



CITY OF KAMLOOPS

**Financial Statements for the Year-Ended
2007 December 31**



CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007, with comparatives for 2006

TABLE OF CONTENTS	1
Auditors' Report	2
Statement of Management's Responsibility	3
 Financial Statements:	
Consolidated Statement of Financial Position	4
Consolidated Statement of Financial Activities	5
Consolidated Statement of Equity	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 32
 Supporting Schedules:	
General Fund - Statement of Financial Position	33
General Fund - Statement of Financial Activities	34
Water Fund - Statement of Financial Position	35
Water Fund - Statement of Financial Activities	36
Sewer Fund - Statement of Financial Position	37
Sewer Fund - Statement of Financial Activities	38
Cemetery Care Trust Fund - Statement of Financial Position	39
Statutory Reserve Funds - Statement of Financial Position	40
Statutory Reserve Funds - Statement of Financial Activities	41
Kamloops Airport Authority Society - Statement of Financial Position	42
Kamloops Airport Authority Society - Statement of Financial Activities	43
Venture Kamloops Business Development Society - Statement of Financial Position	44
Venture Kamloops Business Development Society - Statement of Financial Activities	45

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, 2007 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, 2007 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 6, 2008



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 recommends 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, 2007, with comparatives for 2006

	2007	2006
Financial assets		
Cash and short-term investments (note 2)	\$ 97,873,088	\$ 69,190,843
Accounts receivable (note 3)	13,093,907	12,885,827
Long-term investments	271,321	259,028
	<u>111,238,316</u>	<u>82,335,698</u>
Liabilities		
Accounts payable (note 4)	13,897,180	16,554,860
Payroll benefits payable	3,074,398	2,956,722
Post-employment benefits payable (note 5)	5,905,476	5,643,476
Landfill post-closure costs (note 6)	1,809,806	1,366,430
Deferred revenue (note 7)	26,766,672	23,155,190
Long-term debt (note 8)	98,691,983	86,801,059
Obligations under capital lease (note 9)	23,812	390,194
	<u>150,169,327</u>	<u>136,867,931</u>
Net financial liabilities	<u>(38,931,011)</u>	<u>(54,532,233)</u>
Non-financial assets		
Inventory	1,078,877	1,047,460
Prepaid expenses	973,435	598,148
Capital assets (note 10)	760,661,385	732,671,556
	<u>762,713,697</u>	<u>734,317,164</u>
Net Position	<u>723,782,686</u>	<u>679,784,931</u>
Reserves, Surplus and Equity		
Reserves for operating purposes (note 11)	11,799,385	7,888,884
Reserves for capital purposes (note 12)	40,551,960	33,421,182
Surplus from operations (note 13)	21,527,213	16,532,332
Total financial equity	<u>73,878,558</u>	<u>57,842,398</u>
Total capital equity	649,904,128	621,942,533
	<u>723,782,686</u>	<u>679,784,931</u>
	\$ -	\$ -

Commitments and contingencies - Note 18

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED DECEMBER 31, 2007, with comparatives for 2006

	<u>2007 Budget</u> (unaudited)	<u>2007</u>	<u>2006</u>
Revenue			
Taxation (note 14)	\$ 76,111,426	\$ 75,951,548	\$ 71,182,773
Development levies utilized	6,789,987	1,211,655	3,005,503
Fees, rates and sales of service (note 15)	43,392,520	45,266,215	42,773,141
Grants (note 16)	11,487,941	12,948,189	13,081,551
Investment income	3,763,355	7,855,057	4,578,035
Private contributions	2,676,066	1,756,842	1,053,207
Sale of capital assets	89,000	2,091,295	2,304,694
	<u>144,310,295</u>	<u>147,080,801</u>	<u>137,978,904</u>
Expenditures (note 17)			
Cemetery	579,030	562,304	544,584
Community development	4,166,440	3,993,279	4,091,052
Corporate administration	8,663,117	6,827,299	6,730,705
Environmental services	483,646	271,021	208,831
Fire services	10,517,996	10,583,664	10,047,546
Infrastructure maintenance	8,554,685	8,210,733	7,872,505
Legislative and enforcement	3,542,483	3,249,326	2,782,392
Parks, recreation and leisure services	19,600,481	18,286,346	17,144,225
Police services	18,616,596	16,209,803	16,452,964
Public Transit	9,552,047	9,695,245	9,127,622
Solid waste	4,987,618	5,163,261	4,665,406
Water utility	6,075,032	6,480,003	6,184,175
Sewer utility	4,440,833	4,134,547	3,857,125
Kamloops Airport Authority Society	-	181,600	70,728
Venture Kamloops Business Development Society	-	554,700	462,734
Debt servicing costs	6,705,101	5,906,867	5,876,745
Capital expenditures	66,225,160	30,762,878	48,767,959
	<u>172,710,265</u>	<u>131,072,876</u>	<u>144,887,298</u>
Net operating activity	(28,399,970)	16,007,925	(6,908,394)
Capital assets acquired under capital lease	-	-	42,620
Reduction of long-term debt	(6,581,713)	(6,827,036)	(5,663,127)
Repayment of obligations under capital lease	(39,959)	(366,382)	(66,992)
Capital assets acquired pending debenture issue	20,908,792	7,221,653	16,563,373
Increase (decrease) in financial equity	<u>\$ (14,112,850)</u>	<u>\$ 16,036,160</u>	<u>\$ 3,967,480</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF EQUITY
YEAR ENDED DECEMBER 31, 2007 with comparatives for 2006

	<u>2007</u>	<u>2006</u>
Opening Balance	\$ <u>679,784,931</u>	\$ <u>641,560,616</u>
Financial Equity:		
Change in reserves for operating purposes	3,910,501	1,026,305
Change in reserves for capital purposes	7,130,778	325,561
Operating surplus (deficit) for the year	4,994,881	2,615,614
Net change in financial equity	<u>16,036,160</u>	<u>3,967,480</u>
Capital Equity:		
Capital expenditures	30,762,878	48,767,959
Cost of assets disposed	(2,773,049)	(3,635,250)
Principal payments on long-term debt	5,146,549	4,340,652
Actuarial adjustments on long-term debt	1,680,488	1,322,475
Repayment of obligation under capital lease	366,382	66,992
Debenture debt pending	(7,221,653)	(16,563,373)
Capital assets acquired under capital lease	-	(42,620)
Net change in capital equity	<u>27,961,595</u>	<u>34,256,835</u>
Ending balance	\$ <u><u>723,782,686</u></u>	\$ <u><u>679,784,931</u></u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2007, with comparatives for 2006

