

# FINANCIAL STATEMENTS

Kelowna International Airport

Kelowna, BC Canada

For the year ended December 31, 2023

# 2023



# KELOWNA INTERNATIONAL AIRPORT

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# Independent Auditor's Report

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To the members of the Council of the [City of Kelowna](#)

## Opinion

We have audited the financial statements of the Kelowna International Airport ("the Airport"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations and accumulated surplus, statement of rereasurement gains, statement of changes in net financial assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Airport as at December 31, 2023, and its results of operations, its changes in its net assets, its rereasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Airport in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of Matter – Restated Comparative Information

We draw attention to Note 3 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2022 has been restated. Our opinion is not modified in respect of this matter.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Airport's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Airport or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Airport's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Airport's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Airport to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kelowna, Canada  
April 22, 2024

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Chartered Professional Accountants

# KELOWNA INTERNATIONAL AIRPORT

## Statement of Financial Position

As at December 31, 2023

(in thousands of dollars)

	Actual 2023	Actual 2022
		(Restated - Note 3)
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 7,131	\$ 5,215
Accounts receivable	5,810	11,426
Portfolio investments (Note 4)	55,731	38,540
	<u>68,672</u>	<u>55,181</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	11,698	5,951
Performance deposits	996	929
Deferred revenue	128	525
Long term payable (Note 5)	44	393
Debenture debt (Note 6)	7,373	9,675
Asset retirement obligations (Note 7)	542	422
	<u>20,781</u>	<u>17,895</u>
<b>Net Financial Assets</b>	<u>47,891</u>	<u>37,286</u>
<b>Non-Financial Assets</b>		
Prepaid expenses	241	226
Inventory	437	328
Work in progress (Note 8)	23,463	13,075
Tangible capital assets (Note 9)	153,716	147,729
	<u>177,857</u>	<u>161,358</u>
<b>Accumulated Surplus</b>	<u>225,748</u>	<u>198,644</u>
Accumulated surplus is comprised of		
Accumulated surplus (Note 10)	223,602	198,644
Accumulated remeasurement gains	2,146	-
<b>Accumulated Surplus, end of year</b>	<u>\$ 225,748</u>	<u>\$ 198,644</u>

Contingent liabilities and Commitments (Notes 11 and 12)



Sam Samaddar, AAE, HonBA  
Airport Chief Executive Officer



Joe Sass, CPA, CA  
Divisional Director, Financial Services

See accompanying notes to the financial statements.

**KELOWNA INTERNATIONAL AIRPORT**  
**Statement of Operations and Accumulated Surplus**  
**For the Year Ended December 31, 2023**  
**(in thousands of dollars)**

	Budget 2023	Actual 2023	Actual 2022
			(Restated - Note 3)
<b>Revenue</b>			
Sale of services (Note 14)	\$ 26,049	\$ 25,188	\$ 22,642
Interest earned	132	1,917	1,010
Government transfers (Note 15)	11,922	5,178	7,784
Actuarial increase	-	404	332
	<u>38,103</u>	<u>32,687</u>	<u>31,768</u>
Airport improvement fee (Note 13)	24,406	22,892	19,432
	<u>62,509</u>	<u>55,579</u>	<u>51,200</u>
<b>Expenses (Note 16)</b>			
Administration	5,977	4,960	4,246
Interest	584	584	584
Terminal operations	5,973	7,661	6,330
Airport improvement fee	-	6,041	5,499
Airport policing	230	230	183
Groundside operations	5,117	5,792	4,799
Airside operations	4,529	5,140	4,741
Write-down of tangible capital assets	-	213	38
	<u>22,410</u>	<u>30,621</u>	<u>26,420</u>
<b>Annual Surplus</b>	<u>\$ 40,099</u>	<u>24,958</u>	<u>24,780</u>
Accumulated surplus, beginning of year		<u>198,644</u>	<u>173,864</u>
<b>Accumulated surplus, end of year</b>		<u>\$ 223,602</u>	<u>\$ 198,644</u>

*See accompanying notes to the financial statements.*

**KELOWNA INTERNATIONAL AIRPORT**  
**Statement of Remeasurement Gains**  
**For the Year Ended December 31, 2023**  
**(in thousands of dollars)**

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	Actual
	<u>2023</u>
<b>Accumulated remeasurement gains, beginning of year</b>	\$ -
Adjustment on adoption of the financial instruments standard (Note 3)	<u>1,551</u>
	1,551
Unrealized gains attributable to	
Portfolio investments	595
Realized gains, reclassified to the consolidated statement of operations and accumulated surplus	<u>-</u>
<b>Change in remeasurement gains</b>	<u>595</u>
<b>Accumulated remeasurement gains, end of year</b>	<u><u>\$ 2,146</u></u>

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*See accompanying notes to the financial statements.*

**KELOWNA INTERNATIONAL AIRPORT**  
**Statement of Changes in Net Financial Assets**  
**For the Year Ended December 31, 2023**  
**(in thousands of dollars)**

	Budget 2023	Actual 2023	Actual 2022
			(Restated - Note 3)
<b>Annual Surplus</b>	\$ 40,099	\$ 24,958	\$ 24,780
Amortization of tangible capital assets	-	8,864	8,162
Acquisition of tangible capital assets	(33,545)	(25,352)	(19,588)
Accretion on asset retirement obligation	-	20	20
Change in asset retirement obligation	-	(120)	(20)
Write-down of tangible capital assets	-	213	38
Change in inventory and prepaid expenses	-	(124)	30
Unrealized gain on investments	-	2,146	-
<b>Increase in Net Financial Assets</b>	6,554	10,605	13,422
Net Financial Assets, beginning of year	37,286	37,286	23,864
<b>Net Financial Assets, end of year</b>	\$ 43,840	\$ 47,891	\$ 37,286

*See accompanying notes to the financial statements.*



# KELOWNA INTERNATIONAL AIRPORT

## Statement of Cash Flows

For the Year Ended December 31, 2023

(in thousands of dollars)

	Actual 2023	Actual 2022
		(Restated - Note 3)
<b>Net inflow (outflow) of cash and cash equivalents related to the following activities:</b>		
<b>Operating</b>		
Annual surplus	\$ 24,958	\$ 24,780
Adjustment for non-cash items		
Amortization of tangible capital assets	8,864	8,162
Accretion on asset retirement obligation	20	20
Actuarial adjustment on debenture debt	(404)	(332)
Writedown of tangible capital assets	213	38
Unrealized gains on portfolio investments	2,146	-
(Increase) decrease in assets		
Accounts receivable	5,616	(4,821)
Inventory and prepaid expenses	(124)	30
(Decrease) increase in liabilities		
Accounts payable and accrued liabilities	5,747	3,526
Performance deposits	67	711
Deferred revenue	(397)	90
	<u>46,706</u>	<u>32,204</u>
<b>Capital</b>		
Acquisition of tangible capital assets	<u>(25,352)</u>	<u>(19,588)</u>
<b>Investing</b>		
Change in portfolio investments	<u>(17,191)</u>	<u>(10,143)</u>
<b>Financing</b>		
Decrease in long term payable	(349)	(350)
Repayment of debenture debt	(1,898)	(1,897)
	<u>(2,247)</u>	<u>(2,247)</u>
<b>Net increase in cash and cash equivalents</b>	<b>1,916</b>	<b>226</b>
Cash and cash equivalents, beginning of year	<u>5,215</u>	<u>4,989</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 7,131</b>	<b>\$ 5,215</b>

*See accompanying notes to the financial statements*

# KELOWNA INTERNATIONAL AIRPORT

## Notes to the Financial Statements

December 31, 2023

(in thousands of dollars)

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### 1. Organization and nature of operations

The Kelowna International Airport (“the Airport”) is controlled by the City of Kelowna (“the City”). The City operates the Airport pursuant to the provisions of a long-term lease with the Government of Canada entered into on January 1, 1969 (“the Ground Lease”). The term of the Ground Lease expires on December 31, 2054.

