



CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005, with comparatives for 2004

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Auditors' Report

To the Mayor and Council of the City of Kamloops

We have audited the consolidated statement of financial position of the City of Kamloops as at December 31, 2005 and the consolidated statements of financial activities, equity and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the city as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP
Chartered Accountants

Kamloops, British Columbia
March 28, 2006



Management's Responsibility for Financial Reporting

The accompanying financial statements of the City of Kamloops and all the information in this annual report are the responsibility of management and have been approved by the Mayor and Council of the City.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The City maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the City's assets are appropriately accounted for and adequately safeguarded.

The City Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Audit Committee reviews the City's financial statements and recommend their approval to City Council. The Audit Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditors' report. The Mayor and Council takes this information into consideration when approving the financial statements for issuance to the ratepayers. The Mayor and Council also consider the engagement of the external auditors.

The financial statements have been audited by BDO Dunwoody LLP in accordance with Canadian generally accepted auditing standard on behalf of the ratepayers. BDO Dunwoody LLP has full access to the Council and management.

Mayor

Finance and Information Technology Director

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2005, with comparatives for 2004

	<u>2005</u>	<u>2004</u>
Financial assets		
Cash and short-term investments (note 2)	\$ 52,822,536	\$ 46,561,938
Accounts receivable (note 3)	11,871,530	10,032,844
Long-term investments	248,764	238,841
	<u>64,942,830</u>	<u>56,833,623</u>
Liabilities		
Accounts payable (note 4)	19,881,464	17,553,631
Payroll benefits payable	2,904,907	2,929,263
Post-employment benefits payable (note 5)	5,388,476	4,930,000
Landfill post-closure costs (note 6)	1,313,144	1,259,858
Deferred revenue (note 7)	20,560,449	18,221,021
Long-term debt (note 8)	62,482,519	37,434,328
Obligation under capital lease (note 9)	414,567	477,784
	<u>112,945,526</u>	<u>82,805,885</u>
Net financial liabilities	<u>(48,002,696)</u>	<u>(25,972,262)</u>
Non-financial assets		
Inventory	979,099	990,073
Prepaid expenses	1,045,367	901,918
Capital assets (note 10)	687,538,846	626,647,521
	<u>689,563,312</u>	<u>628,539,512</u>
Net Position	<u>641,560,616</u>	<u>602,567,250</u>
Reserves, Surplus and Equity		
Reserves for operating purposes (note 11)	6,862,579	7,651,259
Reserves for capital purposes (note 12)	33,095,621	25,780,694
Surplus from operations (note 13)	13,916,718	12,190,215
Total financial equity	<u>53,874,918</u>	<u>45,622,168</u>
Total capital equity	587,685,698	556,945,082
	<u>641,560,616</u>	<u>602,567,250</u>
	<u>\$ -</u>	<u>\$ -</u>

Commitments and contingencies - Note 18

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED DECEMBER 31, 2005, with comparatives for 2004

	<u>2005 Budget</u> (unaudited)	<u>2005</u>	<u>2004</u>
Revenue			
Taxation (note 14)	\$ 69,364,756	\$ 69,186,036	\$ 65,263,955
Development levies utilized	4,875,749	2,642,182	1,109,370
Fees, rates and sales of service (note 15)	34,361,878	35,788,101	32,531,804
Grants (note 16)	17,905,048	17,387,017	17,194,463
Investment income	3,012,165	3,003,702	3,050,761
Private contributions	1,278,530	582,507	472,509
Sale of capital assets	88,500	4,326,933	453,178
	<u>130,886,626</u>	<u>132,916,478</u>	<u>120,076,040</u>
Expenditures (note 17)			
Cemetery	510,213	500,748	518,097
Community development	3,812,167	3,698,797	2,984,351
Corporate administration	8,034,253	7,247,921	6,492,548
Environmental services	157,316	151,366	86,696
Fire services	9,668,013	9,688,693	9,471,731
Infrastructure maintenance	5,292,922	4,998,864	5,554,614
Legislative and enforcement	3,126,007	3,017,648	2,960,181
Parks, recreation and leisure services	16,975,595	16,488,875	16,531,390
Police services	17,139,797	16,324,371	15,929,348
Public Transit	8,328,053	8,379,900	8,195,598
Solid waste	3,512,309	3,653,012	3,519,254
Water utility	5,808,190	5,470,970	4,594,334
Sewer utility	4,525,202	4,047,226	4,035,629
Kamloops Airport Authority Society	-	65,086	215,299
Venture Kamloops Business Development Society	-	826,377	-
Debt servicing costs	6,225,082	4,860,600	3,797,190
Capital expenditures	89,948,850	66,233,046	45,963,745
	<u>183,063,969</u>	<u>155,653,500</u>	<u>130,850,005</u>
Net operating activity	(52,177,343)	(22,737,022)	(10,773,965)
Reduction of long-term debt	(3,891,932)	(3,843,003)	(3,660,004)
Repayment of obligations under capital lease	-	(63,217)	(64,093)
Capital assets acquired pending debenture issue	41,746,181	34,056,929	20,788,261
Increase (decrease) in financial equity	<u>\$ (14,323,094)</u>	<u>\$ 7,413,687</u>	<u>\$ 6,290,199</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF EQUITY
YEAR ENDED DECEMBER 31, 2005 with comparatives for 2004

	<u>2005</u>	<u>2004</u>
Opening Balance	\$ <u>602,567,250</u>	\$ <u>568,838,890</u>
Financial Equity:		
Change in reserves for operating purposes	(788,680)	934,609
Change in reserves for capital purposes	7,314,927	4,423,038
Operating surplus (deficit) for the year	1,726,503	932,551
Net change in financial equity	<u>8,252,750</u>	<u>6,290,198</u>
Capital Equity:		
Capital expenditures	66,233,046	45,963,745
Cost of assets disposed	(5,341,721)	(1,461,419)
Principal payments on long-term debt	2,712,678	2,712,678
Actuarial adjustments on long-term debt	1,130,325	947,326
Repayment of obligation under capital lease	63,217	64,093
Debenture debt pending	(34,056,929)	(20,788,261)
Net change in capital equity	<u>30,740,616</u>	<u>27,438,162</u>
Ending balance	\$ <u><u>641,560,616</u></u>	\$ <u><u>602,567,250</u></u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2005, with comparatives for 2004

	<u>2005</u>	<u>2004</u>
Cash provided by (used for):		
Operating		
Net operating activity	\$ (22,737,022)	\$ (10,773,965)
Changes in non-cash operating items:		
Decrease (increase) in accounts receivable	(1,838,686)	3,825,534
Decrease (increase) in inventory	10,974	33,943
Decrease (increase) in prepaid expenses	(143,449)	(538,650)
Decrease (increase) in investments	(9,923)	(10,302)
Increase (decrease) in accounts payable	2,327,833	2,666,828
Increase (decrease) in payroll benefits payable	(24,356)	14,671
Increase (decrease) in post-employment benefits payable	458,476	687,777
Increase (decrease) in landfill post-closure costs	53,286	53,286
Increase (decrease) in deferred revenue	2,339,428	1,917,998
Increase (decrease) in deferred contributions	839,061	-
	<u>(18,724,378)</u>	<u>(2,122,880)</u>
Financing:		
Proceeds from issuance of long-term debt	27,378,004	-
Principal repayments on long-term debt	(3,843,003)	(3,660,004)
Increase of interim financing	1,513,192	(8,296,029)
Repayment of obligations under capital lease	(63,217)	(64,093)
	<u>24,984,976</u>	<u>(12,020,126)</u>
Increase (decrease) in cash for the year	6,260,598	(14,143,006)
Cash, beginning of the year	46,561,938	60,704,944
Cash, end of the year	\$ <u>52,822,536</u>	\$ <u>46,561,938</u>

See accompanying notes to consolidated financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

The City of Kamloops was incorporated in 1893 under statute of the Province of British Columbia. Its principal activities include the provision of local government services to residents of the incorporated area. These include cemetery; community development; fire; infrastructure maintenance; legislative and enforcement; parks, recreation and leisure; police; public transit; solid waste; water utility; sewer utility and fiscal services. The City is also responsible for the Kamloops Airport Authority Society and the Venture Kamloops Business Development Society.