	<u>2007</u>	<u>2006</u>
Cash provided by (used for):		
Operating		
Net operating activity	\$ 16,007,925	\$ (6,908,394)
Changes in non-cash operating items:		
Decrease (increase) in accounts receivable	(208,080)	(1,014,297)
Decrease (increase) in inventory	(31,417)	(68,361)
Decrease (increase) in prepaid expenses	(375,287)	447,219
Decrease (increase) in investments	(12,293)	(10,264)
Increase (decrease) in accounts payable	(2,657,680)	(3,326,604)
Increase (decrease) in payroll benefits payable	117,676	51,815
Increase (decrease) in post-employment benefits payable	262,000	255,000
Increase (decrease) in landfill post-closure costs	443,376	53,286
Increase (decrease) in deferred revenue	3,611,482	2,594,741
	<u>17,157,702</u>	<u>(7,925,859)</u>
Financing:		
Proceeds from issuance of long-term debt	18,717,961	33,000,000
Principal repayments on long-term debt	(6,827,036)	(5,663,127)
Increase of interim financing	-	(3,018,335)
Capital assets acquired under capital lease	-	42,620
Repayment of obligations under capital lease	(366,382)	(66,992)
	<u>11,524,543</u>	<u>24,294,166</u>
Increase (decrease) in cash for the year	28,682,245	16,368,307
Cash, beginning of the year	69,190,843	52,822,536
Cash, end of the year	<u>\$ 97,873,088</u>	<u>\$ 69,190,843</u>

See accompanying notes to consolidated financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

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 all the 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, 2007

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 approximates 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, 2007

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.

(k) Landfill post-closure costs:

The City is required to fund the closure of its landfill sites and to provide for the post-closure care of the facilities. Closure and post-closure activities include the final cover, landscaping, surface and groundwater monitoring, leachate control and visual inspection. The requirement is being provided for over the estimated life of the landfill sites based on the respective usage of each facility.

(l) Pension plan:

The City of Kamloops and its employees contribute to the Municipal Pension Plan, a jointly trustee pension plan. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined.

2 . Cash and short-term investments:

	<u>2007</u>	<u>2006</u>
Restricted cash and short-term investments:		
Statutory reserves	\$ 20,964,657	\$ 13,574,021
Development cost charges	15,240,455	12,244,054
Cemetery Perpetual Care Trust Fund	1,209,533	1,132,718
Kamloops Airport Authority Society	1,013,165	551,298
Venture Kamloops Business Development Society	102,828	49,319
	<u>38,530,638</u>	<u>27,551,410</u>
Unrestricted cash and short-term investments	59,342,450	41,639,433
	<u>\$ 97,873,088</u>	<u>\$ 69,190,843</u>

As at December 31, 2007, the City held \$93,107,276 in short term investments. The maturity dates of these investments range from January 2, 2008 to June 1, 2029. The interest rates earned on these investments range from 3.75% to 6.75%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

3 . Accounts Receivable:

	<u>2007</u>	<u>2006</u>
General fund:		
Taxes	\$ 2,350,496	\$ 2,090,497
Utilities	1,060,124	1,170,138
Trade	3,921,962	5,832,798
Accrued interest	1,242,685	873,089
Province of British Columbia	2,932,924	957,909
Government of Canada	383,896	816,952
	<u>11,892,087</u>	<u>11,741,383</u>
Water Fund:		
Trade	709,062	987,732
	<u>709,062</u>	<u>987,732</u>
Sewer Fund:		
Province of British Columbia	325,974	10,000
	<u>325,974</u>	<u>10,000</u>
Cemetery Trust:		
Accrued interest	9,523	7,582
Kamloops Airport Authority Society:		
Trade	128,868	78,311
Venture Kamloops Business Development Society:		
Trade	28,393	60,819
	<u>\$ 13,093,907</u>	<u>\$ 12,885,827</u>

4 . Accounts payable:

	<u>2007</u>	<u>2006</u>
General fund:		
Trade	\$ 8,419,342	\$ 11,469,329
Payroll and benefits	381,864	343,278
Province of British Columbia	1,442,146	1,294,584
Government of Canada	3,554,908	3,379,749
	<u>13,798,260</u>	<u>16,486,940</u>
Kamloops Airport Authority Society:		
Trade	72,758	47,279
Venture Kamloops Business Development Society:		
Trade	26,162	20,641
	<u>\$ 13,897,180</u>	<u>\$ 16,554,860</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

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 913 employees; and an early retirement incentive payment for Management employees.

Total benefit payments paid during the year were \$335,000 (2006 - \$353,000). The plan is unfunded and requires no contribution from employees. The retirement benefit liability at December, 31, 2007 includes the following components:

	<u>2007</u>	<u>2006</u>
Accrued benefit obligation - opening balance	\$ 5,440,000	\$ 5,487,000
Current service cost	335,000	335,000
Interest cost	249,000	236,000
Benefits paid	(335,000)	(353,000)
Actuarial gain/(loss) - current	<u>(131,000)</u>	<u>(265,000)</u>
Accrued benefit obligation - ending balance	5,558,000	5,440,000
Unamortized prior year net accrual gain/(loss)	71,000	(73,000)
Funding excess	276,476	276,476
Post-employment benefit payable	<u>\$ 5,905,476</u>	<u>\$ 5,643,476</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 19, 2008. The accrued benefit obligation shown for 2007 is based on amounts included in the 2007 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, 2007

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. This liability and annual expenditure is calculated based on the ratio of current usage to total capacity of the site and the estimated future cash flows associated with closure and post-closure activities stated in current (2007) dollars. The aggregate liability for closure and post-closure costs for the two landfills is \$1,809,806 (2006 = \$1,366,530).

The main landfill at the Mission Flats site is expected to serve until 2053 with 25 years needed for post-closure care based on an independent assessment conducted in 2007. The remaining capacity of the landfill site is estimated at 5.34 million cubic meters, which is 93% 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.

Since a final design for the Barnhartvale site has not been completed the independent assessment was not able to provide a lifespan analysis. The City anticipates that the Barnhartvale site will serve until 2017 with 25 years needed for post-closure care. The remaining capacity of the landfill site is estimated at 184,426 cubic meters, which is approximately 38% of the site's total capacity.

The estimated total expenditures for closure and post-closure care of the two landfills is \$17,140,000 with \$15,330,194 remaining to be recognized as a liability.

