



# **CITY OF KELOWNA**

## **FINANCIAL STATEMENTS**

DECEMBER 31, 2006



# CITY OF KELOWNA

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Grant Thornton LLP  
Chartered Accountants  
Management Consultants

## AUDITORS' REPORT

To the Members of Council of the City of Kelowna

We have audited the consolidated statement of financial position of the City of Kelowna as at December 31, 2006 and the consolidated statements of financial activities, changes in financial position, statutory reserve funds, reserves and surplus and equity in capital assets 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 of Kelowna as at December 31, 2006 and the results of its financial activities and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Kelowna, B.C.  
March 16, 2007

*Grant Thornton LLP*

Chartered Accountants

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# CITY OF KELOWNA

## Consolidated Statement of Financial Position

As at December 31, 2006

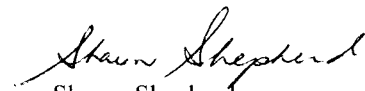
(in thousands of dollars)

	<u>2006</u>	<u>2005</u>
<b>Financial Assets</b>		
Cash and temporary investments	\$ 177,375	\$ 199,862
Accounts receivable	23,261	30,266
Accrued interest	941	610
Land held for resale	838	817
Long term investments	6,000	6,000
Municipal Finance Authority debt reserve deposit	5,197	5,264
Other	1,370	1,447
	<u>214,982</u>	<u>244,266</u>
<b>Liabilities</b>		
Accounts payable	30,278	25,589
Performance deposits	4,199	6,661
Deferred revenue	27,883	27,881
Deferred development cost charges	41,759	53,358
Municipal Finance Authority debt reserve	5,197	5,264
Long term debt	79,281	84,663
	<u>188,597</u>	<u>203,416</u>
<b>Net Financial Assets</b>	<u>26,385</u>	<u>40,850</u>
<b>Non Financial Assets</b>		
Inventory	1,001	1,014
Work in progress	114,115	81,854
Capital	868,600	790,671
	<u>983,716</u>	<u>873,539</u>
<b>Net Financial Position</b>	<u>\$ 1,010,101</u>	<u>\$ 914,389</u>
<b>Fund Position</b>		
Operating surplus	9,081	19,435
Reserves for future expenditures	63,145	65,863
Statutory reserve funds	30,893	37,837
Fund Balance	103,119	123,135
Equity in capital assets	906,982	791,254
	<u>\$ 1,010,101</u>	<u>\$ 914,389</u>

See accompanying notes to the financial statements.



Paul Macklem, CMA  
Director of Financial Services



Sharon Shepherd  
Mayor, City of Kelowna

# CITY OF KELOWNA

## Consolidated Statement of Financial Activities

For the Year Ended December 31, 2006

(in thousands of dollars)

	Budget 2006	Actual 2006	Actual 2005
<b>Revenue</b>			
Taxation	\$ 80,194	\$ 80,943	\$ 76,262
Fees and charges	86,171	94,291	85,663
Interest earned	4,067	6,196	5,158
DCC contributions	35,965	27,132	17,710
Contribution from other governments	22,455	19,957	18,513
Other capital contributions	-	5,298	11,582
	<u>228,852</u>	<u>233,817</u>	<u>214,888</u>
<b>Expenditures</b>			
General government services	12,745	11,121	11,985
Protective services	33,397	32,438	31,388
Transportation services	86,567	67,498	53,070
Recreational and cultural services	51,593	43,970	32,061
Other services	20,433	29,169	15,386
Airport operations	17,845	14,573	11,215
Electrical utility	20,696	20,522	17,503
Wastewater utility	14,358	13,387	11,438
Water utility	9,806	10,875	12,772
Debt charges	6,625	6,230	6,018
	<u>274,065</u>	<u>249,783</u>	<u>202,836</u>
<b>Net revenue (expenditure)</b>	(45,213)	(15,966)	12,052
Debt issuance	-	-	7,460
Debt repayment	<u>(4,050)</u>	<u>(4,050)</u>	<u>(3,960)</u>
<b>Increase (decrease) in fund balance</b>	\$ <u>(49,263)</u>	\$ (20,016)	\$ 15,552
Consolidated fund balance, beginning of year		123,135	107,583
<b>Consolidated fund balance, end of year</b>		\$ <u>103,119</u>	\$ <u>123,135</u>

See accompanying notes to the financial statements.

# CITY OF KELOWNA

## Consolidated Statement of Changes in Financial Position For the Year Ended December 31, 2006

(in thousands of dollars)

	Actual 2006	Actual 2005
<b>Net cash inflow (outflow) from operating activities</b>		
Excess of revenue over expenditures	\$ (15,966)	\$ 12,052
Items not affecting cash - transfers between funds	<u>105,519</u>	<u>56,035</u>
	<u>89,553</u>	<u>68,087</u>
 Decrease (increase) in non-cash financial assets		
Accounts receivable	6,674	(3,070)
Other assets	123	(8)
 Increase (decrease) in short term financial liabilities		
Accounts payable	4,689	(652)
Deferred development cost charges	(11,599)	5,196
Other liabilities	<u>(2,527)</u>	<u>11,457</u>
	<u>86,913</u>	<u>81,010</u>
 <b>Financing</b>		
Issuance of long term debt	-	7,460
Contributions and grants	6,861	20,173
Repayment of long term debt	<u>(4,050)</u>	<u>(3,960)</u>
	<u>2,811</u>	<u>23,673</u>
 <b>Investing</b>		
Proceeds on sale of capital assets	-	182
Purchase of capital assets	(112,224)	(76,392)
Land held for resale, sold	-	(123)
Decrease (increase) in inventory	13	(2)
	<u>(112,211)</u>	<u>(76,335)</u>
 <b>Net cash (outflow) inflow</b>	<b>(22,487)</b>	<b>28,348</b>
 Cash position, beginning of year	<b>199,862</b>	<b>171,514</b>
 <b>Cash position, end of year</b>	<b>\$ <u>177,375</u></b>	<b>\$ <u>199,862</u></b>
 Cash and temporary investments	<b>\$ <u>177,375</u></b>	<b>\$ <u>199,862</u></b>

See accompanying notes to the financial statements.

# CITY OF KELOWNA

## Consolidated Statement of Statutory Reserve Funds

For the Year Ended December 31, 2006

(in thousands of dollars)

	Capital Works Mach and Equip 2006	Land Sales Reserve 2006	Parking 2006	Total Actual 2006	Total Actual 2005
<b>Sources of Funds</b>					
Return on Investment	\$ 1,074	\$ 183	\$ 84	\$ 1,341	\$ 1,192
Contributions from Developers	682	-	-	682	255
Proceeds from land sales	-	5,298	-	5,298	3,044
Transfers from General Fund	5,775	160	789	6,724	6,827
Transfers from Wastewater Fund	126	-	-	126	116
Transfers from Water Fund	239	-	-	239	33
	<u>7,896</u>	<u>5,641</u>	<u>873</u>	<u>14,410</u>	<u>11,467</u>
<b>Uses of Funds</b>					
Transfers to General Fund	16,127	4,075	1,119	21,321	9,730
Transfers to Wastewater Fund	33	-	-	33	284
Transfers to Water Fund	-	-	-	-	714
	<u>16,160</u>	<u>4,075</u>	<u>1,119</u>	<u>21,354</u>	<u>10,728</u>
<b>Change in reserve fund balance</b>	(8,264)	1,566	(246)	(6,944)	739
Balance, beginning of year	32,619	3,095	2,123	37,837	37,098
<b>Balance, end of year</b>	<u>\$ 24,355</u>	<u>\$ 4,661</u>	<u>\$ 1,877</u>	<u>\$ 30,893</u>	<u>\$ 37,837</u>

See accompanying notes to the financial statements.

# CITY OF KELOWNA

## Consolidated Statement of Reserves and Surplus For the Year Ended December 31, 2006

(in thousands of dollars)

	Actual 2006	Actual 2005
<b>Reserves for future expenditures</b>	<b>\$ 63,145</b>	<b>\$ 65,863</b>
<b>Surplus</b>		
Balance, beginning of year	19,435	6,376
Add:		
Transfer from reserve for future expenditures	31,892	26,317
Increase (decrease) in fund balances	(13,072)	14,813
Deduct:		
Transfer to reserve for future expenditures	29,174	28,071
Balance, end of year	<u>9,081</u>	<u>19,435</u>
<b>Fund balance, end of year</b>	<b>\$ <u>72,226</u></b>	<b>\$ <u>85,298</u></b>

## Consolidated Statement of Equity in Capital Assets For the Year Ended December 31, 2006

(in thousands of dollars)

	Actual 2006	Actual 2005
Balance, beginning of year	<u>\$ 791,254</u>	<u>\$ 720,797</u>
<b>Contributions to capital assets</b>		
Operating funds	55,803	26,690
Other trust funds	2,786	918
Statutory reserve funds	20,439	10,163
Public	66	(326)
Federal government	895	1,876
Provincial government	4,558	2,862
Development cost charge contribution	26,335	17,710
Developers	1,342	8,857
Proceeds on sale of capital assets	-	182
	<u>112,224</u>	<u>68,932</u>
<b>Debt retirement</b>		
Retirement of debt	4,050	3,960
Retirement of short-term debt	156	-
Actuarial increase in sinking funds	<u>1,331</u>	<u>1,158</u>
	<u>5,537</u>	<u>5,118</u>
Asset disposal at original cost	<u>(2,033)</u>	<u>(3,593)</u>
<b>Balance, end of year</b>	<b>\$ <u>906,982</u></b>	<b>\$ <u>791,254</u></b>
<b>Capital asset additions</b>		
Contributions to capital assets	\$ 112,224	\$ 68,932
Debt Issuance	-	7,460
Total capital assets acquired	<u>112,224</u>	<u>76,392</u>
Assets disposal at original cost	<u>(2,033)</u>	<u>(3,593)</u>
<b>Increase in capital assets</b>	<b>\$ <u>110,191</u></b>	<b>\$ <u>72,799</u></b>

See accompanying notes to the financial statements.

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# City of Kelowna

## Notes to the Consolidated Financial Statements

### December 31, 2006

(all tabular amounts reported in 000's of dollars)

The notes to the Consolidated Financial Statements are an integral part of the statements. They explain the significant accounting and reporting policies and principles underlying these statements. They also provide relevant supplementary information and explanations which cannot be conveniently expressed in the Consolidated Financial Statements.

#### 1. Significant accounting policies

The consolidated financial statements have been prepared in conformity with accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The following is a summary of the City's significant accounting policies:

##### Basis of presentation

The City of Kelowna's resources and operations are segregated into General, Airport, Electrical Utility, Wastewater Utility, Water Utility, Natural Gas Legacy and Statutory Reserve Funds for accounting and financial reporting purposes. The consolidated financial statements include all the accounts of these funds. All material interfund transactions and balances have been eliminated within the consolidated financial statements.

The City of Kelowna Library Society is controlled by the City of Kelowna through its appointment of the members of the Society. Accordingly, the consolidated financial statements include all the accounts of the Society.

##### Accrual accounting

The accrual method for reporting revenues and expenditures has been used.

##### Inventory

Inventory is valued at the lower of cost, determined principally on a weighted average and specific item basis, or replacement cost.

##### Work in progress

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

##### Capital assets

All capital assets are valued at cost and written off when they are disposed of.

During the period 1974 to 1995, all Airport capital additions were the responsibility of the Federal Government Ministry of Transport and therefore are not reflected in these financial statements. In 1996, the City has commenced financing some of the capital additions. Those additions funded by the City are reflected in these financial statements.

##### Amortization

In accordance with the accounting principles accepted for local governments in British Columbia, no provision has been made for amortization.

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

The City issues the majority of its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the Municipal Finance Authority as a debt reserve fund. The City also executes demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the Municipal Finance Authority. These demand notes are contingent in nature.

##### Reserves for future expenditures

Reserves for future expenditures are non-statutory reserves which represent an appropriation of surplus for specific purposes. Transfers to reserves for future expenditures include funds to finance incomplete projects and accumulations for specific purposes.

##### Statutory reserve funds

The use of these funds is restricted by the Community Charter and associated Municipal Bylaws. Statutory reserve funds are funded 100% by cash and temporary investments.

##### Financial instruments

The City's financial instruments consist of cash and temporary investments, accounts receivable, accrued interest, long term investments, accounts payable and long term debt. Unless otherwise noted, it is management's opinion that the City is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying value, unless otherwise noted.

##### Revenues

Revenue is recorded on the accrual basis and recognized when earned. 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.

##### Expenditures

Expenditures are recorded in the period in which the goods or services are acquired and a liability is incurred.

##### Use of estimates

Management has made estimates and assumptions that affect the amounts reported in preparing these financial statements. Significant areas requiring the use of management estimates

**City of Kelowna**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2006**  
(all tabular amounts reported in 000's of dollars)

relate to the determination of landfill post closure costs and settlement costs associated with outstanding legal actions. Actual results could differ from the estimates and adjustments, if any, will be reflected in the operations in the year of settlement.

**Budget figures**

The budget figures are from the Annual Five-Year Financial Plan Bylaw adopted before May 15 of each year. Subsequent amendments have been made by Council to reflect changes in the budget as required by law.

**2. Financial Assets and Liabilities**

**Cash and temporary investments**

Temporary investments are recorded at cost. Cash and temporary investments are comprised of the following:

<u>Type of Investments</u>	<u>2006</u>	<u>2005</u>
Cash	\$40,272	\$44,442
Municipal Finance Authority Bond / Money Market Funds	34,993	48,492
Provincial and Bank Issued Accrual Notes and Debentures	100,112	104,912
Guaranteed Investment Certificates and Term Deposit Notes	1,998	2,016
Total Cash and temporary investments	\$177,375	\$199,862

**Accounts Receivable**

Accounts receivable are recorded net of allowance and comprise:

<u>Type of Receivables</u>	<u>2006</u>	<u>2005</u>
Property Tax	\$3,488	\$2,951
Trade Receivables	7,150	7,604
Due from Federal Government	1,552	1,784
Due from Provincial Government	2,159	3,683
Due from Regional Government	564	367
Utilities	4,772	5,084
Deferred Development Cost Charges	3,576	8,793
Total Accounts Receivable	\$23,261	\$30,266

**Deferred Development Cost Charges (DCC)**

The City collects development cost charges to pay for a proportionate share of infrastructure related to new growth. In accordance with the Community Charter of BC, these funds must be deposited into a separate reserve fund. When the related costs are incurred, the DCCs are recognized as revenue. Because these funds are restricted in nature they are shown as a liability.

<u>Deferred DCC by Type</u>	<u>2006</u>	<u>2005</u>
Roads	\$10,813	\$19,501
Parks	7,134	10,660
Drainage	2,942	2,884
Wastewater	12,955	12,681
Water	7,915	7,632
Total Deferred DCC	\$41,759	\$53,358

<u>Deferred DCC</u>	<u>2006</u>	<u>2005</u>
Balance, beginning of year	\$53,358	\$48,162
Return on Investments	1,631	1,376
DCC levied in the year	13,901	22,166
	15,532	23,542
Transfers to General Capital	(25,106)	(15,104)
Transfers to Wastewater Capital	(554)	(843)
Transfers to Wastewater Operating	(798)	(764)
Transfers to Water Capital	(673)	(1,763)
Transfers from Water Capital	-	128
	(27,131)	(18,346)
Balance, end of year	\$41,759	\$53,358

**Debenture debt**

Debenture debt principal is reported net of sinking fund balances. Interest rates on debenture debt ranged from 3.15% to 10.25%. The weighted average rate for 2006 was 5.43% (2005 – 5.54%). Principal repayments for the next five years (in thousands of dollars) are as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund	\$381	\$343	\$343	\$341	\$315
Wastewater Fund	1,451	1,451	1,443	1,275	1,247
Water Fund	248	248	224	217	191
Nat. Gas Legacy	1,699	1,699	1,699	1,699	1,699
Library Society	226	249	272	297	324
	\$4,005	\$3,990	\$3,981	\$3,829	\$3,776

Debt as a percentage of total expenditures:

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
	57.6%	67.0%	66.7%	70.5%	81.6%

**3. Capital Assets and Work in Progress**

	<u>2006</u> <u>Work in</u> <u>Progress</u>	<u>2006</u> <u>Capital</u> <u>Assets</u>	<u>2005</u> <u>Work in</u> <u>Progress</u>	<u>2005</u> <u>Capital</u> <u>Assets</u>
Land	\$ -	\$137,793	\$ -	\$107,560
Buildings	24,125	91,115	19,380	89,508
Engineering Structures	89,990	524,441	62,474	482,724
Machinery and Equipment	-	59,642	-	55,270
Gas Distribution System (Leased)	-	55,609	-	55,609
	\$114,115	\$868,600	\$81,854	\$790,671

**City of Kelowna**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2006**

(all tabular amounts reported in 000's of dollars)

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**4. Contingent liabilities**

**Regional District of Central Okanagan**

Regional District debt is, under the provisions of the Community Charter, a direct, joint and several liability of the District and each member municipality within the District including the City of Kelowna.

The loan agreements with the Regional District of Central Okanagan and the Municipal Finance Authority provide that if at any time the scheduled payments provided for in the agreements are not sufficient to meet the Authority's obligation with respect to such borrowing, the resulting deficiency becomes a liability of the member municipalities.

**Pension liability**

The City and its employees contribute to the Municipal Pension Plan (the plan), a jointly trustee 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 140,000 active members and approximately 51,000 retired members. Active members include approximately 31,000 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 Kelowna paid \$3.2 million for employer contributions to the plan in fiscal 2006. Employee contributions were \$2.6 million.

**Post employment benefits**

The City of Kelowna does not accrue expenses for post employment benefits such as retirement allowances or compensated absences (sick leave). City employees retiring do not receive any retirement allowance that either vests or accrues over the period of employment. Sick benefits do not accrue and are not vested. The City recognizes the expense for sick time when the event obligates the City to pay.

**Legal actions**

The City of Kelowna is currently engaged in certain legal actions, the outcome of which is not determinable at this time. Accordingly, no provision has been made in the accounts for these actions.

The amount of loss, if any, arising from these contingent liabilities will be recorded in the accounts in the period in which the loss is realized.

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**5. Commitments**

**Agreements, contracts and purchase orders**

The City has entered into various agreements and contracts for services and construction with periods ranging from one to five years.

The City has open purchase orders as at December 31, 2006 which have not been recorded in the accounts. The balance of these open purchase orders are not determinable at this time. The funding for the majority of these obligations has been set aside in reserves for future expenditures. These amounts will be recorded in the accounts in the period the goods and services, to which they relate, are received.

At December 31, 2006, the City had entered into construction commitments relating to the Airport capital program amounting to approximately \$3.39 million which would be included in the City's open purchase orders.

**Landfill closure and post closure costs**

As recommended by the Public Sector Accounting Board (PSAB) and regulated by the Ministry of Water, Land and Air Protection, the City has agreed to obligations regarding the operation of the landfill site. These obligations include recognition of closure and post-closure liability. The City's estimated liability for these expenditures is recognized as the landfill site's capacity is used and the reported liability of \$2.8 million (2005 - \$2.8 million) represents the portion of the estimated total expenditure recognized as at December 31, 2006. The liability and annual expenditure is calculated based on the ratio of current usage to the total capacity of the site and the discounted estimated future cash flows associated with closure and post-closure activities.

The reported liability is based on estimates and assumptions with respect to events extending over the remaining life of the landfill. The remaining capacity of the landfill site is estimated at 7.1 million tonnes, which is 90% of the site's total capacity. The discounted future cash flows for closure and post-closure cost is estimated at \$47.0 million as at December 31, 2006. The landfill site is expected to reach its capacity in 2048.

**Kelowna Family Y Centre loan guarantee agreement**

The City has, under the terms of the partnering agreement between the City of Kelowna and YMCA-YWCA of Central Okanagan, guaranteed repayment in the event that the YMCA-YWCA of Central Okanagan defaults on a \$1.8 million, 20 year loan. Under the agreement the City shall resume operation of the facility and assume responsibility for the repayment of the debt incurred by the YMCA-YWCA of Central Okanagan. As at December 31, 2006 the loan balance was \$403,750.

**City of Kelowna**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2006**

(all tabular amounts reported in 000's of dollars)

**Multi-Purpose Facility Public/Private Partnership**

The City has, under the terms of the Preferred Share Agreement between the City of Kelowna and RG Properties Ltd., purchased \$6.0 million of preferred shares in RG Arenas (Kelowna) Ltd. at a cost of \$1 per share. The terms and conditions of the purchase are subject to the terms of a Tripartite Agreement between the City of Kelowna, Royal Bank of Canada and RG Arenas (Kelowna) Ltd., RG Properties Ltd., Prospero Canadian Land Investment Fund Ltd. group of companies.

The City has, under the terms of the above noted Tripartite Agreement, committed to the annual purchase of community use time at the Multi-Purpose facility, commencing with Substantial Completion, on November 10, 1999 under the following terms:

- (i) \$1.3 million per annum for Years 1 to 3 comprised of a payment of \$1.1 million, which for Years 2 and 3 is subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum, plus an annual payment of \$150,000 without any adjustment for CPI;
- (ii) \$1.2 million per annum for Years 4 to 7, subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum;
- (iii) \$1.2 million per annum for Years 8 to 10, subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum, minus \$150,000 per annum;
- (iv) \$1.0 million per annum for Years 11 to 20, subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum; and
- (v) \$0.5 million per annum for Years 21 to 30, subject to a minimum CPI increase of 1% per annum and a maximum average CPI increase of 5% per annum.

The year 2006 represented year 7 of the agreement.

Should the City not exercise, in its sole discretion, its option to renew any future term for community use time in the Multi-Purpose facility, under the above terms it shall be required to make a lump sum payment to RG Arenas (Kelowna) Ltd. on or before the 15<sup>th</sup> day of one of year 6, 11, 16, 21 or 26 commencing with the year of Substantial Completion in the following amounts:

Year 6	\$13.2 million
Year 11	\$11.9 million
Year 16	\$10.4 million
Year 21	\$6.7 million
Year 26	\$4.5 million

Upon such payment, no further amounts will be payable to RG Arenas (Kelowna) Ltd. and the City will have the right to the community use time for the period from the beginning of the year in which the payment was made until November 9, 2029 without any additional payment.

The City did exercise its option to renew the purchase of community use time under the above annual payments terms and accordingly did not make the lump sum payment of \$13.2 million otherwise due to RG Arenas (Kelowna) Ltd. in year 6.

**Mission Recreation Park Sports Centre**

The City has under the terms of the design build contract with RG Construction (Mission) Ltd. agreed to pay \$16.6 million for the construction of a sports facility. As at December 31, 2006 there was an outstanding commitment of \$227,800. This will become due as the project is completed.

**Mission Recreation Park Aquatic Centre**

The City has under the terms of the pre-load and design build contract with PCL Constructors Westcoast Inc. agreed to pay \$40.4 million for the construction of an aquatic facility. As at December 31, 2006 there was an outstanding commitment of \$38.2 million. This will become due as the project is completed by December 2008.

**6. Investments**

**Kelowna Developments Ltd.**

The investment in Kelowna Developments Ltd., a wholly owned subsidiary, is carried at its cost of \$2. The company is inactive with no assets or liabilities and is being retained for potential future use.

**RG Arenas (Kelowna) Ltd.**

The investment in preferred shares in RG Arenas (Kelowna) Ltd. is carried at its cost of \$6.0 million. The shares were purchased under the terms of the Preferred Share Agreement between the City of Kelowna and RG Properties Ltd. and are to be retained until 2028 per the terms of that agreement described in note 5.

**7. Letters of credit**

In addition to the performance deposits reflected in cash balances, the City is holding irrevocable Letters of Credit in the amount of \$31.9 million (2005 - \$23.4 million) which were received from depositors to ensure their performance of works to be undertaken within the City. These amounts are not reflected in the financial statements but are available to satisfy any liabilities arising from non-performance by the depositors. The City is also holding irrevocable Letters of Credit in the amount of \$4.6 million (2005 - \$7.6 million) which are received from developers to ensure payment of development cost charges in future years.

**City of Kelowna**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2006**

(all tabular amounts reported in 000's of dollars)

**8. Capital lease payable**

The City has entered into an agreement with Terasen Gas Inc. that has resulted in the creation of the Natural Gas Legacy Fund.

**Capital lease**

Under the terms of the agreement the City has entered into a 35 year capital lease with Terasen Gas Inc., commencing November 1, 2001, for the natural gas distribution system within the City's boundary. The City has prepaid \$47.5 million of the capital lease obligation and has financed the prepayment through debenture debt. The remaining obligation of \$2.5 million, which is included in long term debt, will be paid with annual lease payments of \$260,870 including interest based on Terasen approved pre-tax weighted average cost of capital of 10.072%.

**Operating lease**

The City has also entered into a 17 year operating lease with Terasen Gas Inc., commencing November 1, 2001, whereby the City leases back to Terasen Gas Inc. the operations of the gas distribution system. Under the operating lease Terasen Gas Inc. is required to make annual lease payments to the City calculated by a formula specified in the agreement which is based on the total annual revenue generated by the transaction. At the end of the 17 year term Terasen Gas Inc. has the option of making a termination payment to the City equal to the unamortized portion of the City's \$47.5 million prepayment under the capital lease, which is estimated to be \$24.4 million, or negotiate a new 18 year operating lease with a continuation of the annual lease payments which existed under the previous 17 year operating lease.

Annual Lease revenues to date are:

2001	\$1.1 million
2002	\$5.6 million
2003	\$5.3 million
2004	\$5.8 million
2005	\$4.9 million
2006	\$5.4 million

**9. City of Kelowna Library Society**

In March 1997, the City transferred the Library building and land located on Ellis Street in the City of Kelowna and the related mortgage loan to the City of Kelowna Library Society, a non-profit society. The City has guaranteed the repayment of the mortgage. As at December 31, 2006 the mortgage balance was \$3.7 million. The City has taken back an option to purchase these assets at a nominal value. The Society's financial information is included in with the City of Kelowna Consolidated Financial Statements.

**10. Trust Funds**

In accordance with PSAB recommendations for local governments, trust funds are not included in the City's Consolidated Financial Statements. The City administers a Cemetery Maintenance Fund for the perpetual care and maintenance of the City owned and operated cemetery. As at December 31, 2006 the Trust Fund balance is \$1.4 million (2005 - \$1.3 million).

**11. Prior year's figures**

Certain of the prior year's figures have been restated to conform to the presentation format adopted in the current year.

Grant Thornton LLP  
Chartered Accountants  
Management Consultants

## AUDITORS' REPORT ON SUPPLEMENTARY FINANCIAL INFORMATION

To the Members of Council of the City of Kelowna

We have audited and reported separately herein on the consolidated financial statements of the City of Kelowna as at and for the year ended December 31, 2006.

Our audit was conducted for the purpose of expressing an opinion on the consolidated financial statements of the City taken as a whole. The supplementary information on the financial position, financial activities of operations of the individual funds and the schedule of receipts and disbursements of Federal Gas Tax for the year ended December 31, 2006 included in the following supporting schedules are presented for the purposes of additional analysis. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Kelowna, B.C.  
March 16, 2007

*Grant Thornton LLP*  
Chartered Accountants

# CITY OF KELOWNA

## Statement of Financial Position - by Fund

As at December 31, 2006

(in thousands of dollars)

	General Fund 2006	Airport Fund 2006	Electrical Fund 2006	Waste- water Fund 2006
<b>Financial Assets</b>				
Cash and temporary investments	\$ 78,399	\$ 8,953	\$ 7,216	\$ 10,729
Accounts receivable	11,596	1,701	2,894	1,924
Accrued interest	941	-	-	-
Land held for resale	838	-	-	-
Long term investments	6,000	-	-	-
Municipal Finance Authority debt reserve	752	-	-	2,060
Other	1,196	132	-	30
Due from other funds	1,906	-	3,500	-
	<u>101,628</u>	<u>10,786</u>	<u>13,610</u>	<u>14,743</u>
<b>Liabilities</b>				
Accounts payable	27,550	381	1,556	300
Due to other funds	-	5,406	-	-
Performance deposits	3,972	227	-	-
Deferred revenue	25,043	-	-	2,737
Deferred development cost charges	-	-	-	-
Municipal Finance Authority debt reserve				
Cash deposits	232	-	-	561
Demand notes	520	-	-	1,499
Long term debt	7,878	-	-	24,089
	<u>65,195</u>	<u>6,014</u>	<u>1,556</u>	<u>29,186</u>
<b>Net Financial Assets (Liabilities)</b>	<u>36,433</u>	<u>4,772</u>	<u>12,054</u>	<u>(14,443)</u>
<b>Non Financial Assets</b>				
Inventory	653	-	214	80
Work in progress, at cost	70,249	10,875	801	31,277
Capital	518,984	36,053	33,292	155,007
	<u>589,886</u>	<u>46,928</u>	<u>34,307</u>	<u>186,364</u>
	<u>\$ 626,319</u>	<u>\$ 51,700</u>	<u>\$ 46,361</u>	<u>\$ 171,921</u>
<b>Fund Position</b>				
Operating surplus (deficit)	1,133	(4,891)	9,242	1,420
Reserves for future expenditures	42,859	9,663	3,026	5,686
Statutory reserve funds	-	-	-	-
Equity in capital assets	582,327	46,928	34,093	164,815
	<u>\$ 626,319</u>	<u>\$ 51,700</u>	<u>\$ 46,361</u>	<u>\$ 171,921</u>

<b>Water Fund 2006</b>	<b>Statutory Reserves 2006</b>	<b>Nat. Gas Legacy Fund 2006</b>	<b>Library Society 2006</b>	<b>Consolidation Adjustments 2006</b>	<b>Consolidated 2006</b>	<b>Consolidated 2005</b>
\$ 995	\$ 69,076	\$ 1,814	\$ 193	\$ -	\$ 177,375	\$ 199,862
669	3,576	901	-	-	23,261	30,266
-	-	-	-	-	941	610
-	-	-	-	-	838	817
-	-	-	-	-	6,000	6,000
294	-	2,091	-	-	5,197	5,264
12	-	-	-	-	1,370	1,447
-	-	-	-	(5,406)	-	-
<u>1,970</u>	<u>72,652</u>	<u>4,806</u>	<u>193</u>	<u>(5,406)</u>	<u>214,982</u>	<u>244,266</u>
67	-	397	27	-	30,278	25,589
-	-	-	-	(5,406)	-	-
-	-	-	-	-	4,199	6,661
103	-	-	-	-	27,883	27,881
-	41,759	-	-	-	41,759	53,358
84	-	612	-	-	1,489	1,468
210	-	1,479	-	-	3,708	3,796
1,535	-	42,106	3,673	-	79,281	84,663
<u>1,999</u>	<u>41,759</u>	<u>44,594</u>	<u>3,700</u>	<u>(5,406)</u>	<u>188,597</u>	<u>203,416</u>
(29)	30,893	(39,788)	(3,507)	-	26,385	40,850
54	-	-	-	-	1,001	1,014
913	-	-	-	-	114,115	81,854
61,648	-	55,609	8,007	-	868,600	790,671
62,615	-	55,609	8,007	-	983,716	873,539
<u>\$ 62,586</u>	<u>\$ 30,893</u>	<u>\$ 15,821</u>	<u>\$ 4,500</u>	<u>\$ -</u>	<u>\$ 1,010,101</u>	<u>\$ 914,389</u>
(307)	-	2,318	166	-	9,081	19,435
1,911	-	-	-	-	63,145	65,863
-	30,893	-	-	-	30,893	37,837
60,982	-	13,503	4,334	-	906,982	791,254
<u>\$ 62,586</u>	<u>\$ 30,893</u>	<u>\$ 15,821</u>	<u>\$ 4,500</u>	<u>\$ -</u>	<u>\$ 1,010,101</u>	<u>\$ 914,389</u>



# CITY OF KELOWNA

## Statement of Financial Activities - by Fund

For the Year Ended December 31, 2006

(in thousands of dollars)

	General Fund 2006	Airport Fund 2006	Electrical Fund 2006	Waste- water Fund 2006
<b>Revenue</b>				
Taxation	\$ 77,225	\$ -	\$ -	\$ 2,506
Fees and charges	34,869	12,841	22,019	10,834
Interest earned	3,151	550	492	589
Stat Reserve Cont to Capital	20,406	-	-	33
DCC Contributions	25,107	-	-	1,352
Contribution from other governments	18,710	741	-	506
Other Capital Contributions	-	-	-	-
	<u>179,468</u>	<u>14,132</u>	<u>22,511</u>	<u>15,820</u>
<b>Expenditures</b>				
General government services	11,121	-	-	-
Protective services	32,438	-	-	-
Transportation services	67,498	-	-	-
Recreational and cultural services	43,970	-	-	-
Other services	29,004	-	-	-
Airport operations	-	14,573	-	-
Electrical utility	-	-	20,522	-
Wastewater utility	-	-	-	13,387
Water utility	-	-	-	-
Debt Charges	1,045	-	-	1,933
	<u>185,076</u>	<u>14,573</u>	<u>20,522</u>	<u>15,320</u>
<b>Excess Revenue Over Expenditures</b>	(5,608)	(441)	1,989	500
Debt issuance	-	-	-	-
Debt repayment	(468)	-	-	(1,459)
Transfer (to) from other funds	<u>(467)</u>	<u>(29)</u>	<u>(2,175)</u>	<u>(3,027)</u>
<b>(Decrease) increase in fund balances</b>	\$ (6,543)	\$ (470)	\$ (186)	\$ (3,986)
Consolidated Fund balance, beginning of year	50,535	5,242	12,454	3,632
<b>Consolidated Fund balance, end of year</b>	<u>\$ 43,992</u>	<u>\$ 4,772</u>	<u>\$ 12,268</u>	<u>\$ (354)</u>

<b>Water Fund 2006</b>	<b>Natural Gas Legacy Fund 2006</b>	<b>Statutory Reserve Funds 2006</b>	<b>Library Society 2006</b>	<b>Consolidated 2006</b>	<b>Consolidated 2005</b>
\$ 1,212	\$ -	\$ -	\$ -	\$ 80,943	\$ 76,262
6,928	5,411	682	707	94,291	85,663
73	-	1,341	-	6,196	5,158
-	-	(20,439)	-	-	-
673	-	-	-	27,132	17,710
-	-	-	-	19,957	18,513
-	-	5,298	-	5,298	11,582
<u>8,886</u>	<u>5,411</u>	<u>(13,118)</u>	<u>707</u>	<u>233,817</u>	<u>214,888</u>
-	-	-	-	11,121	11,985
-	-	-	-	32,438	31,388
-	-	-	-	67,498	53,070
-	-	-	-	43,970	32,061
-	-	-	165	29,169	15,386
-	-	-	-	14,573	11,215
-	-	-	-	20,522	17,503
-	-	-	-	13,387	11,438
10,875	-	-	-	10,875	12,772
268	2,651	-	333	6,230	6,018
<u>11,143</u>	<u>2,651</u>	<u>-</u>	<u>498</u>	<u>249,783</u>	<u>202,836</u>
(2,257)	2,760	(13,118)	209	(15,966)	12,052
-	-	-	-	-	7,460
(202)	(1,712)	-	(209)	(4,050)	(3,960)
<u>(476)</u>	<u>-</u>	<u>6,174</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ (2,935)	\$ 1,048	\$ (6,944)	\$ -	\$ (20,016)	\$ 15,552
4,539	1,270	37,837	166	123,135	107,583
<u>\$ 1,604</u>	<u>\$ 2,318</u>	<u>\$ 30,893</u>	<u>\$ 166</u>	<u>\$ 103,119</u>	<u>\$ 123,135</u>

# CITY OF KELOWNA

## Statement of Reserves and Surplus - by Fund

For the Year Ended December 31, 2006

(in thousands of dollars)

	<b>General Fund 2006</b>	<b>Airport Fund 2006</b>	<b>Electrical Fund 2006</b>	<b>Waste- water Fund 2006</b>
Reserves for future expenditures	\$ 42,859	\$ 9,663	\$ 3,026	\$ 5,686
<b>Surplus</b>				
Balance, beginning of year	3,167	(2,923)	9,376	7,297
Add:				
Transfer from reserve for future expenditure	21,341	6,756	1,358	158
Increase (decrease) in fund balance	(6,543)	(470)	(186)	(3,986)
Deduct:				
Transfer to reserve for future expenditure	16,832	8,254	1,306	2,049
Balance, end of year	1,133	(4,891)	9,242	1,420
<b>Fund balance, end of year</b>	<b>\$ 43,992</b>	<b>\$ 4,772</b>	<b>\$ 12,268</b>	<b>\$ 7,106</b>

## Statement of Equity in Capital Assets - by Fund

For the Year Ended December 31, 2006

(in thousands of dollars)

Balance, beginning of year	\$ 496,276	\$ 38,259	\$ 30,529	\$ 156,006
<b>Contributions to Capital Assets</b>				
Operating fund	33,083	8,341	3,509	5,843
Trust and other funds	2,786	-	-	-
Statutory reserve funds	20,406	-	-	33
Public	66	-	-	-
Federal government	567	328	-	-
Provincial government	4,468	-	-	90
Development cost charge contribution	25,107	-	-	554
Developers	750	-	55	331
Proceeds from the sale of capital assets	-	-	-	-
	87,233	8,669	3,564	6,851
<b>Debt Retirement</b>				
Issuance of debt				
Retirement of debt	467	-	-	1,460
Retirement of short-term debt	156	-	-	-
Actuarial increase in sinking funds	228	-	-	498
	851	-	-	1,958
Asset disposal at original cost	(2,033)	-	-	-
<b>Balance, end of year</b>	<b>\$ 582,327</b>	<b>\$ 46,928</b>	<b>\$ 34,093</b>	<b>\$ 164,815</b>
<b>Capital asset additions</b>				
Contributions to capital assets	\$ 87,233	\$ 8,669	\$ 3,564	\$ 6,851
Debt Issuance	-	-	-	-
Total capital assets acquired	87,233	8,669	3,564	6,851
Assets disposal at original cost	(2,033)	-	-	-
<b>Increase in capital assets</b>	<b>\$ 85,200</b>	<b>\$ 8,669</b>	<b>\$ 3,564</b>	<b>\$ 6,851</b>

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<b>Water Fund 2006</b>	<b>Natural Gas Legacy Fund 2006</b>	<b>Library Society 2006</b>	<b>Consolidated 2006</b>	<b>Consolidated 2005</b>
\$ 1,911	\$ -	\$ -	\$ 63,145	\$ 65,863
1,082	1,270	166	19,435	6,376
2,279	-	-	31,892	26,317
(2,935)	1,048	-	(13,072)	14,813
733	-	-	29,174	28,071
(307)	2,318	166	9,081	19,435
\$ 1,604	\$ 2,318	\$ 166	\$ 72,226	\$ 85,298

\$ 54,740	\$ 11,319	\$ 4,125	\$ 791,254	\$ 720,797
5,027	-	-	55,803	26,690
-	-	-	2,786	918
-	-	-	20,439	10,163
-	-	-	66	(326)
-	-	-	895	1,876
-	-	-	4,558	2,862
674	-	-	26,335	17,710
206	-	-	1,342	8,857
-	-	-	-	182
5,907	-	-	112,224	68,932

202	1,712	209	4,050	3,960
-	-	-	156	-
133	472	-	1,331	1,158
335	2,184	209	5,537	5,118
-	-	-	(2,033)	(3,593)
\$ 60,982	\$ 13,503	\$ 4,334	\$ 906,982	\$ 791,254

\$ 5,907	\$ -	\$ -	\$ 112,224	\$ 68,932
-	-	-	-	7,460
5,907	-	-	112,224	76,392
-	-	-	(2,033)	(3,593)
\$ 5,907	\$ -	\$ -	\$ 110,191	\$ 72,799

## CITY OF KELOWNA

### Debenture Debt - General Fund as at December 31, 2006

(in thousands of dollars)

Year of Maturity	Purpose	Debenture Balance Dec. 31/06	Sinking Fund Balance Dec. 31/06	Amount of Issue	Current Interest Rate
	<b>Public Works</b>				%
2021	Downtown Parkade	\$ 1,620	\$ 580	\$ 2,200	7.42
2019	South Pandosy Spec Area 1	177	57	234	5.99
2019	South Pandosy Spec Area 2	309	101	410	5.99
2022	Chapman Parkade	3,541	530	4,071	5.37
	<b>Local Improvements</b>				
2009	Local Improvements	12	42	54	6.50
2010	Local Improvements	246	620	866	6.50
2011	Local Improvements	246	464	710	10.25
2011	Local Improvements	26	49	75	7.42
2014	Local Improvements	294	273	567	9.52
2016	Local Improvements	243	150	393	4.00
2016	Local Improvements	167	102	269	7.42
2017	Local Improvements	36	18	54	5.85
2019	Local Improvements	52	17	69	5.49
	<b>Recreation and Cultural</b>				
2007	Parkland Acquisition	76	750	826	6.10
2011	Brandt's Creek	417	583	1,000	4.00
2021	Kokanee Gym Facility	416	84	500	5.69
		<u>\$ 7,878</u>	<u>\$ 4,420</u>	<u>\$ 12,298</u>	

# CITY OF KELOWNA

## Debenture Debt - Wastewater Fund

as at December 31, 2006

(in thousands of dollars)

Year of Maturity	Purpose	Debenture Balance Dec. 31/06	Sinking Fund Balance Dec. 31/06	Amount of Issue	Current Interest Rate
	<b>Specified Area Programs</b>				%
2013	Spec. Area 6 - Black Mtn/Toovey	\$ 529	\$ 611	\$ 1,140	6.25
2010	Spec. Area 13 - Mission	198	497	695	6.50
2013	Spec. Area 14 - N. Glenmore	65	74	139	5.50
2013	Spec. Area 15 - Belgo Molnar	17	20	37	6.25
2015	Spec. Area 17 - Mission Flats	770	580	1,350	4.75
2018	Spec. Area 18 - Caramillo	96	39	135	5.55
2018	Spec. Area 19 - Poplar Point	55	22	77	5.55
2022	Spec. Area 22A- Gerstmar	34	5	39	6.06
2024	Spec. Area 21A- McKenzie Bench	1,266	84	1,350	4.98
2024	Spec. Area 22B- Vista Rd	75	4	79	4.98
2024	Spec. Area 22C- Hein Rd	250	16	266	4.98
2024	Spec. Area 22D- Elwyn Rd	139	10	149	4.98
2024	Spec. Area 22E- Dease Rd	90	6	96	4.98
2024	Spec. Area 22F- Mills Rd	321	21	342	4.98
2024	Spec. Area - