



CITY OF KAMLOOPS

**Financial Statements for the Year-End
2006 December 31**



CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006, with comparatives for 2005

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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, 2006 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, 2006 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
May 8, 2007



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, 2006, with comparatives for 2005

	2006	2005
Financial assets		
Cash and short-term investments (note 2)	\$ 69,190,843	\$ 52,822,536
Accounts receivable (note 3)	12,885,827	11,871,530
Long-term investments	259,028	248,764
	<u>82,335,698</u>	<u>64,942,830</u>
Liabilities		
Accounts payable (note 4)	16,554,860	19,881,464
Payroll benefits payable	2,956,722	2,904,907
Post-employment benefits payable (note 5)	5,643,476	5,388,476
Landfill post-closure costs (note 6)	1,366,430	1,313,144
Deferred revenue (note 7)	23,155,190	20,560,449
Long-term debt (note 8)	86,801,059	62,482,519
Obligation under capital lease (note 9)	390,194	414,567
	<u>136,867,931</u>	<u>112,945,526</u>
Net financial liabilities	<u>(54,532,233)</u>	<u>(48,002,696)</u>
Non-financial assets		
Inventory	1,047,460	979,099
Prepaid expenses	598,148	1,045,367
Capital assets (note 10)	732,671,556	687,538,846
	<u>734,317,164</u>	<u>689,563,312</u>
Net Position	<u>679,784,931</u>	<u>641,560,616</u>
Reserves, Surplus and Equity		
Reserves for operating purposes (note 11)	7,888,884	6,862,579
Reserves for capital purposes (note 12)	33,421,182	33,095,621
Surplus from operations (note 13)	16,532,332	13,916,718
Total financial equity	<u>57,842,398</u>	<u>53,874,918</u>
Total capital equity	621,942,533	587,685,698
	<u>679,784,931</u>	<u>641,560,616</u>
	\$ -	\$ -

Commitments and contingencies - Note 18

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED DECEMBER 31, 2006, with comparatives for 2005

	<u>2006 Budget</u> (unaudited)	<u>2006</u>	<u>2005</u>
Revenue			
Taxation (note 14)	\$ 71,463,496	\$ 71,182,773	\$ 69,186,036
Development levies utilized	5,302,375	3,005,503	2,642,182
Fees, rates and sales of service (note 15)	40,430,266	42,773,141	35,788,101
Grants (note 16)	12,144,660	13,081,551	17,387,017
Investment income	2,848,786	4,578,035	3,003,702
Private contributions	2,624,748	1,053,207	582,507
Sale of capital assets	88,500	2,304,694	4,326,933
	<u>134,902,831</u>	<u>137,978,904</u>	<u>132,916,478</u>
Expenditures (note 17)			
Cemetery	538,513	544,584	500,748
Community development	3,791,805	4,091,052	3,698,797
Corporate administration	8,415,123	6,730,705	7,247,921
Environmental services	199,888	208,831	151,366
Fire services	10,009,069	10,047,546	9,688,693
Infrastructure maintenance	7,937,574	7,872,505	4,998,864
Legislative and enforcement	3,009,198	2,782,392	3,017,648
Parks, recreation and leisure services	17,706,410	17,144,225	16,488,875
Police services	17,399,600	16,452,964	16,324,371
Public Transit	8,712,260	9,127,622	8,379,900
Solid waste	4,515,897	4,665,406	3,653,012
Water utility	5,990,794	6,184,175	5,470,970
Sewer utility	4,439,988	3,857,125	4,047,226
Kamloops Airport Authority Society	-	70,728	65,086
Venture Kamloops Business Development Society	-	462,734	826,377
Debt servicing costs	6,218,327	5,876,745	4,860,600
Capital expenditures	76,774,538	48,767,959	66,233,046
	<u>175,658,984</u>	<u>144,887,298</u>	<u>155,653,500</u>
Net operating activity	(40,756,153)	(6,908,394)	(22,737,022)
Reduction of long-term debt	(5,703,939)	(5,663,127)	(3,843,003)
Capital assets acquired under capital lease	-	42,620	-
Repayment of obligations under capital lease	(63,217)	(66,992)	(63,217)
Capital assets acquired pending debenture issue	27,418,966	16,563,373	34,056,929
Increase (decrease) in financial equity	<u>\$ (19,104,343)</u>	<u>\$ 3,967,480</u>	<u>\$ 7,413,687</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF EQUITY

YEAR ENDED DECEMBER 31, 2006 with comparatives for 2005

	<u>2006</u>	<u>2005</u>
Opening Balance	\$ <u>641,560,616</u>	\$ <u>602,567,250</u>
Financial Equity:		
Change in reserves for operating purposes	1,026,305	(788,680)
Change in reserves for capital purposes	325,561	7,314,927
Operating surplus (deficit) for the year	2,615,614	1,726,503
Net change in financial equity	<u>3,967,480</u>	<u>8,252,750</u>
Capital Equity:		
Capital expenditures	48,767,959	66,233,046
Cost of assets disposed	(3,635,250)	(5,341,721)
Principal payments on long-term debt	4,340,652	2,712,678
Actuarial adjustments on long-term debt	1,322,475	1,130,325
Repayment of obligation under capital lease	66,992	63,217
Debenture debt pending	(16,563,373)	(34,056,929)
Capital assets acquired under capital lease	(42,620)	-
Net change in capital equity	<u>34,256,835</u>	<u>30,740,616</u>
Ending balance	\$ <u><u>679,784,931</u></u>	\$ <u><u>641,560,616</u></u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2006, with comparatives for 2005

	<u>2006</u>	<u>2005</u>
Cash provided by (used for):		
Operating		
Net operating activity	\$ (6,908,394)	\$ (22,737,022)
Changes in non-cash operating items:		
Decrease (increase) in accounts receivable	(1,014,297)	(1,838,686)
Decrease (increase) in inventory	(68,361)	10,974
Decrease (increase) in prepaid expenses	447,219	(143,449)
Decrease (increase) in investments	(10,264)	(9,923)
Increase (decrease) in accounts payable	(3,326,604)	2,327,833
Increase (decrease) in payroll benefits payable	51,815	(24,356)
Increase (decrease) in post-employment benefits payable	255,000	458,476
Increase (decrease) in landfill post-closure costs	53,286	53,286
Increase (decrease) in deferred revenue	2,594,741	2,339,428
Increase (decrease) in deferred contributions	-	839,061
	<u>(7,925,859)</u>	<u>(18,724,378)</u>
Financing:		
Proceeds from issuance of long-term debt	33,000,000	27,378,004
Principal repayments on long-term debt	(5,663,127)	(3,843,003)
Increase of interim financing	(3,018,335)	1,513,192
Capital assets acquired under capital lease	42,620	
Repayment of obligations under capital lease	(66,992)	(63,217)
	<u>24,294,166</u>	<u>24,984,976</u>
Increase (decrease) in cash for the year	16,368,307	6,260,598
Cash, beginning of the year	52,822,536	46,561,938
Cash, end of the year	\$ <u>69,190,843</u>	\$ <u>52,822,536</u>