1 . Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements of the City have been prepared, in all material respects, in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

(b) Fund accounting

The resources and operations of the City are comprised of the funds listed below. Supporting schedules to the consolidated financial statements are included to show the financial activities and balance of each fund for supplementary information.

General Fund:

Accounts for operating and capital revenues and expenditures for the all activities of the City except those included in the water and sewer funds and holds all property required for these purposes and related long term debt.

Water Fund:

Accounts for operating and capital revenues and expenditures for the water utility and holds all property required for this purposes and related long term debt.

Sewer Fund:

Accounts for operating and capital revenues and expenditures for the sewer utility and holds all property required for this purposes and related long term debt.

(c) Basis of consolidation:

The consolidated financial statements include the accounts of the General, Water, and Sewer funds as well as the Kamloops Airport Authority Society and the Venture Kamloops Business Development Society. Separate audited financial statements have been prepared for the Societies. Inter-fund balances and transactions have been eliminated.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

1 . Significant accounting policies (continued):

(d) Revenue recognition

Revenues are recorded in the period in which the transactions or events that gave rise to the revenues occur. Amounts that have been received in advance of services being rendered are recorded as deferred revenue until the City discharges the obligations that led to the collection of funds.

(e) Inventory:

Inventory is valued at the lower of cost and net realizable value with cost determined by the average cost method.

(f) Investments:

Short-term investments and investments are recorded at cost, which approximate net realizable value.

(g) Capital assets:

Buildings, machinery and equipment, and engineered structures that have been acquired or constructed are recorded at cost. Amortization is not provided. Expenditures for repairs and upgrading that do not significantly add to the value or life of an asset are expensed as incurred.

Infrastructure provided by developers and assumed by the City is not reflected in the capital assets of the City of Kamloops.

(h) Long-term debt:

Long-term debt is recorded net of any related sinking fund balances. Debt service charges, including principal and interest, are charged against current revenue in the period in which they occur.

(i) Reserves:

Reserves for operating and capital purposes represent amounts reserved either internally or by statute for specific future purposes.

(j) Use of estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that have an effect on the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year. Actual results could be different from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

1 . Significant accounting policies (continued):

(j) Financial instruments:

Unless otherwise noted, it is management's opinion that the City is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of its financial instruments reported in the financial statements approximate their carrying values, unless otherwise noted.

2 . Cash and short-term investments:

	<u>2005</u>	<u>2004</u>
Restricted cash and short-term investments:		
Statutory reserves	\$ 12,155,359	\$ 11,097,354
Development cost charges	10,137,739	8,666,362
Cemetery Perpetual Care Trust Fund	1,049,263	919,919
Kamloops Airport Authority	371,676	334,454
Venture Kamloops Business Development Society	40,677	-
	<u>23,754,714</u>	<u>21,018,089</u>
Unrestricted cash and short-term investments	29,067,822	25,543,849
	<u>\$ 52,822,536</u>	<u>\$ 46,561,938</u>

3 . Accounts Receivable:

	<u>2005</u>	<u>2004</u>
General fund:		
Taxes	\$ 2,441,639	\$ 2,542,114
Utilities	1,121,164	1,008,593
Trade	3,683,961	2,911,777
Accrued interest	423,067	336,722
Province of British Columbia	2,005,317	41,713
Government of Canada	1,156,104	839,957
	<u>10,831,252</u>	<u>7,680,876</u>
Water Fund:		
Trade	822,550	687,128
Province of British Columbia	-	1,495,565
	<u>822,550</u>	<u>2,182,693</u>
Sewer Fund:		
Province of British Columbia	10,000	-
	<u>10,000</u>	<u>-</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

3 . Accounts Receivable (cont.):

Cemetery Trust:		
Accrued interest	<u>5,419</u>	<u>7,479</u>
Kamloops Airport Authority:		
Trade	<u>160,671</u>	<u>161,796</u>
Venture Kamloops Business Development Society:		
Trade	<u>41,638</u>	<u>-</u>
	\$ 11,871,530	\$ 10,032,844

4 . Accounts payable

	<u>2005</u>	<u>2004</u>
General fund:		
Trade	\$ 15,010,245	\$ 12,998,356
Payroll and benefits	248,528	266,106
Province of British Columbia	1,266,979	1,178,303
Government of Canada	3,284,439	3,028,567
	<u>19,810,191</u>	<u>17,471,332</u>
Kamloops Airport Authority:		
Trade	<u>52,424</u>	<u>82,299</u>
Venture Kamloops Business Development Society:		
Trade	<u>18,849</u>	<u>-</u>
	\$ 19,881,464	\$ 17,553,631

5 . Post-employment benefits payable

The City of Kamloops sponsors a defined benefit plan for retirement benefits other than pensions for certain employees. The plan provides for a payout of accumulated sick leave for CUPE local 900 employees; an early retirement incentive payment and deferred vacation payout for IAFF local 931 employees; and an early retirement incentive payment for Management employees.

Total benefit payments paid during the year were \$469,377 (2004 - \$449,260). The plan is unfunded and requires no contribution from employees. The retirement benefit liability at December, 31, 2005 includes the following components:

	<u>2005</u>	<u>2004</u>
Accrued benefit obligation	\$ 5,487,000	\$ 5,301,000
Unamortized actuarial loss	(375,000)	(371,000)
Funding excess	276,476	-
Post-employment benefit liability	<u>\$ 5,388,476</u>	<u>\$ 4,930,000</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

5 . Post-employment benefits payable (cont.)

Actuarial valuations for accounting purposes are performed using the projected benefit method prorated on services. The most recent actuarial report was prepared at February 10, 2006. The accrued benefit obligation shown for 2005 is based on amounts included in the 2006 valuation. There is a net unamortized actuarial loss to be amortized on a straight-line basis over the expected average remaining service life of the related employee group (14 - 16 years).

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the City's best estimates. The expected inflation rate is 3.25%. The discount rate used to determine the accrued benefit obligation is 4.25%.

The total expenditures related to retirement benefits other than pensions include the following components:

	<u>2005</u>	<u>2004</u>
Current period benefit cost	\$ 735,231	\$ 409,921
Prior period cost of plan amendment	-	567,296
Retirement benefit expenditure	(469,377)	(449,260)
Retirement benefit interest expenditure	192,527	159,820
Total expenditures related to retirement benefits	<u>\$ 458,381</u>	<u>\$ 687,777</u>

5 . Post-employment benefits payable (continued):

The retirement benefit expenditure is included in the statement of revenues and expenditures as a component of program expenditures. The retirement benefit interest expenditure is included in the public debt interest expenditure. The prior period cost of plan amendment is included in the current expenditures for the year indicated.

6 . Landfill post-closure costs:

The City of Kamloops operates two solid waste landfill sites in the Kamloops area and assumes certain obligations for the landfill sites including closure and post closure liabilities. The reported liabilities are based on estimates and assumptions with respect to events extending over the remaining life of each of the landfills. The aggregate discounted future cash flows for closure and post-closure costs for the two landfills is \$1,313,144 (2004 - \$1,259,858). This liability and annual expenditure is calculated based on the ratio of current usage to total capacity of the site and the discounted estimated future cash flows associated with closure and post-closure activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

6 . Landfill post-closure costs (cont.):

The main landfill at the Mission Flats site is expected to serve until 2066 with 25 years needed for post-closure care based on an independent assessment conducted in 2000. Although an updated assessment is past due, the City feels it can still rely on the estimates contained in the report and any variance would not be significant. An independent assessment is scheduled to be conducted in 2006. The remaining capacity of the landfill site is estimated at 5.38 million cubic meters, which is 73% of the site's total capacity. Approximately 60% of landfill closure will be completed while the landfill is still in operation with costs associated with the closure being charged to expenditures when they are incurred.

The second landfill at the Barnhartvale site is expected to serve until 2017 with 25 years needed for post-closure care based on an independent assessment conducted in 1997. Although an updated assessment is past due, the City feels it can still rely on the estimates contained in the report and any variance would not be significant. An independent assessment is scheduled to be conducted in 2006. The remaining capacity of the landfill site is estimated at 200,140 cubic meters, which is 41% of the site's total capacity.

The estimated total expenditures for closure and post-closure care of the two landfills is \$3,699,575 with \$2,386,431 remaining to be recognized as a liability. The City has not provided a reserve to fund future landfill capital expenditures as at December 31, 2005. The funding required is provided through current operations.

7 . Deferred revenue

	Balance at December 31, 2004	Collected	Interest	Recognized	Balance at December 31, 2005
General fund:					
Taxes	\$ 8,195,110	\$ 15,485,046	\$ 116,315	\$ (14,936,628)	\$ 8,859,843
Leases	132,174	-	-	(12,214)	119,960
Business licenses	840,885	859,820	-	(840,885)	859,820
Other	386,490	583,087	-	(386,490)	583,087
	<u>9,554,659</u>	<u>16,927,953</u>	<u>116,315</u>	<u>(16,176,217)</u>	<u>10,422,710</u>
Development cost charges	8,666,362	3,731,743	381,814	(2,642,180)	10,137,739
	<u>\$ 18,221,021</u>	<u>\$ 20,659,696</u>	<u>\$ 498,129</u>	<u>\$ (18,818,397)</u>	<u>\$ 20,560,449</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

8 . Long-term debt

(a) Long-term debt outstanding:

	General fund	Water fund	Sewer fund	Total
Balance at December 31, 2004	\$ 12,248,769	\$ 15,805,662	\$ 9,379,897	\$ 37,434,328
Principal repayments	(1,076,347)	(912,484)	(723,847)	(2,712,678)
Actuarial adjustments	(548,862)	(269,479)	(311,984)	(1,130,325)
Debt acquired	558,443	26,161,640	657,921	27,378,004
Interim financing transactions	3,018,333	(1,505,143)	-	1,513,190
Balance at December 31, 2005	\$ 14,200,336	\$ 39,280,196	\$ 9,001,987	\$ 62,482,519

(b) Future sinking fund requirements on outstanding borrowings over the next five years and thereafter are as follows:

	General fund	Water fund	Sewer fund	Total
2006	\$ 1,104,236	\$ 2,479,711	\$ 756,704	\$ 4,340,651
2007	674,110	2,478,283	687,191	3,839,584
2008	649,842	2,456,641	619,995	3,726,478
2009	590,828	2,413,257	540,286	3,544,371
2010	540,941	2,343,744	512,481	3,397,166
Thereafter	2,951,708	3,975,238	1,992,202	8,919,148

The weighted average interest rate on long-term debt in 2005 was 6.04%. (2004 - 6.23%).

(c) Un-issued debt:

The City internally finances certain capital projects pending the issue of long-term debt and/or short-term debt. For budget and financial reporting purposes, borrowed funds received in the current year are applied to advances pending from prior year's. A summary of the current year's transactions and cumulative advances pending debenture issue are as follows:

	Balance at December 31, 2004	Capital assets purchased pending debt	Debt acquired	Adjustments	Balance at December 31, 2005
General fund	\$ 4,468,816	\$ 24,526,847	\$ (558,443)	\$ -	\$ 28,437,220
Water fund	35,110,404	9,379,636	(26,161,640)	-	18,328,400
Sewer Fund	657,509	150,446	(657,921)	-	150,034
	\$ 40,236,729	\$ 34,056,929	\$ (27,378,004)	\$ -	\$ 46,915,654



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

9 . Obligation under capital lease:

The City has entered into a capital lease agreement with the Municipal Finance Authority to finance the acquisition of a certain capital asset. The required minimum lease payment over the next three years and the net obligation under capital lease is as follows:

	<u>2005</u>	<u>2004</u>
2005	-	78,362
2006	78,362	78,362
2007	355,226	355,226
Net minimum lease payments	433,588	511,950
Less amount representing interest at approximately 3.75%	(19,021)	(34,166)
Present value of capital lease payments	414,567	477,784
Less current portion	78,362	78,362
	\$ 336,205	\$ 399,422

Interest of \$14,154 (2004 - \$14,544) relating to capital lease obligations has been included in interest expense.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

10 . Capital Assets

	<u>2005</u>	<u>2004</u>
General fund:		
Engineered structures	\$ 202,596,844	\$ 192,420,400
Buildings	102,191,129	70,351,693
Machinery and equipment	63,473,649	61,242,927
Land	19,684,172	18,512,193
	<u>387,945,794</u>	<u>342,527,213</u>
Water Fund:		
Engineered structures	155,229,580	142,945,311
Buildings	662,101	662,101
Machinery and equipment	3,809,912	3,744,859
Land	152,785	152,785
	<u>159,854,378</u>	<u>147,505,056</u>
Sewer Fund:		
Engineered structures	85,467,174	83,407,472
Buildings	298,555	298,555
Machinery and equipment	3,678,524	3,665,760
Land	250,790	250,790
	<u>89,695,043</u>	<u>87,622,577</u>
Kamloops Airport Authority:		
Capital assets	<u>50,018,824</u>	<u>48,992,675</u>
Venture Kamloops Business Development Society:		
Capital assets	<u>24,807</u>	-
	<u>\$ 687,538,846</u>	<u>\$ 626,647,521</u>

Included in machinery and equipment (General Fund) are capital assets under capital lease with a net cost of \$619,200.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

11 . Reserves for operating purposes

	Balance at December 31, 2004	Interest income and contributions	Transfers to operations and capital	Balance at December 31, 2005
General fund:				
Affordable Housing	\$ 100,000	\$ 50,000	\$ -	\$ 150,000
Art Gallery	464,069	18,795	(18,795)	464,069
Arts Legacy	216,981	5,815	-	222,796
Bi-centennial Legacy	238,841	9,923	-	248,764
Canada Games Legacy	571,943	164	-	572,107
Community Arts	7,999	-	-	7,999
Deferred Operating	1,421,133	703,967	(1,441,036)	684,064
DFO Grant	93,810	-	(67,091)	26,719
General Building	19,679	12,215	-	31,894
Heritage Foundation	30,000	20,000	-	50,000
Insurance	1,000,000	50,000	-	1,050,000
Oak Hills Dyke	12,932	-	-	12,932
Police Contract	692,876	566,361	(362,490)	896,747
Return to Work	55,816	10,580	-	66,396
Sports Legacy	181,198	1,835	-	183,033
Stream Stewardship	5,000	-	-	5,000
Working Capital	1,607,253	639,958	(1,116,165)	1,131,046
Youth Legacy	4,331	-	-	4,331
	<u>6,723,861</u>	<u>2,089,613</u>	<u>(3,005,577)</u>	<u>5,807,897</u>
Cemetery:				
Cemetery Care Trust Fund	<u>927,398</u>	<u>174,492</u>	<u>(47,208)</u>	<u>1,054,682</u>
	<u>\$ 7,651,259</u>	<u>\$ 2,264,105</u>	<u>\$ (3,052,785)</u>	<u>\$ 6,862,579</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

12 . Reserves for capital purposes

	Balance at December 31, 2004	Interest income and contributions	Transfers to operations and capital	Balance at December 31, 2005
Statutory reserves:				
Tax sale property fund	\$ 4,177,618	\$ 589,638	\$ (333,869)	\$ 4,433,387
Local improvement fund	940,519	54,697	-	995,216
Debt retirement fund	17,351	703	-	18,054
Parking facility reserve	716,625	128,599	(310,415)	534,809
Land sale reserve fund	455,578	4,257,924	(4,403,222)	310,280
Equipment replacement fund	4,789,663	3,436,406	(2,362,456)	5,863,613
	<u>11,097,354</u>	<u>8,467,967</u>	<u>(7,409,962)</u>	<u>12,155,359</u>
Non-statutory reserves:				
General fund	\$ 7,093,189	\$ 7,799,856	\$ (2,845,145)	\$ 12,047,900
Water fund	4,745,423	1,727,451	(806,117)	5,666,757
Sewer fund	2,493,220	604,052	(287,820)	2,809,452
	<u>14,331,832</u>	<u>10,131,359</u>	<u>(3,939,082)</u>	<u>20,524,109</u>
Airport capital fund	<u>351,508</u>	<u>251,730</u>	<u>(187,085)</u>	<u>416,153</u>
	<u>\$ 25,780,694</u>	<u>\$ 18,851,056</u>	<u>\$ (11,536,129)</u>	<u>\$ 33,095,621</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

13 . Surplus from operations

	<u>2005</u>	<u>2004</u>
General fund:		
Balance, beginning of year	\$ 3,798,239	\$ 3,798,239
Operating Surplus for the year	<u>900,315</u>	-
	<u>4,698,554</u>	<u>3,798,239</u>
Water fund:		
Balance, beginning of year	5,403,939	4,249,809
Operating Surplus for the year	<u>444,376</u>	1,154,130
	<u>5,848,315</u>	<u>5,403,939</u>
Sewer fund:		
Balance, beginning of year	2,925,594	2,658,803
Operating Surplus for the year	<u>313,474</u>	266,791
	<u>3,239,068</u>	<u>2,925,594</u>
Kamloops Airport Authority Society:		
Balance, beginning of year	62,443	61,181
Operating Surplus for the year	<u>1,327</u>	1,262
	<u>63,770</u>	<u>62,443</u>
Venture Kamloops Business Development Society:		
Balance, beginning of year	-	-
Operating Surplus for the year	<u>67,011</u>	-
	<u>67,011</u>	-
	<u>\$ 13,916,718</u>	<u>\$ 12,190,215</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

14 . Taxation

	2005 Budget (unaudited)		2005		2004
General fund:					
Real property	\$ 64,732,000	\$	64,656,923	\$	60,664,150
Special assessments	1,279,406		1,129,884		1,367,855
Utilities	1,160,500		1,160,611		1,135,404
Grants in lieu of taxes	2,192,850		2,238,618		2,096,546
	<u>\$ 69,364,756</u>	<u>\$</u>	<u>69,186,036</u>	<u>\$</u>	<u>65,263,955</u>

On behalf of other taxing jurisdictions the collected and remitted the following taxes:

	2005		2004
Province of British Columbia - school taxes	\$ 30,659,948	\$	29,763,638
Thompson-Nicola Regional Hospital District	2,491,316		2,359,021
Thompson-Nicola Regional District	3,812,943		3,715,536
British Columbia Assessment Authority	783,230		765,393
	<u>\$ 37,747,437</u>	<u>\$</u>	<u>36,603,588</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

15 . Fees, Rates and Sales of Service by Function and Object

	2005 Budget (unaudited)	2005	2004
Cemetery:			
Sale of service	\$ 361,495	\$ 359,483	\$ 349,618
	<u>361,495</u>	<u>359,483</u>	<u>349,618</u>
Community development:			
Sale of service	187,400	302,529	264,830
Licences and permits	1,692,731	2,077,403	1,641,854
Rentals	106,215	123,090	117,391
Miscellaneous	17,000	11,215	13,542
	<u>2,003,346</u>	<u>2,514,237</u>	<u>2,037,617</u>
Corporate administration:			
Sale of service	\$ 144,100	\$ 166,774	\$ 161,868
Concessions and franchises	1,259,400	1,197,423	1,204,983
Fines and fees	7,000	13,015	8,835
Rentals	126,000	106,901	118,279
Penalties and interest	522,000	488,328	535,991
Miscellaneous	32,600	59,028	184,820
	<u>2,091,100</u>	<u>2,031,469</u>	<u>2,214,776</u>
Fire services:			
Sale of service	395,668	483,882	509,121
	<u>395,668</u>	<u>483,882</u>	<u>509,121</u>
Infrastructure maintenance			
Sale of service	1,500	12,141	1,387
Miscellaneous	1,400	-	64,051
	<u>2,900</u>	<u>12,141</u>	<u>65,438</u>
Legislative and enforcement			
Sale of service	837,727	797,358	808,590
Licences and permits	100,000	103,645	97,950
Fines and fees	237,600	212,152	300,737
Miscellaneous	6,000	3,607	4,317
	<u>1,181,327</u>	<u>1,116,762</u>	<u>1,211,594</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

15 . Fees, Rates and Sales of Service by Function and Object (continued):

	2005 Budget (unaudited)	2005	2004
Parks, recreation and leisure services:			
Sale of service	4,028,570	3,583,623	3,680,707
Rentals	-	4,673	4,673
Miscellaneous	-	20,258	2,482
	<u>4,028,570</u>	<u>3,608,554</u>	<u>3,687,862</u>
Police services:			
Sale of service	126,200	135,839	124,045
Rentals	70,000	66,315	65,424
	<u>196,200</u>	<u>202,154</u>	<u>189,469</u>
Public transit:			
Sale of service	\$ 3,044,500	\$ 3,367,791	\$ 2,954,044
	<u>3,044,500</u>	<u>3,367,791</u>	<u>2,954,044</u>
Solid waste:			
Sale of service	1,292,500	1,188,224	1,083,432
Miscellaneous	-	1,143	2,140
	<u>1,292,500</u>	<u>1,189,367</u>	<u>1,085,572</u>
Water utility:			
Sale of service	12,508,817	12,951,428	10,974,065
Miscellaneous	-	681	622
	<u>12,508,817</u>	<u>12,952,109</u>	<u>10,974,687</u>
Sewer utility:			
Sale of service	7,231,455	7,304,726	6,865,592
Miscellaneous	24,000	94,777	67,841
	<u>7,255,455</u>	<u>7,399,503</u>	<u>6,933,433</u>
Kamloops Airport Authority Society			
Sale of service	-	308,714	318,573
	<u>-</u>	<u>308,714</u>	<u>318,573</u>
Venture Kamloops Business Development Society			
Sale of service	-	241,935	-
	<u>-</u>	<u>241,935</u>	<u>-</u>
	<u>\$ 34,361,878</u>	<u>\$ 35,788,101</u>	<u>\$ 32,531,804</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

16 . Grants

	2005 Budget (unaudited)	2005	2004
General fund:			
Federal Government:			
Policing	\$ 1,448,241	\$ 1,507,384	\$ 2,413,286
Community Works Fund	-	963,761	-
Capital infrastructure	20,000	11,914	-
Provincial Government:			
Transit	3,445,000	3,492,410	3,443,907
Gaming revenue	1,700,000	2,023,208	1,885,373
Victims assistance	60,000	60,000	60,000
Traffic Fines	1,056,811	1,056,811	-
Capital infrastructure	10,000,000	8,000,000	-
Other	18,650	835	15,977
Other Governments			
School District #73	106,346	106,572	106,345
	<u>17,855,048</u>	<u>17,222,895</u>	<u>7,924,888</u>
Water fund:			
Federal Government:			
Capital infrastructure	-	-	4,434,948
Provincial Government:			
Revenue Sharing	-	-	232,679
Capital infrastructure	50,000	39,333	4,434,948
	<u>50,000</u>	<u>39,333</u>	<u>9,102,575</u>
Sewer fund:			
Provincial Government:			
Capital infrastructure	-	10,000	-
	<u>-</u>	<u>10,000</u>	<u>-</u>
Kamloops Airport Authority Society			
Federal Government:			
Capital infrastructure	-	-	167,000
	<u>-</u>	<u>-</u>	<u>167,000</u>
Venture Kamloops Business Development Society			
Other Government			
Thompson-Nicola Tourism and Economic Development Society	-	114,789	-
	<u>-</u>	<u>114,789</u>	<u>-</u>
	<u>\$ 17,905,048</u>	<u>\$ 17,387,017</u>	<u>\$ 17,194,463</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

17 . Expenditures by function and object

	2005 Budget (unaudited)	2005	2004
Cemetery:			
Salaries, wages and benefits	\$ 327,593	\$ 314,852	\$ 306,413
Personnel expenses	2,500	2,024	2,970
Contractual services	11,300	12,949	12,885
Supplies and other expenses	57,744	69,346	60,348
Transfers from other functions	111,076	101,577	135,481
Total operating expenditures	510,213	500,748	518,097
Capital expenditures	263,600	229,897	115,740
	<u>773,813</u>	<u>730,645</u>	<u>633,837</u>
Community development:			
Salaries, wages and benefits	3,842,704	3,815,489	3,556,634
Personnel expenses	85,715	66,735	42,554
Contractual services	225,778	246,571	155,308
Supplies and other expenses	203,756	184,099	108,149
Transfers from other functions	583,114	523,655	818,484
Transfers to other functions	(650,900)	(650,900)	(1,220,800)
Cost allocated to capital	(478,000)	(486,852)	(475,978)
Total operating expenditures	3,812,167	3,698,797	2,984,351
Capital expenditures	139,500	233,254	554,259
	<u>3,951,667</u>	<u>3,932,051</u>	<u>3,538,610</u>
Corporate administration:			
Salaries, wages and benefits	5,121,456	5,427,468	5,268,424
Personnel expenses	388,323	255,323	266,090
Contractual services	2,657,333	2,402,186	2,000,363
Supplies and other expenses	1,800,421	928,776	1,116,442
Transfers from other functions	688,657	783,565	1,132,110
Transfers to other functions	(2,621,937)	(2,549,397)	(3,290,881)
Total operating expenditures	8,034,253	7,247,921	6,492,548
Capital expenditures	2,769,215	931,312	1,238,781
	<u>10,803,468</u>	<u>8,179,233</u>	<u>7,731,329</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

17 . Expenditures by function and object (continued):

	2005 Budget (unaudited)		2005		2004
Environmental services:					
Salaries, wages and benefits	\$ 75,842	\$	78,142	\$	41,122
Personnel expenses	3,000		4,087		-
Contractual services	30,474		24,766		30,143
Supplies and other expenses	48,000		38,325		14,048
Transfers from other functions	-		6,046		1,383
Total operating expenditures	157,316		151,366		86,696
Capital expenditures	-		-		-
	157,316		151,366		86,696
Fire services:					
Salaries, wages and benefits	\$ 8,609,630	\$	8,676,981	\$	8,538,654
Personnel expenses	75,200		70,381		67,641
Contractual services	163,742		121,439		145,855
Supplies and other expenses	437,798		441,510		310,649
Transfers from other functions	381,643		483,569		518,065
Transfers to other functions	-		(105,187)		(109,133)
Total operating expenditures	9,668,013		9,688,693		9,471,731
Capital expenditures	714,710		152,196		225,452
	10,382,723		9,840,889		9,697,183
Infrastructure maintenance:					
Salaries, wages and benefits	5,854,366		5,451,111		5,665,937
Personnel expenses	73,150		46,908		34,726
Contractual services	1,352,108		1,187,432		1,271,265
Supplies and other expenses	3,577,259		3,645,583		3,616,173
Transfers from other functions	2,983,891		3,412,912		4,105,739
Transfers to other functions	(7,896,011)		(8,130,486)		(8,733,558)
Cost allocated to capital	(651,841)		(614,596)		(405,668)
Total operating expenditures	5,292,922		4,998,864		5,554,614
Capital expenditures	17,376,592		12,524,224		7,351,520
	22,669,514		17,523,088		12,906,134

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

17 . Expenditures by function and object (continued):

	2005 Budget (unaudited)	2005	2004
Legislative and enforcement:			
Salaries, wages and benefits	1,783,599	1,757,634	1,748,438
Personnel expenses	97,700	97,142	80,840
Contractual services	156,824	165,878	120,020
Supplies and other expenses	667,082	586,122	594,864
Transfers from other functions	450,802	440,872	501,519
Transfers to other functions	(30,000)	(30,000)	(85,500)
Total operating expenditures	<u>3,126,007</u>	<u>3,017,648</u>	<u>2,960,181</u>
Capital expenditures	2,131,337	2,558,023	108,550
	<u>5,257,344</u>	<u>5,575,671</u>	<u>3,068,731</u>
Parks, recreation and leisure services:			
Salaries, wages and benefits	\$ 7,563,858	\$ 7,267,806	\$ 7,362,201
Personnel expenses	163,415	137,082	162,638
Contractual services	2,275,302	2,431,320	2,429,407
Supplies and other expenses	4,707,628	4,385,374	4,087,653
Transfers from other functions	2,608,724	2,581,138	3,056,919
Transfers to other functions	(227,844)	(227,844)	(461,698)
Cost allocated to capital	(115,488)	(86,001)	(105,730)
Total operating expenditures	<u>16,975,595</u>	<u>16,488,875</u>	<u>16,531,390</u>
Capital expenditures	39,954,579	33,565,468	7,706,843
	<u>56,930,174</u>	<u>50,054,343</u>	<u>24,238,233</u>
Police services:			
Salaries, wages and benefits	2,602,326	2,573,267	2,459,098
Personnel expenses	86,730	68,036	32,416
Contractual services	13,650,770	13,112,862	12,645,891
Supplies and other expenses	65,429	61,877	43,591
Transfers from other functions	734,542	508,329	748,352
Total operating expenditures	<u>17,139,797</u>	<u>16,324,371</u>	<u>15,929,348</u>
Capital expenditures	52,584	26,332	41,105
	<u>17,192,381</u>	<u>16,350,703</u>	<u>15,970,453</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

17 . Expenditures by function and object (continued):

	2005 Budget (unaudited)	2005	2004
Public transit:			
Salaries, wages and benefits	42,300	42,142	-
Personnel expenses	-	48	-
Contractual services	8,274,260	8,329,004	8,173,078
Supplies and other expenses	-	3	29
Transfers from other functions	11,493	8,703	22,491
Total operating expenditures	8,328,053	8,379,900	8,195,598
Capital expenditures	12,000	1,964	-
	8,340,053	8,381,864	8,195,598
Solid waste:			
Salaries, wages and benefits	\$ 1,147,578	\$ 1,138,940	\$ 1,099,164
Personnel expenses	8,500	9,714	7,855
Contractual services	1,430,025	1,572,894	1,505,550
Supplies and other expenses	96,633	78,683	79,953
Transfers from other functions	887,642	910,849	884,801
Transfers to other functions	(58,069)	(58,068)	(58,069)
Total operating expenditures	3,512,309	3,653,012	3,519,254
Capital expenditures	892,116	537,630	306,130
	4,404,425	4,190,642	3,825,384
Water utility:			
Salaries, wages and benefits	2,079,939	1,932,300	1,666,319
Personnel expenses	26,084	11,584	12,639
Contractual services	417,896	473,495	375,503
Supplies and other expenses	2,265,430	2,046,177	1,527,506
Transfers from other functions	1,355,380	1,293,953	1,300,689
Transfers to other functions	(286,539)	(286,539)	(288,322)
Cost allocated to capital	(50,000)	-	-
Total operating expenditures	5,808,190	5,470,970	4,594,334
Capital expenditures	20,504,162	12,349,322	27,138,937
	26,312,352	17,820,292	31,733,271



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

17 . Expenditures by function and object (continued):

	2005 Budget (unaudited)	2005	2004
Sewer utility:			
Salaries, wages and benefits	1,326,350	1,145,967	1,289,442
Personnel expenses	15,616	15,666	17,569
Contractual services	932,369	797,795	583,058
Supplies and other expenses	1,308,531	1,104,545	1,123,632
Transfers from other functions	1,013,976	1,022,893	1,063,104
Transfers to other functions	(39,640)	(39,640)	(41,176)
Cost allocated to capital	(32,000)	-	-
Total operating expenditures	4,525,202	4,047,226	4,035,629
Capital expenditures	5,138,455	2,072,467	1,085,701
	9,663,657	6,119,693	5,121,330
Kamloops Airport Authority Society			
Contractual services	\$ -	\$ 63,500	\$ 213,127
Supplies and other expenses	-	1,586	2,172
Total operating expenditures	-	65,086	215,299
Capital expenditures	-	1,026,150	90,727
	-	1,091,236	306,026
Venture Kamloops Business Development Society			
Supplies and other expenses	-	826,377	-
Total operating expenditures	-	826,377	-
Capital expenditures	-	24,807	-
	-	851,184	-
Debt servicing costs	6,225,082	4,860,600	3,797,190
	\$ 183,063,969	\$ 155,653,500	\$ 130,850,005



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

18 . Commitments and contingencies:

- (a) The City of Kamloops has entered into various agreements and contracts for services and construction for periods ranging from one to five years.
- (b) The City of Kamloops, as a member of the Thompson Nicola Regional District, is liable for its proportion of any operating deficits or long-term debt related to functions in which it participates.
- (c) The City of Kamloops is a participant in the Municipal Insurance Association of British Columbia. Should the Association pay out claims in excess of premiums received, it is possible the City, along with other participants, would be required to contribute towards the deficit.
- (d) The City of Kamloops and its employees contribute to the Municipal Pension Plan ("the plan"), a jointly trusteesd pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 130,000 active members and approximately 48,000 retired members. Active members include approximately 30,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2003 indicated an unfunded liability of \$789 million for basic pension benefits. The next valuation will be as at December 31, 2006 with results available in 2007. The actuary does not attribute portions of the unfunded liability to individual employers. The City of Kamloops paid \$2,741,444 for employer contributions to the plan in fiscal 2005.

- (e) From time to time the City of Kamloops is brought forth as defendant in various lawsuits. The City reviews its exposure to any potential litigation for which it would not be covered by insurance and assesses whether a successful claim against the City would materially affect the consolidated financial statements of the City. The City reserves a portion of its operating surplus for future payment of insurance deductibles and payment of claims for which it would not be covered by insurance. The City is currently not aware of any claims brought against it that if not defended successfully would result in a material change to the consolidated financial statements of the City.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

18 . Commitments and contingencies (cont.):

- (f) The City issues certain of its debt instruments through the Municipal Finance Authority. As a condition of these borrowings and as required by legislation, a debt reserve fund is to be established in the amount of one-half the average instalment of principal and interest as set out in the agreement(s) entered into. The reserve is funded in part by cash, being the withholding of 1% of the total issue proceeds, and the remainder being funded by a demand note whereby the City may be required to loan certain amounts to the Municipal Finance Authority. These demand notes are contingent in nature and are not reflected in the accounts of the City.

Details of the cash deposits and contingent demand notes on hand at year end are as follows:

	<u>Cash Deposits</u>	<u>Contingent Demand Notes</u>	<u>2005 Total</u>	<u>2004 Total</u>
General fund	\$ 480,351	\$ 1,208,854	\$ 1,689,205	\$ 1,642,269
Water utility fund	578,537	1,890,562	2,469,099	1,191,637
Sewer utility fund	291,933	788,230	1,080,163	1,036,550
	<u>\$ 1,350,821</u>	<u>\$ 3,887,646</u>	<u>\$ 5,238,467</u>	<u>\$ 3,870,456</u>

19 . Budget figures:

Budget figures are unaudited and represent the Financial Plan By-law adopted by Council at the time of adoption of the Annual Taxation By-law. Subsequent amendments to the Financial Plan By-law have been made by Council to reflect changes as required by law.

20 . Trust funds:

The City operates the cemeteries and maintains a cemetery perpetual care fund in accordance with the Cemetery and Funeral Services Act.

GENERAL FUND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2005, with comparatives for 2004

	<u>2005</u>	<u>2004</u>
Financial assets		
Cash and short-term investments	\$ 23,904,664	\$ 39,731,746
Accounts receivable (note 3)	10,831,252	7,680,876
Long-term investments	248,764	238,841
	<u>34,984,680</u>	<u>47,651,463</u>
Liabilities		
Accounts payable (note 4)	19,810,191	17,471,332
Payroll benefits payable	2,644,872	2,691,939
Post-employment benefits payable (note 5)	5,388,476	4,930,000
Landfill post-closure costs (note 6)	1,313,144	1,259,858
Deferred revenue (note 7)	10,422,710	9,554,659
Long-term debt (note 8)	14,200,336	12,248,769
Obligation under capital lease (note 9)	414,567	477,784
	<u>54,194,296</u>	<u>48,634,341</u>
Net financial assets	<u>(19,209,616)</u>	<u>(982,878)</u>
Non-financial assets		
Inventory	683,735	718,254
Prepaid expenses	1,041,822	901,918
Capital assets (note 10)	387,945,794	342,527,213
	<u>389,671,351</u>	<u>344,147,385</u>
Net position	<u>370,461,735</u>	<u>343,164,507</u>
Reserves, Surplus and Equity		
Reserves for operating purposes (note 11)	5,807,897	6,723,861
Reserves for capital purposes (note 12)	12,047,900	7,093,189
Surplus from operations (note 13)	4,698,554	3,798,239
Total financial equity	<u>22,554,351</u>	<u>17,615,289</u>
Total capital equity	347,907,384	325,549,218
	<u>370,461,735</u>	<u>343,164,507</u>
	\$ -	\$ -

Commitments and contingencies - Note 18

See accompanying notes to consolidated financial statements.

GENERAL FUND
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2005, with comparatives for 2004

	2005 Budget (unaudited)	2005	2004
Revenue			
Taxation (note 14)	\$ 69,364,756	\$ 69,186,036	\$ 65,263,955
Development levies utilized	1,040,013	867,759	824,478
Fees, rates and sales of service (note 15)	14,597,606	14,885,840	14,305,111
Grants (note 16)	17,855,048	17,222,895	7,924,888
Investment income	2,197,772	1,710,475	1,688,819
Private contributions	1,058,530	442,507	451,094
Sale of capital assets	88,500	4,326,933	453,178
Transfers from other funds	9,519,855	8,281,860	4,826,101
	<u>115,722,080</u>	<u>116,924,305</u>	<u>95,737,624</u>
Expenditures (note 17)			
Cemetery	510,213	500,748	518,097
Community development	3,812,167	3,698,797	2,984,351
Corporate administration	8,034,253	7,247,921	6,492,548
Environmental services	157,316	151,366	86,696
Fire services	9,668,013	9,688,693	9,471,731
Infrastructure maintenance	5,292,922	4,998,864	5,554,614
Legislative and enforcement	3,126,007	3,017,648	2,960,181
Parks, recreation and leisure services	16,975,595	16,488,875	16,531,390
Police services	17,139,797	16,324,371	15,929,348
Public Transit	8,328,053	8,379,900	8,195,598
Solid waste	3,512,309	3,653,012	3,519,254
Debt servicing costs	1,743,439	1,599,862	1,523,858
Capital expenditures	64,306,233	50,760,301	17,648,380
Transfers to other funds	3,109,514	8,313,306	4,428,543
	<u>145,715,831</u>	<u>134,823,664</u>	<u>95,844,589</u>
Net operating activity	(29,993,751)	(17,899,359)	(106,965)
Reduction of long-term debt	(1,625,208)	(1,625,209)	(1,547,819)
Repayment of obligations under capital lease	-	(63,217)	(64,093)
Capital assets acquired pending debenture issue	26,701,258	24,526,847	4,049,438
Increase (decrease) in financial equity	<u>\$ (4,917,701)</u>	<u>\$ 4,939,062</u>	<u>\$ 2,330,561</u>

WATER FUND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2005, with comparatives for 2004

	<u>2005</u>	<u>2004</u>
Financial assets		
Cash and short-term investments	\$ 872,453	\$ (17,341,479)
Accounts receivable (note 3)	822,550	2,182,693
	<u>1,695,003</u>	<u>(15,158,786)</u>
Liabilities		
Payroll benefits payable	144,464	131,847
Long-term debt (note 8)	39,280,196	15,805,662
	<u>39,424,660</u>	<u>15,937,509</u>
Net financial assets	<u>(37,729,657)</u>	<u>(31,096,295)</u>
Non-financial assets		
Inventory	234,550	219,461
Capital assets (note 10)	159,854,378	147,505,056
	<u>160,088,928</u>	<u>147,724,517</u>
Net Position	<u>122,359,271</u>	<u>116,628,222</u>
Reserves, Surplus and Equity		
Reserves for operating purposes (note 11)	-	-
Reserves for capital purposes (note 12)	5,666,757	4,745,423
Surplus from operations (note 13)	5,848,315	5,403,939
Total financial equity	<u>11,515,072</u>	<u>10,149,362</u>
Total capital equity	110,844,199	106,478,860
	<u>122,359,271</u>	<u>116,628,222</u>
	<u>\$ -</u>	<u>\$ -</u>

Commitments and contingencies - Note 18

See accompanying notes to consolidated financial statements.

WATER FUND**STATEMENT OF FINANCIAL ACTIVITIES****YEAR ENDED DECEMBER 31, 2005, with comparatives for 2004**

	<u>2005 Budget</u> (unaudited)	<u>2005</u>	<u>2004</u>
Revenue			
Development levies utilized	\$ 1,832,869	\$ 1,056,657	\$ 210,137
Fees, rates and sales of service (note 15)	12,508,817	12,952,109	10,974,687
Grants (note 16)	50,000	39,333	9,102,575
Investment income	367,413	755,448	627,764
Private contributions	140,000	140,000	21,415
Transfers from other funds	137,180	122,380	220,845
	<u>15,036,279</u>	<u>15,065,927</u>	<u>21,157,423</u>
Expenditures (note 17)			
Water utility	5,808,190	5,470,970	4,594,334
Debt servicing costs	3,117,499	2,271,183	1,279,394
Capital expenditures	20,504,162	12,349,322	27,138,937
Transfers to other funds	750,000	1,788,300	1,239,200
	<u>30,179,851</u>	<u>21,879,775</u>	<u>34,251,865</u>
Net operating activity	(15,143,572)	(6,813,848)	(13,094,442)
Reduction of long-term debt	(1,191,897)	(1,181,963)	(1,125,679)
Capital assets acquired pending debenture issue	14,479,432	9,379,635	16,371,829
Increase (decrease) in financial equity	<u>\$ (1,856,037)</u>	<u>\$ 1,383,824</u>	<u>\$ 2,151,708</u>

SEWER FUND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2005, with comparatives for 2004

	<u>2005</u>	<u>2004</u>
Financial assets		
Cash and short-term investments	\$ 4,290,705	\$ 3,153,582
Accounts receivable (note 3)	10,000	-
	<u>4,300,705</u>	<u>3,153,582</u>
Liabilities		
Payroll benefits payable	115,571	105,477
Long-term debt (note 8)	9,001,987	9,379,897
	<u>9,117,558</u>	<u>9,485,374</u>
Net financial assets	<u>(4,816,853)</u>	<u>(6,331,792)</u>
Non-financial assets		
Inventory	60,814	52,358
Capital assets (note 10)	89,695,043	87,622,577
	<u>89,755,857</u>	<u>87,674,935</u>
Net Position	<u>84,939,004</u>	<u>81,343,143</u>
Reserves, Surplus and Equity		
Reserves for operating purposes (note 11)	-	-
Reserves for capital purposes (note 12)	2,809,452	2,493,220
Surplus from operations (note 13)	3,239,068	2,925,594
Total financial equity	<u>6,048,520</u>	<u>5,418,814</u>
Total capital equity	78,890,484	75,924,329
	<u>84,939,004</u>	<u>81,343,143</u>
	<u>\$ -</u>	<u>\$ -</u>

Commitments and contingencies - Note 18

See accompanying notes to consolidated financial statements.

SEWER FUND**STATEMENT OF FINANCIAL ACTIVITIES****YEAR ENDED DECEMBER 31, 2005, with comparatives for 2004**

	<u>2005 Budget</u> (unaudited)	<u>2005</u>	<u>2004</u>
Revenue			
Development levies utilized	\$ 2,002,867	\$ 717,766	\$ 74,755
Fees, rates and sales of service (note 15)	7,255,455	7,399,503	6,933,433
Grants (note 16)	-	10,000	
Investment income	446,980	526,158	727,703
Private contributions	80,000	-	
Transfers from other funds	70,025	-	61,026
	<u>9,855,327</u>	<u>8,653,427</u>	<u>7,796,917</u>
Expenditures (note 17)			
Sewer utility	4,525,202	4,047,226	4,035,629
Debt servicing costs	1,364,144	989,555	993,938
Capital expenditures	5,138,455	2,072,467	1,085,701
Transfers to other funds	-	47,204	107,943
	<u>11,027,801</u>	<u>7,156,452</u>	<u>6,223,211</u>
Net operating activity	(1,172,474)	1,496,975	1,573,706
Reduction of long-term debt	(1,074,827)	(1,035,831)	(986,506)
Capital assets acquired pending debenture issue	565,491	150,447	366,994
Increase (decrease) in financial equity	<u>\$ (1,681,810)</u>	<u>\$ 611,591</u>	<u>\$ 954,194</u>

CEMETERY CARE TRUST FUND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2005, with comparatives for 2004

	<u>2005</u>	<u>2004</u>
Financial Assets		
Cash and short-term investments (note 2)	\$ 1,049,263	\$ 919,919
Accounts receivable (note 3)	5,419	7,479
	<u>1,054,682</u>	<u>927,398</u>
Reserves, Surplus and Equity		
Reserves for operating purposes (note 11)		
Balance, beginning of the year	<u>927,398</u>	<u>791,453</u>
Add:		
Transfer from General Revenue Fund	127,284	135,945
Interest Earned	47,208	47,208
	<u>174,492</u>	<u>183,153</u>
Less:		
Transfer to General Revenue Fund	<u>(47,208)</u>	<u>(47,208)</u>
Balance, end of the year	<u>1,054,682</u>	<u>927,398</u>
	<u>\$ -</u>	<u>\$ -</u>

Commitments and contingencies - Note 18

See accompanying notes to consolidated financial statements.

**STATUTORY RESERVE FUNDS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2005, with comparatives for 2004**

	<u>2005</u>	<u>2004</u>
Financial Assets		
Cash and short-term investments (note 2)	\$ 22,293,098	\$ 19,763,716
	<u>22,293,098</u>	<u>19,763,716</u>
Liabilities		
Deferred revenue (note 7)	10,137,739	8,666,362
	<u>10,137,739</u>	<u>8,666,362</u>
Net financial assets	<u>12,155,359</u>	<u>11,097,354</u>
Reserves, Surplus and Equity		
Reserves for capital purposes (note 12)		
Tax sale property fund	4,433,387	4,177,618
Local improvement fund	995,216	940,519
Debt retirement fund	18,054	17,351
Parking facility reserve	534,809	716,625
Land sale reserve fund	310,280	455,578
Equipment replacement fund	5,863,613	4,789,663
Total financial equity	<u>12,155,359</u>	<u>11,097,354</u>
	<u>\$ -</u>	<u>\$ -</u>

Commitments and contingencies - Note 18

See accompanying notes to consolidated financial statements.

**STATUTORY RESERVE FUNDS
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2005, with comparatives for 2004**

	<u>2005 Budget</u> (unaudited)	<u>2005</u>	<u>2004</u>
Revenue			
Transfer to:			
Tax sale property	\$ 190,500	\$ 589,638	\$ 355,663
Local improvement	34,430	54,696	51,383
Debt retirement	10,000	703	653
Parking facility	120,907	128,599	126,572
Land Sale	22,800	4,257,924	389,247
Equipment replacement	3,305,672	3,436,406	2,987,096
Cemetery Trust	-	-	
	<u>3,684,309</u>	<u>8,467,966</u>	<u>3,910,614</u>
Expenditures			
Transfer from:			
Tax sale property	708,034	333,869	46,881
Local improvement	165,000	-	-
Debt retirement	-	-	-
Parking facility	499,570	310,415	51,255
Land Sale	4,207,767	4,403,222	266,256
Equipment replacement	4,029,484	2,362,456	3,014,452
	<u>9,609,855</u>	<u>7,409,962</u>	<u>3,378,844</u>
Increase (decrease) in financial equity	<u>\$ (5,925,546)</u>	<u>\$ 1,058,004</u>	<u>\$ 531,770</u>

**KAMLOOPS AIRPORT AUTHORITY SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2005, with comparatives for 2004**

	<u>2005</u>	<u>2004</u>
Financial assets		
Cash and short-term investments (note 2)	\$ 371,676	\$ 334,454
Accounts receivable (note 3)	160,671	161,796
	<u>532,347</u>	<u>496,250</u>
Liabilities		
Accounts payable (note 4)	52,424	82,299
	<u>52,424</u>	<u>82,299</u>
Net financial assets	<u>479,923</u>	<u>413,951</u>
Non-financial assets		
Capital assets (note 10)	50,018,824	48,992,675
	<u>50,018,824</u>	<u>48,992,675</u>
Net Position	<u>50,498,747</u>	<u>49,406,626</u>
Reserves, Surplus and Equity		
Reserves for capital purposes (note 12)	416,153	351,508
Surplus from operations (note 13)	63,770	62,443
Total financial equity	<u>479,923</u>	<u>413,951</u>
Total capital equity	50,018,824	48,992,675
	<u>50,498,747</u>	<u>49,406,626</u>
	<u>\$ -</u>	<u>\$ -</u>

Commitments and contingencies - Note 18

See accompanying notes to consolidated financial statements.

KAMLOOPS AIRPORT AUTHORITY SOCIETY
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2005, with comparatives for 2004

	<u>2005 Budget</u> (unaudited)	<u>2005</u>	<u>2004</u>
Revenue			
Fees, rates and sales of service (note 15)	\$ -	\$ 308,714	318,573
Grants (note 16)	-	-	167,000
Investment income	-	9,432	6,475
	<u>-</u>	<u>318,146</u>	<u>492,048</u>
Expenditures (note 17)			
Kamloops Airport Authority Society	-	65,086	215,299
Capital expenditures	-	1,026,149	90,727
	<u>-</u>	<u>1,091,235</u>	<u>306,026</u>
Net operating activity	-	(773,089)	186,022
Increase (decrease) in financial equity	\$ -	\$ (773,089)	186,022



VENTURE KAMLOOPS BUSINESS DEVELOPMENT SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2005, with comparatives for 2004

	<u>2005</u>	<u>2004</u>
Financial assets		
Cash and short-term investments (note 2)	\$ 40,677	\$ -
Accounts receivable (note 3)	41,638	-
	<u>82,315</u>	<u>-</u>
Liabilities		
Accounts payable (note 4)	18,849	-
	<u>18,849</u>	<u>-</u>
Net financial assets	<u>63,466</u>	<u>-</u>
Non-financial assets		
Prepaid expenses	3,545	
Capital assets (note 10)	24,807	-
	<u>28,352</u>	<u>-</u>
Net Position	<u>91,818</u>	<u>-</u>
Reserves, Surplus and Equity		
Surplus from operations (note 13)	67,011	-
Total financial equity	67,011	-
Total capital equity	24,807	-
	<u>91,818</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

Commitments and contingencies - Note 18

See accompanying notes to consolidated financial statements.

VENTURE KAMLOOPS BUSINESS DEVELOPMENT SOCIETY
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2005, with comparatives for 2004

	2005 Budget (unaudited)	2005	2004
Revenue			
Fees, rates and sales of service (note 15)	\$ -	\$ 241,935	-
Grants (note 16)	-	114,789	-
Investment income	-	2,189	-
Transfers from other funds	-	559,282	-
	-	<u>918,195</u>	-
Expenditures (note 17)			
Venture Kamloops Business Development Society	-	826,377	-
Capital expenditures	-	24,807	-
	-	<u>851,184</u>	-
Net operating activity	-	67,011	-
Increase (decrease) in financial equity	\$ -	<u>\$ 67,011</u>	-