On March 11, 2020 the World Health Organization officially declared the COVID-19 outbreak a pandemic. The pandemic forced governments to implement extraordinary measures to slow the progress of infections and to stabilize disrupted economies and financial markets. The Airport deployed initiatives in order to protect the health and safety of its employees and customers, support its customers, and mitigate the impact of the crisis while ensuring continuity of its operations. As a result of the aforementioned conditions, the Airport saw a significant decrease in flights, passenger volumes and revenues in 2020, 2021 and 2022. Recovery commenced in 2022 and passenger numbers returned to 2019 levels in 2023.

These financial statements reflect the assets, liabilities and operations of the Airport. The financial statements have been prepared in accordance with Canadian public sector accounting standards.

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### 2. Significant accounting policies

#### Accrual accounting

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

#### Cash and cash equivalents

Cash and cash equivalents represent funds held in the City of Kelowna pooled funds. Cash and cash equivalents consist of cash and short-term investments with maturities of 90 days or less from the date of acquisition.

#### Government transfers

Government transfers are the major source of transfers to the Airport. Restricted government transfers are deferred and recognized as revenue in the year in which the related expenditures are incurred. Unrestricted transfers are recognized as revenue when received.

#### Work in progress

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

#### Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts directly attributable to the acquisition, construction, development or betterment of the asset. The cost, less residual value of the asset, is amortized on a straight-line basis over its estimated useful life as follows:

Land improvements	25 years
Buildings	10 to 75 years
Infrastructure	10 to 75 years
Machinery and equipment	5 to 20 years

# KELOWNA INTERNATIONAL AIRPORT

## Notes to the Financial Statements

December 31, 2023

(in thousands of dollars)

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### 2. Significant accounting policies (continued)

#### Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair market value at the date of contribution.

#### Asset retirement obligation

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is measured at the Airport's best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date. The estimate includes costs directly attributable to the asset retirement activities, including post-retirement operations, maintenance, and monitoring integral to the retirement of the tangible capital asset. Assumptions used in the subsequent calculations are revised annually. The retirement obligations are being amortized with their respective assets following the accounting policies outlined in this note.

#### Intangible assets

Intangible assets include works of art and historic assets. They are not recorded in these financial statements due to the uncertainty as to their value.

#### Inventories of supplies

Inventories of supplies include chemicals, fuel and supplies and are recorded at the lower of historical cost or replacement cost, with cost being determined using the weighted average cost method.

#### Municipal pension plan

The Airport's pension follows the guidelines of the Municipal Pension Plan which is administered by the Province of British Columbia for all British Columbia municipalities. The Airport and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula.

#### Portfolio investments

Portfolio investments are comprised of Municipal Finance Authority bonds and intermediate funds, provincial and bank issued accrual notes and debentures and guaranteed investment certificates and deposit notes with maturities of 90 days or more from the date of acquisition.

# KELOWNA INTERNATIONAL AIRPORT

## Notes to the Financial Statements

December 31, 2023

(in thousands of dollars)

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### 2. Significant accounting policies (continued)

#### Financial instruments

Financial instruments are contracts that give rise to the financial assets of one entity and financial liabilities or equity instruments of another entity and include cash and cash equivalents, accounts receivable, portfolio investments, accounts payable and accrued liabilities, and long-term debt. The Airport recognizes a financial instrument when it becomes party to a financial instrument contract.

Financial instruments are classified as level 1, 2 or 3, as described below:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Financial instruments are initially measured at fair value and subsequently carried at fair value or cost. Transaction costs related to financial instruments measured at cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs related to financial instruments recorded at their fair value are expensed as incurred.