See accompanying notes to consolidated financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

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, 2006

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, 2006

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>2006</u>	<u>2005</u>
Restricted cash and short-term investments:		
Statutory reserves	\$ 13,574,021	\$ 12,155,359
Development cost charges	12,244,054	10,137,739
Cemetery Perpetual Care Trust Fund	1,132,718	1,049,263
Kamloops Airport Authority	551,298	371,676
Venture Kamloops Business Development Society	49,319	40,677
	<u>27,551,410</u>	<u>23,754,714</u>
Unrestricted cash and short-term investments	41,639,433	29,067,822
	<u>\$ 69,190,843</u>	<u>\$ 52,822,536</u>

3 . Accounts Receivable:

	<u>2006</u>	<u>2005</u>
General fund:		
Taxes	\$ 2,090,497	\$ 2,441,639
Utilities	1,170,138	1,121,164
Trade	5,832,798	3,683,961
Accrued interest	873,089	423,067
Province of British Columbia	957,909	2,005,317
Government of Canada	816,952	1,156,104
	<u>11,741,383</u>	<u>10,831,252</u>
Water Fund:		
Trade	987,732	822,550
	<u>987,732</u>	<u>822,550</u>
Sewer Fund:		
Province of British Columbia	10,000	10,000
	<u>10,000</u>	<u>10,000</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

3 . Accounts Receivable (cont.):

Cemetery Trust:

Accrued interest	<u>7,582</u>	<u>5,419</u>
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Kamloops Airport Authority:

Trade	<u>78,311</u>	<u>160,671</u>
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Venture Kamloops Business Development Society:

Trade	<u>60,819</u>	<u>41,638</u>
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\$ 12,885,827	\$ 11,871,530
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4 . Accounts payable

General fund:

	<u>2006</u>	<u>2005</u>
Trade	\$ 11,469,329	\$ 15,010,245
Payroll and benefits	343,278	248,528
Province of British Columbia	1,294,584	1,266,979
Government of Canada	3,379,749	3,284,439

<u>16,486,940</u>	<u>19,810,191</u>
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Kamloops Airport Authority:

Trade	<u>47,279</u>	<u>52,424</u>
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Venture Kamloops Business Development Society:

Trade	<u>20,641</u>	<u>18,849</u>
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\$ 16,554,860	\$ 19,881,464
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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 \$353,000 (2005 - \$423,000). The plan is unfunded and requires no contribution from employees. The retirement benefit liability at December, 31, 2006 includes the following components:

	<u>2006</u>	<u>2005</u>
Accrued benefit obligation - opening balance	\$ 5,487,000	\$ 5,301,000
Current service cost	335,000	314,000
Interest cost	236,000	257,000
Benefits paid	(353,000)	(423,000)
Actuarial gain/(loss) - current	<u>(265,000)</u>	<u>38,000</u>
Accrued benefit obligation - ending balance	5,440,000	5,487,000
Unamortized prior year net accrual gain/(loss)	(73,000)	(375,000)
Funding excess	276,476	276,476
Post-employment benefit payable	<u>\$ 5,643,476</u>	<u>\$ 5,388,476</u>

Actuarial valuations for accounting purposes are performed using the projected benefit method prorated on services. The most recent actuarial report was prepared on February 14, 2007. The accrued benefit obligation shown for 2006 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 (11 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 4.5%.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

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 \$1,366,430 (2005 - \$1,313,144). 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.

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. The remaining capacity of the landfill site is estimated at 5.31 million cubic meters, which is 72% 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. The remaining capacity of the landfill site is estimated at 184,426 cubic meters, which is 38% of the site's total capacity.

The estimated total expenditures for closure and post-closure care of the two landfills is \$3,880,422 with \$2,513,992 remaining to be recognized as a liability. The City has not provided a reserve to fund future landfill capital expenditures as at December 31, 2006. The funding required is provided through current operations.

7 . Deferred revenue

	Balance at December 31, 2005	Collected	Interest	Recognized	Balance at December 31, 2006
General fund:					
Taxes	\$ 8,859,843	\$ 15,787,874	\$ 233,133	\$ (15,783,920)	\$ 9,096,930
Leases	119,960			(12,215)	107,745
Business licenses	859,820	886,803		(859,820)	886,803
Other	583,087	819,658		(583,087)	819,658
	<u>10,422,710</u>	<u>17,494,335</u>	<u>233,133</u>	<u>(17,239,042)</u>	<u>10,911,136</u>
Development cost charges	10,137,739	4,684,261	427,557	(3,005,503)	12,244,054
	<u>\$ 20,560,449</u>	<u>\$ 22,178,596</u>	<u>\$ 660,690</u>	<u>\$ (20,244,545)</u>	<u>\$ 23,155,190</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

8 . Long-term debt

(a) Long-term debt outstanding:

	<u>General fund</u>	<u>Water fund</u>	<u>Sewer fund</u>	<u>Total</u>
Balance at December 31, 2005	\$ 14,200,336	\$ 39,280,196	\$ 9,001,987	\$ 62,482,519
Principal repayments	(1,104,236)	(2,479,711)	(756,704)	(4,340,651)
Actuarial adjustments	(630,123)	(328,577)	(363,776)	(1,322,476)
Debt acquired	25,400,000	7,600,000	-	33,000,000
Interim financing transactions	(3,018,333)	-	-	(3,018,333)
Balance at December 31, 2006	<u>\$ 34,847,644</u>	<u>\$ 44,071,908</u>	<u>\$ 7,881,507</u>	<u>\$ 86,801,059</u>

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

	<u>General fund</u>	<u>Water fund</u>	<u>Sewer fund</u>	<u>Total</u>
2007	\$ 1,644,072	\$ 2,869,792	\$ 756,704	\$ 5,270,568
2008	1,432,118	2,836,193	619,995	4,888,306
2009	1,373,104	2,792,810	540,286	4,706,200
2010	1,323,217	2,743,651	512,481	4,579,349
2011	1,264,849	2,658,186	418,160	4,341,195
Thereafter	15,546,443	21,132,720	1,902,615	38,581,778

The weighted average interest rate on long-term debt in 2006 was 5.19%. (2004 - 6.04%).

