

2019

# Financial Statements Kelowna International Airport

Kelowna, British Columbia, Canada  
For the year ended December 31, 2019



**YLW**

Kelowna International Airport

# KELOWNA INTERNATIONAL AIRPORT

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# Independent Auditor's Report

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, 2019, and the statements of operations and accumulated surplus, change in net financial assets and 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, 2019, and its results of operations, its changes in its net debt, 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 Entity 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  
May 25, 2020

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Chartered Professional Accountants

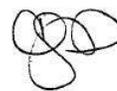
**KELOWNA INTERNATIONAL AIRPORT**  
**Statement of Financial Position**  
**As at December 31, 2019**

	<u>Actual 2019</u>	<u>Actual 2018</u>
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 700	\$ 1,000
Accounts receivable	4,449,086	3,966,225
Portfolio investments	31,965,644	26,367,839
	<u>36,415,430</u>	<u>30,335,064</u>
<b>Liabilities</b>		
Accounts payable	3,335,024	3,123,269
Performance deposits	310,359	305,948
Deferred revenue	481,486	158,604
Mortgage payable (Note 3)	1,800,000	2,700,000
Debenture debt (Note 4)	16,153,133	18,177,948
	<u>22,080,002</u>	<u>24,465,769</u>
<b>Net Financial Assets</b>	<u>14,335,428</u>	<u>5,869,295</u>
<b>Non-Financial Assets</b>		
Prepaid expenses	179,267	96,808
Inventory	276,395	365,186
Work in progress (Note 5)	7,047,261	2,929,193
Tangible capital assets (Note 6)	146,321,304	143,724,445
	<u>153,824,227</u>	<u>147,115,632</u>
<b>Accumulated Surplus (Note 7)</b>	<u>\$ 168,159,655</u>	<u>\$ 152,984,927</u>

Contingent liabilities and Commitments (Notes 8 and 9)  
Subsequent Events (Note 15)



Sam Samaddar  
Airport Director



Genelle Davidson, CPA, CMA  
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, 2019**

	Budget 2019	Actual 2019	Actual 2018
<b>Revenue</b>			
Sale of services (Note 11)	\$ 22,470,240	\$ 22,217,498	\$ 21,157,839
Interest earned	158,000	659,977	543,587
Government transfers (Note 2)	346,500	296,558	1,034,936
Actuarial increase	-	127,626	787,956
Gain on disposal of assets	-	7,129	-
	<u>22,974,740</u>	<u>23,308,788</u>	<u>23,524,318</u>
Airport Improvement Fee (Note 10)	18,104,000	16,608,888	14,017,034
	<u>41,078,740</u>	<u>39,917,676</u>	<u>37,541,352</u>
<b>Expenses (Note 12)</b>			
Administration	5,107,409	4,433,081	3,525,811
Interest	584,250	584,250	815,603
Terminal operations	5,421,360	6,267,120	6,444,759
Airport improvement fee	30,765	5,444,897	5,102,105
Airport policing	192,546	192,546	188,716
Groundside operations	2,539,990	3,436,804	2,978,243
Airside operations	3,620,592	4,188,451	3,993,770
Write down of tangible capital assets	-	195,799	63
	<u>17,496,912</u>	<u>24,742,948</u>	<u>23,049,070</u>
<b>Annual Surplus</b>	<u>\$ 23,581,828</u>	<u>15,174,728</u>	<u>14,492,282</u>
Accumulated Surplus, beginning of year		<u>152,984,927</u>	<u>138,492,645</u>
<b>Accumulated Surplus, end of year</b>		<u><u>\$ 168,159,655</u></u>	<u><u>\$ 152,984,927</u></u>

*See accompanying notes to the financial statements.*

**KELOWNA INTERNATIONAL AIRPORT**  
**Statement of Changes in Net Financial Assets**  
**For the Year Ended December 31, 2019**

	Budget 2019	Actual 2019	Actual 2018
<b>Annual Surplus</b>	\$ 23,581,828	\$ 15,174,728	\$ 14,492,282
Amortization of tangible capital assets	-	7,850,313	7,209,942
Acquisition of tangible capital assets	(33,545,240)	(14,773,169)	(17,751,703)
Disposal of tangible capital assets	-	12,131	-
Write down of tangible capital assets	-	195,800	63
Change in inventory and prepaid expenses	-	6,330	(184,420)
<b>Increase (decrease) in Net Financial Assets</b>	(9,963,412)	8,466,133	3,766,164
Net Financial Assets, beginning of year	5,869,295	5,869,295	2,103,131
<b>Net Financial Assets, end of year</b>	<u>\$ (4,094,117)</u>	<u>\$ 14,335,428</u>	<u>\$ 5,869,295</u>

*See accompanying notes to the financial statements.*

# KELOWNA INTERNATIONAL AIRPORT

## Statement of Cash Flows

For the Year Ended December 31, 2019

	Actual 2019	Actual 2018
<b>Net inflow (outflow) of cash and cash equivalents related to the following activities:</b>		
<b>Operating</b>		
Annual surplus	\$ 15,174,728	\$ 14,492,282
Adjustment for non-cash items		
Amortization of tangible capital assets	7,850,313	7,209,942
Actuarial adjustment on debenture debt	(127,626)	(627,956)
Write down of tangible capital assets	195,799	63
Decrease (increase) in assets		
Accounts receivable	(482,858)	434,617
Inventory and prepaid expenses	6,330	(184,420)
Increase (decrease) in liabilities		
Accounts payable	211,755	342,433
Performance deposits	4,411	22,527
Deferred revenue	322,882	(160,937)
	<u>23,155,734</u>	<u>21,528,551</u>
<b>Capital</b>		
Acquisition of tangible capital assets	(14,773,169)	(17,751,703)
Proceeds from disposal of tangible capital assets	12,131	-
	<u>(14,761,038)</u>	<u>(17,751,703)</u>
<b>Investing</b>		
Change in investments	(5,597,805)	291,888
<b>Financing</b>		
Repayment of mortgage payable	(900,000)	(900,000)
Repayment of debenture debt	(1,897,191)	(3,229,846)
	<u>(2,797,191)</u>	<u>(4,129,846)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(300)</b>	<b>(61,110)</b>
Cash and cash equivalents, beginning of year	1,000	62,110
<b>Cash and cash equivalents, end of year</b>	<b>\$ 700</b>	<b>\$ 1,000</b>

*See accompanying notes to the financial statements*

# KELOWNA INTERNATIONAL AIRPORT

## Notes to the Financial Statements

December 31, 2019

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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”) and is reported in the City’s financial statements as part of the City’s resources and operations.

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 current term of the Ground Lease expires on December 31, 2054.

These financial statements reflect only 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. Due to the completion or progress of the projects in 2019 there are no deferred revenue balances related to these grants. The Airport received and recorded as revenue the following grants:

<u>Grant received from</u>	<u>Type of grant</u>	<u>Project</u>	<u>2019</u>	<u>2018</u>
Canadian Air Transport Security Authority	Restricted	Terminal Building - baggage handling operations	\$ 108,980	\$ 115,500
Canadian Air Transport Security Authority	Capital	Airport - bag system	-	(148,081)
Province of British Columbia	Restricted	Freshet & culvert claim	137,639	67,517
Province of British Columbia	Restricted	Apron rehabilitation	-	1,000,000
Federal Government	Restricted	Western Diversification	49,939	-
			<u>\$ 296,558</u>	<u>\$ 1,034,936</u>

#### Work in progress

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

# KELOWNA INTERNATIONAL AIRPORT

## Notes to the Financial Statements

December 31, 2019

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### 2. Significant accounting policies (continued)

#### 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

#### Contributions of tangible capital assets

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

#### 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 recorded at cost and are comprised of Municipal Finance Authority Bonds/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, 2019

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### 2. Significant accounting policies (continued)

#### Municipal Finance Authority cash deposits and demand notes

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

	<u>2019</u>	<u>2018</u>
Cash Deposits held by MFA	\$ 237,946	\$ 232,530
Demand Notes held by MFA	<u>1,020,720</u>	<u>1,020,720</u>
	<u>\$ 1,258,666</u>	<u>\$ 1,253,250</u>

#### Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism 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 to be recorded as at December 31, 2019.

#### Use of estimates

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

#### Revenue recognition

Revenue is recognized in the period in which it occurs.

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

# KELOWNA INTERNATIONAL AIRPORT

## Notes to the Financial Statements

December 31, 2019

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### 2. Significant accounting policies (continued)

#### Ground lease

The Ground lease is accounted for as an operating lease and has a single rent payment of \$1 up to 2034 followed by annual rent payments of \$1 from 2035 to 2054.

#### 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.

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### 3. Mortgage payable

The Airport has a mortgage of \$1,800,000 (2018 - \$2,700,000) which is to be repaid in full by January 2021. The annual amount of principal repayment is \$900,000 per year. The mortgage does not bear interest and is secured by specific land.

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### 4. Debenture debt

Debenture debt principal is reported net of sinking fund balances.

<u>Local Area Bylaw</u>	<u>Issue No.</u>	<u>Interest Rate</u>	<u>Amount of Issue</u>	<u>Sinking Fund Balance</u>	<u>Net Debt</u>	<u>Due Date</u>
9867	133	2.75	\$ 7,500,000	\$ 2,694,656	\$ 4,805,344	2025-10-02
9867	137	2.60	3,500,000	926,726	2,573,274	2026-04-19
9867	139	2.10	3,000,000	808,862	2,191,138	2026-10-05
9867	141	2.80	8,000,000	1,416,623	6,583,377	2027-04-07
			<u>\$ 22,000,000</u>	<u>\$ 5,846,867</u>	<u>\$ 16,153,133</u>	

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

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<u>\$ 1,897,191</u>				

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## KELOWNA INTERNATIONAL AIRPORT

### Notes to the Financial Statements

December 31, 2019

#### 5. Work in progress

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

	<u>2019</u>	<u>2018</u>
Land improvements	\$ -	\$ 111,022
Buildings	<b>3,560,016</b>	1,259,082
Infrastructure	<b>3,371,162</b>	1,246,955
Machinery and equipment	<b>116,083</b>	312,134
Total work in progress	<u><u>\$ 7,047,261</u></u>	<u><u>\$ 2,929,193</u></u>

#### 6. Tangible capital assets

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>2019 Net book value</u>	<u>2018 Net book value</u>
Land	\$ 15,820,387	\$ -	\$ 15,820,387	\$ 15,820,387
Land improvements	13,276,256	8,044,304	<b>5,231,952</b>	5,697,616
Buildings	64,620,368	27,532,549	<b>37,087,819</b>	37,461,002
Infrastructure	81,640,544	33,458,106	<b>48,182,439</b>	43,960,175
Machinery and equipment	55,943,797	15,945,090	<b>39,998,707</b>	40,785,265
	<u><u>\$ 231,301,352</u></u>	<u><u>\$ 84,980,049</u></u>	<u><u>\$ 146,321,304</u></u>	<u><u>\$ 143,724,445</u></u>

Schedule 1 provides a breakdown of tangible capital assets and work in progress.

#### 7. Accumulated surplus

	<u>Reserves for future expenditure</u>	<u>General surplus</u>	<u>Investment in tangible capital assets</u>	<u>2019 Total</u>	<u>2018 Total</u>
Accumulated surplus, beginning of year	\$ 25,734,141	\$ 1,475,096	\$ 125,775,690	\$ 152,984,927	\$ 138,492,645
Annual surplus (deficit)	617,036	22,469,049	(7,911,357)	<b>15,174,728</b>	14,492,282
Transfers	18,759,108	(18,739,848)	(19,260)	-	-
Acquisition of tangible capital assets	(14,773,169)	-	14,773,169	-	-
Retirement of debt	-	(2,797,190)	2,797,190	-	-
Accumulated surplus, end of year	<u><u>\$ 30,337,117</u></u>	<u><u>\$ 2,407,106</u></u>	<u><u>\$ 135,415,432</u></u>	<u><u>\$ 168,159,655</u></u>	<u><u>\$ 152,984,927</u></u>

# KELOWNA INTERNATIONAL AIRPORT

## Notes to the Financial Statements

December 31, 2019

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### 8. 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, 2019, the plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 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, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The Airport paid \$393,847 (2018 - \$388,163) for employer contributions to the plan in fiscal 2019, which represents 0.06 per cent of the total plan contributions, while employees contributed \$311,723 (2018 - \$300,060) to the plan in fiscal 2019.

The next valuation will be as at December 31, 2021, with results available in 2022.

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.

#### 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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### 9. Commitments

At December 31, 2019, the Airport had entered into construction commitments relating to the Airport capital program amounting to \$8,734,376 (2018 - \$2,512,645).

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# KELOWNA INTERNATIONAL AIRPORT

## Notes to the Financial Statements

December 31, 2019

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### 10. 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 all major 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 revenues can only be used to fund approved Airport infrastructure projects and associated financing costs. During the year ended December 31, 2019, the City recognized \$16,608,888 (2018 - \$14,017,034), in Airport improvement fee revenue.

AIF fees were charged at \$15 per departing passenger for travel booked on or before March 31, 2019, for travel scheduled on or before April 7, 2019. AIF fees were charged at \$20 per departing passenger for travel booked on or after April 1, 2019, for travel scheduled on or after April 8, 2019.

Airport improvement fee summary since implementation to December 31:

	<u>2019</u>	<u>2018</u>
Cumulative AIF revenue	\$ 152,403,783	\$ 135,794,895
Cumulative AIF expenditures	154,160,070	148,715,173
Deficiency of revenue over expenditures	<u>\$ (1,756,287)</u>	<u>\$ (12,920,278)</u>

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### 11. Sale of service by object

	<u>2019</u>	<u>2018</u>
Parking Revenue	\$ 7,826,502	\$ 6,912,134
Airport Landing Fees	4,317,378	4,282,144
Airport Terminal Fees	3,557,901	3,597,081
Car Rental Concessions	3,428,894	3,464,190
Terminal Concessions	983,603	924,511
Lease Revenue	1,358,744	1,215,608
Other	744,476	762,171
	<u>\$ 22,217,498</u>	<u>\$ 21,157,839</u>

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# KELOWNA INTERNATIONAL AIRPORT

## Notes to the Financial Statements

December 31, 2019

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### 12. Expenses by object

Expenses reported by object comprise:

	<u>2019</u>	2018
Materials and Supplies	\$ 7,459,116	\$ 6,686,393
Amortization	7,850,313	7,209,942
Salaries and Benefits	4,619,201	4,387,516
Contract and Professional Services	1,771,767	1,546,424
Policing and Other Municipal Services	1,689,921	1,634,891
Interest Expense	584,250	815,603
Utilities	572,581	768,238
Write down of tangible capital assets	195,799	63
	<u>\$ 24,742,948</u>	<u>\$ 23,049,070</u>

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### 13. 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	\$ 41,078,740
<b>Expenses</b>	
Operating budget	17,496,912
Capital budget	33,545,240
	<u>51,042,152</u>
Annual deficit per approved budget	(9,963,412)
Add: capital expenses	33,545,240
<b>Annual surplus per statement of operations</b>	<u>\$ 23,581,828</u>

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### 14. Comparative figures

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

# KELOWNA INTERNATIONAL AIRPORT

## Notes to the Financial Statements

December 31, 2019

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### 15. Subsequent events

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses were forced to cease operations or have voluntarily ceased or limited operations for an indefinite period of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. As a result of the aforementioned conditions, the Airport expects flight traffic, passenger volumes and corresponding revenues to drop significantly in 2020. The reduction in revenues will lead to implementing measures to significantly reduce costs.

The Airport has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Airport for future periods.

# KELOWNA INTERNATIONAL AIRPORT

## Schedule 1 - Tangible Capital Assets

As at December 31, 2019

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Infrastructure</u>	<u>Machinery &amp; Equipment</u>	<u>Work in Progress</u>	<u>Total 2019</u>	<u>Total 2018</u>
<b>Cost</b>								
Balance, beginning of year	\$ 15,820,387	\$ 13,276,256	\$ 63,038,333	\$ 74,557,264	54,195,303	\$ 2,929,193	\$ 223,816,736	\$ 206,065,095
Add: additions during the year	-	-	270,790	3,156,993	896,151	10,449,235	14,773,169	17,751,703
Add: transfers to tangible capital assets	-	-	1,313,596	4,114,500	903,070	(6,331,167)	-	-
Less: disposals during the year	-	-	(2,352)	(188,213)	(50,727)	-	(241,292)	(63)
Balance, end of year	<u>15,820,387</u>	<u>13,276,256</u>	<u>64,620,368</u>	<u>81,640,544</u>	<u>55,943,797</u>	<u>7,047,261</u>	<u>238,348,612</u>	<u>223,816,735</u>
<b>Accumulated Amortization</b>								
Balance, beginning of year	-	7,578,640	25,577,329	30,597,089	13,410,039	-	77,163,097	69,953,155
Add: amortization	-	465,664	1,955,220	2,861,017	2,568,412	-	7,850,313	7,209,942
Less: accumulated amortization on disposals	-	-	-	-	(33,361)	-	(33,361)	-
Balance, end of year	<u>-</u>	<u>8,044,304</u>	<u>27,532,549</u>	<u>33,458,106</u>	<u>15,945,090</u>	<u>-</u>	<u>84,980,049</u>	<u>77,163,097</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>\$ 15,820,387</u>	<u>\$ 5,231,952</u>	<u>\$ 37,087,819</u>	<u>\$ 48,182,438</u>	<u>\$ 39,998,707</u>	<u>\$ 7,047,261</u>	<u>\$ 153,368,563</u>	<u>\$ 146,653,638</u>



Kelowna International Airport

1-5533 Airport Way  
Kelowna, BC, V1V 1S1

Tel 250-807-4300  
airport@kelowna.ca

[ylw.kelowna.ca](http://ylw.kelowna.ca)