strategic Plan and handles all development and building applications
- Prepares and enforces City bylaws and ensures compliance with relevant legislation
- Negotiates City land sales and purchases
- Provides strategic advice related to computer systems, designs in-house systems and provides operational support
- Provides effective and efficient fire protection and public safety services

EMBRACING THE FUTURE, PRESERVING THE PAST
 City Council adopted major components of the 2020 Official Community Plan including the 20-Year Major Road Network Plan, the Generalized Future Land Use Map and the Financing Strategy. Work on the new Strategic Plan was substantially completed and was considered by Council early in 2005. The Cedar Avenue Land Use Review increased designated park space and overall residential density while reducing the amount of commercial designation between West and Meikle Avenues.

Secondary Suite and Two Dwelling Housing Development Guidelines were implemented to promote sensitive infill, and a Heritage Building Tax Incentive Program was adopted to encourage the preservation and restoration of heritage buildings. Twenty-eight artistic way-finding signs were installed in the Cultural District and Downtown; future plans call for additional signs and kiosks to help locate important points of interest.

BUILDING ACTIVITY

2004 marked the first time multi-family housing outpaced single-family construction since 1996; this trend is in keeping with the City's goal of using land more efficiently through multiple unit developments.

	2004	2003	Change
Total Value of Construction Permits	\$377 million	\$285.9 million	+ 31.9%
Number of Residential Units	1,946	1,375	+ 41.5%
Single Detached	880	818	+6.5%
Multiple Housing	1,066	557	+91.4%
City's Regional Share of Residential Development	78%	71%	+7%
Commercial Development (sq ft)	445,231	537,746	-17.2%
Industrial Development Value (sq ft)	198,168	124,033	+59.8%
Institutional Development Value (sq ft)	115,148	270,061	-57.4%
Development Applications (processed)	556	421	+32%
Subdivision Approval	1,010	723	+39.7%

Large projects included a 118 unit residential housing project on Country Club Drive and a 132,217 square foot retail commercial space on Banks Road.



Attractive and effective way-finding signage is a new feature of Kelowna's downtown.

COMMUNITY DEVELOPMENT AND REAL ESTATE

Staff, in conjunction with senior levels of government and local agencies, dedicated significant resources to addressing homelessness and affordable housing. In an unprecedented move the City directed funds from the sale of two properties to the Affordable Housing Fund. Goals for the redevelopment of the former Kelowna Secondary School site on the corner of Richter Street and Harvey Avenue were created to ensure future redevelopment achieves a balance of land uses with a mix of parkland and a diversity of housing. Of the 388 land transactions in 2004, 171 were driven by development representing a 30% increase over 2003.

Significant time was spent finalizing land acquisitions for Phase 1 and 2 of the Mission Creek Greenway, the extension of Highway 33 to Enterprise Way and future waterfront park development.

The City continues its commitment to work in partnership with local, provincial and federal organizations to support a safe and healthy community. The Central Okanagan Four Pillars Coalition received \$30,000 to help address drug abuse and homelessness and Mayor Walter Gray was selected to participate on the Premier's Task Force on Mental Illness, Addictions and Homelessness. Grants totalling \$64,000 were awarded for Community Social Development and to address the Sexual Exploitation of Youth.

INFORMATION SERVICES

A new Voice Over Internet Protocol (VOIP) phone system integrated the City's numerous phone networks into one seamless system allowing four digit dialling between municipal buildings and a common voice mail platform.

FIRE DEPARTMENT

Fire losses were estimated at just over \$6 million for 2004, compared to \$89 million in 2003 (when \$86 million was attributed to 239 homes destroyed in the Okanagan Mountain Park fire).



The Cannery Lofts, one of many multi-family developments under construction in 2004, is indicative of a trend towards greater interest in a more urban lifestyle.

Works and Utilities



- ✦ *Manages planning, design, construction and maintenance of City water, wastewater, solid waste, drainage, electrical and transportation infrastructure*
- ✦ *Reviews technical design of subdivisions and land developments*
- ✦ *Delivers environmental services*



This Lebanon Creek culvert was the largest installed as part of \$2 million in drainage upgrades after the 2003 Okanagan Mountain Park fire.

TRANSPORTATION

Glenmore Road, between Glenmeadows and Dallas Roads, was upgraded to four lanes at a cost of \$4.1 million. Rutland Road, between McCurdy and Cornish Roads, was upgraded at a cost of \$1.2 million. Rehabilitation work began for roadways damaged during the Okanagan Mountain Park fire at a cost of \$875,000. Approximately 17 kilometres of roadway were resurfaced. The City assumed responsibility for the remaining 350 lane kilometres of rural roads within city limits, bringing the City's total maintenance responsibility to 1,375 lane kilometres.

The Central Okanagan placed first in the national Commuter Challenge for the third year in a row; additional bike lanes and other initiatives encouraged residents to use alternate forms of transportation. The Central Okanagan Smart Transit Plan, designed to promote better integration of transit and land use planning policies, was substantially complete.

The Roads Task Force examined options to handle traffic flows emanating from the new Okanagan Lake Bridge scheduled to be complete by 2008; the Task Force reported to Council in early 2005.

DRAINAGE

Drainage upgrades totalling \$2 million were completed minimizing the risk of flooding in areas hit hard by the 2003 Okanagan Mountain Park fire.

SOLID WASTE

Solid waste burial at the Glenmore Landfill is up 7% to 105,000 tonnes annually, primarily due to construction and demolition waste. Council approved a new fee schedule for demolition, land clearing and construction waste; Sunday openings; and a ban on recyclable papers. Construction of phase two of the gas recovery system began; the gas to electricity pilot program will begin in 2005.

WATER

A \$7.3 million contract was awarded to install UV disinfection systems in the City's water utility network to inactivate chlorine-resistant parasites that may be present in the drinking water supply. Approximately 10,000 metres of new water mains were installed throughout the city.

WASTEWATER

The \$18.5 million North Rutland Sewer Project was completed providing service to 1,868 properties, the \$4 million Okaview Sewer Project serviced 252 homes and an extension to the far north end of the city provides sewer service to a number of industrial properties. Approximately 38,600 metres of sewer main and 3,500 metres of sewer forcemain were installed.

ENVIRONMENT

The City implemented a comprehensive catch basin mosquito control program, the first of its kind in BC, to minimize the potential spread of the West Nile virus. A pesticide notification registry was established with the co-operation of commercial spray operators. A \$40,000 pilot study was completed to determine the feasibility of chipping wood waste from orchard removals as an alternative to burning. The study will continue in 2005. The Cash for Clunkers program removed 289 high-polluting vehicles from Central Okanagan roadways.

The City's environmental initiatives were recognized with the 2004 Communities In Bloom Environmental Awareness Award.

DEVELOPMENT ENGINEERING

Staff reviewed 1,590 development applications and construction permits. Considerable time was spent on several large developments including Glenmore Highlands, Mission Neighbourhoods #1 and #2 and Vintage Landing.

ELECTRICAL

The City has achieved more than \$2 million in cost savings over three years due to the outsourcing of some service contracts.

City of Kelowna



Financial Section

◆
**2004 ANNUAL
FINANCIAL REPORT**

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AUDITORS' REPORT

To the Members of Council of the City of Kelowna

We have audited the consolidated statement of financial position of the City of Kelowna as at December 31, 2004 and the consolidated statements of financial activities, changes in financial position, statutory reserve funds, reserves and surplus and equity in capital assets for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City of Kelowna as at December 31, 2004 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Chartered Accountants

Kelowna, BC
March 21, 2005

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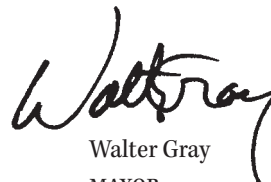
Consolidated Statement of Financial Position
As at December 31, 2004
(in thousands of dollars)

	Actual 2004	Actual 2003
Financial Assets		
Cash and temporary investments	\$ 171,514	\$ 149,522
Accounts receivable	27,383	25,458
Accrued interest	421	332
Land held for resale	940	940
Long term investments	6,000	6,000
Municipal Finance Authority debt reserve deposit	5,099	5,453
Other	1,481	1,341
	<u>212,838</u>	<u>189,046</u>
Liabilities		
Accounts payable	26,241	21,938
Performance deposits	4,447	3,537
Deferred revenue	18,803	15,421
Deferred development cost charges	48,162	36,599
Municipal Finance Authority debt reserve	5,099	5,453
Long term debt	82,320	80,473
	<u>185,072</u>	<u>163,421</u>
Net Financial Assets	<u>27,766</u>	<u>25,625</u>
Non Financial Assets		
Inventory	1,012	673
Work in progress, at cost	64,331	40,931
Capital	735,271	698,232
	<u>800,614</u>	<u>739,836</u>
Net Financial Position	<u>\$ 828,380</u>	<u>\$ 765,461</u>
Fund Position		
Operating surplus	23,047	19,966
Reserves for future expenditures	64,109	64,358
Fund Balance	87,156	84,324
Statutory reserve funds	37,098	32,993
Equity in capital assets	704,126	648,144
	<u>\$ 828,380</u>	<u>\$ 765,461</u>

See accompanying notes to the financial statements.



Paul Macklem, CMA
DIRECTOR OF FINANCIAL SERVICES



Walter Gray
MAYOR

Consolidated Statement of Financial Activities
For the Year Ended December 31, 2004
(in thousands of dollars)

	Budget 2004	Actual 2004	Actual 2003
Revenue			
Taxation	\$ 71,339	\$ 71,920	\$ 68,323
Fees and charges	71,953	79,337	78,451
Interest earned	3,621	3,610	4,052
Contribution from other governments	8,401	10,596	9,674
	<u>155,314</u>	<u>165,463</u>	<u>160,500</u>
Expenditures			
General government services	9,663	9,243	8,164
Protective services	26,988	30,838	29,749
Transportation services	18,426	17,863	16,363
Recreational and cultural services	20,179	20,494	18,384
Other services	9,245	10,104	7,835
Airport operations	5,176	5,076	4,847
Electrical utility	14,162	15,347	13,655
Wastewater utility	5,968	5,312	5,496
Water utility	3,347	3,125	3,194
Debt charges	6,388	6,197	6,462
	<u>119,542</u>	<u>123,599</u>	<u>114,149</u>
Excess Revenue Over Expenditures	35,772	41,864	46,351
Debt repayment	(3,737)	(3,689)	(4,285)
Transfer (to) from other funds	(2,417)	(301)	(1,644)
Transfer (to) from statutory reserve funds	(3,319)	(4,844)	(5,485)
Operating Fund, contribution to capital assets	<u>(49,707)</u>	<u>(30,198)</u>	<u>(33,669)</u>
Increase (decrease) in fund balances	\$ (23,408)	\$ 2,832	\$ 1,268
Consolidated Fund balance, beginning of year		84,324	83,056
Consolidated Fund balance, end of year		<u>\$ 87,156</u>	<u>\$ 84,324</u>

See accompanying notes to the financial statements.

Consolidated Statement of Changes in Financial Position

As at December 31, 2004

(in thousands of dollars)

	Actual 2004	Actual 2003
Net cash inflow (outflow) from operating activities		
Excess of revenue over expenditures and transfers	\$ 2,832	\$ 1,268
Interest earned in statutory reserve funds and sinking funds	1,063	941
Items not affecting cash - transfers between funds	<u>43,897</u>	<u>48,505</u>
	47,792	50,714
 Decrease (increase) in non-cash financial assets		
Accounts receivable	(2,014)	(6,989)
Other assets	214	3,850
 Increase (decrease) in short term financial liabilities		
Accounts payable	4,303	3,363
Deferred development cost charges	11,563	9,425
Other liabilities	<u>3,938</u>	<u>3,101</u>
	65,796	63,464
 Financing		
Issuance of long term debt	7,410	39
Contributions and grants	13,506	13,414
Repayment of long term debt	(3,689)	(4,285)
Proceeds on sale of capital assets	<u>3,447</u>	<u>5,188</u>
	20,674	14,356
 Investing		
Purchase of capital assets	(64,139)	(66,169)
Land held for resale, sold	-	(230)
(Increase) decrease in inventory	<u>(339)</u>	<u>(80)</u>
	(64,478)	(66,479)
 Net cash inflow (outflow)	21,992	11,341
 Cash position, beginning of year	149,522	138,181
 Cash position, end of year	\$ <u>171,514</u>	\$ <u>149,522</u>
 Cash and temporary investments	\$ <u>171,514</u>	\$ <u>149,522</u>

See accompanying notes to the financial statements.

Consolidated Statement of Statutory Reserve Funds

For the Year Ended December 31, 2004

(in thousands of dollars)

	Capital Works Mach and Equip 2004	Land Sales Reserve 2004	Parking 2004	Actual 2004	Actual 2003
Sources of Funds					
Return on Investment	\$ 886	\$ 129	\$ 48	\$ 1,063	\$ 941
Contributions from Developers	622	-	-	622	166
Proceeds from land sales	-	3,350	-	3,350	4,724
Transfers from General Fund	4,180	-	699	4,879	4,894
Transfers from Wastewater Fund	499	-	-	499	2,776
Transfers from Water Fund	30	-	-	30	32
	<u>6,217</u>	<u>3,479</u>	<u>747</u>	<u>10,443</u>	<u>13,533</u>
Uses of Funds					
Transfers to General Fund	1,512	2,933	664	5,109	6,794
Transfers to Wastewater Fund	967	-	-	967	627
Transfers to Water Fund	262	-	-	262	-
	<u>2,741</u>	<u>2,933</u>	<u>664</u>	<u>6,338</u>	<u>7,421</u>
Change in reserve fund balance	3,476	546	83	4,105	6,112
Balance, beginning of the year	26,927	4,297	1,769	32,993	26,881
Balance, end of the year	<u>\$ 30,403</u>	<u>\$ 4,843</u>	<u>\$ 1,852</u>	<u>\$ 37,098</u>	<u>\$ 32,993</u>

See accompanying notes to the financial statements.

Consolidated Statement of Reserves and Surplus
For the Year Ended December 31, 2004
(in thousands of dollars)

	Actual 2004	Actual 2003
Reserves for future expenditures	\$ 64,109	\$ 64,358
Surplus		
Balance, beginning of year	19,966	15,928
Add:		
Transfer from reserve for future expenditure	23,529	24,072
Increase (decrease) in fund balances	2,832	1,268
Deduct:		
Transfer to reserve for future expenditure	23,280	21,302
Balance, end of year	<u>23,047</u>	<u>19,966</u>
Fund balance, end of year	<u>\$ 87,156</u>	<u>\$ 84,324</u>

Consolidated Statement of Equity in Capital Assets
For the Year Ended December 31, 2004
(in thousands of dollars)

	Actual 2004	Actual 2003
Balance, beginning of year	\$ 648,144	\$ 590,589
Contributions to capital assets		
Operating funds	30,198	33,669
Other trust funds	301	1,644
Statutory reserve funds	5,773	5,204
Public	5	160
Federal government	2,388	268
Provincial government	5,696	4,223
Development cost charge contribution	8,145	6,707
Developers	1,515	5,162
Proceeds on sale of capital assets	97	465
	<u>54,118</u>	<u>57,502</u>
Debt retirement		
Retirement of debt	3,689	4,285
Actuarial increase in sinking funds	1,874	1,704
	<u>5,563</u>	<u>5,989</u>
Asset disposal at original cost	<u>(3,699)</u>	<u>(5,936)</u>
Balance, end of year	<u>\$ 704,126</u>	<u>\$ 648,144</u>

See accompanying notes to the financial statements.

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

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in conformity with accounting principles accepted for local governments in British Columbia and accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

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

Basis of presentation

The City of Kelowna's resources and operations are segregated into General, Airport, Electrical Utility, Wastewater Utility, Water Utility, Natural Gas Legacy Fund and Statutory Reserve Funds for accounting and financial reporting purposes. The consolidated financial statements include all the accounts of these funds.

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.

Capital Assets

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

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

Amortization

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

Municipal Finance Authority cash deposits and demand notes

The Municipality 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 Municipality also executes demand notes in connection with

each debenture whereby the Municipality may be required to loan certain amounts to the Municipal Finance Authority. These demand notes are contingent in nature.

Debenture debt

Debenture debt principal is reported net of sinking fund balances. Interest rates on debenture debt ranged from 3.39% to 10.25%. The weighted average rate for 2004 was 5.53% (2003 – 6.11%). Principal repayments for the next five years (in thousands of dollars) are as follows:

	2005	2006	2007	2008	2009
General Fund	\$ 759	\$ 667	\$ 647	\$ 592	\$ 615
Wastewater Fund	1,178	1,146	1,139	1,139	1,130
Water Fund	239	250	275	275	251
Nat. Gas Legacy	1,699	1,699	1,699	1,699	1,699
Library Society	132	209	229	249	272
	<u>\$4,067</u>	<u>\$3,971</u>	<u>\$3,989</u>	<u>\$3,954</u>	<u>\$3,967</u>

Reserves for future expenditure

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

Interfund balances and transactions

All material interfund transactions and balances have been eliminated within the consolidated financial statements.

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.

Use of Estimates

Management has made estimates and assumptions that affect the amounts reported in preparing these financial statements. Significant areas requiring the use of management estimates relate to the determination of landfill post closure costs and settlement costs associated with outstanding legal actions. Actual results could differ from the estimates and adjustments, if any, will be reflected in the operations in the year of settlement.

Budget figures

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

2. FINANCIAL ASSETS AND LIABILITIES

Temporary investments (in thousands of dollars)

Temporary investments are recorded at cost. Investments (in thousands of dollars) are comprised of the following:

<i>Type of Investments</i>	2004	2003
Cash	\$ 55,725	\$ 48,419
Municipal Finance Authority Bond Fund	5	5
Municipal Finance Authority Money Market Fund	27,386	46,393
Provincial and Bank Issued Accrual Notes and Debentures	80,232	50,205
Guaranteed Investment Certificates and Deposit Notes	<u>8,166</u>	<u>4,500</u>
Total Cash and temporary investments	<u>\$ 171,514</u>	<u>\$ 149,522</u>

Accounts Receivables (in thousands of dollars)

Accounts receivable are recorded net of allowance and comprise:

<i>Type of Receivable</i>	2004	2003
Property Tax	\$ 3,216	\$ 2,882
Accounts receivable	10,207	6,043
Due from Federal Government	2,499	672
Due from Provincial Government	3,304	4,113
Due from Regional Governments	357	1,042
Utilities	-	4,024
Deferred development cost charges	<u>7,800</u>	<u>6,682</u>
Total Accounts receivable	<u>\$27,383</u>	<u>\$25,458</u>

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 *Community Charter of BC*, these funds must be deposited into a separate reserve fund. When the related costs are incurred, the DCCs are recognized as revenue. Because these funds are restricted in nature they are shown as a liability.

<i>Deferred DCC by type</i>	2004	2003
Roads	\$20,682	\$15,387
Parks	7,701	6,194
Drainage	2,793	2,451
Wastewater	9,005	5,533
Water	<u>7,981</u>	<u>7,034</u>
Total	<u>\$ 48,162</u>	<u>\$ 36,599</u>

<i>Deferred DCC</i>	2004	2003
Balance, beginning of year	\$ 36,599	\$ 27,174
Return on investments	1,126	917
DCCs levied in the year	<u>19,043</u>	<u>15,685</u>
	<u>20,169</u>	<u>16,602</u>
Transfers to General Capital	(7,665)	(6,385)
Transfers to Wastewater Capital	(142)	(130)
Transfers to Wastewater Operating	(461)	(470)
Transfers to Water Capital	<u>(338)</u>	<u>(192)</u>
	<u>(8,606)</u>	<u>(7,177)</u>
Balance, end of year	<u>\$ 48,162</u>	<u>\$ 36,599</u>

3. 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 municipality 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 130,000 active members and approximately 45,000 retired members. Active members include approximately 29,000 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, 2003 indicated an unfunded liability of \$789 million for basic pension benefits. The next valuation will be as at December 31, 2006 with results available in 2007. The actuary does not attribute portions of the unfunded liability to individual employers. The City of Kelowna paid \$2.4 million for employer contributions to the plan in 2004.

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.

4. 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 \$5,330,000 in open purchase orders as at December 31, 2004 which has not been recorded in the accounts. 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 the Public Sector Accounting Board (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 and the reported liability of \$2.82 million (2003 - \$2.22 million) represents the portion of the estimated total expenditure recognized as at December 31, 2004. 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 7.3 million tonnes, which is 93% of the sites total capacity. The discounted future cash flows for closure and post-closure cost is estimated at \$47.0 million as at December 31, 2004. The landfill site is expected to reach its capacity in 2048.

Kelowna Family Y Centre Loan Guarantee Agreement

The City shall, under the terms of the partnering agreement between the City of Kelowna and YMCA-YWCA of Central Okanagan, guarantee repayment in the event that the YMCA-YWCA of Central Okanagan defaults on a \$1.8 million, 20 year loan. 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, 2004 the loan balance was \$1.29 million.

Rotary Centre for the Arts Loan Guarantee Agreement

The City shall, under the terms of the tripartite agreement between the City of Kelowna, HSBC Bank of Canada and Kelowna Visual and Performing Arts Centre Society (KVPACS) for the Rotary Centre for the Arts, guarantee repayment in the event that

the KVPACS defaults on the \$1.1 million, demand revolving construction loan. As at December 31, 2004 the loan balance was \$1.1 million.

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 \$6,000,000 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) \$1,330,000 per annum for Years 1 to 3 comprised of a payment of \$1,180,000, 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) \$1,180,000 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) \$1,180,000 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) \$980,000 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) \$550,000 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.

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:

Year 6	\$13,221,606
Year 11	\$11,912,282
Year 16	\$10,369,815
Year 21	\$ 6,727,289
Year 26	\$ 4,470,626

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.

Mission Recreation Park Sports Centre

The City has under the terms of the design build contract with RG Construction (Mission) Ltd. agreed to pay \$15,987 million for the construction of a sports facility plus \$600,000 in additional funds for an energy efficiency system. As at December 31, 2004 there was an outstanding commitment of \$920,400. This will become due as the project is completed.

5. 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 \$6,000,000. 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.

6. 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 \$22,075,315 (2003 - \$20,489,351) 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. The City is also holding irrevocable Letters of Credit in the amount of \$7,260,199 (2003 - \$6,064,636) which are received from developers to ensure payment of development cost charges in future years.

7. 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 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, 2004 the mortgage balance was \$4,074,222. 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.

8. 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, 2004 the Trust Fund balance is \$1,162,607.

9. CAPITAL LEASE PAYABLE

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

Capital Lease

Under the terms of the agreement the City has entered into a 35 year capital lease with Terasen Utility Services, commencing November 1, 2001, for the natural gas distribution system within the municipality's boundary. The City has prepaid \$47,500,000 of the capital lease obligation and has financed the prepayment through debenture debt. The remaining obligation of \$2,489,000, which is included in long term debt, will be paid with annual lease payments of \$260,870 including interest based on Terasen approved pre-tax weighted average cost of capital of 10.072%.

Operating Lease

The City has also entered into a 17 year operating lease with Terasen Utility Services, commencing November 1, 2001, whereby the City leases back to Terasen Utility Services the operations of the gas distribution system. Under the operating lease Terasen Utility Services is required to make annual lease payments to the City calculated by a formula specified in the agreement which is based on the total annual revenue generated by the transaction. At the end of the 17 year term Terasen Utility Services has the option of making a termination payment to the City equal to the unamortized portion of the City's \$47,500,000 prepayment under the capital lease, which is estimated to be \$24,400,000, 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.

10. PRIOR YEAR'S FIGURES

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

City of Kelowna



**Supplementary
Financial
Information**

◆
**2004 ANNUAL
FINANCIAL REPORT**



Tokara Taiko Drummers perform at Island Stage, Waterfront Park.

Photo credit: Uwe Gramann, Life & Arts Festival

AUDITORS' REPORT ON SUPPLEMENTARY FINANCIAL INFORMATION

To the Members of Council of the City of Kelowna

We have audited and reported separately herein on the consolidated financial statements of the City of Kelowna as at and for the year ended December 31, 2004.

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

Kelowna, BC
March 21, 2005

Grant Thornton LLP

Chartered Accountants

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Statement of Financial Position - by Fund

As at December 31, 2004

(in thousands of dollars)

	General Fund 2004	Airport Fund 2004	Electrical Fund 2004	Waste- water Fund 2004
Financial Assets				
Cash and temporary investments	\$ 77,475	\$ 5,316	\$ 5,687	\$ (1,968)
Accounts receivable	9,422	2,441	2,525	2,990
Accrued interest	421	-	-	-
Land held for resale	940	-	-	-
Long term investments	6,000	-	-	-
Municipal Finance Authority debt reserve	843	-	-	1,821
Other	1,318	138	-	12
Due from other funds	348	-	3,500	-
	<u>96,767</u>	<u>7,895</u>	<u>11,712</u>	<u>2,855</u>
Liabilities				
Accounts payable	25,139	101	142	360
Due to other funds	-	3,848	-	-
Performance deposits	4,275	172	-	-
Deferred revenue	16,798	135	-	1,277
Deferred development cost charges	-	-	-	-
Municipal Finance Authority debt reserve				
Cash deposits	247	-	-	468
Demand notes	596	-	-	1,353
Long term debt	9,366	-	-	20,275
	<u>56,421</u>	<u>4,256</u>	<u>142</u>	<u>23,733</u>
Net Financial Assets	<u>40,346</u>	<u>3,639</u>	<u>11,570</u>	<u>(20,878)</u>
Non Financial Assets				
Inventory	697	-	135	108
Work in progress, at cost	30,737	3,080	-	29,528
Capital	425,137	29,376	28,356	143,911
	<u>456,571</u>	<u>32,456</u>	<u>28,491</u>	<u>173,547</u>
	<u>\$ 496,917</u>	<u>\$ 36,095</u>	<u>\$ 40,061</u>	<u>\$ 152,669</u>
Fund Position				
Operating surplus (deficit)	3,122	(3,444)	8,574	10,749
Reserves for future expenditures	46,178	7,083	3,131	3,021
Statutory reserve funds	-	-	-	-
Equity in capital assets	447,617	32,456	28,356	138,899
	<u>\$ 496,917</u>	<u>\$ 36,095</u>	<u>\$ 40,061</u>	<u>\$ 152,669</u>

Water Fund 2004	Statutory Reserves 2004	Nat. Gas Legacy Fund 2004	Library Society 2004	Consolidated Adjustments 2004	Consolidated 2004	Consolidated 2003
\$ 6,281	\$ 77,460	\$ 1,067	\$ 196	\$ -	\$ 171,514	\$ 149,522
618	7,800	1,587	-	-	27,383	25,458
-	-	-	-	-	421	332
-	-	-	-	-	940	940
-	-	-	-	-	6,000	6,000
411	-	2,024	-	-	5,099	5,453
13	-	-	-	-	1,481	1,341
-	-	-	-	(3,848)	-	-
<u>7,323</u>	<u>85,260</u>	<u>4,678</u>	<u>196</u>	<u>(3,848)</u>	<u>212,838</u>	<u>189,046</u>
63	-	406	30	-	26,241	21,938
-	-	-	-	(3,848)	-	-
-	-	-	-	-	4,447	3,537
593	-	-	-	-	18,803	15,421
-	48,162	-	-	-	48,162	36,599
116	-	545	-	-	1,376	1,598
295	-	1,479	-	-	3,723	3,855
2,261	-	46,344	4,074	-	82,320	80,473
<u>3,328</u>	<u>48,162</u>	<u>48,774</u>	<u>4,104</u>	<u>(3,848)</u>	<u>185,072</u>	<u>163,421</u>
<u>3,995</u>	<u>37,098</u>	<u>(44,096)</u>	<u>(3,908)</u>	<u>-</u>	<u>27,766</u>	<u>25,625</u>
72	-	-	-	-	1,012	673
986	-	-	-	-	64,331	40,931
46,525	-	53,959	8,007	-	735,271	698,232
<u>47,583</u>	<u>-</u>	<u>53,959</u>	<u>8,007</u>	<u>-</u>	<u>800,614</u>	<u>739,836</u>
<u>\$ 51,578</u>	<u>\$ 37,098</u>	<u>\$ 9,863</u>	<u>\$ 4,099</u>	<u>\$ -</u>	<u>\$ 828,380</u>	<u>\$ 765,461</u>
1,632	-	2,248	166	-	23,047	19,966
4,696	-	-	-	-	64,109	64,358
-	37,098	-	-	-	37,098	32,993
45,250	-	7,615	3,933	-	704,126	648,144
<u>\$ 51,578</u>	<u>\$ 37,098</u>	<u>\$ 9,863</u>	<u>\$ 4,099</u>	<u>\$ -</u>	<u>\$ 828,380</u>	<u>\$ 765,461</u>

Statement of Financial Activities - by Fund
For the Year Ended December 31, 2004
(in thousands of dollars)

	General Fund 2004	Airport Fund 2004	Electrical Fund 2004	Waste- water Fund 2004
Revenue				
Taxation	\$ 68,661	\$ -	\$ -	\$ 2,119
Fees and charges	30,955	8,944	18,408	9,984
Interest earned	2,519	312	343	303
Contribution from other governments	10,282	-	-	317
	<u>112,417</u>	<u>9,256</u>	<u>18,751</u>	<u>12,723</u>
Expenditures				
General government services	9,243	-	-	-
Protective services	30,838	-	-	-
Transportation services	17,863	-	-	-
Recreational and cultural services	20,494	-	-	-
Other services	9,927	-	-	-
Airport operations	-	5,076	-	-
Electrical utility	-	-	15,347	-
Wastewater utility	-	-	-	5,312
Water utility	-	-	-	-
Debt Charges	1,106	-	-	1,603
	<u>89,471</u>	<u>5,076</u>	<u>15,347</u>	<u>6,915</u>
Excess Revenue Over Expenditures	22,946	4,180	3,404	5,808
Debt repayment	(610)	-	-	(955)
Transfer (to) from other funds	2,310	(33)	(2,141)	(233)
Transfer (to) from statutory reserve funds	(4,315)	-	-	(499)
Operating Fund, contribution to capital assets	(23,648)	(1,681)	(1,456)	(1,273)
Increase (decrease) in fund balances	\$ (3,317)	\$ 2,466	\$ (193)	\$ 2,848
Consolidated Fund balance, beginning of year	52,617	1,173	11,898	10,922
Consolidated Fund balance, end of year	<u>\$ 49,300</u>	<u>\$ 3,639</u>	<u>\$ 11,705</u>	<u>\$ 13,770</u>

	Natural Gas			
Water Fund	Legacy	Library	Consolidated	Consolidated
2004	Fund	Society	2004	2003
	2004	2004		
\$ 1,140	\$ -	\$ -	\$ 71,920	\$ 68,323
4,505	5,841	700	79,337	78,451
133	-	-	3,610	4,052
(3)	-	-	10,596	9,674
<u>5,775</u>	<u>5,841</u>	<u>700</u>	<u>165,463</u>	<u>160,500</u>
-	-	-	9,243	8,164
-	-	-	30,838	29,749
-	-	-	17,863	16,363
-	-	-	20,494	18,384
-	19	158	10,104	7,835
-	-	-	5,076	4,847
-	-	-	15,347	13,655
-	-	-	5,312	5,496
3,125	-	-	3,125	3,194
393	2,729	366	6,197	6,462
<u>3,518</u>	<u>2,748</u>	<u>524</u>	<u>123,599</u>	<u>114,149</u>
2,257	3,093	176	41,864	46,351
(238)	(1,710)	(176)	(3,689)	(4,285)
(204)	-	-	(301)	(1,644)
(30)	-	-	(4,844)	(5,485)
<u>(868)</u>	<u>(1,272)</u>	<u>-</u>	<u>(30,198)</u>	<u>(33,669)</u>
\$ 917	\$ 111	\$ -	\$ 2,832	\$ 1,268
5,411	2,137	166	84,324	83,056
<u>\$ 6,328</u>	<u>\$ 2,248</u>	<u>\$ 166</u>	<u>\$ 87,156</u>	<u>\$ 84,324</u>

Statement of Reserves and Surplus - by Fund
For the Year Ended December 31, 2004
(in thousands of dollars)

	General Fund 2004	Airport Fund 2004	Electrical Fund 2004	Waste- water Fund 2004
Reserves for future expenditures	\$ 46,178	\$ 7,083	\$ 3,131	\$ 3,021
Surplus				
Balance, beginning of year	3,113	(5,432)	8,878	8,555
Add:				
Transfer from reserve for future expenditure	18,487	3,983	575	284
Excess of revenue over expenditures and transfers	(3,317)	2,466	(193)	2,848
Deduct:				
Transfer to reserve for future expenditure	15,161	4,461	686	938
Balance, end of year	<u>3,122</u>	<u>(3,444)</u>	<u>8,574</u>	<u>10,749</u>
Fund balance, end of year	<u>\$ 49,300</u>	<u>\$ 3,639</u>	<u>\$ 11,705</u>	<u>\$ 13,770</u>

Statement of Equity in Capital Assets - by Fund
For the Year Ended December 31, 2004
(in thousands of dollars)

Balance, beginning of year	\$ 412,360	\$ 28,509	\$ 26,842	\$ 129,346
Contributions to Capital Assets				
Operating fund	23,648	1,681	1,456	1,273
Trust and other funds	85	-	-	216
Statutory reserve funds	4,544	-	-	967
Public	5	-	-	-
Federal government	122	2,266	-	-
Provincial government	671	-	-	4,845
Development cost charge contribution	7,665	-	-	142
Developers	820	-	58	385
Proceeds from the sale of capital assets	97	-	-	-
	<u>37,657</u>	<u>3,947</u>	<u>1,514</u>	<u>7,828</u>
Debt Retirement				
Retirement of debt	610	-	-	955
Actuarial increase in sinking funds	689	-	-	770
	<u>1,299</u>	<u>-</u>	<u>-</u>	<u>1,725</u>
Asset disposal at original cost	<u>(3,699)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 447,617</u>	<u>\$ 32,456</u>	<u>\$ 28,356</u>	<u>\$ 138,899</u>

Water Fund 2004	Natural Gas Legacy Fund 2004	Library Society 2004	Consolidated 2004	Consolidated 2003
\$ 4,696	\$ -	\$ -	\$ 64,109	\$ 64,358
2,549	2,137	166	19,966	15,928
200	-	-	23,529	24,072
917	111	-	2,832	1,268
2,034	-	-	23,280	21,302
<u>1,632</u>	<u>2,248</u>	<u>166</u>	<u>23,047</u>	<u>19,966</u>
\$ <u>6,328</u>	\$ <u>2,248</u>	\$ <u>166</u>	\$ <u>87,156</u>	\$ <u>84,324</u>

\$ 42,918	\$ 4,412	\$ 3,757	\$ 648,144	\$ 590,589
868	1,272	-	30,198	33,669
-	-	-	301	1,644
262	-	-	5,773	5,204
-	-	-	5	160
-	-	-	2,388	268
180	-	-	5,696	4,223
338	-	-	8,145	6,707
252	-	-	1,515	5,162
-	-	-	97	465
<u>1,900</u>	<u>1,272</u>	<u>-</u>	<u>54,118</u>	<u>57,502</u>
238	1,710	176	3,689	4,285
194	221	-	1,874	1,704
<u>432</u>	<u>1,931</u>	<u>176</u>	<u>5,563</u>	<u>5,989</u>
-	-	-	(3,699)	(5,936)
\$ <u>45,250</u>	\$ <u>7,615</u>	\$ <u>3,933</u>	\$ <u>704,126</u>	\$ <u>648,144</u>

Debenture Debt - General Fund
as at December 31, 2004
(in thousands of dollars)

Year of Maturity	Purpose	Debenture Balance Dec. 31/04	Sinking Fund Balance Dec. 31/04	Amount of Issue	Current Interest Rate %
Public Works					
2005	Downtown Revitalization	\$ 92	\$ 718	\$ 810	9.00
2021	Downtown Parkade	1,760	440	2,200	7.42
2019	South Pandosy Spec Area 1	195	39	234	5.99
2019	South Pandosy Spec Area 2	341	69	410	5.99
2022	Chapman Parkade	3,820	251	4,071	5.37
Local Improvements					
2004	Local Improvements	-	585	585	6.50
2006	Local Improvements	-	564	564	9.75
2007	Local Improvements	-	1,326	1,326	8.05
2009	Local Improvements	19	35	54	6.50
2010	Local Improvements	353	513	866	6.50
2011	Local Improvements	329	381	710	10.25
2011	Local Improvements	35	40	75	7.42
2014	Local Improvements	351	216	567	9.52
2016	Local Improvements	279	114	393	7.75
2016	Local Improvements	191	78	269	7.42
2017	Local Improvements	41	13	54	5.85
2019	Local Improvements	57	12	69	5.49
Recreation and Cultural					
2005	Parkland Acquisition	36	356	392	6.50
2006	Parkland Acquisition	60	275	335	10.25
2007	Parkland Acquisition	217	609	826	6.10
2006	Parkland Acquisition	80	367	447	7.42
2011	Brandt's Creek	558	442	1,000	7.75
2021	Kokanee Gym Facility	452	48	500	5.69
		<u>\$ 9,266</u>	<u>\$ 7,491</u>	<u>\$ 16,757</u>	

**Debenture Debt - Wastewater Fund
as at December 31, 2004
(in thousands of dollars)**

Year of Maturity	Purpose	Debenture Balance Dec/31/04	Sinking Fund Balance Dec. 31/04	Amount of Issue	Current Interest Rate %
Specified Area Programs					
2013	Spec. Area 6 - Black Mtn/Toovey	\$ 650	\$ 490	\$ 1,140	8.30
2010	Spec. Area 13 - Mission	283	412	695	6.50
2013	Spec. Area 14 - N. Glenmore	79	60	139	5.50
2013	Spec. Area 15 - Belgo Molnar	21	16	37	8.30
2015	Spec. Area 17 - Mission Flats	900	450	1,350	8.88
2018	Spec. Area 18 - Caramillo	107	28	135	5.55
2018	Spec. Area 19 - Poplar Point	61	16	77	5.55
2022	Spec. Area 22A- Gerstmar	37	2	39	6.06
2023	Spec. Area 21A- McKenzie Bench	1,350	-	1,350	4.98
2023	Spec. Area 22B- Vista Rd	80	-	80	4.98
2023	Spec. Area 22C- Hein Rd	266	-	266	4.98
2023	Spec. Area 22D- Elwyn Rd	149	-	149	4.98
2023	Spec. Area 22E- Dease Rd	96	-	96	4.98
2023	Spec. Area 22F- Mills Rd	343	-	343	4.98
2023	Spec. Area - Campion Cambro	874	-	874	4.98
2023	Spec. Area 30- Acland	364	-	364	4.98
Sewer Improvement Programs					
2005	Mission Trunk Main	63	625	688	6.50
2006	Harvey Avenue	30	136	166	10.25
2008	Glenmore Trunk Main	57	111	168	5.50
2008	Sewer System Improvements	7	14	21	5.50
2009	Sewer Trunk Main	329	459	788	9.47
2009	Mission Sewer Trunk Main	137	191	328	9.47
2010	Sewer System Improvements	77	81	158	8.00
2014	Long St. Sewer Main Replacement	48	16	64	5.49
2014	Glenwood Sewer Main Replacement	67	23	90	5.49
2019	Byrns Baron Main	3,866	-	3,866	4.98
Sewage Treatment Plant					
2009	KPCC Upgrade #1	1,043	1,457	2,500	9.47
2011	KPCC Administration Building	557	443	1,000	7.75
2011	Sewer Treatment Plant Upgrade	711	564	1,275	7.75
2016	KPCC Sewer Treatment Plant	1,115	885	2,000	7.42
2016	KPCC Administration Building	390	310	700	7.42
2016	Sewer Treatment Plant Stage II	167	133	300	7.42
2014	Sewer Treatment Plant Phase III	5,951	2,049	8,000	5.99
		\$ 20,275	\$ 8,971	\$ 29,246	

Debenture Debt - Water Fund
as at December 31, 2004
(in thousands of dollars)

Year of Maturity	Purpose	Debenture Balance Dec/31/04	Sinking Fund Balance Dec. 31/04	Amount of Issue	Current Interest Rate %
Specified Area Programs					
2010	Spec. Area 13 - Mission	\$ 155	\$ 226	\$ 381	6.50
2023	Spec Area 16 - Byrns	38	1	39	4.80
2024	Spec Area 18 - Lakeshore	24	-	24	4.98
Water Improvement Programs					
2005	Mission Trunk Main	72	709	781	6.50
2006	Harvey Avenue	59	272	331	10.25
2006	Poplar Point	26	118	144	10.25
2008	Poplar Point Reservoir Covers	132	254	386	8.00
2008	Water System Improvements	40	78	118	8.00
2009	Cadder Ave Improvements	29	41	70	9.47
2009	Wilson Ave Improvements	25	35	60	9.47
2009	McDougal Ave Improvements	10	15	25	9.47
2010	Water System Improvements	173	145	318	8.00
2011	Water System Improvements	156	154	310	7.75
2011	Knox Mountain Reservoir	557	443	1,000	7.75
2011	Dilworth Reservoir Repairs	139	111	250	7.42
2011	Caramillo Pressure Valve	28	22	50	7.42
2011	Knox Mountain Reservoir	303	241	544	7.42
2012	Poplar Point	295	178	473	5.85
		\$ <u>2,261</u>	\$ <u>3,043</u>	\$ <u>5,304</u>	

Debenture Debt - Natural Gas Legacy Fund
as at December 31, 2004
(in thousands of dollars)

2018	Leased Capital Assets	\$ 26,520	\$ 3,280	\$ 29,800	6.01
2018	Leased Capital Assets	17,354	2,146	19,500	3.15
		\$ <u>43,874</u>	\$ <u>5,426</u>	\$ <u>49,300</u>	

Reserves and Surplus - 5 Year Comparison

(in thousands of dollars)

	Actual 2004	Actual 2003	Actual 2002	Actual 2001	Actual 2000
Surplus and Reserves for Future Expenditure					
General Fund					
Reserves	\$ 46,178	\$ 49,504	\$ 54,255	\$ 53,347	\$ 61,475
Surplus	3,122	3,113	2,981	2,873	2,760
Airport Fund					
Reserves	7,083	6,605	5,150	4,897	4,483
Surplus (deficit)	(3,444)	(5,432)	(7,088)	(7,760)	(7,760)
Electrical Fund					
Reserves	3,131	3,020	3,126	2,094	2,767
Surplus	8,574	8,878	8,773	8,925	7,636
Wastewater Fund					
Reserves	3,021	2,367	2,112	1,958	1,912
Surplus	10,749	8,555	7,221	6,730	6,139
Water Fund					
Reserves	4,696	2,862	2,485	2,088	2,102
Surplus	1,632	2,549	2,011	1,896	1,405
Natural Gas Legacy Fund					
Reserves	2,248	2,137	1,864	1,148	-
Library Fund					
Surplus	166	166	166	166	166
Total Surplus and Reserves for Future Expenditures	\$ 87,156	\$ 84,324	\$ 83,056	\$ 78,362	\$ 83,085
Statutory Reserves					
Capital Works Machinery and Equipment	30,403	26,927	23,045	22,237	12,830
Land Sales	4,843	4,297	1,700	2,414	2,362
Parking	1,852	1,769	2,136	5,630	5,784
Total Statutory Reserves	37,098	32,993	26,881	30,281	20,976
Deferred development cost charges	48,162	36,599	27,174	23,433	20,518
	\$ 172,416	\$ 153,916	\$ 137,111	\$ 132,076	\$ 124,579

Capital Expenditures and Funding Sources
For the Year Ended December 31, 2004
(in thousands of dollars)

	Operating Fund	Fed/Prov Funding	Statutory Reserves	Developer / Public	Borrowing /Other	Actual 2004	Actual 2003
General Fund							
Land							
Protective services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55
Transportation services	2,779	(1)	1,903	1,816	-	6,497	6,614
Environment Health	-	-	-	5	9	14	-
Recreation and cultural services	509	-	818	2,457	35	3,819	3,207
	<u>3,288</u>	<u>(1)</u>	<u>2,721</u>	<u>4,278</u>	<u>44</u>	<u>10,330</u>	<u>9,876</u>
Buildings							
General government services	38	-	215	-	-	253	373
Protective services	62	-	-	-	-	62	32
Transportation services	-	-	-	-	-	-	69
Public health and welfare	-	-	-	-	-	-	-
Recreation and cultural services	6,803	-	-	235	-	7,038	10,885
Other	5	-	-	-	-	5	-
	<u>6,908</u>	<u>-</u>	<u>215</u>	<u>235</u>	<u>-</u>	<u>7,358</u>	<u>11,359</u>
Engineering Structures							
Protective services	49	-	-	-	-	49	8
Transportation services	8,248	803	164	3,818	52	13,085	14,434
Environmental health services	(7)	-	415	-	-	408	434
Public health and welfare	-	-	222	-	-	222	14
Recreation and cultural services	3,116	8	-	103	-	3,227	6,247
	<u>11,406</u>	<u>811</u>	<u>801</u>	<u>3,921</u>	<u>52</u>	<u>16,991</u>	<u>21,137</u>
Machinery and Equipment							
General government services	1,176	-	-	-	-	1,176	727
Protective services	138	-	42	-	-	180	181
Transportation services	300	-	705	-	120	1,125	2,948
Environmental health services	-	-	60	-	-	60	-
Public health and welfare	1	-	-	-	-	1	1
Recreation and cultural services	431	-	-	5	-	436	196
Other	2,046	-	807	5	120	2,978	4,053
	<u>2,046</u>	<u>-</u>	<u>807</u>	<u>5</u>	<u>120</u>	<u>2,978</u>	<u>4,053</u>
Total General Fund	<u>\$ 23,648</u>	<u>\$ 810</u>	<u>\$ 4,544</u>	<u>\$ 8,439</u>	<u>\$ 216</u>	<u>\$ 37,657</u>	<u>\$ 46,425</u>

Capital Expenditures and Funding Sources (continued)
For the Year Ended December 31, 2004
(in thousands of dollars)

	Operating Fund	Fed/Prov Funding	Statutory Reserves	Developer / Public	Borrowing /Other	Actual 2004	Actual 2003
Total General Fund	\$ 23,648	\$ 810	\$ 4,544	\$ 8,439	\$ 216	\$ 37,657	\$ 46,425
Airport Fund							
Buildings	131	-	-	-	-	131	332
Engineering Structures	1,251	2,266	-	-	-	3,517	896
Machinery and Equipment	299	-	-	-	-	299	270
	<u>1,681</u>	<u>2,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,947</u>	<u>1,498</u>
Electrical Utility Fund							
Engineering Structures	1,213	-	-	58	-	1,271	1,945
Machinery and Equipment	243	-	-	-	-	243	187
	<u>1,456</u>	<u>-</u>	<u>-</u>	<u>58</u>	<u>-</u>	<u>1,514</u>	<u>2,132</u>
Wastewater Utility Fund							
Engineering Structures	1,169	4,845	967	528	10,280	17,789	13,602
Machinery and Equipment	104	-	-	-	-	104	197
	<u>1,273</u>	<u>4,845</u>	<u>967</u>	<u>528</u>	<u>10,280</u>	<u>17,893</u>	<u>13,799</u>
Water Utility Fund							
Engineering Structures	857	180	262	590	(44)	1,845	1,536
Machinery and Equipment	11	-	-	-	-	11	117
	<u>868</u>	<u>180</u>	<u>262</u>	<u>590</u>	<u>(44)</u>	<u>1,856</u>	<u>1,653</u>
Natural Gas Legacy Fund							
Leased Gas Distribution System	1,272	-	-	-	-	1,272	662
	<u>1,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,272</u>	<u>662</u>
	<u>\$ 30,198</u>	<u>\$ 8,101</u>	<u>\$ 5,773</u>	<u>\$ 9,615</u>	<u>\$ 10,452</u>	<u>\$ 64,139</u>	<u>\$ 66,169</u>

**Consolidated Expenditures
By Function and Object
For the Year Ended December 31, 2004
(in thousands of dollars)**

	General Gov't	Protective Services	Transp Services	Recreation /Cultural Services	Other Services	Airport Services
Salaries and Benefits	\$ 6,666	\$ 13,975	\$ 5,089	\$ 6,653	\$ 2,833	\$ 1,627
Contract and Professional Services	1,425	3,251	9,120	5,767	3,443	1,620
RCMP Contract	-	11,385	-	-	-	-
Materials and Supplies	3,350	1,357	2,229	2,757	1,624	1,264
Equipment	140	229	1,189	669	828	13
Allocations	(2,565)	-	(379)	(75)	(200)	464
Cost Recoveries	(237)	(56)	(115)	(124)	(6)	(250)
Grants and External Transfers	323	425	-	3,979	1,358	-
Utilities	141	272	730	868	47	338
	<u>9,243</u>	<u>30,838</u>	<u>17,863</u>	<u>20,494</u>	<u>9,927</u>	<u>5,076</u>
Debt Interest and Fiscal Services	1,106	-	-	-	-	-
Capital Assets	1,429	291	20,707	15,225	5	3,947
	<u>\$ 11,778</u>	<u>\$ 31,129</u>	<u>\$ 38,570</u>	<u>\$ 35,719</u>	<u>\$ 9,932</u>	<u>\$ 9,023</u>

Electrical Services	Waste-water Services	Water Services	Nat. Gas Legacy Services	Library Services	Actual 2004	Actual 2003	Actual 2002	Actual 2001	Actual 2000
\$ 135	\$ 1,862	\$ 1,245	\$ -	\$ -	\$ 40,085	\$ 37,652	\$ 35,244	\$ 33,303	\$ 32,117
1,150	352	306	5	158	26,597	23,053	20,778	18,302	14,821
-	-	-	-	-	11,385	11,122	9,946	10,722	9,510
13,250	616	925	14	-	27,386	25,184	21,890	24,880	22,197
-	284	149	-	-	3,501	3,059	2,984	2,809	3,683
808	1,402	71	-	-	(474)	(112)	(48)	(296)	(3)
-	-	(13)	-	-	(801)	(874)	(536)	(624)	(610)
-	-	-	-	-	6,085	5,016	4,544	4,067	4,816
4	796	442	-	-	3,638	3,587	4,211	3,500	2,875
<u>15,347</u>	<u>5,312</u>	<u>3,125</u>	<u>19</u>	<u>158</u>	<u>117,402</u>	<u>107,687</u>	<u>99,013</u>	<u>96,663</u>	<u>89,406</u>
-	1,603	393	2,729	366	6,197	6,462	6,723	5,205	5,084
1,514	17,893	1,856	1,272	-	64,139	66,169	55,125	93,298	29,430
<u>\$ 16,861</u>	<u>\$ 24,808</u>	<u>\$ 5,374</u>	<u>\$ 4,020</u>	<u>\$ 524</u>	<u>\$ 187,738</u>	<u>\$ 180,318</u>	<u>\$ 160,861</u>	<u>\$ 195,166</u>	<u>\$ 123,920</u>

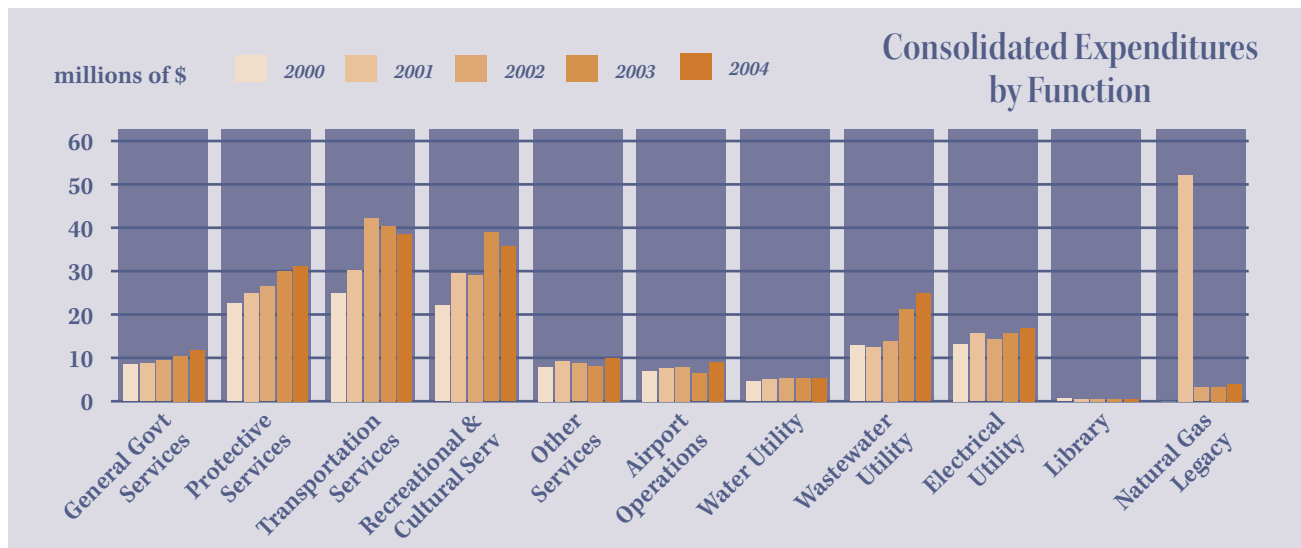
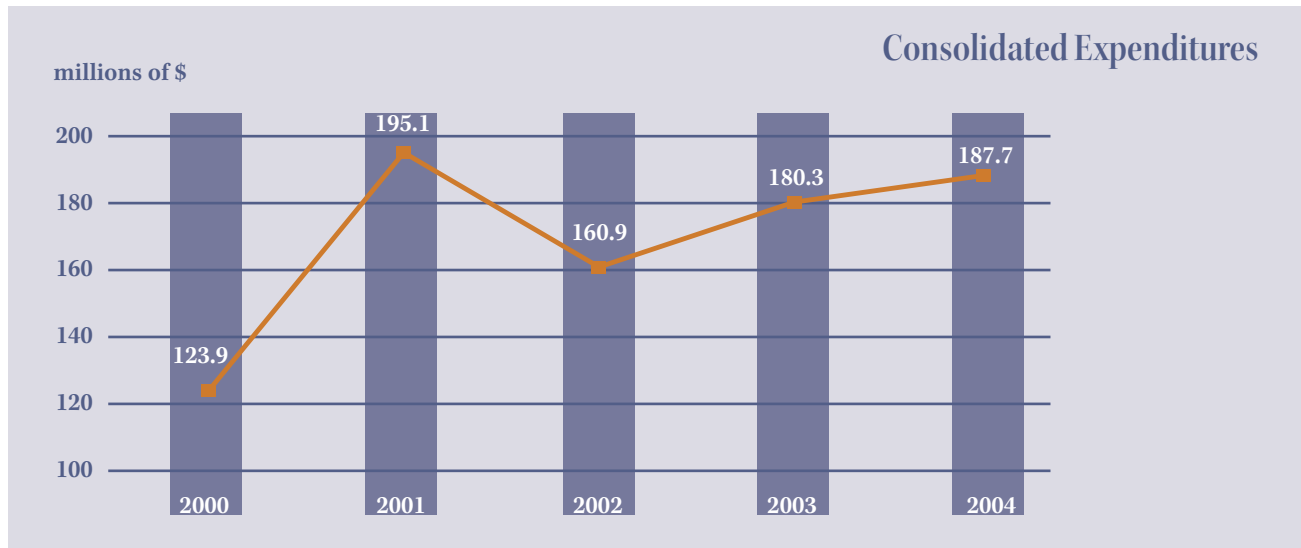
City of Kelowna



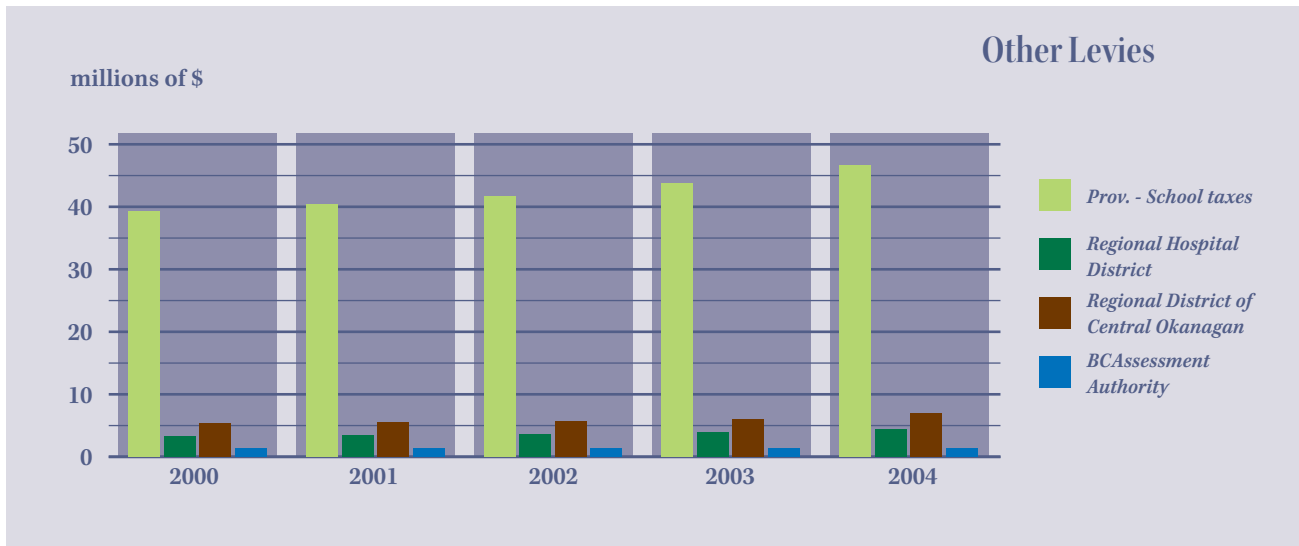
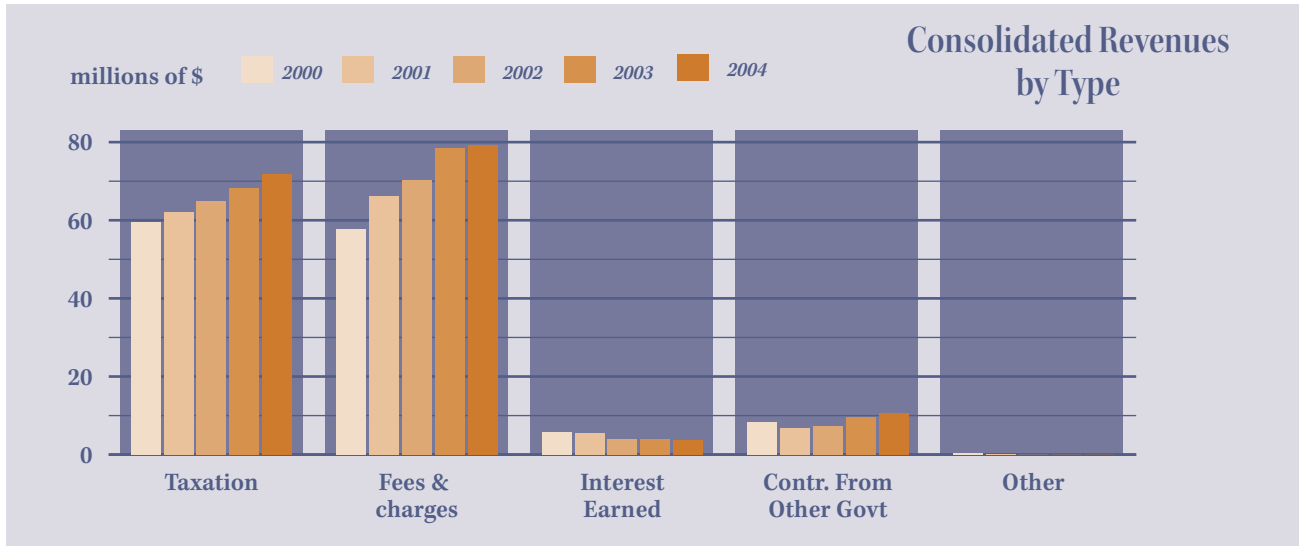
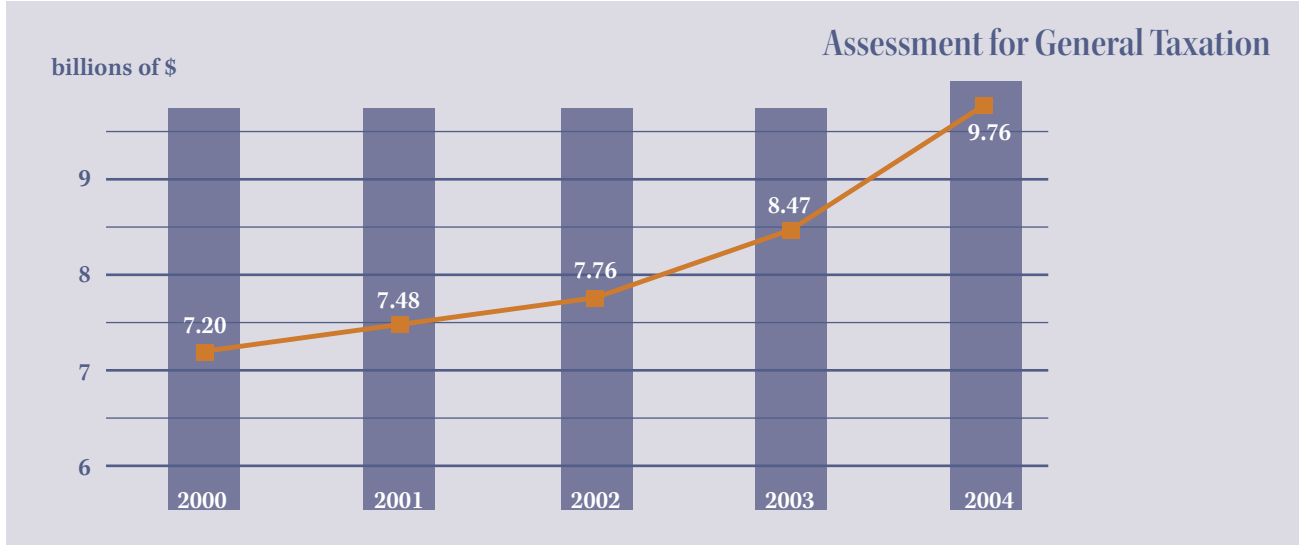
**Statistical
Section**

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**2004 ANNUAL
FINANCIAL REPORT**

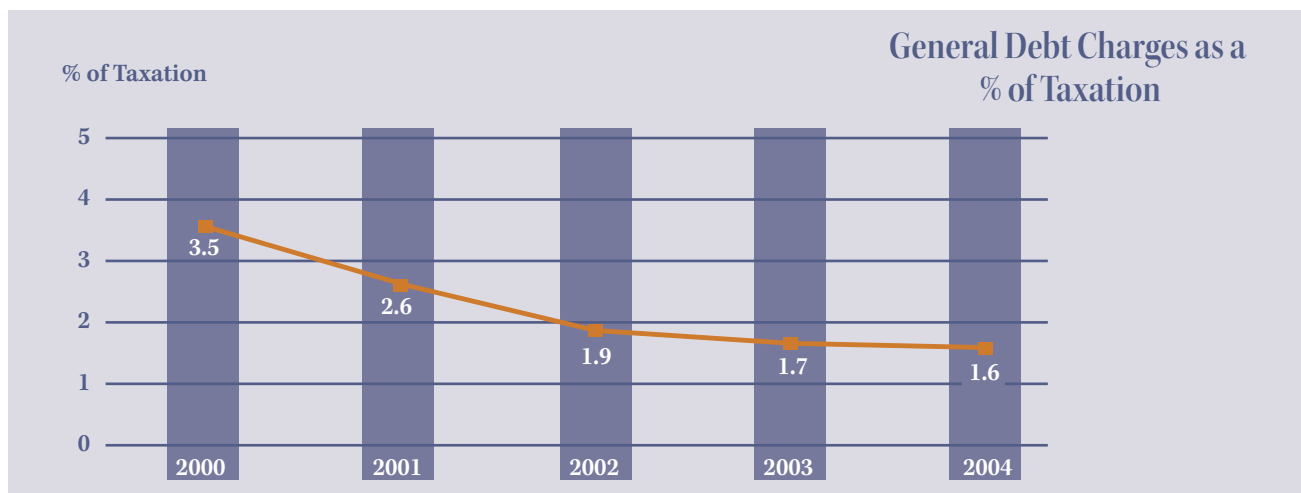
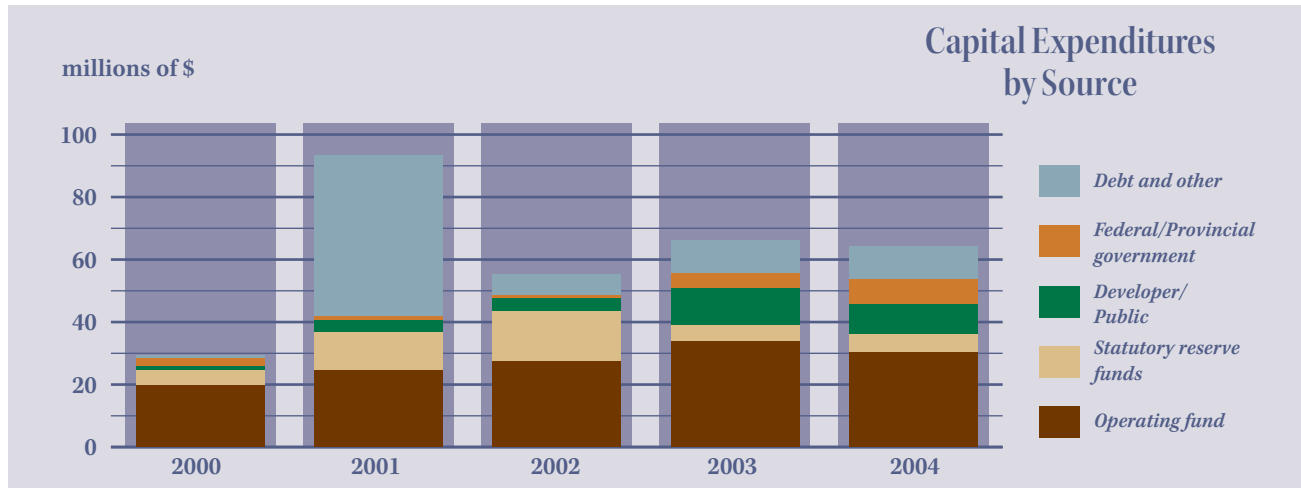
City of Kelowna — Statistical Review



City of Kelowna — Statistical Review



City of Kelowna — Statistical Review



Taxes Collected

thousands of \$

	2000	2001	2002	2003	2004
Current Year's Levy	111,446	115,573	120,824	127,009	135,660
Current Taxes Collected	108,897	113,054	118,713	125,077	133,399
Current Taxes Outstanding	2,549	2,519	2,111	1,932	2,261
Percentage of Taxes Collected	97.712%	97.820%	98.253%	98.479%	98.333%

Top 10 Principle Corporate Taxpayers — 2004

Rank	Legal Name	Type of Property	Rank	Legal Name	Type of Property
1	Orchard Park Shopping Centre Holdings Inc.	Orchard Park Shopping Mall	6	Dilworth Shopping Centre	Dilworth Shopping Plaza
2	Grand Okanagan Resort Ltd.	Hotel and Convention Centre	7	Al Stober Construction	Developer
3	Inland Natural Gas Co. Ltd.	Gas Utility	8	Telus Communications	Telephone Utility
4	McIntosh Properties Ltd.	Orchard Plaza	9	Aquila Networks	Electrical Utility
5	Riverside Forest Products	Lumber Industry	10	4231 Investments Ltd.	Spall Plaza

City of Kelowna — Statistical Review

2004 Permissive Tax Exemptions Provided by Council (*municipal portion only*)

<i>Organization</i>	<i>Value of Tax Exemption 2004</i>	<i>Organization</i>	<i>Value of Tax Exemption 2004</i>
<i>Athletic or Service Club</i>		<i>Charitable or Philanthropic</i>	
Boy Scouts of Canada	3,499	BC Society for Prevention of Cruelty to Animals	6,666
Boy Scouts of Canada	3,601	Canadian Mental Health Association	2,367
Boys & Girls Club	15,530	Canadian Mental Health Association	1,526
Boys & Girls Club	93,889	Central Okanagan Emergency Shelter	1,127
Central Okanagan Heritage Society	3,727	Columbus Holding Society	1,600
Central Okanagan Small Boat Association	15,334	Columbus Holding Society	969
East Kelowna Community Hall Association	1,601	Columbus Holding Society	1,319
Ellison Centennial Parks and Recreation	1,060	Father DeLestre Columbus Society	2,531
Kelowna Cricket Club	133	H.O.S.O.T.O. House	1,398
Kelowna Curling Club	30,388	Hope-Society of Housing Opportunity & Progressive Employment	1,672
Kelowna Fish & Game Club	7,017	Howard-Fry Housing Society	1,176
Kelowna Lawn Bowling Club	4,184	Kalano Club of Kelowna	3,004
Kelowna Major Mens' Fastball Association	11,026	Kelowna & District S.H.A.R.E. Society	6,232
Kelowna Yoga House Society	2,849	Kelowna & District Society for Community Living	7,039
Nature Trust of BC	3,590	Kelowna (#26) Royal Canadian Legion	1,227
Nature Trust of BC	2,108	Kelowna Centre of Positive Living Society	871
Nature Trust of BC	12,056	Kelowna Child Care Society	2,499
Nature Trust of BC	10,309	Kelowna Community Resources & Crisis Centre Society	3,203
Okanagan Gymnastic Centre	15,512	Kelowna Drop-in & Information Centre	1,837
Okanagan Mission Community Hall Assoc.	4,137	Kelowna Gospel Mission Society	1,409
Okanagan Mission Community Hall Assoc.	1,036	Kelowna Gospel Mission Society	4,134
Rutland Park Society	16,880	Kelowna Music Society	2,614
<i>Private Hospital licensed under Community Care Facility Act</i>		Kelowna Sr. Citizens Society of BC	2,294
Canadian Cancer Society	44,840	Kelowna Youth Outreach Care Society	3,425
Central Okanagan Child Development Association	13,867	Ki-Low-Na Friendship Society	6,207
Cottonwoods - IHA	69,238	MADAY Society for Seniors	2,616
Crossroads Treatment Centre Society	6,155	National Society of Hope	1,595
Crossroads Treatment Centre Society	5,388	National Society of Hope	2,925
David Lloyd-Jones Facility- IHA	14,942	New Opportunities for Women (NOW)	1,837
Interior Health Authority	24,496	New Opportunities for Women (NOW)	7,778
<i>Art Gallery, Museum, Cultural Purpose</i>		New Opportunities for Women (NOW)	2,213
Central Okanagan Heritage Society	5,040	New Opportunities for Women (NOW)	1,074
Centre Culturel Francais De L'Okan.	1,357	Okanagan Families Society Inc.	1,601
Kelowna Canadian-Italian Club	998	Okanagan Families Society Inc.	2,221
Kelowna Centennial Museum Assoc.	16,300	Okanagan Halfway House Society	1,573
Kelowna Centennial Museum Assoc.	5,506	Okanagan Halfway House Society	1,770
Okanagan Military Museum Society	1,779	Okanagan Independent Living Society	1,229
Roman Catholic Bishop of Nelson, Father Pandosy Mission	1,182	Okanagan Independent Living Society	992
<i>Public Worship/Church Hall</i>		Okanagan Independent Living Society	1,157
Kelowna Victory Life Fellowship Inc.	2,649	Orchard City Abbeyfield Society	1,635
R.Chase, E. Hunter, C. Nash - Free Methodist Church	3,015	Resurrection Recovery Society	3,699
World Harvest Outreach Ministries	1,788	<i>Non-profit organization using Municipal Building</i>	
<i>Housing Construction (Elderly Citizens) Act</i>		Boys & Girls Club	8,967
BC Corp Seventh Day Adventist Church	11,307	Central O.K. Day Care Society	5,574
		Kelowna & District Safety Council Society	1,042
		Kelowna Visual Arts & Performing Centre	44,282

**Total Municipal Taxes Exempted
by Council in 2004**

\$653,440

City of Kelowna

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