The City has not provided a reserve to fund future landfill capital expenditures as at December 31, 2007. The funding required is provided through current operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

7 . Deferred revenue:

	Balance at December 31, 2006	Collected	Interest	Recognized	Balance at December 31, 2007
General fund:					
Taxes	\$ 9,096,930	\$ 16,823,788	\$ 279,036	\$ (16,389,536)	\$ 9,810,218
Leases	107,745			(12,215)	95,530
Business licenses	886,803	955,422		(886,803)	955,422
Other	819,658	665,047		(819,658)	665,047
	<u>10,911,136</u>	<u>18,444,257</u>	<u>279,036</u>	<u>(18,108,212)</u>	<u>11,526,217</u>
Development cost charges	12,244,054	3,810,603	491,344	(1,305,546)	15,240,455
	<u>\$ 23,155,190</u>	<u>\$ 22,254,860</u>	<u>\$ 770,380</u>	<u>\$ (19,413,758)</u>	<u>\$ 26,766,672</u>

8 . Long-term debt:

(a) Long-term debt outstanding:

	General fund	Water fund	Sewer fund	Total
Balance at December 31, 2006	\$ 34,847,644	\$ 44,071,908	\$ 7,881,507	\$ 86,801,059
Principal repayments	(1,619,688)	(2,837,353)	(689,508)	(5,146,549)
Actuarial adjustments	(527,304)	(533,472)	(619,712)	(1,680,488)
Debt acquired	16,367,961	2,350,000	-	18,717,961
Balance at December 31, 2007	<u>\$ 49,068,613</u>	<u>\$ 43,051,083</u>	<u>\$ 6,572,287</u>	<u>\$ 98,691,983</u>

(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
2008	\$ 1,933,101	\$ 2,836,193	\$ 619,995	\$ 5,389,289
2009	1,874,087	2,792,810	540,286	5,207,183
2010	1,824,199	2,734,651	512,481	5,071,331
2011	1,765,947	2,658,186	418,160	4,842,293
2012	1,742,776	2,602,931	353,281	4,698,988
Thereafter	22,245,210	19,707,505	1,549,334	43,502,049

The weighted average interest rate on long-term debt in 2007 was 4.69%. (2006 - 5.19%).



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

8 . Long-term debt (cont.):

(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, 2006	Capital assets purchased pending debt	Debt acquired	Adjustments	Balance at December 31, 2007
General fund	\$ 18,298,972	\$ 7,017,042	\$ (16,367,961)	\$ (484,924)	\$ 8,463,129
Water fund	2,197,238	174,841	(2,350,000)		22,079
Sewer Fund	239,797	29,770	-		269,567
	<u>\$ 20,736,007</u>	<u>\$ 7,221,653</u>	<u>\$ (18,717,961)</u>	<u>\$ (484,924)</u>	<u>\$ 8,754,775</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

9 . Obligations under capital lease:

General Fund:

The City had entered into a capital lease agreement with the Municipal Finance Authority to finance the acquisition of a certain capital asset. The final payment was made in 2007 and there is no further obligation.

	<u>2007</u>	<u>2006</u>
2007	\$ -	\$ 365,702
Net minimum lease payments	-	365,702
Less amount representing interest at approximately 3.5%	-	<u>(11,205)</u>
Present value of capital lease payments	-	354,497
Less current portion	-	354,497
	<u>\$ -</u>	<u>\$ -</u>

Interest of \$11,304 (2006 - \$18,096) relating to the capital lease obligation has been included in interest expense.

Kamloops Airport Authority Society:

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

	<u>2007</u>	<u>2006</u>
2007	\$ -	\$ 12,036
2008	12,036	12,036
2009	<u>11,890</u>	<u>11,890</u>
Net minimum lease payments	23,926	35,962
Less amount representing interest at approximately 0.5%	<u>(114)</u>	<u>(265)</u>
Present value of capital lease payments	23,812	35,697
Less current portion	11,945	11,885
	<u>\$ 11,867</u>	<u>\$ 23,812</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

10 . Capital Assets:

	<u>2007</u>	<u>2006</u>
General fund:		
Engineered structures	\$ 222,563,343	\$ 212,794,672
Buildings	134,868,864	126,629,563
Machinery and equipment	71,062,275	67,934,684
Land	17,594,265	19,343,206
	<u>446,088,747</u>	<u>426,702,125</u>
Water Fund:		
Engineered structures	162,804,193	158,875,636
Buildings	1,116,787	662,101
Machinery and equipment	4,479,693	3,836,101
Land	152,785	152,785
	<u>168,553,458</u>	<u>163,526,623</u>
Sewer Fund:		
Engineered structures	90,638,081	87,876,630
Buildings	753,241	298,555
Machinery and equipment	3,869,464	3,693,809
Land	250,790	250,790
	<u>95,511,576</u>	<u>92,119,784</u>
Kamloops Airport Authority Society:		
Capital assets	<u>50,471,822</u>	<u>50,288,759</u>
Venture Kamloops Business Development Society:		
Capital assets	<u>35,782</u>	<u>34,265</u>
	<u>\$ 760,661,385</u>	<u>\$ 732,671,556</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

11 . Reserves for operating purposes:

	Balance at December 31, 2006	Interest income and contributions	Transfers to operations and capital	Balance at December 31, 2007
General fund:				
Affordable Housing	\$ 200,000	\$ 50,000	\$ (97,300)	\$ 152,700
Art Gallery	464,069	17,358	(17,358)	464,069
Arts Legacy	226,779			226,779
Bi-centennial Legacy	259,027	12,294		271,321
Canada Games Legacy	569,702		(1,691)	568,011
Community Arts	7,999			7,999
Deferred Operating	828,451	1,789,292	(646,742)	1,971,001
Environmental Grant	16,719			16,719
General Building	44,109	12,214		56,323
Heritage Foundation	70,000	20,000		90,000
Insurance	1,100,000	122,098		1,222,098
Oak Hills Dyke	12,932			12,932
Police Contract	1,468,512	1,840,586		3,309,098
Return to Work	184,721	75,499		260,220
Solid Waste	76,834	60,768		137,602
Sports Legacy	184,680	1,727		186,407
Stream Stewardship	5,000		(5,000)	-
Working Capital	1,024,719	578,000		1,602,719
Youth Legacy	4,331			4,331
	<u>6,748,584</u>	<u>4,579,836</u>	<u>(768,091)</u>	<u>10,560,329</u>
Water fund:				
Deferred Operating	\$ -	\$ 10,000	\$ -	\$ 10,000
	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Sewer fund:				
Deferred Operating	\$ -	\$ 10,000	\$ -	\$ 10,000
	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Cemetery:				
Cemetery Care Trust Fund	1,140,300	144,833	(66,077)	1,219,056
	<u>1,140,300</u>	<u>144,833</u>	<u>(66,077)</u>	<u>1,219,056</u>
	<u>\$ 7,888,884</u>	<u>\$ 4,744,669</u>	<u>\$ (834,168)</u>	<u>\$ 11,799,385</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

12 . Reserves for capital purposes:

	Balance at December 31, 2006	Interest income and contributions	Transfers to operations and capital	Balance at December 31, 2007
Statutory reserves:				
Tax sale property fund	\$ 5,387,433	\$ 3,057,452	\$ (81,309)	\$ 8,363,576
Local improvement fund	738,679	33,522	(617,721)	154,480
Debt retirement fund	18,703	700	-	19,403
Parking facility reserve	340,708	177,280	(117,926)	400,062
Land sale reserve fund	97,468	1,847,656	(2,443)	1,942,681
Equipment replacement fund	6,991,030	4,291,070	(1,197,645)	10,084,455
	<u>13,574,021</u>	<u>9,407,680</u>	<u>(2,017,044)</u>	<u>20,964,657</u>
Non-statutory reserves:				
General fund	\$ 10,862,244	\$ 7,329,106	\$ (7,422,239)	\$ 10,769,111
Water fund	6,136,302	2,045,693	(2,088,897)	6,093,098
Sewer fund	2,338,399	516,038	(1,129,354)	1,725,083
	<u>19,336,945</u>	<u>9,890,837</u>	<u>(10,640,490)</u>	<u>18,587,292</u>
Airport capital fund	<u>510,216</u>	<u>838,225</u>	<u>(348,430)</u>	<u>1,000,011</u>
	<u>\$ 33,421,182</u>	<u>\$ 20,136,742</u>	<u>\$ (13,005,964)</u>	<u>\$ 40,551,960</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, 2007. 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:

	2007	2006
Opening balance of unused funds	\$ 914,412	\$ 963,761
Amounts received during the year	1,289,761	963,018
Interest earned during the year *	78,386	-
Amounts spent during the year	(117,476)	(1,012,367)
Closing balance of unused funds	<u>\$ 2,165,083</u>	<u>\$ 914,412</u>

* Interest revenue was not posted to the account during 2006. In 2007 \$35,053 was added to the reserve as well as interest earned throughout 2007.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

13 . Surplus from operations:

	<u>2007</u>	<u>2006</u>
General fund:		
Balance, beginning of year	\$ 4,613,761	\$ 4,698,554
Operating Deficit for the year	<u>3,558,121</u>	<u>(84,793)</u>
	<u>8,171,882</u>	<u>4,613,761</u>
Water fund:		
Balance, beginning of year	6,863,250	5,848,315
Operating Surplus for the year	<u>(547,995)</u>	<u>1,014,935</u>
	<u>6,315,255</u>	<u>6,863,250</u>
Sewer fund:		
Balance, beginning of year	4,888,160	3,239,068
Operating Surplus for the year	<u>1,970,083</u>	<u>1,649,092</u>
	<u>6,858,243</u>	<u>4,888,160</u>
Kamloops Airport Authority Society:		
Balance, beginning of year	72,114	63,770
Operating Surplus for the year	<u>(2,850)</u>	<u>8,344</u>
	<u>69,264</u>	<u>72,114</u>
Venture Kamloops Business Development Society:		
Balance, beginning of year	95,047	67,011
Operating Surplus for the year	<u>17,522</u>	<u>28,036</u>
	<u>112,569</u>	<u>95,047</u>
	<u>\$ 21,527,213</u>	<u>\$ 16,532,332</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

14 . Taxation:

	2007 Budget (unaudited)	2007	2006
General fund:			
Real property	\$ 71,609,000	\$ 71,530,456	\$ 66,710,677
Special assessments	1,037,896	1,012,443	1,068,101
Utilities	1,203,480	1,203,743	1,164,644
Grants in lieu of taxes	2,261,050	2,204,906	2,239,351
	<u>\$ 76,111,426</u>	<u>\$ 75,951,548</u>	<u>\$ 71,182,773</u>

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

	2007	2006
Province of British Columbia - school taxes	\$ 33,000,738	\$ 32,208,625
Thompson-Nicola Regional Hospital District	2,685,900	2,603,790
Thompson-Nicola Regional District	4,776,882	4,555,273
British Columbia Assessment Authority	831,118	813,428
	<u>\$ 41,294,638</u>	<u>\$ 40,181,116</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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

	2007 Budget (unaudited)	2007	2006
Cemetery:			
Sale of service	\$ 407,500	\$ 427,503	\$ 469,537
	<u>407,500</u>	<u>427,503</u>	<u>469,537</u>
Community development:			
Sale of service	384,400	429,195	459,231
Licences and permits	1,960,000	2,225,975	2,342,001
Rentals	152,815	182,655	199,851
Miscellaneous	12,000	11,472	10,754
	<u>2,509,215</u>	<u>2,849,297</u>	<u>3,011,837</u>
Corporate administration:			
Sale of service	163,250	182,007	\$ 173,804
Concessions and franchises	1,259,400	1,329,520	1,289,730
Fines and fees	10,000	13,925	14,275
Penalties and interest	493,000	536,184	547,687
Miscellaneous	52,900	150,944	42,724
	<u>1,978,550</u>	<u>2,212,580</u>	<u>2,068,220</u>
Fire services:			
Sale of service	479,270	484,049	489,077
	<u>479,270</u>	<u>484,049</u>	<u>489,077</u>
Infrastructure maintenance:			
Sale of service	5,000	7,798	11,187
Miscellaneous	1,400	33,137	2,187
	<u>6,400</u>	<u>40,935</u>	<u>13,374</u>
Legislative and enforcement:			
Sale of service	882,977	1,011,109	880,248
Licences and permits	115,000	116,058	109,793
Fines and fees	212,310	231,384	203,262
Miscellaneous	3,500	4,063	6,084
	<u>1,213,787</u>	<u>1,362,614</u>	<u>1,199,387</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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

	2007 Budget (unaudited)	2007	2006
Parks, recreation and leisure services:			
Sale of service	\$ 5,212,228	\$ 5,046,570	\$ 4,121,459
Rentals	-	4,717	-
Miscellaneous	-	3,436	1,468
	<u>5,212,228</u>	<u>5,054,723</u>	<u>4,122,927</u>
Police services:			
Sale of service	116,700	133,769	129,709
Rentals	196,000	84,282	353,823
	<u>312,700</u>	<u>218,051</u>	<u>483,532</u>
Public transit:			
Sale of service	3,510,000	3,754,481	3,532,487
	<u>3,510,000</u>	<u>3,754,481</u>	<u>3,532,487</u>
Solid waste:			
Sale of service	4,028,250	3,758,745	3,501,530
	<u>4,028,250</u>	<u>3,758,745</u>	<u>3,501,530</u>
Water utility:			
Sale of service	15,964,620	16,134,792	15,573,363
Miscellaneous	-	32,231	-
	<u>15,964,620</u>	<u>16,167,023</u>	<u>15,573,363</u>
Sewer utility:			
Sale of service	7,700,000	7,931,454	7,886,126
Miscellaneous	70,000	73,541	-
	<u>7,770,000</u>	<u>8,004,995</u>	<u>7,886,126</u>
Kamloops Airport Authority Society:			
Sale of service	-	829,170	389,791
	<u>-</u>	<u>829,170</u>	<u>389,791</u>
Venture Kamloops Business Development Society:			
Sale of service	-	102,049	31,953
	<u>-</u>	<u>102,049</u>	<u>31,953</u>
	<u>\$ 43,392,520</u>	<u>\$ 45,266,215</u>	<u>\$ 42,773,141</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

16 . Grants:

	2007 Budget (unaudited)	2007	2006
General fund:			
Federal Government:			
Policing	\$ 1,484,400	\$ 1,259,851	\$ 1,304,011
Community Works Fund	1,290,699	1,289,761	963,018
Capital infrastructure	-	-	764,384
Provincial Government:			
Transit	3,887,272	3,922,686	3,801,760
Gaming revenue	2,130,000	2,648,182	2,266,961
Victims assistance	60,000	62,920	60,000
Traffic Fines	1,145,290	1,241,323	1,145,290
Capital infrastructure	277,656	1,597,149	2,009,344
Other	581,650	285,343	161,757
	<u>10,856,967</u>	<u>12,307,215</u>	<u>12,476,525</u>
Water fund:			
Provincial Government:			
Revenue Sharing			-
Capital infrastructure	-	10,000	10,667
	<u>-</u>	<u>10,000</u>	<u>10,667</u>
Sewer fund:			
Provincial Government:			
Capital infrastructure	630,974	630,974	594,359
	<u>630,974</u>	<u>630,974</u>	<u>594,359</u>
	<u>\$ 11,487,941</u>	<u>\$ 12,948,189</u>	<u>\$ 13,081,551</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

17 . Expenditures by function and object:

	2007 Budget (unaudited)	2007	2006
Cemetery:			
Salaries, wages and benefits	\$ 352,682	\$ 354,478	\$ 350,496
Personnel expenses	2,000	2,647	2,034
Contractual services	14,050	15,459	15,438
Supplies and other expenses	77,407	72,802	71,924
Transfers from other functions	132,891	116,918	104,692
Total operating expenditures	579,030	562,304	544,584
Capital expenditures	25,514	22,705	32,804
	604,544	585,009	577,388
Community development:			
Salaries, wages and benefits	4,325,464	4,268,411	3,719,198
Personnel expenses	93,195	85,452	74,350
Contractual services	214,853	149,483	151,577
Supplies and other expenses	233,569	198,061	484,160
Transfers from other functions	359,009	321,226	310,905
Transfers to other functions	(427,650)	(427,650)	(310,150)
Cost allocated to capital	(632,000)	(601,704)	(338,988)
Total operating expenditures	4,166,440	3,993,279	4,091,052
Capital expenditures	381,802	312,260	2,687,007
	4,548,242	4,305,539	6,778,059
Corporate administration:			
Salaries, wages and benefits	5,776,395	5,834,691	5,419,485
Personnel expenses	370,955	314,304	258,066
Contractual services	2,641,673	2,218,934	2,346,824
Supplies and other expenses	2,532,989	865,055	1,102,347
Transfers from other functions	568,518	524,846	471,933
Transfers to other functions	(3,227,413)	(2,930,531)	(2,867,950)
Total operating expenditures	8,663,117	6,827,299	6,730,705
Capital expenditures	1,894,026	738,920	1,668,503
	10,557,143	7,566,219	8,399,208

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

17 . Expenditures by function and object (continued):

	2007 Budget (unaudited)		2007		2006
Environmental services:					
Salaries, wages and benefits	\$ 202,002	\$	202,111	\$	133,823
Personnel expenses	3,000		4,974		3,298
Contractual services	55,000		53,052		29,563
Supplies and other expenses	300,000		88,665		70,683
Transfers from other functions	18,962		17,537		10,666
Transfers to other functions	(95,318)		(95,318)		(39,202)
Total operating expenditures	483,646		271,021		208,831
Capital expenditures	-		-		-
	483,646		271,021		208,831
Fire services:					
Salaries, wages and benefits	9,548,724		9,580,968		9,090,398
Personnel expenses	74,835		77,225		73,108
Contractual services	195,876		205,519		169,217
Supplies and other expenses	493,166		522,433		510,177
Transfers from other functions	205,395		212,634		290,669
Transfers to other functions	-		(15,115)		(86,023)
Total operating expenditures	10,517,996		10,583,664		10,047,546
Capital expenditures	2,693,383		1,452,252		1,036,389
	13,211,379		12,035,916		11,083,935
Infrastructure maintenance:					
Salaries, wages and benefits	7,294,709		7,081,235		6,299,715
Personnel expenses	90,805		80,455		94,479
Contractual services	1,631,832		1,540,089		1,343,086
Supplies and other expenses	4,335,552		4,403,192		4,100,695
Transfers from other functions	3,050,393		3,465,147		2,333,967
Transfers to other functions	(6,822,431)		(7,936,599)		(6,764,113)
Cost allocated to capital	(1,026,175)		(422,786)		464,676
Total operating expenditures	8,554,685		8,210,733		7,872,505
Capital expenditures	22,287,806		10,022,062		13,664,978
	30,842,491		18,232,795		21,537,483

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

17 . Expenditures by function and object (continued):

	2007 Budget (unaudited)	2007	2006
Legislative and enforcement:			
Salaries, wages and benefits	\$ 2,189,049	\$ 2,082,212	\$ 1,812,939
Personnel expenses	124,731	63,097	83,355
Contractual services	139,774	138,158	120,877
Supplies and other expenses	787,880	683,330	510,250
Transfers from other functions	331,049	312,529	284,971
Transfers to other functions	(30,000)	(30,000)	(30,000)
Total operating expenditures	<u>3,542,483</u>	<u>3,249,326</u>	<u>2,782,392</u>
Capital expenditures	1,363,239	499,824	555,833
	<u>4,905,722</u>	<u>3,749,150</u>	<u>3,338,225</u>
Parks, recreation and leisure services:			
Salaries, wages and benefits	9,015,400	8,650,345	7,829,224
Personnel expenses	169,615	135,722	129,889
Contractual services	2,648,626	2,818,840	2,557,121
Supplies and other expenses	5,524,712	4,553,009	4,871,486
Transfers from other functions	2,562,062	2,401,154	2,095,386
Transfers to other functions	(272,724)	(272,724)	(233,349)
Cost allocated to capital	(47,210)	-	(105,532)
Total operating expenditures	<u>19,600,481</u>	<u>18,286,346</u>	<u>17,144,225</u>
Capital expenditures	11,586,151	8,230,152	19,663,623
	<u>31,186,632</u>	<u>26,516,498</u>	<u>36,807,848</u>
Police services:			
Salaries, wages and benefits	3,101,455	2,922,348	2,781,743
Personnel expenses	52,650	49,893	54,856
Contractual services	15,276,277	13,063,755	13,445,343
Supplies and other expenses	73,469	59,144	57,336
Transfers from other functions	112,745	114,663	113,686
Total operating expenditures	<u>18,616,596</u>	<u>16,209,803</u>	<u>16,452,964</u>
Capital expenditures	197,736	160,100	27,306
	<u>18,814,332</u>	<u>16,369,903</u>	<u>16,480,270</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

17 . Expenditures by function and object (continued):