(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:

	<u>Balance at December 31, 2005</u>	<u>Capital assets purchased pending debt</u>	<u>Debt acquired</u>	<u>Adjustments</u>	<u>Balance at December 31, 2005</u>
General fund	\$ 28,437,214	\$ 15,421,752	\$ (25,400,000)	\$ (160,000)	\$ 18,298,966
Water fund	8,745,380	1,051,858	(7,600,000)		2,197,238
Sewer Fund	150,034	89,763	-		239,797
	<u>\$ 37,332,628</u>	<u>\$ 16,563,373</u>	<u>\$ (33,000,000)</u>	<u>\$ (160,000)</u>	<u>\$ 20,736,001</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

9 . Obligation under capital lease:

General fund:

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>2006</u>	<u>2005</u>
2006		78,362
2007	<u>365,702</u>	<u>355,226</u>
Net minimum lease payments	365,702	433,588
Less amount representing interest at approximately 3.5%	<u>(11,205)</u>	<u>(19,021)</u>
Present value of capital lease payments	354,497	414,567
Less current portion	354,497	78,362
	<u>\$ -</u>	<u>\$ 336,205</u>

Interest of \$18,096 (2005 - \$14,154) relating to capital lease obligations has been included in interest expense.

Kamloops Airport Authority:

The Society has financed certain equipment by entering into capital leasing arrangements. Capital lease repayments are due as follows:

	<u>2006</u>	<u>2005</u>
2007	12,036	-
2008	12,036	-
2009	<u>11,890</u>	-
Net minimum lease payments	35,962	-
Less amount representing interest at approximately 0.5%	<u>(266)</u>	-
Present value of capital lease payments	35,696	-
Less current portion	12,036	-
	<u>\$ 23,660</u>	<u>\$ -</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

10 . Capital Assets

	<u>2006</u>	<u>2005</u>
General fund:		
Engineered structures	\$ 212,794,672	\$ 202,596,844
Buildings	126,629,563	102,191,129
Machinery and equipment	67,934,684	63,473,649
Land	19,343,206	19,684,172
	<u>426,702,125</u>	<u>387,945,794</u>
Water Fund:		
Engineered structures	158,875,636	155,229,580
Buildings	662,101	662,101
Machinery and equipment	3,836,101	3,809,912
Land	152,785	152,785
	<u>163,526,623</u>	<u>159,854,378</u>
Sewer Fund:		
Engineered structures	87,876,630	85,467,174
Buildings	298,555	298,555
Machinery and equipment	3,693,809	3,678,524
Land	250,790	250,790
	<u>92,119,784</u>	<u>89,695,043</u>
Kamloops Airport Authority:		
Capital assets	<u>50,288,759</u>	50,018,824
Venture Kamloops Business Development Society:		
Capital assets	<u>34,265</u>	24,807
	<u>\$ 732,671,556</u>	<u>\$ 687,538,846</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, 2006

11 . Reserves for operating purposes

	Balance at December 31, 2005	Interest income and contributions	Transfers to operations and capital	Balance at December 31, 2006
General fund:				
Affordable Housing	\$ 150,000	\$ 50,000	\$ -	\$ 200,000
Art Gallery	464,069	16,707	(16,707)	464,069
Arts Legacy	222,796	3,983	-	226,779
Bi-centennial Legacy	248,764	10,263	-	259,027
Canada Games Legacy	572,107	-	(2,405)	569,702
Community Arts	7,999	-	-	7,999
Deferred Operating	684,064	398,197	(253,810)	828,451
Environmental Grant	26,719	-	(10,000)	16,719
General Building	31,894	12,215	-	44,109
Heritage Foundation	50,000	20,000	-	70,000
Insurance	1,050,000	50,000	-	1,100,000
Oak Hills Dyke	12,932	-	-	12,932
Police Contract	896,747	683,765	(112,000)	1,468,512
Return to Work	66,396	118,325	-	184,721
Solid Waste	-	76,834	-	76,834
Sports Legacy	183,033	1,647	-	184,680
Stream Stewardship	5,000	-	-	5,000
Working Capital	1,131,046	578,000	(684,327)	1,024,719
Youth Legacy	4,331	-	-	4,331
	<u>5,807,897</u>	<u>2,019,936</u>	<u>(1,079,249)</u>	<u>6,748,584</u>
Cemetery:				
Cemetery Care Trust Fund	<u>1,054,682</u>	<u>135,676</u>	<u>(50,058)</u>	<u>1,140,300</u>
	<u>\$ 6,073,899</u>	<u>\$ 2,155,612</u>	<u>\$ (1,129,307)</u>	<u>\$ 7,888,884</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

12 . Reserves for capital purposes

	Balance at December 31, 2005	Interest income and contributions	Transfers to operations and capital	Balance at December 31, 2006
Statutory reserves:				
Tax sale property fund	\$ 4,433,387	\$ 984,251	\$ (30,205)	\$ 5,387,433
Local improvement fund	995,216	49,162	(305,699)	738,679
Debt retirement fund	18,054	649	-	18,703
Parking facility reserve	534,809	168,160	(362,261)	340,708
Land sale reserve fund	310,280	1,761,455	(1,974,267)	97,468
Equipment replacement fund	5,863,613	3,743,687	(2,616,270)	6,991,030
	<u>12,155,359</u>	<u>6,707,364</u>	<u>(5,288,702)</u>	<u>13,574,021</u>
Non-statutory reserves:				
General fund	\$ 12,047,900	\$ 7,285,392	\$ (8,471,048)	\$ 10,862,244
Water fund	5,666,757	1,933,179	(1,463,634)	6,136,302
Sewer fund	2,809,452	585,885	(1,056,938)	2,338,399
	<u>20,524,109</u>	<u>9,804,456</u>	<u>(10,991,620)</u>	<u>19,336,945</u>
Airport capital fund	<u>416,153</u>	<u>328,302</u>	<u>(234,239)</u>	<u>510,216</u>
	<u>\$ 33,095,621</u>	<u>\$ 16,840,122</u>	<u>\$ (16,514,561)</u>	<u>\$ 33,421,182</u>

Federal Gas Tax (Community Works Fund):

Included in the general fund non-statutory reserves above is the Community Works Fund (Gas tax) balance at December 31, 2006. Gas Tax funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Municipality and the Union of British Columbia Municipalities. Gas Tax funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements. A schedule of the receipts and disbursements of these funds is as follows:

	2006	2005
Opening balance of unused funds	963,761	-
Amounts received during the year	963,018	963,761
Interest earned during the year *	-	-
Amounts spent during the year	(1,012,367)	-
Closing balance of unused funds	<u>914,412</u>	<u>963,761</u>

* Interest revenue was not posted to the account during the year. In 2007 we will add \$35,053 to the reserve as well as interest earned throughout 2007.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

13 . Surplus from operations

	<u>2006</u>	<u>2005</u>
General fund:		
Balance, beginning of year	\$ 4,698,554	\$ 3,798,239
Operating Deficit for the year	<u>(84,793)</u>	<u>900,315</u>
	<u>4,613,761</u>	<u>4,698,554</u>
Water fund:		
Balance, beginning of year	5,848,315	5,403,939
Operating Surplus for the year	<u>1,014,935</u>	<u>444,376</u>
	<u>6,863,250</u>	<u>5,848,315</u>
Sewer fund:		
Balance, beginning of year	3,239,068	2,925,594
Operating Surplus for the year	<u>1,649,092</u>	<u>313,474</u>
	<u>4,888,160</u>	<u>3,239,068</u>
Kamloops Airport Authority Society:		
Balance, beginning of year	63,770	62,443
Operating Surplus for the year	<u>8,344</u>	<u>1,327</u>
	<u>72,114</u>	<u>63,770</u>
Venture Kamloops Business Development Society:		
Balance, beginning of year	67,011	-
Operating Surplus for the year	<u>28,036</u>	<u>67,011</u>
	<u>95,047</u>	<u>67,011</u>
	<u>\$ 16,532,332</u>	<u>\$ 13,916,718</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

14 . Taxation

	2006 Budget (unaudited)	2006	2005
General fund:			
Real property	\$ 66,800,000	\$ 66,710,677	\$ 64,656,923
Special assessments	1,260,105	1,068,101	1,129,884
Utilities	1,158,041	1,164,644	1,160,611
Grants in lieu of taxes	2,245,350	2,239,351	2,238,618
	<u>\$ 71,463,496</u>	<u>\$ 71,182,773</u>	<u>\$ 69,186,036</u>

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

	2006	2005
Province of British Columbia - school taxes	\$ 32,208,625	\$ 30,659,948
Thompson-Nicola Regional Hospital District	2,603,790	2,491,316
Thompson-Nicola Regional District	4,555,273	3,812,943
British Columbia Assessment Authority	813,428	783,230
	<u>\$ 40,181,116</u>	<u>\$ 37,747,437</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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

	2006 Budget (unaudited)	2006	2005
Cemetery:			
Sale of service	\$ 386,495	\$ 469,537	\$ 359,483
	<u>386,495</u>	<u>469,537</u>	<u>359,483</u>
Community development:			
Sale of service	219,400	459,231	302,529
Licences and permits	1,999,500	2,342,001	2,077,403
Rentals	113,715	199,851	123,090
Miscellaneous	17,000	10,754	11,215
	<u>2,349,615</u>	<u>3,011,837</u>	<u>2,514,237</u>
Corporate administration:			
Sale of service	151,100	173,804	\$ 166,774
Concessions and franchises	1,259,400	1,289,730	1,197,423
Fines and fees	10,000	14,275	13,015
Rentals	126,000	-	106,901
Penalties and interest	495,000	547,687	488,328
Miscellaneous	25,600	42,724	59,028
	<u>2,067,100</u>	<u>2,068,220</u>	<u>2,031,469</u>
Fire services:			
Sale of service	405,368	489,077	483,882
	<u>405,368</u>	<u>489,077</u>	<u>483,882</u>
Infrastructure maintenance			
Sale of service	1,500	11,187	12,141
Miscellaneous	1,400	2,187	-
	<u>2,900</u>	<u>13,374</u>	<u>12,141</u>
Legislative and enforcement			
Sale of service	833,100	880,248	797,358
Licences and permits	110,000	109,793	103,645
Fines and fees	191,310	203,262	212,152
Miscellaneous	3,000	6,084	3,607
	<u>1,137,410</u>	<u>1,199,387</u>	<u>1,116,762</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

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

	2006 Budget (unaudited)	2006	2005
Parks, recreation and leisure services:			
Sale of service	\$ 4,407,570	\$ 4,121,459	\$ 3,583,623
Rentals	-	-	4,673
Miscellaneous	-	1,468	20,258
	<u>4,407,570</u>	<u>4,122,927</u>	<u>3,608,554</u>
Police services:			
Sale of service	126,200	129,709	135,839
Rentals	270,000	353,823	66,315
	<u>396,200</u>	<u>483,532</u>	<u>202,154</u>
Public transit:			
Sale of service	3,329,500	3,532,487	3,367,791
	<u>3,329,500</u>	<u>3,532,487</u>	<u>3,367,791</u>
Solid waste:			
Sale of service	3,309,000	3,501,530	1,188,224
Miscellaneous	-	-	1,143
	<u>3,309,000</u>	<u>3,501,530</u>	<u>1,189,367</u>
Water utility:			
Sale of service	15,022,080	15,573,363	12,951,428
Miscellaneous	-	-	681
	<u>15,022,080</u>	<u>15,573,363</u>	<u>12,952,109</u>
Sewer utility:			
Sale of service	7,617,028	7,886,126	7,304,726
Miscellaneous	-	-	94,777
	<u>7,617,028</u>	<u>7,886,126</u>	<u>7,399,503</u>
Kamloops Airport Authority Society			
Sale of service	-	389,791	308,714
	<u>-</u>	<u>389,791</u>	<u>308,714</u>
Venture Kamloops Business Development Society			
Sale of service	-	31,953	241,935
	<u>-</u>	<u>31,953</u>	<u>241,935</u>
	<u>\$ 40,430,266</u>	<u>\$ 42,773,141</u>	<u>\$ 35,788,101</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

16 . Grants

	2006 Budget (unaudited)	2006	2005
General fund:			
Federal Government:			
Policing	\$ 1,523,200	\$ 1,440,653	\$ 1,507,384
Community Works Fund	-	963,018	963,761
Capital infrastructure	-	764,384	11,914
Provincial Government:			
Transit	3,642,000	3,801,760	3,492,410
Gaming revenue	2,000,000	2,266,961	2,023,208
Victims assistance	60,000	60,000	60,000
Traffic Fines	1,056,811	1,145,290	1,056,811
Capital infrastructure	2,500,000	2,009,344	8,000,000
Other	24,650	25,115	835
Other Governments			
School District #73	112,000	-	106,572
	<u>10,918,661</u>	<u>12,476,525</u>	<u>17,222,895</u>
Water fund:			
Provincial Government:			
Revenue Sharing			-
Capital infrastructure	10,666	10,667	39,333
	<u>10,666</u>	<u>10,667</u>	<u>39,333</u>
Sewer fund:			
Provincial Government:			
Capital infrastructure	1,215,333	594,359	10,000
	<u>1,215,333</u>	<u>594,359</u>	<u>10,000</u>
Venture Kamloops Business Development Society			
Other Government			
Thompson-Nicola Tourism and Economic Development Society	-	-	114,789
	<u>-</u>	<u>-</u>	<u>114,789</u>
	<u>\$ 12,144,660</u>	<u>\$ 13,081,551</u>	<u>\$ 17,387,017</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

