

FINANCIAL STATEMENTS

Kelowna International Airport

Kelowna, BC Canada

For the year ended December 31, 2024

2024



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Kelowna International Airport

KELOWNA INTERNATIONAL AIRPORT

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KELOWNA INTERNATIONAL AIRPORT

April 14, 2025

REPORT FROM MANAGEMENT

Kelowna International Airport ("the Airport") is pleased to present the Airport's 2024 Annual Financial Report for the year ended December 31, 2024. The purpose of this report is to publish the Airport's Financial Statements and Auditor's Report. The Airport is controlled by the City of Kelowna ("the City").

Preparation of the Airport Financial Statements is the responsibility of City of Kelowna management. These statements are prepared by City staff in accordance with Canadian public sector accounting standards. Management is also responsible for implementing and maintaining a system of internal controls for the safeguarding of assets and to provide reasonable assurance that reliable information is produced.

City of Kelowna Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee. The Audit Committee meets with management regularly and with the external auditors a minimum of once per year.

The external auditor, Doane Grant Thornton LLP, conducted an independent audit of the Airport's Financial Statements in accordance with Canadian auditing standards and, in their opinion, determined them to be presented fairly and not materially misstated. The Airport received an unqualified audit opinion. The City's Audit Committee also reviewed the Airport Financial Statements to ensure they are comprehensive, reliable, and understandable.

Respectfully submitted,



Sam Samaddar, AAE, HonBA
Airport Chief Executive Officer



Marina Warrender, CPA, CA
Deputy Chief Financial Officer

Independent auditor's report

To the members of the Council of the City of Kelowna

Opinion

We have audited the financial statements of Kelowna International Airport ("the Airport"), which comprise the statement of financial position as at December 31, 2024, and the statements of operations and accumulated surplus, remeasurement gains and losses, changes in net financial assets and cash flow 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, 2024, and its results of operations, its changes in its net financial assets, its remeasurement 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.

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

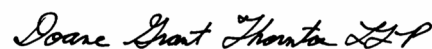
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 14, 2025



Chartered Professional Accountants

KELOWNA INTERNATIONAL AIRPORT

Statement of Financial Position

As at December 31, 2024

(in thousands of dollars)

	Actual 2024	Actual 2023
Financial Assets		
Cash and cash equivalents	\$ 2,330	\$ 7,131
Accounts receivable (Note 4)	5,322	5,810
Portfolio investments (Note 4)	37,599	55,731
	<u>45,251</u>	<u>68,672</u>
Liabilities		
Accounts payable and accrued liabilities	15,075	11,698
Performance deposits	1,830	996
Deferred revenue (Note 4)	1,267	128
Long term payable (Note 5)	36	44
Debenture debt (Note 6)	4,997	7,373
Asset retirement obligations (Note 7)	80	542
	<u>23,285</u>	<u>20,781</u>
Net Financial Assets	<u>21,966</u>	<u>47,891</u>
Non-Financial Assets		
Prepaid expenses	724	241
Inventory	525	437
Work in progress (Note 8)	69,480	23,463
Tangible capital assets (Note 9)	154,575	153,716
	<u>225,304</u>	<u>177,857</u>
Accumulated Surplus	<u>247,270</u>	<u>225,748</u>
Accumulated surplus is comprised of		
Accumulated surplus (Note 10)	247,358	223,602
Accumulated remeasurement gain (loss)	(88)	2,146
Accumulated Surplus, end of year	<u>\$ 247,270</u>	<u>\$ 225,748</u>

Contingent liabilities and Commitments (Notes 11 and 12)
Contractual rights (Note 13)



Sam Samaddar, AAE, HonBA
Airport Chief Executive Officer



Marina Warrender, CPA, CA
Deputy Chief Financial Officer

See accompanying notes to the financial statements.

KELOWNA INTERNATIONAL AIRPORT
Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2024
(in thousands of dollars)

	Budget 2024	Actual 2024	Actual 2023
	(Note 18)		
Revenue			
Sale of services (Note 14)	\$ 27,261	\$ 27,072	\$ 25,188
Interest earned	908	2,036	1,917
Government transfers (Note 15)	9,159	3,872	5,178
Actuarial increase	-	479	404
	37,328	33,459	32,687
Airport improvement fee (Note 16)	23,651	24,654	22,892
	60,979	58,113	55,579
Expenses (Note 17)			
Administration	7,601	6,929	4,960
Interest	584	584	584
Terminal operations	6,542	7,822	7,661
Airport improvement fee	-	6,368	6,041
Airport policing	242	242	230
Groundside operations	6,068	6,701	5,792
Airside operations	4,948	5,671	5,140
Write-down of tangible capital assets	-	40	213
	25,985	34,357	30,621
Annual Surplus	\$ 34,994	23,756	24,958
Accumulated surplus, beginning of year	223,602	223,602	198,644
Accumulated surplus, end of year	<u>\$ 258,596</u>	<u>\$ 247,358</u>	<u>\$ 223,602</u>

See accompanying notes to the financial statements.

KELOWNA INTERNATIONAL AIRPORT
Statement of Remeasurement Gains and Losses
For the Year Ended December 31, 2024
(in thousands of dollars)

	<u>Actual 2024</u>	<u>Actual 2023</u>
Accumulated remeasurement gains, beginning of year	\$ 2,146	\$ 1,551
Unrealized gains (losses) attributable to		
Portfolio investments and internal investment allocation change	<u>(2,234)</u>	<u>595</u>
Change in remeasurement gains and (losses)	<u>(2,234)</u>	<u>595</u>
Accumulated remeasurement gains (losses), end of year	<u>\$ (88)</u>	<u>\$ 2,146</u>

See accompanying notes to the financial statements.

KELOWNA INTERNATIONAL AIRPORT
Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2024
(in thousands of dollars)

	Budget 2024	Actual 2024	Actual 2023
Annual Surplus	\$ 34,994	\$ 23,756	\$ 24,958
Amortization of tangible capital assets	-	9,269	8,864
Acquisition of tangible capital assets	(33,545)	(56,320)	(25,352)
Accretion on asset retirement obligation	-	24	20
Change in asset retirement obligation	-	111	(120)
Write-down of tangible capital assets	-	40	213
Change in inventory and prepaid expenses	-	(571)	(124)
Change in unrealized gain on investments	-	(2,234)	2,146
Increase (Decrease) in Net Financial Assets	1,449	(25,925)	10,605
Net Financial Assets, beginning of year	47,891	47,891	37,286
Net Financial Assets, end of year	<u>\$ 49,340</u>	<u>\$ 21,966</u>	<u>\$ 47,891</u>

See accompanying notes to the financial statements.

KELOWNA INTERNATIONAL AIRPORT

Statement of Cash Flows

For the Year Ended December 31, 2024

(in thousands of dollars)

	Actual 2024	Actual 2023
Net inflow (outflow) of cash and cash equivalents related to the following activities:		
Operating		
Annual surplus	\$ 23,756	\$ 24,958
Adjustments for non-cash items		
Amortization of tangible capital assets	9,269	8,864
Accretion on asset retirement obligation	24	20
Change in asset retirement obligation	(351)	-
Actuarial adjustment on debenture debt	(479)	(404)
Writedown of tangible capital assets	40	213
Changes in assets and liabilities		
Accounts receivable	488	5,616
Inventory and prepaid expenses	(571)	(124)
Accounts payable and accrued liabilities	(453)	246
Performance deposits	834	67
Deferred revenue	1,139	(397)
	<u>33,696</u>	<u>39,059</u>
Capital		
Acquisition of tangible capital assets	<u>(52,490)</u>	<u>(19,851)</u>
Investing		
Disposition (purchase) of portfolio investments	<u>15,898</u>	<u>(15,045)</u>
Financing		
Repayment of long term payable	(8)	(349)
Repayment of debenture debt	<u>(1,897)</u>	<u>(1,898)</u>
	<u>(1,905)</u>	<u>(2,247)</u>
Net increase (decrease) in cash and cash equivalents	<u>(4,801)</u>	<u>1,916</u>
Cash and cash equivalents, beginning of year	<u>7,131</u>	<u>5,215</u>
Cash and cash equivalents, end of year	<u>\$ 2,330</u>	<u>\$ 7,131</u>
Non-cash capital activities		
Acquisition of tangible capital assets through accounts payable and accrued liabilities	\$ 3,830	\$ 5,501

See accompanying notes to the financial statements

KELOWNA INTERNATIONAL AIRPORT

Notes to the Financial Statements

December 31, 2024

(in thousands of dollars)

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.

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.

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.

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 30 years

Contributions of tangible capital assets

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

KELOWNA INTERNATIONAL AIRPORT

Notes to the Financial Statements

December 31, 2024

(in thousands of dollars)

2. Significant accounting policies (continued)

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.

Inventory

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

Employee future benefits

The Airport and its employees participate in the Municipal Pension Plan. The Municipal Pension Plan is a multi-employer contributory defined benefit pension plan. Payments in the year are expensed as incurred.

Financial instruments

Financial instruments 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, long-term payable, and long-term debt. Portfolio investments represent funds held in the City of Kelowna pooled funds.

Financial instruments are initially measured at fair value and subsequently carried at fair value or cost or amortized cost.

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

KELOWNA INTERNATIONAL AIRPORT

Notes to the Financial Statements

December 31, 2024

(in thousands of dollars)

2. Significant accounting policies (continued)

Financial instruments (continued)

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.

Financial instruments in the fair value category 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.

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, 2024 and 2023.

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.

KELOWNA INTERNATIONAL AIRPORT

Notes to the Financial Statements

December 31, 2024

(in thousands of dollars)

2. Significant accounting policies (continued)

Revenue recognition

Sale of services - Fees and charges for parking, airport landing and terminal fees, car rental concessions, terminal concessions, and lease revenue are included in this category. These revenues are recorded on an accrual basis and recognized in the period in which they are earned, which is when services are provided, or facilities are utilized.

Interest earned - The Airport's allocated investment pool is disclosed in Note 4. Interest income is recorded on an accrual basis and recognized when earned.

Government transfers - Restricted government transfers are deferred and recognized as revenue in the year in which the related expenditures are incurred or the stipulations in the related agreement are met. Unrestricted transfers are recognized as revenue when received.

Airport Improvement Fees - Airport Improvement Fees (AIF) are disclosed in Note 16. These revenues are recorded on an accrual basis and recognized in the period in which they are 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.

3. Change in accounting policies

Effective January 1, 2024, the Airport adopted the new accounting standards issued by the Public Sector Accounting Board, PS 3400 Revenue and PS 3160 Public-Private Partnerships.

- PS 3400 Revenue establishes principles for recognizing revenue in public sector entities, distinguishing between exchange and non-exchange transactions. Exchange transactions involve one or more performance obligations, requiring the transfer of goods or services to a payor in exchange for consideration, whereas non-exchange transactions do not have a direct transfer of goods or services.
- PS 3160 Public-Private Partnerships can exist in transactions where public sector entities procure infrastructure using private sector partners. The standard provides guidance on the recognition, measurement, presentation, and disclosure of transactions related to public-private partnerships.

The Airport has applied PS 3400 prospectively and accordingly, there is no adjustment to the opening balances or restatement of prior periods. The adoption of the standard did not have any impact on the amounts presented in these financial statements.

PS 3160 was applied retroactively, without a restatement of prior periods. The adoption of this standard did not result in an adjustment as of January 1, 2024.

KELOWNA INTERNATIONAL AIRPORT

Notes to the Financial Statements

December 31, 2024

(in thousands of dollars)

4. Financial assets and liabilities

Accounts receivable

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

	2024	2023
Trade receivables	\$ 5,066	\$ 5,689
Due from government	279	142
Allowance for doubtful accounts	(23)	(21)
	<u>\$ 5,322</u>	<u>\$ 5,810</u>

Portfolio investments

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

	Level	2024	2023
			(Note 20)
Portfolio investments in the fair value category			
Municipal Finance Authority investment funds	2	\$ 11,762	\$ 15,531
Publicly traded shares	1	-	7,972
Total portfolio investments reported at fair value		<u>11,762</u>	<u>23,503</u>
Portfolio investments in the cost and amortized cost category			
Guaranteed investment certificates and deposit notes		20,909	25,862
Provincial and bank issued bonds		4,928	6,366
Total portfolio investments reported at cost and amortized cost		<u>25,837</u>	<u>32,228</u>
Total portfolio investments		<u>\$ 37,599</u>	<u>\$ 55,731</u>

KELOWNA INTERNATIONAL AIRPORT

Notes to the Financial Statements

December 31, 2024

(in thousands of dollars)

4. Financial assets and liabilities (continued)

Deferred revenue

The Airport records deferred revenue received in advance of services not yet rendered and is recognized into revenue during the period in which the service is provided. The Airport also records deferred revenue when a contract specifies how the resources are to be used and therefore funds received in advance are deferred until the period in which the requirements are met. Because these funds are restricted in nature, they are shown as a liability.

	2023	Receipts	Transfers Out	2024
Government transfers	\$ -	\$ 1,015	\$ (18)	\$ 996
Other	128	349	(206)	271
	<u>\$ 128</u>	<u>\$ 1,364</u>	<u>\$ (224)</u>	<u>\$ 1,267</u>

5. Long-term payable

The Airport has arranged for payment terms beyond a year for certain payables amounting to \$36, as at December 31, 2024 (2023 - \$44). 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 2024	Net Debt 2023	Due Date
9867	133	2.75	\$ 7,500	\$ 6,629	\$ 871	\$ 1,713	2025-10-02
9867	137	2.60	3,500	2,700	800	1,179	2026-04-19
9867	139	2.10	3,000	2,327	673	995	2026-10-05
9867	141	2.80	8,000	5,347	2,653	3,486	2027-04-07
			<u>\$ 22,000</u>	<u>\$ 17,003</u>	<u>\$ 4,997</u>	<u>7,373</u>	

Sinking fund installments and principal repayments required for the next five years are as follows:

2025	2026	2027	2028	2029
<u>\$ 2,454</u>	<u>\$ 1,632</u>	<u>\$ 911</u>	<u>\$ -</u>	<u>\$ -</u>

KELOWNA INTERNATIONAL AIRPORT

Notes to the Financial Statements

December 31, 2024

(in thousands of dollars)

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:

	2024	2023
Cash deposits held by MFA	\$ 269	\$ 260
Demand notes held by MFA	1,021	1,021
	<u>\$ 1,290</u>	<u>\$ 1,281</u>

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 4.43% (2023 - 4.41%).

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

	2024	2023
Balance, beginning of year	\$ 542	\$ 422
Accretion expense	24	20
Change in estimate	(486)	100
Balance, end of year	<u>\$ 80</u>	<u>\$ 542</u>

KELOWNA INTERNATIONAL AIRPORT

Notes to the Financial Statements

December 31, 2024

(in thousands of dollars)

8. Work in progress

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

	Land Improvements	Buildings	Infrastructure	Machinery & Equipment	Total 2024	Total 2023
Cost						
Balance, beginning of year	\$ -	\$ 22,383	\$ 538	\$ 542	\$ 23,463	\$ 13,075
Add: additions during the year	55	42,864	1,267	4,436	48,622	19,047
Less: transfers to tangible capital assets	-	(468)	(1,296)	(841)	(2,605)	(8,659)
Balance, end of year	\$ 55	\$ 64,779	\$ 509	\$ 4,137	\$ 69,480	\$ 23,463

9. Tangible capital assets

	Land	Land Improvement	Buildings	Infrastructure	Machinery & Equipment	Total 2024	Total 2023
Cost							
Balance, beginning of year	\$ 16,101	\$ 13,312	\$ 80,520	\$ 102,937	\$ 57,965	\$ 270,835	\$ 256,118
Add: additions during the year	-	-	59	5,354	2,285	7,698	6,271
Add: transfers from work in progress	-	-	468	1,296	841	2,605	8,659
Less: write-down during the year	-	-	-	-	(40)	(40)	(213)
	16,101	13,312	81,047	109,587	61,051	281,098	270,835
Asset retirement obligation	-	-	43	-	-	43	188
Balance, end of year	16,101	13,312	81,090	109,587	61,051	281,141	271,023
Accumulated Amortization							
Balance, beginning of year	-	9,825	35,093	45,776	26,567	117,261	108,432
Add: amortization	-	411	2,123	3,999	2,732	9,265	8,863
Less: accumulated amortization on disposal	-	-	-	-	-	-	(34)
	-	10,236	37,216	49,775	29,299	126,526	117,261
Accumulated amortization on asset retirement obligation	-	-	40	-	-	40	46
Balance, end of year	-	10,236	37,256	49,775	29,299	126,566	117,307
Net book value of tangible capital assets	\$ 16,101	\$ 3,076	\$ 43,834	\$ 59,812	\$ 31,752	\$ 154,575	\$ 153,716

KELOWNA INTERNATIONAL AIRPORT

Notes to the Financial Statements

December 31, 2024

(in thousands of dollars)

10. Accumulated surplus

	Reserves for future expenditure	General surplus	Investment in tangible capital assets	Total 2024	Total 2023
Accumulated operating surplus, beginning of year	\$ 51,970	\$ 2,409	\$ 169,223	\$ 223,602	\$ 198,644
Annual surplus (deficit)	1,923	30,294	(8,461)	23,756	24,958
Transfers	24,674	(24,674)	-	-	-
Acquisition of tangible capital assets	(52,564)	(3,756)	56,320	-	-
Writedown of tangible capital asset	-	40	(40)	-	-
Retirement of debt	-	(1,905)	1,905	-	-
Accumulated surplus, end of year	\$ 26,003	\$ 2,408	\$ 218,947	\$ 247,358	\$ 223,602

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, 2023 the plan had about 256,000 active members and approximately 129,000 retired members. Active members included approximately 45,000 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 \$556 (2023 - \$445) for employer contributions to the plan in fiscal 2024, while employees contributed \$469 (2023 - \$373) to the plan in fiscal 2024.

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.

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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.

12. Commitments

At December 31, 2024, the Airport had entered into construction commitments relating to the Airport capital program amounting to \$66,206 (2023 - \$7,178).

13. Contractual rights

The Airport's contractual rights arise from rights to receive payments from sublease agreements. During 2023, the Airport entered into two long-term sublease agreements, which include the construction of a hotel ("the hotel sublease") and a parkade structure ("the parkade sublease"), with lease payments commencing upon substantial completion of the buildings. The long-term leases expire on December 31, 2054, with an automatic extension up to 99 years upon renewal of the Airport's Ground Lease with the Government of Canada.

Under the hotel sublease, the Airport expects to receive a prepayment of \$2,333, estimated to be received in 2025, with the remaining consideration of \$124 annually estimated to commence in 2026. Annual revenues under the parkade sublease are estimated to commence beginning in 2026, but cannot be reasonably estimated at this time.

14. Sale of services by object

	2024	2023
Parking revenue	\$ 11,431	\$ 10,274
Airport landing fees	4,409	4,154
Car rental concessions	3,500	3,122
Airport terminal fees	3,405	3,270
Lease revenue	2,123	2,097
Terminal concessions	1,061	1,013
Other	1,143	1,258
	<u>\$ 27,072</u>	<u>\$ 25,188</u>

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Notes to the Financial Statements

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15. Government transfers

Due to the completion or progress of the projects there is a deferred revenue balance of \$996 in 2024 (2023 - \$nil) related to these grants.

The Airport received and recorded as revenue the following grants:

	Type of grant	Project	2024	2023
Federal Government	Restricted	Terminal Buildings - baggage handling operations	\$ 116	\$ 106
Federal Government	Restricted	Airport Critical Infrastructure Program	3,439	2,339
Province of British Columbia	Restricted	Child Care Capital Funding Program	18	2,676
Province of British Columbia	Restricted	Mass Timber Demonstration Program	299	-
Federal Government	Restricted	Tourism Relief Fund	-	57
			<u>\$ 3,872</u>	<u>\$ 5,178</u>

16. 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, 2024, the Airport recognized \$24,654 (2023 - \$22,892), in airport improvement fee revenue.

AIF fees were charged at \$25 per departing passenger (2023 - \$25). Effective January 1, 2025, the AIF will increase from \$25 per departing passenger to \$28 per departing passenger for all travel scheduled on or after January 1, 2025.

Airport improvement fee summary since implementation to December 31, 2024:

	2024	2023
Cumulative AIF revenue	\$ 236,216	\$ 211,562
Cumulative AIF expenditures	255,345	203,832
Surplus (deficit) of revenue over expenditures	<u>\$ (19,129)</u>	<u>\$ 7,730</u>

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(in thousands of dollars)

17. Expenses by object

Expenses reported by object comprise:

	<u>2024</u>	<u>2023</u>
Contract and professional services	\$ 10,509	\$ 8,957
Amortization of tangible capital assets	9,269	8,864
Salaries and benefits	7,577	6,260
Materials and supplies	3,885	3,580
Policing and other Municipal services	2,098	1,466
Utilities	722	677
Interest expense	584	584
Write down of tangible capital assets	40	213
Accretion on asset retirement obligation	24	20
Change in asset retirement obligation	(351)	-
	<u>\$ 34,357</u>	<u>\$ 30,621</u>

18. Budget data

The budget figures are from the Annual Five-Year Financial Plan Bylaw adopted before May 15th 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>
Revenue	
Operating budget	\$ 60,979
Expenses	
Operating budget	25,985
Capital budget	33,545
	<u>59,530</u>
Annual surplus per approved budget	1,449
Add: capital expenses	33,545
Annual surplus per statement of operations and accumulated surplus	<u><u>\$ 34,994</u></u>

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Notes to the Financial Statements

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(in thousands of dollars)

19. Risk management

Risk management of financial instruments

The Airport has exposure to the following risks related to its financial instruments: credit risk, liquidity risk, interest rate risk, and foreign exchange rate risk.

The Airport employs various risk management strategies to identify and mitigate these risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to meet its contractual obligation and cause a financial loss for the other party. The Airport is primarily exposed to credit risk on its cash and cash equivalents, accounts receivable and portfolio investments. The Airport's carrying amounts for these financial assets best represent its maximum exposure to credit risk.

For cash and cash equivalents, and portfolio investments, the Airport manages this risk by dealing solely with reputable financial institutions, and through an investment policy that limits investments to high credit quality as well as maintains asset allocation and portfolio diversification. For accounts receivable, the Airport reviews balances and aging information to determine if a valuation allowance is necessary, and initiates collection actions.

Liquidity risk

Liquidity risk is the risk that the Airport will encounter difficulty in meeting obligations associated with financial liabilities. The Airport is exposed to liquidity risk on its accounts payable and accrued liabilities and long term debt.

The Airport manages its overall liquidity risk by managing cash resources which is achieved by monitoring actual and forecasted cash flows. The Airport manages this risk on its borrowings by applying limits to its debt capacity and distributing debt maturities over many years (Notes 5 and 6).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate unfavourably with changes in market interest rates.

The Airport is exposed to interest rate risk through its portfolio investment holdings in interest-bearing, or fixed-income assets which may include GICs, term deposits, and funds that include debt securities of Canadian Governments and corporate issuers. The Airport manages this risk by holding interest bearing instruments to maturity.

Foreign exchange rate risk

Foreign exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate unfavourably with a change in the value of the Canadian dollar relative to other currencies. The Airport is not exposed to any significant foreign exchange risk because instruments held in foreign currency are not considered significant.

20. Comparative figures

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

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