	2007 Budget (unaudited)	2007	2006
Public transit:			
Salaries, wages and benefits	\$ 68,810	\$ 12,406	\$ 31,525
Personnel expenses	500	142	-
Contractual services	9,472,021	9,671,094	9,082,993
Supplies and other expenses	-	12	-
Transfers from other functions	10,716	11,591	13,104
Total operating expenditures	<u>9,552,047</u>	<u>9,695,245</u>	<u>9,127,622</u>
Capital expenditures	75,000	27,901	1,467,923
	<u>9,627,047</u>	<u>9,723,146</u>	<u>10,595,545</u>
Solid waste:			
Salaries, wages and benefits	1,331,374	1,321,335	1,357,394
Personnel expenses	9,145	9,664	10,549
Contractual services	2,007,118	1,997,395	1,937,531
Supplies and other expenses	246,453	576,546	219,891
Transfers from other functions	2,448,795	2,313,588	2,209,575
Transfers to other functions	(1,055,267)	(1,055,267)	(1,069,534)
Total operating expenditures	<u>4,987,618</u>	<u>5,163,261</u>	<u>4,665,406</u>
Capital expenditures	3,864,364	1,621,514	1,587,212
	<u>8,851,982</u>	<u>6,784,775</u>	<u>6,252,618</u>
Water utility:			
Salaries, wages and benefits	2,445,515	2,362,108	2,190,957
Personnel expenses	25,750	22,935	20,910
Contractual services	452,150	517,787	695,235
Supplies and other expenses	2,098,840	2,306,976	2,282,697
Transfers from other functions	1,423,622	1,556,736	1,280,915
Transfers to other functions	(286,539)	(286,539)	(286,539)
Cost allocated to capital	(84,306)	-	-
Total operating expenditures	<u>6,075,032</u>	<u>6,480,003</u>	<u>6,184,175</u>
Capital expenditures	15,966,931	4,562,826	3,672,245
	<u>22,041,963</u>	<u>11,042,829</u>	<u>9,856,420</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

17 . Expenditures by function and object (continued):

	2007 Budget (unaudited)	2007	2006
Sewer utility:			
Salaries, wages and benefits	\$ 1,500,581	\$ 1,135,729	\$ 1,047,429
Personnel expenses	19,910	19,619	20,432
Contractual services	745,696	727,362	672,877
Supplies and other expenses	1,247,765	1,179,908	1,230,911
Transfers from other functions	1,032,825	1,111,569	925,116
Transfers to other functions	(39,640)	(39,640)	(39,640)
Cost allocated to capital	(66,304)	-	-
Total operating expenditures	4,440,833	4,134,547	3,857,125
Capital expenditures	5,889,208	2,927,782	2,424,741
	10,330,041	7,062,329	6,281,866
Kamloops Airport Authority Society:			
Contractual services	-	172,545	67,623
Supplies and other expenses	-	9,055	3,105
Total operating expenditures	-	181,600	70,728
Capital expenditures	-	183,063	269,937
	-	364,663	340,665
Venture Kamloops Business Development Society:			
Supplies and other expenses	-	554,699	462,734
Total operating expenditures	-	554,699	462,734
Capital expenditures	-	1,518	9,458
	-	556,217	472,192
Debt servicing costs	6,705,101	5,906,867	5,876,745
	\$ 172,710,265	\$ 131,072,876	\$ 144,887,298



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

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 144,000 active members and approximately 51,000 retired members. Active members include approximately 35,000 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, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of the surplus to individual employers. The City of Kamloops paid \$3,332,125 for employer contributions to the plan in fiscal 2007.

- (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, 2007

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 installment 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>2007 Total</u>	<u>2006 Total</u>
General fund	\$ 665,684	\$ 1,818,204	\$ 2,483,888	\$ 2,217,555
Water utility fund	708,841	2,203,359	2,912,200	2,853,614
Sewer utility fund	237,143	619,188	856,331	1,093,501
	<u>\$ 1,611,668</u>	<u>\$ 4,640,751</u>	<u>\$ 6,252,419</u>	<u>\$ 6,164,670</u>

- (g) The Kamloops Airport Authority Society has entered into a lease agreement with Kamloops Airport Ltd. for a forty-five year term ending August 27, 2042. The lease provides for the option to extend the term for a further 20 years.

The Society has entered into a management services contract for the runway expansion project with YVR Airport Services Ltd. Ending August 31, 2009. The Society is to pay YVR a total of \$575,000 for managing the expansion of the airport runway. The amount is to be paid in 24 monthly installments of \$23,958 which commenced in October of 2007. The total budget for the expansion project is approximately \$20 million.

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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

21 . Tangible Capital Assets:

For the year ended December 31, 2009 the City will be required to comply with Section 3150, Tangible Capital Assets of the Public Sector Accounting Board Handbook. Section 3150 requires the capitalization and amortization of tangible capital assets in the financial statements. As a transitional provision, Public Sector Guideline - 7, Tangible Capital Assets of Local Governments, requires disclosure of information for each major class of tangible capital asset for which all relevant information can be provided for the complete stock of tangible capital assets of that category. This work is underway, but as no one class of assets has been completed, values cannot be disclosed at this time.

22 . Local Government Reporting Model :

The CICA has issued Section PS 1200 which is currently applicable to federal, provincial and territorial governments. Effective for year ends beginning on or after January 1, 2009, with comparative presentation for 2008, the revised Section will apply to all levels of government. As a result, local governments will be required to prepare a statement of financial position which presents both net debt/net financial assets and accumulated surplus/deficit calculated on a full accrual basis of accounting. When reporting the accumulated surplus/deficit, it will be presented as a single line item. Funds and reserves are not permitted to be presented on the face of the financial statements. If the government chooses, they may be disclosed in the notes or schedules to the financial statements. Since these new standards specifically cover the presentation and disclosures to be provided, they will not affect the City's results of operations or financial position.

GENERAL FUND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2007, with comparatives for 2006

	<u>2007</u>	<u>2006</u>
Financial assets		
Cash and short-term investments	\$ 42,362,730	\$ 27,533,067
Accounts receivable (note 3)	11,892,087	11,741,383
Long-term investments	271,321	259,028
	<u>54,526,138</u>	<u>39,533,478</u>
Liabilities		
Accounts payable (note 4)	13,798,260	16,486,940
Payroll benefits payable	2,806,644	2,695,690
Post-employment benefits payable (note 5)	5,905,476	5,643,476
Landfill post-closure costs (note 6)	1,809,806	1,366,430
Deferred revenue (note 7)	11,526,217	10,911,136
Long-term debt (note 8)	49,068,613	34,847,644
Obligations under capital lease (note 9)	-	354,497
	<u>84,915,016</u>	<u>72,305,813</u>
Net financial assets	<u>(30,388,878)</u>	<u>(32,772,335)</u>
Non-financial assets		
Inventory	742,989	738,592
Prepaid expenses	965,925	592,598
Capital assets (note 10)	446,088,747	426,702,125
	<u>447,797,661</u>	<u>428,033,315</u>
Net position	<u>417,408,783</u>	<u>395,260,980</u>
Reserves, Surplus and Equity		
Reserves for operating purposes (note 11)	10,560,329	6,748,584
Reserves for capital purposes (note 12)	10,769,111	10,862,244
Surplus from operations (note 13)	8,171,882	4,613,761
Total financial equity	<u>29,501,322</u>	<u>22,224,589</u>
Total capital equity	387,907,461	373,036,391
	<u>417,408,783</u>	<u>395,260,980</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, 2007, with comparatives for 2006

	2007 Budget (unaudited)	2007	2006
Revenue			
Taxation (note 14)	\$ 76,111,426	\$ 75,951,548	\$ 71,182,773
Development levies utilized	4,258,831	449,105	1,545,776
Fees, rates and sales of service (note 15)	19,657,900	20,162,978	18,891,908
Grants (note 16)	10,856,967	12,307,215	12,476,525
Investment income	2,540,870	3,539,818	3,530,431
Private contributions	2,526,066	1,459,952	1,053,207
Sale of capital assets	89,000	2,091,295	2,304,694
Transfers from other funds	7,989,761	2,393,418	6,234,689
	<u>124,030,821</u>	<u>118,355,329</u>	<u>117,220,003</u>
Expenditures (note 17)			
Cemetery	579,030	562,304	544,584
Community development	4,166,440	3,993,279	4,091,052
Corporate administration	8,663,117	6,827,299	6,730,705
Environmental services	483,646	271,021	208,831
Fire services	10,517,996	10,583,664	10,047,546
Infrastructure maintenance	8,554,685	8,210,733	7,872,505
Legislative and enforcement	3,542,483	3,249,326	2,782,392
Parks, recreation and leisure services	19,600,481	18,286,346	17,144,225
Police services	18,616,596	16,209,803	16,452,964
Public Transit	9,552,047	9,695,245	9,127,622
Solid waste	4,987,618	5,163,261	4,665,406
Debt servicing costs	3,322,214	2,700,195	2,665,350
Capital expenditures	44,369,021	23,087,690	42,391,578
Transfers to other funds	3,798,258	6,753,983	6,452,328
	<u>140,753,632</u>	<u>115,594,149</u>	<u>131,177,088</u>
Net operating activity	(16,722,811)	2,761,180	(13,957,085)
Reduction of long-term debt	(2,098,942)	(2,146,992)	(1,734,359)
Repayment of obligations under capital lease	(39,959)	(354,497)	(60,070)
Capital assets acquired pending debenture issue	11,519,457	7,017,042	15,421,752
Increase (decrease) in financial equity	\$ (7,342,255)	\$ 7,276,733	\$ (329,762)

WATER FUND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2007, with comparatives for 2006

	<u>2007</u>	<u>2006</u>
Financial assets		
Cash and short-term investments	\$ 10,585,489	\$ 8,731,819
Accounts receivable (note 3)	709,062	987,732
	<u>11,294,551</u>	<u>9,719,551</u>
Liabilities		
Payroll benefits payable	148,752	145,018
Long-term debt (note 8)	43,051,083	44,071,908
	<u>43,199,835</u>	<u>44,216,926</u>
Net financial assets	<u>(31,905,284)</u>	<u>(34,497,375)</u>
Non-financial assets		
Inventory	265,871	243,177
Capital assets (note 10)	168,553,458	163,526,623
	<u>168,819,329</u>	<u>163,769,800</u>
Net Position	<u>136,914,045</u>	<u>129,272,425</u>
Reserves, Surplus and Equity		
Reserves for operating purposes (note 11)	10,000	-
Reserves for capital purposes (note 12)	6,093,098	6,136,302
Surplus from operations (note 13)	6,315,255	6,863,250
Total financial equity	<u>12,418,353</u>	<u>12,999,552</u>
Total capital equity	124,495,692	116,272,873
	<u>136,914,045</u>	<u>129,272,425</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, 2007, with comparatives for 2006**

	<u>2007 Budget</u> (unaudited)	<u>2007</u>	<u>2006</u>
Revenue			
Development levies utilized	\$ 1,622,713	\$ 138,988	\$ 787,047
Fees, rates and sales of service (note 15)	15,964,620	16,167,023	15,573,363
Grants (note 16)	-	10,000	10,667
Investment income	627,804	2,157,161	415,534
Private contributions	150,000	171,890	-
Transfers from other funds	9,187	1,529	72,638
	<u>18,374,324</u>	<u>18,646,591</u>	<u>16,859,249</u>
Expenditures (note 17)			
Water utility	6,075,032	6,480,003	6,184,175
Debt servicing costs	2,476,387	2,426,935	2,299,747
Capital expenditures	15,966,931	4,562,826	3,672,245
Transfers to other funds	705,559	2,562,043	1,462,173
	<u>25,223,909</u>	<u>16,031,807</u>	<u>13,618,340</u>
Net operating activity	(6,849,585)	2,614,784	3,240,909
Reduction of long-term debt	(3,306,596)	(3,370,824)	(2,808,288)
Capital assets acquired pending debenture issue	7,268,085	174,841	1,051,858
Increase (decrease) in financial equity	<u>\$ (2,888,096)</u>	<u>\$ (581,199)</u>	<u>\$ 1,484,479</u>

SEWER FUND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2007, with comparatives for 2006

	<u>2007</u>	<u>2006</u>
Financial assets		
Cash and short-term investments	\$ 6,394,231	\$ 5,374,547
Accounts receivable (note 3)	325,974	10,000
	<u>6,720,205</u>	<u>5,384,547</u>
Liabilities		
Payroll benefits payable	119,002	116,014
Long-term debt (note 8)	6,572,287	7,881,507
	<u>6,691,289</u>	<u>7,997,521</u>
Net financial assets	<u>28,916</u>	<u>(2,612,974)</u>
Non-financial assets		
Inventory	70,017	65,691
Capital assets (note 10)	95,511,576	92,119,784
	<u>95,581,593</u>	<u>92,185,475</u>
Net Position	<u>95,610,509</u>	<u>89,572,501</u>
Reserves, Surplus and Equity		
Reserves for operating purposes (note 11)	10,000	-
Reserves for capital purposes (note 12)	1,725,083	2,338,399
Surplus from operations (note 13)	6,858,243	4,888,160
Total financial equity	<u>8,593,326</u>	<u>7,226,559</u>
Total capital equity	87,017,183	82,345,942
	<u>95,610,509</u>	<u>89,572,501</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, 2007, with comparatives for 2006**

	<u>2007 Budget</u> (unaudited)	<u>2007</u>	<u>2006</u>
Revenue			
Development levies utilized	\$ 908,443	\$ 623,562	\$ 672,680
Fees, rates and sales of service (note 15)	7,770,000	8,004,995	7,886,126
Grants (note 16)	630,974	630,974	594,359
Investment income	547,471	2,049,837	560,056
Private contributions	-	125,000	-
Transfers from other funds	439,306	619,443	309,056
	<u>10,296,194</u>	<u>12,053,811</u>	<u>10,022,277</u>
Expenditures (note 17)			
Sewer utility	4,440,833	4,134,547	3,857,125
Debt servicing costs	906,500	779,586	911,550
Capital expenditures	5,889,208	2,927,782	2,424,741
Transfers to other funds	18,000	1,565,679	620,105
	<u>11,254,541</u>	<u>9,407,594</u>	<u>7,813,521</u>
Net operating activity	(958,347)	2,646,217	2,208,756
Reduction of long-term debt	(1,176,175)	(1,309,220)	(1,120,480)
Capital assets acquired pending debenture issue	2,121,250	29,770	89,763
Increase (decrease) in financial equity	<u>\$ (13,272)</u>	<u>\$ 1,366,767</u>	<u>\$ 1,178,039</u>

CEMETERY CARE TRUST FUND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2007, with comparatives for 2006

	<u>2007</u>	<u>2006</u>
Financial Assets		
Cash and short-term investments (note 2)	\$ 1,209,533	\$ 1,132,718
Accounts receivable (note 3)	9,523	7,582
	<u>1,219,056</u>	<u>1,140,300</u>
Reserves, Surplus and Equity		
Reserves for operating purposes (note 11)		
Balance, beginning of the year	<u>1,140,300</u>	<u>1,054,682</u>
Add:		
Transfer from General Revenue Fund	78,756	85,618
Interest Earned	66,077	50,058
	<u>144,833</u>	<u>135,676</u>
Less:		
Transfer to General Revenue Fund	<u>(66,077)</u>	<u>(50,058)</u>
Balance, end of the year	<u>1,219,056</u>	<u>1,140,300</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, 2007, with comparatives for 2006**

	<u>2007</u>	<u>2006</u>
Financial Assets		
Cash and short-term investments (note 2)	\$ 36,205,112	\$ 25,818,075
	<u>36,205,112</u>	<u>25,818,075</u>
Liabilities		
Deferred revenue (note 7)	15,240,455	12,244,054
	<u>15,240,455</u>	<u>12,244,054</u>
Net financial assets	<u>20,964,657</u>	<u>13,574,021</u>
Reserves, Surplus and Equity		
Reserves for capital purposes (note 12)		
Tax sale property fund	8,363,576	5,387,433
Local improvement fund	154,480	738,679
Debt retirement fund	19,403	18,703
Parking facility reserve	400,062	340,708
Land sale reserve fund	1,942,681	97,468
Equipment replacement fund	10,084,455	6,991,030
Total financial equity	<u>20,964,657</u>	<u>13,574,021</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, 2007, with comparatives for 2006**

	<u>2007 Budget</u> (unaudited)	<u>2007</u>	<u>2006</u>
Revenue			
Transfer to:			
Tax sale property	\$ 209,000	\$ 3,057,452	\$ 984,251
Local improvement	30,930	33,522	49,162
Debt retirement	-	700	650
Parking facility	125,272	177,280	168,160
Land sale	27,000	1,847,656	1,761,455
Equipment replacement	4,043,352	4,291,070	3,743,687
Cemetery trust	79,800	78,756	85,628
	<u>4,515,354</u>	<u>9,486,436</u>	<u>6,792,993</u>
Expenditures			
Transfer from:			
Tax sale property	343,898	81,309	30,205
Local improvement	553,530	617,721	305,699
Parking facility	198,780	117,926	362,261
Land sale	1,634,155	2,443	1,974,267
Equipment replacement	5,654,218	1,197,645	2,616,270
	<u>8,384,581</u>	<u>2,017,044</u>	<u>5,288,702</u>
Increase (decrease) in financial equity	\$ (3,869,227)	\$ 7,469,392	\$ 1,504,291

**KAMLOOPS AIRPORT AUTHORITY SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2007, with comparatives for 2006**

	<u>2007</u>	<u>2006</u>
Financial assets		
Cash and short-term investments (note 2)	\$ 1,013,165	\$ 551,298
Accounts receivable (note 3)	128,868	78,311
	<u>1,142,033</u>	<u>629,609</u>
Liabilities		
Accounts payable (note 4)	72,758	47,279
Obligations under capital lease (note 9)	23,812	35,697
	<u>96,570</u>	<u>82,976</u>
Net financial assets	<u>1,045,463</u>	<u>546,633</u>
Non-financial assets		
Capital assets (note 10)	50,471,822	50,288,759
	<u>50,471,822</u>	<u>50,288,759</u>
Net Position	<u>51,517,285</u>	<u>50,835,392</u>
Reserves, Surplus and Equity		
Reserves for capital purposes (note 12)	1,000,011	510,216
Surplus from operations (note 13)	69,264	72,114
Total financial equity	<u>1,069,275</u>	<u>582,330</u>
Total capital equity	50,448,010	50,253,062
	<u>51,517,285</u>	<u>50,835,392</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, 2007, with comparatives for 2006**

	2007 Budget (unaudited)	2007	2006
Revenue			
Fees, rates and sales of service (note 15)	\$ -	\$ 829,170	389,791
Investment income	-	34,474	17,681
	-	863,644	407,472
Expenditures (note 17)			
Kamloops Airport Authority Society	-	181,600	70,728
Debt servicing costs	-	151	98
Capital expenditures	-	183,063	269,937
	-	364,814	340,763
Net operating activity	-	498,830	66,709
Capital assets acquired under capital lease	-	-	42,620
Repayment of obligations under capital lease	-	(11,885)	(6,922)
Increase (decrease) in financial equity	\$ -	\$ 486,945	102,407

VENTURE KAMLOOPS BUSINESS DEVELOPMENT SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2007, with comparatives for 2006

	<u>2007</u>	<u>2006</u>
Financial assets		
Cash and short-term investments (note 2)	\$ 102,828	\$ 49,319
Accounts receivable (note 3)	28,393	60,819
	<u>131,221</u>	<u>110,138</u>
Liabilities		
Accounts payable (note 4)	26,162	20,641
	<u>26,162</u>	<u>20,641</u>
Net financial assets	<u>105,059</u>	<u>89,497</u>
Non-financial assets		
Prepaid expenses	7,510	5,550
Capital assets (note 10)	35,782	34,265
	<u>43,292</u>	<u>39,815</u>
Net Position	<u>148,351</u>	<u>129,312</u>
Reserves, Surplus and Equity		
Surplus from operations (note 13)	112,569	95,047
Total financial equity	<u>112,569</u>	<u>95,047</u>
Total capital equity	35,782	34,265
	<u>148,351</u>	<u>129,312</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, 2007, with comparatives for 2006

	<u>2007 Budget</u> (unaudited)	<u>2007</u>	<u>2006</u>
Revenue			
Fees, rates and sales of service (note 15)	\$ -	\$ 102,049	31,953
Investment income	-	7,690	4,275
Transfers from other funds		464,000	464,000
	<u>-</u>	<u>573,739</u>	<u>500,228</u>
Expenditures (note 17)			
Venture Kamloops Business Development Society	-	554,700	462,734
Capital expenditures	-	1,517	9,458
	<u>-</u>	<u>556,217</u>	<u>472,192</u>
Net operating activity	-	17,522	28,036
Increase (decrease) in financial equity	\$ -	\$ 17,522	28,036