17 . Expenditures by function and object

	2006 Budget (unaudited)	2006	2005
Cemetery:			
Salaries, wages and benefits	\$ 340,174	\$ 350,496	\$ 314,852
Personnel expenses	2,500	2,034	2,024
Contractual services	11,300	15,438	12,949
Supplies and other expenses	60,244	71,924	69,346
Transfers from other functions	124,295	104,692	101,577
Total operating expenditures	<u>538,513</u>	<u>544,584</u>	<u>500,748</u>
Capital expenditures	40,559	32,804	229,897
	<u>579,072</u>	<u>577,388</u>	<u>730,645</u>
Community development:			
Salaries, wages and benefits	3,773,739	3,719,198	3,815,489
Personnel expenses	92,710	74,350	66,735
Contractual services	208,446	151,577	246,571
Supplies and other expenses	183,866	484,160	184,099
Transfers from other functions	330,194	310,905	523,655
Transfers to other functions	(427,650)	(310,150)	(650,900)
Cost allocated to capital	(369,500)	(338,988)	(486,852)
Total operating expenditures	<u>3,791,805</u>	<u>4,091,052</u>	<u>3,698,797</u>
Capital expenditures	455,870	2,687,007	233,254
	<u>4,247,675</u>	<u>6,778,059</u>	<u>3,932,051</u>
Corporate administration:			
Salaries, wages and benefits	5,421,682	5,419,485	5,427,468
Personnel expenses	352,653	258,066	255,323
Contractual services	2,812,319	2,346,824	2,402,186
Supplies and other expenses	2,188,877	1,102,347	928,776
Transfers from other functions	546,903	471,933	783,565
Transfers to other functions	(2,907,311)	(2,867,950)	(2,549,397)
Total operating expenditures	<u>8,415,123</u>	<u>6,730,705</u>	<u>7,247,921</u>
Capital expenditures	2,632,471	1,668,503	931,312
	<u>11,047,594</u>	<u>8,399,208</u>	<u>8,179,233</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

17 . Expenditures by function and object (continued):

	2006 Budget (unaudited)	2006	2005
Environmental services:			
Salaries, wages and benefits	\$ 134,732	\$ 133,823	\$ 78,142
Personnel expenses	3,000	3,298	4,087
Contractual services	30,000	29,563	24,766
Supplies and other expenses	60,000	70,683	38,325
Transfers from other functions	11,358	10,666	6,046
Transfers to other functions	(39,202)	(39,202)	-
Total operating expenditures	199,888	208,831	151,366
Capital expenditures	-	-	-
	199,888	208,831	151,366
Fire services:			
Salaries, wages and benefits	9,059,423	9,090,398	8,676,981
Personnel expenses	77,700	73,108	70,381
Contractual services	167,287	169,217	121,439
Supplies and other expenses	488,223	510,177	441,510
Transfers from other functions	216,436	290,669	483,569
Transfers to other functions	-	(86,023)	(105,187)
Total operating expenditures	10,009,069	10,047,546	9,688,693
Capital expenditures	2,919,800	1,036,389	152,196
	12,928,869	11,083,935	9,840,889
Infrastructure maintenance:			
Salaries, wages and benefits	6,860,605	6,299,715	5,451,111
Personnel expenses	98,812	94,479	46,908
Contractual services	1,326,799	1,343,086	1,187,432
Supplies and other expenses	4,013,321	4,100,695	3,645,583
Transfers from other functions	1,567,625	2,333,967	3,412,912
Transfers to other functions	(6,554,983)	(6,764,113)	(8,130,486)
Cost allocated to capital	625,395	464,676	(614,596)
Total operating expenditures	7,937,574	7,872,505	4,998,864
Capital expenditures	19,147,836	13,664,978	12,524,224
	27,085,410	21,537,483	17,523,088

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

17 . Expenditures by function and object (continued):

	2006 Budget (unaudited)	2006	2005
Legislative and enforcement:			
Salaries, wages and benefits	\$ 1,888,903	\$ 1,812,939	\$ 1,757,634
Personnel expenses	113,481	83,355	97,142
Contractual services	128,002	120,877	165,878
Supplies and other expenses	588,394	510,250	586,122
Transfers from other functions	320,418	284,971	440,872
Transfers to other functions	(30,000)	(30,000)	(30,000)
Total operating expenditures	3,009,198	2,782,392	3,017,648
Capital expenditures	1,752,783	555,833	2,558,023
	4,761,981	3,338,225	5,575,671
Parks, recreation and leisure services:			
Salaries, wages and benefits	8,418,140	7,829,224	7,267,806
Personnel expenses	167,855	129,889	137,082
Contractual services	2,315,128	2,557,121	2,431,320
Supplies and other expenses	4,814,265	4,871,486	4,385,374
Transfers from other functions	2,339,859	2,095,386	2,581,138
Transfers to other functions	(233,349)	(233,349)	(227,844)
Cost allocated to capital	(115,488)	(105,532)	(86,001)
Total operating expenditures	17,706,410	17,144,225	16,488,875
Capital expenditures	25,428,796	19,663,623	33,565,468
	43,135,206	36,807,848	50,054,343
Police services:			
Salaries, wages and benefits	2,744,857	2,781,743	2,573,267
Personnel expenses	58,025	54,856	68,036
Contractual services	14,426,631	13,445,343	13,112,862
Supplies and other expenses	61,501	57,336	61,877
Transfers from other functions	108,586	113,686	508,329
Total operating expenditures	17,399,600	16,452,964	16,324,371
Capital expenditures	55,632	27,306	26,332
	17,455,232	16,480,270	16,350,703

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

17 . Expenditures by function and object (continued):

	2006 Budget (unaudited)	2006	2005
Public transit:			
Salaries, wages and benefits	\$ 44,044	\$ 31,525	\$ 42,142
Personnel expenses	-	-	48
Contractual services	8,657,500	9,082,993	8,329,004
Supplies and other expenses	-	-	3
Transfers from other functions	10,716	13,104	8,703
Total operating expenditures	<u>8,712,260</u>	<u>9,127,622</u>	<u>8,379,900</u>
Capital expenditures	2,167,000	1,467,923	1,964
	<u>10,879,260</u>	<u>10,595,545</u>	<u>8,381,864</u>
Solid waste:			
Salaries, wages and benefits	1,197,494	1,357,394	1,138,940
Personnel expenses	8,715	10,549	9,714
Contractual services	1,787,890	1,937,531	1,572,894
Supplies and other expenses	348,635	219,891	78,683
Transfers from other functions	2,243,112	2,209,575	910,849
Transfers to other functions	(1,069,949)	(1,069,534)	(58,068)
Total operating expenditures	<u>4,515,897</u>	<u>4,665,406</u>	<u>3,653,012</u>
Capital expenditures	1,772,130	1,587,212	537,630
	<u>6,288,027</u>	<u>6,252,618</u>	<u>4,190,642</u>
Water utility:			
Salaries, wages and benefits	2,337,141	2,190,957	1,932,300
Personnel expenses	30,526	20,910	11,584
Contractual services	437,078	695,235	473,495
Supplies and other expenses	2,136,268	2,282,697	2,046,177
Transfers from other functions	1,386,320	1,280,915	1,293,953
Transfers to other functions	(286,539)	(286,539)	(286,539)
Cost allocated to capital	(50,000)	-	-
Total operating expenditures	<u>5,990,794</u>	<u>6,184,175</u>	<u>5,470,970</u>
Capital expenditures	14,632,038	3,672,245	12,349,322
	<u>20,622,832</u>	<u>9,856,420</u>	<u>17,820,292</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

17 . Expenditures by function and object (continued):

	2006 Budget (unaudited)	2006	2005
Sewer utility:			
Salaries, wages and benefits	\$ 1,440,897	\$ 1,047,429	\$ 1,145,967
Personnel expenses	18,854	20,432	15,666
Contractual services	756,865	672,877	797,795
Supplies and other expenses	1,298,531	1,230,911	1,104,545
Transfers from other functions	996,481	925,116	1,022,893
Transfers to other functions	(39,640)	(39,640)	(39,640)
Cost allocated to capital	(32,000)	-	-
Total operating expenditures	4,439,988	3,857,125	4,047,226
Capital expenditures	5,769,623	2,424,741	2,072,467
	<u>10,209,611</u>	<u>6,281,866</u>	<u>6,119,693</u>
Kamloops Airport Authority Society			
Contractual services	-	67,623	63,500
Supplies and other expenses	-	3,105	1,586
Total operating expenditures	-	70,728	65,086
Capital expenditures	-	227,317	1,026,150
	-	<u>298,045</u>	<u>1,091,236</u>
Venture Kamloops Business Development Society			
Supplies and other expenses	-	462,733	826,377
Total operating expenditures	-	462,733	826,377
Capital expenditures	-	9,458	24,807
	-	<u>472,191</u>	<u>851,184</u>
Debt servicing costs	6,218,327	5,876,745	4,860,600
	<u>\$ 175,658,984</u>	<u>\$ 144,844,677</u>	<u>\$ 155,653,500</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2006

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 2006.

- (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, 2006

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>2006 Total</u>	<u>2005 Total</u>
General fund	\$ 606,062	\$ 1,611,493	\$ 2,217,555	\$ 1,689,205
Water utility fund	681,535	2,172,079	2,853,614	2,469,099
Sewer utility fund	305,271	788,230	1,093,501	1,080,163
	<u>\$ 1,592,868</u>	<u>\$ 4,571,802</u>	<u>\$ 6,164,670</u>	<u>\$ 5,238,467</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, 2006, with comparatives for 2005

	<u>2006</u>	<u>2005</u>
Financial assets		
Cash and short-term investments	\$ 27,533,067	\$ 23,904,664
Accounts receivable (note 3)	11,741,383	10,831,252
Long-term investments	259,028	248,764
	<u>39,533,478</u>	<u>34,984,680</u>
Liabilities		
Accounts payable (note 4)	16,486,940	19,810,191
Payroll benefits payable	2,695,690	2,644,872
Post-employment benefits payable (note 5)	5,643,476	5,388,476
Landfill post-closure costs (note 6)	1,366,430	1,313,144
Deferred revenue (note 7)	10,911,136	10,422,710
Long-term debt (note 8)	34,847,644	14,200,336
Obligation under capital lease (note 9)	354,497	414,567
	<u>72,305,813</u>	<u>54,194,296</u>
Net financial assets	<u>(32,772,335)</u>	<u>(19,209,616)</u>
Non-financial assets		
Inventory	738,592	683,735
Prepaid expenses	592,598	1,041,822
Capital assets (note 10)	426,702,125	387,945,794
	<u>428,033,315</u>	<u>389,671,351</u>
Net position	<u>395,260,980</u>	<u>370,461,735</u>
Reserves, Surplus and Equity		
Reserves for operating purposes (note 11)	6,748,584	5,807,897
Reserves for capital purposes (note 12)	10,862,244	12,047,900
Surplus from operations (note 13)	4,613,761	4,698,554
Total financial equity	<u>22,224,589</u>	<u>22,554,351</u>
Total capital equity	373,036,391	347,907,384
	<u>395,260,980</u>	<u>370,461,735</u>
	<u>\$ -</u>	<u>\$ -</u>

Commitments and contingencies - Note 18

See accompanying notes to consolidated financial statements.

GENERAL FUND
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2006, with comparatives for 2005

	2006 Budget (unaudited)	2006	2005
Revenue			
Taxation (note 14)	\$ 71,463,496	\$ 71,182,773	\$ 69,186,036
Development levies utilized	1,699,993	1,545,776	867,759
Fees, rates and sales of service (note 15)	17,791,158	18,891,908	14,885,840
Grants (note 16)	10,918,661	12,476,525	17,222,895
Investment income	2,072,223	3,530,431	1,710,475
Private contributions	2,404,748	1,053,207	442,507
Sale of capital assets	88,500	2,304,694	4,326,933
Transfers from other funds	10,731,679	6,234,689	8,281,860
	<u>117,170,458</u>	<u>117,220,003</u>	<u>116,924,305</u>
Expenditures (note 17)			
Cemetery	538,513	544,584	500,748
Community development	3,791,805	4,091,052	3,698,797
Corporate administration	8,415,123	6,730,705	7,247,921
Environmental services	199,888	208,831	151,366
Fire services	10,009,069	10,047,546	9,688,693
Infrastructure maintenance	7,937,574	7,872,505	4,998,864
Legislative and enforcement	3,009,198	2,782,392	3,017,648
Parks, recreation and leisure services	17,706,410	17,144,225	16,488,875
Police services	17,399,600	16,452,964	16,324,371
Public Transit	8,712,260	9,127,622	8,379,900
Solid waste	4,515,897	4,665,406	3,653,012
Debt servicing costs	1,818,313	2,665,350	1,599,862
Capital expenditures	56,372,877	42,391,578	50,760,301
Transfers to other funds	3,408,124	6,452,328	8,313,306
	<u>143,834,651</u>	<u>131,177,088</u>	<u>134,823,664</u>
Net operating activity	(26,664,193)	(13,957,085)	(17,899,359)
Reduction of long-term debt	(1,734,358)	(1,734,359)	(1,625,209)
Repayment of obligations under capital lease	(63,217)	(60,070)	(63,217)
Capital assets acquired pending debenture issue	19,726,379	15,421,752	24,526,847
Increase (decrease) in financial equity	<u>\$ (8,735,389)</u>	<u>\$ (329,762)</u>	<u>\$ 4,939,062</u>

WATER FUND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2006, with comparatives for 2005

	<u>2006</u>	<u>2005</u>
Financial assets		
Cash and short-term investments	\$ 8,731,819	\$ 872,453
Accounts receivable (note 3)	987,732	822,550
	<u>9,719,551</u>	<u>1,695,003</u>
Liabilities		
Payroll benefits payable	145,018	144,464
Long-term debt (note 8)	44,071,908	39,280,196
	<u>44,216,926</u>	<u>39,424,660</u>
Net financial assets	<u>(34,497,375)</u>	<u>(37,729,657)</u>
Non-financial assets		
Inventory	243,177	234,550
Capital assets (note 10)	163,526,623	159,854,378
	<u>163,769,800</u>	<u>160,088,928</u>
Net Position	<u>129,272,425</u>	<u>122,359,271</u>
Reserves, Surplus and Equity		
Reserves for capital purposes (note 12)	6,136,302	5,666,757
Surplus from operations (note 13)	6,863,250	5,848,315
Total financial equity	<u>12,999,552</u>	<u>11,515,072</u>
Total capital equity	116,272,873	110,844,199
	<u>129,272,425</u>	<u>122,359,271</u>
	\$ -	\$ -

Commitments and contingencies - Note 18

See accompanying notes to consolidated financial statements.

WATER FUND**STATEMENT OF FINANCIAL ACTIVITIES****YEAR ENDED DECEMBER 31, 2006, with comparatives for 2005**

	<u>2006 Budget</u> (unaudited)	<u>2006</u>	<u>2005</u>
Revenue			
Development levies utilized	\$ 2,242,234	\$ 787,047	\$ 1,056,657
Fees, rates and sales of service (note 15)	15,022,080	15,573,363	12,952,109
Grants (note 16)	10,666	10,667	39,333
Investment income	329,577	415,534	755,448
Private contributions	220,000	-	140,000
Transfers from other funds	72,128	72,638	122,380
	<u>17,896,685</u>	<u>16,859,249</u>	<u>15,065,927</u>
Expenditures (note 17)			
Water utility	5,990,794	6,184,175	5,470,970
Debt servicing costs	3,106,416	2,299,747	2,271,183
Capital expenditures	14,632,038	3,672,245	12,349,322
Transfers to other funds	1,805,000	1,462,173	1,788,300
	<u>25,534,248</u>	<u>13,618,340</u>	<u>21,879,775</u>
Net operating activity	(7,637,563)	3,240,909	(6,813,848)
Reduction of long-term debt	(2,849,101)	(2,808,288)	(1,181,963)
Capital assets acquired pending debenture issue	7,300,840	1,051,858	9,379,635
Increase (decrease) in financial equity	\$ <u>(3,185,824)</u>	\$ <u>1,484,479</u>	\$ <u>1,383,824</u>

SEWER FUND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2006, with comparatives for 2005

	<u>2006</u>	<u>2005</u>
Financial assets		
Cash and short-term investments	\$ 5,374,547	\$ 4,290,705
Accounts receivable (note 3)	10,000	10,000
	<u>5,384,547</u>	<u>4,300,705</u>
Liabilities		
Payroll benefits payable	116,014	115,571
Long-term debt (note 8)	7,881,507	9,001,987
	<u>7,997,521</u>	<u>9,117,558</u>
Net financial assets	<u>(2,612,974)</u>	<u>(4,816,853)</u>
Non-financial assets		
Inventory	65,691	60,814
Capital assets (note 10)	92,119,784	89,695,043
	<u>92,185,475</u>	<u>89,755,857</u>
Net Position	<u>89,572,501</u>	<u>84,939,004</u>
Reserves, Surplus and Equity		
Reserves for capital purposes (note 12)	2,338,399	2,809,452
Surplus from operations (note 13)	4,888,160	3,239,068
Total financial equity	<u>7,226,559</u>	<u>6,048,520</u>
Total capital equity	<u>82,345,942</u>	<u>78,890,484</u>
	<u>89,572,501</u>	<u>84,939,004</u>
	\$ -	\$ -

Commitments and contingencies - Note 18

See accompanying notes to consolidated financial statements.

SEWER FUND**STATEMENT OF FINANCIAL ACTIVITIES****YEAR ENDED DECEMBER 31, 2006, with comparatives for 2005**

	2006 Budget (unaudited)	2006	2005
Revenue			
Development levies utilized	\$ 1,360,148	\$ 672,680	\$ 717,766
Fees, rates and sales of service (note 15)	7,617,028	7,886,126	7,399,503
Grants (note 16)	1,215,333	594,359	10,000
Investment income	399,776	560,056	526,158
Transfers from other funds	744,510	309,056	-
	<u>11,336,795</u>	<u>10,022,277</u>	<u>8,653,427</u>
Expenditures (note 17)			
Sewer utility	4,439,988	3,857,125	4,047,226
Debt servicing costs	1,293,598	911,550	989,555
Capital expenditures	5,769,623	2,424,741	2,072,467
Transfers to other funds	1,055,000	620,105	47,204
	<u>12,558,209</u>	<u>7,813,521</u>	<u>7,156,452</u>
Net operating activity	(1,221,414)	2,208,756	1,496,975
Reduction of long-term debt	(1,120,480)	(1,120,480)	(1,035,831)
Capital assets acquired pending debenture issue	391,747	89,763	150,447
Increase (decrease) in financial equity	<u>\$ (1,950,147)</u>	<u>\$ 1,178,039</u>	<u>\$ 611,591</u>

CEMETERY CARE TRUST FUND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2006, with comparatives for 2005

	<u>2006</u>	<u>2005</u>
Financial Assets		
Cash and short-term investments (note 2)	\$ 1,132,718	\$ 1,049,263
Accounts receivable (note 3)	7,582	5,419
	<u>1,140,300</u>	<u>1,054,682</u>
Reserves, Surplus and Equity		
Reserves for operating purposes (note 11)		
Balance, beginning of the year	<u>1,054,682</u>	<u>927,398</u>
Add:		
Transfer from General Revenue Fund	85,618	127,284
Interest Earned	50,058	47,208
	<u>135,676</u>	<u>174,492</u>
Less:		
Transfer to General Revenue Fund	<u>(50,058)</u>	<u>(47,208)</u>
Balance, end of the year	<u>1,140,300</u>	<u>1,054,682</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, 2006, with comparatives for 2005**

	<u>2006</u>	<u>2005</u>
Financial Assets		
Cash and short-term investments (note 2)	\$ 25,818,075	\$ 22,293,098
	<u>25,818,075</u>	<u>22,293,098</u>
Liabilities		
Deferred revenue (note 7)	12,244,054	10,137,739
	<u>12,244,054</u>	<u>10,137,739</u>
Net financial assets	<u>13,574,021</u>	<u>12,155,359</u>
Reserves, Surplus and Equity		
Reserves for capital purposes (note 12)		
Tax sale property fund	5,387,433	4,433,387
Local improvement fund	738,679	995,216
Debt retirement fund	18,703	18,054
Parking facility reserve	340,708	534,809
Land sale reserve fund	97,468	310,280
Equipment replacement fund	6,991,030	5,863,613
Total financial equity	<u>13,574,021</u>	<u>12,155,359</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, 2006, with comparatives for 2005**

	<u>2006 Budget</u> (unaudited)	<u>2006</u>	<u>2005</u>
Revenue			
Transfer to:			
Tax sale property	\$ 190,500	\$ 984,251	\$ 589,638
Local improvement	34,430	49,162	54,696
Debt retirement	10,000	650	703
Parking facility	132,968	168,160	128,599
Land Sale	22,800	1,761,455	4,257,924
Equipment replacement	3,658,672	3,743,687	3,436,406
	<u>4,049,370</u>	<u>6,707,365</u>	<u>8,467,966</u>
Expenditures			
Transfer from:			
Tax sale property	374,103	30,205	333,869
Local improvement	858,734	305,699	-
Debt retirement	-	-	-
Parking facility	497,739	362,261	310,415
Land Sale	3,489,800	1,974,267	4,403,222
Equipment replacement	4,137,827	2,616,270	2,362,456
	<u>9,358,203</u>	<u>5,288,702</u>	<u>7,409,962</u>
Increase (decrease) in financial equity	<u>\$ (5,308,833)</u>	<u>\$ 1,418,663</u>	<u>\$ 1,058,004</u>

KAMLOOPS AIRPORT AUTHORITY SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2006, with comparatives for 2005

	<u>2006</u>	<u>2005</u>
Financial assets		
Cash and short-term investments (note 2)	\$ 551,298	\$ 371,676
Accounts receivable (note 3)	78,311	160,671
	<u>629,609</u>	<u>532,347</u>
Liabilities		
Accounts payable (note 4)	47,279	52,424
Obligation under capital lease (note 9)	35,697	-
	<u>82,976</u>	<u>52,424</u>
Net financial assets	<u>546,633</u>	<u>479,923</u>
Non-financial assets		
Capital assets (note 10)	50,288,759	50,018,824
	<u>50,288,759</u>	<u>50,018,824</u>
Net Position	<u>50,835,392</u>	<u>50,498,747</u>
Reserves, Surplus and Equity		
Reserves for capital purposes (note 12)	510,216	416,153
Surplus from operations (note 13)	72,114	63,770
Total financial equity	<u>582,330</u>	<u>479,923</u>
Total capital equity	50,253,062	50,018,824
	<u>50,835,392</u>	<u>50,498,747</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, 2006, with comparatives for 2005

	<u>2006 Budget</u> (unaudited)	<u>2006</u>	<u>2005</u>
Revenue			
Fees, rates and sales of service (note 15)	\$ -	\$ 389,791	308,714
Investment income	-	17,681	9,432
	<u>-</u>	<u>407,472</u>	<u>318,146</u>
Expenditures (note 17)			
Kamloops Airport Authority Society	-	70,728	65,086
Debt servicing costs	-	98	-
Capital expenditures	-	269,937	1,026,149
	<u>-</u>	<u>340,763</u>	<u>1,091,235</u>
Net operating activity	-	66,709	(773,089)
Capital assets acquired under capital lease		42,620	
Repayment of obligations under capital lease		(6,922)	
Increase (decrease) in financial equity	\$ -	\$ 102,407	(773,089)



VENTURE KAMLOOPS BUSINESS DEVELOPMENT SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2006, with comparatives for 2005

	<u>2006</u>	<u>2005</u>
Financial assets		
Cash and short-term investments (note 2)	\$ 49,319	\$ 40,677
Accounts receivable (note 3)	60,819	41,638
	<u>110,138</u>	<u>82,315</u>
Liabilities		
Accounts payable (note 4)	20,641	18,849
	<u>20,641</u>	<u>18,849</u>
Net financial assets	<u>89,497</u>	<u>63,466</u>
Non-financial assets		
Prepaid expenses	5,550	3,545
Capital assets (note 10)	34,265	24,807
	<u>39,815</u>	<u>28,352</u>
Net Position	<u>129,312</u>	<u>91,818</u>
Reserves, Surplus and Equity		
Surplus from operations (note 13)	95,047	67,011
Total financial equity	<u>95,047</u>	<u>67,011</u>
Total capital equity	34,265	24,807
	<u>129,312</u>	<u>91,818</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, 2006, with comparatives for 2005

	2006 Budget (unaudited)	2006	2005
Revenue			
Fees, rates and sales of service (note 15)	\$ -	\$ 31,953	241,935
Grants (note 16)	-	-	114,789
Investment income	-	4,275	2,189
Transfers from other funds		464,000	559,282
	-	500,228	918,195
Expenditures (note 17)			
Venture Kamloops Business Development Society	-	462,734	826,377
Capital expenditures	-	9,458	24,807
	-	472,192	851,184
Net operating activity	-	28,036	67,011
Increase (decrease) in financial equity	\$ -	\$ 28,036	67,011