- Fair value category: Investments quoted in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date.  
Unrealized gains and losses on financial assets are recognized in the statement of remeasurement gains and losses until such time that the financial asset is derecognized due to disposal or impairment. At the time when a financial instrument in the fair value category is derecognized, the associated accumulated remeasurement gains and losses are reversed and reclassified to the statement of operations.
- Cost category: Investments not quoted in an active market, financial assets and liabilities are recorded at cost or amortized cost (using the effective interest method).  
Gains and losses are recognized in the statement of operations when the financial asset is derecognized due to disposal or impairment.

Financial assets are assessed for impairment on an annual basis. If there is an indicator of impairment, the Airport determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset.

# KELOWNA INTERNATIONAL AIRPORT

## Notes to the Financial Statements

December 31, 2023

(in thousands of dollars)

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### 2. Significant accounting policies (continued)

#### Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Airport
  - is directly responsible; or
  - accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

There are no liabilities recorded as at December 31, 2023 and 2022.

#### Use of estimates

Management has made estimates and assumptions that affect the amounts reported in preparing these financial statements. The significant areas requiring the use of management estimates relates to the determination of allowance for doubtful accounts, tangible capital assets' estimated useful lives, the related amortization, asset retirement obligation, and liability for contaminated sites. Actual results could vary from those estimates.

#### Revenue recognition

Revenue is recognized in the period in which it is earned.

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

#### Ground Lease

The Ground Lease is accounted for as an operating lease.

#### 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 projects and accumulations for specific purposes.

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# KELOWNA INTERNATIONAL AIRPORT

## Notes to the Financial Statements

December 31, 2023

(in thousands of dollars)

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### 3. Change in accounting policies

#### Asset retirement obligation

The Airport adopted the new Canadian public sector accounting standard PS 3280, Asset Retirement Obligations. The new standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings, by public sector entities. The standard was adopted on the modified retroactive basis at the date of adoption.

On January 1, 2022, the Airport recognized an asset retirement obligation relating to several buildings owned by the Airport that contain asbestos ("asbestos obligation"). The buildings were originally constructed prior to environmental standards for asbestos removal and remediation coming into effect in 1986, and the liability was measured as of when the liability was assumed. The buildings had an expected useful life of 50-75 years, and the estimate has not been changed since purchase.

In accordance with the provisions of this new standard, the Airport reflected the following adjustments as at January 1, 2022:

- Asbestos obligation:
  - An increase of \$88 to the buildings tangible capital asset account, representing the original estimate of the obligation as of the date of purchase, and an accompanying increase of \$43 to accumulated amortization, representing 25-51 years of increased amortization had the liability originally been recognized.
  - An asset retirement obligation in the amount \$402, representing the original \$88 obligation discounted to the present value amount using a rate of 4.85%.
  - A decrease to opening accumulated surplus of \$358, as a result of the recognition of the liability and accompanying increase in amortization expense and accretion expense for the 25-51 years since purchase.

#### Financial instruments and suite of standards

Effective January 1, 2023, the Airport adopted the new Canadian public sector accounting standards PS 3450, Financial Instruments, PS 3401 Portfolio Investments, PS 2601 Foreign Currency Translation, and Section 1201 Financial Statement Presentation along with the related amendments.

New section PS 3450 requires the fair value measurement of portfolio investments in equities quoted in an active market. All other financial instruments are measured at cost or amortized cost (using the effective interest method), or, by policy choice. The differences between financial instruments previous carrying amounts and fair value on transition was \$1,551.

The standards have been adopted prospectively and accordingly, there is no adjustment to the opening balances.

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# KELOWNA INTERNATIONAL AIRPORT

## Notes to the Financial Statements

December 31, 2023

(in thousands of dollars)

### 4. Portfolio investments

Portfolio investments are initially measured at fair value and subsequently carried at fair value or cost. Portfolio investments are comprised of:

	Level	2023	2022
<b>Portfolio investments in the fair value category</b>			
Municipal Finance Authority investment funds	2	\$ 15,531	\$ 13,371
Publicly traded shares	1	<u>6,366</u>	<u>4,825</u>
Total portfolio investments reported at fair value		<u>21,897</u>	18,196
<b>Portfolio investments in the cost and amortized cost category</b>			
Guaranteed investment certificates and deposit notes		7,972	4,372
Provincial and bank issued bonds		<u>25,862</u>	<u>15,972</u>
Total portfolio investments reported at cost and amortized cost		<u>33,834</u>	<u>20,344</u>
<b>Total portfolio investments</b>		<u>\$ 55,731</u>	<u>\$ 38,540</u>

### 5. Long-term payable

The Airport has arranged for payment terms beyond a year for certain payables amounting to \$44, as at December 31, 2023 (2022 - \$393). These payables will be paid in full by October 31, 2029 and are non-interest bearing.

### 6. Debenture debt

Debenture debt principal is reported net of sinking fund balances.

Local Area Bylaw	Issue No.	Interest Rate	Amount of Issue	Sinking Fund Balance	Net Debt	Due Date
9867	133	2.75	\$ 7,500	\$ 5,787	\$ 1,713	2025-10-02
9867	137	2.60	3,500	2,321	1,179	2026-04-19
9867	139	2.10	3,000	2,005	995	2026-10-05
9867	141	2.80	8,000	4,514	3,486	2027-04-07
			<u>\$ 22,000</u>	<u>\$ 14,627</u>	<u>\$ 7,373</u>	

Principal repayments required for the next five years are as follows:

2024	2025	2026	2027	2028
\$ 1,897	\$ 1,897	\$ 1,258	\$ 698	\$ -

# KELOWNA INTERNATIONAL AIRPORT

## Notes to the Financial Statements

December 31, 2023

(in thousands of dollars)

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### 6. Debenture debt (continued)

The City, on behalf of the Airport, has issued the debt instruments above through the Municipal Finance Authority (MFA). As a condition of these borrowings, a portion of the debenture proceeds is withheld by the Municipal Finance Authority as a debt reserve fund. The City also executes demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the Municipal Finance Authority. These demand notes are contingent in nature. The Debt Reserve and Demand Note balances are as follows:

	<u>2023</u>	<u>2022</u>
Cash deposits held by MFA	\$ 260	\$ 252
Demand notes held by MFA	1,021	1,021
	<u>\$ 1,281</u>	<u>\$ 1,273</u>

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### 7. Asset retirement obligation

The Airport owns and operates three buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS 3280 Asset Retirement Obligations, the Airport recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings as estimated at January 1, 2022.

The buildings had useful lives of 50-75 years when they were constructed between 1971 and 1997, of which 11-50 years remain. Post-removal care is estimated to extend up to a year post the closure of the building, while demolition and construction continues. Estimated costs have been discounted to the present value using a discount rate of 4.41%.

Changes to the asset retirement obligation in the year are as follows:

	<u>2023</u>
Balance, beginning of year	\$ 422
Accretion expense	20
Revision in estimated cash flow	100
<b>Balance, end of year</b>	<u><b>\$ 542</b></u>

  

	<u>2022</u>
Balance, beginning of year	\$ -
Adjustment on adoption of asset retirement obligation standard (Note 3)	402
Balance, beginning of year, as restated	402
Accretion expense	20
<b>Balance, end of year</b>	<u><b>\$ 422</b></u>

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# KELOWNA INTERNATIONAL AIRPORT

## Notes to the Financial Statements

December 31, 2023

(in thousands of dollars)

### 8. Work in progress

Work in progress is recorded at cost, is not amortized, and is comprised of:

	<b>Land Improvements</b>	<b>Buildings</b>	<b>Infrastructure</b>	<b>Machinery &amp; Equipment</b>	<b>Total 2023</b>	<b>Total 2022</b>
<b>Cost</b>						
Balance, beginning of year	\$ 69	\$ 12,554	\$ 382	\$ 70	\$ 13,075	\$ 7,922
Add: additions during the year	1,033	14,871	2,628	515	19,047	5,409
Less: transfers to tangible capital assets	(1,102)	(5,042)	(2,472)	(43)	(8,659)	(256)
<b>Balance, end of year</b>	<b>\$ -</b>	<b>\$ 22,383</b>	<b>\$ 538</b>	<b>\$ 542</b>	<b>\$ 23,463</b>	<b>\$ 13,075</b>

### 9. Tangible capital assets

	<b>Land</b>	<b>Land Improvement</b>	<b>Buildings</b>	<b>Infrastructure</b>	<b>Machinery &amp; Equipment</b>	<b>Total 2023</b>	<b>Total 2022</b>
(Restated - Note 3)							
<b>Cost</b>							
Balance, beginning of year	\$ 16,557	\$ 13,312	\$ 72,074	\$ 96,608	\$ 57,567	\$ 256,118	\$ 241,721
Add: additions (transfers) during the year	(456)	-	3,574	2,755	398	6,271	14,179
Add: transfers from work in progress	-	-	5,042	3,574	43	8,659	256
Less: write-down during the year	-	-	(170)	-	(43)	(213)	(38)
	16,101	13,312	80,520	102,937	57,965	270,835	256,118
Asset retirement obligation	-	-	188	-	-	188	88
<b>Balance, end of year</b>	<b>16,101</b>	<b>13,312</b>	<b>80,708</b>	<b>102,937</b>	<b>57,965</b>	<b>271,023</b>	<b>256,206</b>
<b>Accumulated Amortization</b>							
Balance, beginning of year	-	9,414	33,016	42,085	23,917	108,432	100,271
Add: amortization	-	411	2,077	3,691	2,684	8,863	8,161
Less: accumulated amortization on disposal	-	-	-	-	(34)	(34)	-
	-	9,825	35,093	45,776	26,567	117,261	108,432
Accumulated amortization on asset retirement obligation	-	-	46	-	-	46	45
<b>Balance, end of year</b>	<b>-</b>	<b>9,825</b>	<b>35,139</b>	<b>45,776</b>	<b>26,567</b>	<b>117,307</b>	<b>108,477</b>
<b>Net book value of tangible capital assets</b>	<b>\$ 16,101</b>	<b>\$ 3,487</b>	<b>\$ 45,569</b>	<b>\$ 57,161</b>	<b>\$ 31,398</b>	<b>\$ 153,716</b>	<b>\$ 147,729</b>

# KELOWNA INTERNATIONAL AIRPORT

## Notes to the Financial Statements

December 31, 2023

(in thousands of dollars)

### 10. Accumulated surplus

	Reserves for future expenditure	General surplus	Investment in tangible capital assets	Total 2023	Total 2022
					(Restated - Note 3)
Accumulated operating surplus, beginning of year	\$ 45,582	\$ 2,405	\$ 150,657	\$ 198,644	\$ 173,864
Annual surplus (deficit)	1,817	31,619	(8,478)	24,958	24,780
Transfers	24,708	(24,708)	-	-	-
Acquisition of tangible capital assets	(20,137)	(5,215)	25,352	-	-
Writedown of tangible capital asset	-	213	(213)	-	-
Retirement of debt	-	(1,905)	1,905	-	-
<b>Accumulated surplus, end of year</b>	<b>\$ 51,970</b>	<b>\$ 2,409</b>	<b>\$ 169,223</b>	<b>\$ 223,602</b>	<b>\$ 198,644</b>

### 11. Contingent liabilities

#### Pension liability

The employer and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2022 the plan had about 240,000 active members and approximately 124,000 retired members. Active members included approximately 43,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2021, indicated a \$3.8 billion funding surplus for basic pension benefits on a going concern basis.

The Airport paid \$445 (2022 - \$377) for employer contributions to the plan in fiscal 2023, while employees contributed \$373 (2022 - \$313) to the plan in fiscal 2023.

The next valuation will be as at December 31, 2024, with results available in 2025.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

# KELOWNA INTERNATIONAL AIRPORT

## Notes to the Financial Statements

December 31, 2023

(in thousands of dollars)

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### 11. Contingent liabilities (continued)

#### Legal actions

The City is currently engaged in certain legal actions. The outcome and the possible effect on the Airport of these legal actions are 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.

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### 12. Commitments

At December 31, 2023, the Airport had entered into construction commitments relating to the Airport capital program amounting to \$7,178 (2022 - \$6,627).

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### 13. Airport improvement fees

The Kelowna International Airport entered into a Memorandum of Agreement ("the Agreement") dated September 23, 1997 with the Air Transport Association of Canada and certain air carriers operating from the Airport. The Agreement provides for a consultative process with air carriers regarding the improvement to and expansion of airport facilities and the collection of airport improvement fees (AIF). AIF revenues can only be used to fund Airport infrastructure projects and associated financing costs. During the year ended December 31, 2023, the Airport recognized \$22,892 (2022 - \$19,432), in airport improvement fee revenue.

AIF fees were charged at \$25 per departing passenger (2022 - \$25).

Airport improvement fee summary since implementation to December 31, 2023:

	<u>2023</u>	<u>2022</u>
Cumulative AIF revenue	\$ 211,562	\$ 188,670
Cumulative AIF expenditures	<u>203,832</u>	<u>185,314</u>
<b>Surplus of revenue over expenditures</b>	<u>\$ 7,730</u>	<u>\$ 3,356</u>

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## KELOWNA INTERNATIONAL AIRPORT

### Notes to the Financial Statements

December 31, 2023

(in thousands of dollars)

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#### 14. Sale of service by object

	2023	2022
Parking revenue	\$ 10,274	\$ 8,154
Airport landing fees	4,154	3,780
Airport terminal fees	3,270	2,997
Car rental concessions	3,122	3,286
Terminal concessions	1,013	739
Lease revenue	2,097	2,057
Other	1,258	1,629
	<u>\$ 25,188</u>	<u>\$ 22,642</u>

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#### 15. Government transfers

Due to the completion or progress of the projects there is a deferred revenue balance of \$nil in 2023 (2022 - \$411) related to these grants.

The Airport received and recorded as revenue the following grants:

	Type of grant	Project	2023	2022
Federal Government	Restricted	Terminal Buildings - baggage handling operations	\$ 106	\$ 96
Federal Government	Restricted	Airport Critical Infrastructure Program	2,339	6,500
Province of British Columbia	Restricted	Child Care Capital Funding Program	2,676	1,100
Province of British Columbia	Restricted	Mass Timber Demonstration Program	-	88
Federal Government	Restricted	Tourism Relief Fund	57	-
			<u>\$ 5,178</u>	<u>\$ 7,784</u>

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# KELOWNA INTERNATIONAL AIRPORT

## Notes to the Financial Statements

December 31, 2023

(in thousands of dollars)

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### 16. Expenses by object

Expenses reported by object comprise:

	<u>2023</u>	<u>2022</u>
		(Restated - Note 3)
Amortization of tangible capital assets	\$ 8,864	\$ 8,162
Contract and professional services	8,957	7,285
Salaries and benefits	6,260	5,657
Materials and supplies	3,580	2,614
Policing and other Municipal services	1,466	1,379
Utilities	677	681
Interest expense	584	584
Write-down of tangible capital assets	213	38
Accretion on asset retirement obligation	20	20
	<u>\$ 30,621</u>	<u>\$ 26,420</u>

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### 17. Budget data

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

	<u>Budget Amount</u>
<b>Revenue</b>	
Operating budget	\$ 62,509
<b>Expenses</b>	
Operating budget	22,410
Capital budget	33,545
	<u>55,955</u>
Annual surplus per approved budget	6,554
Add: capital expenses	33,545
<b>Annual surplus per statement of operations</b>	<u>\$ 40,099</u>

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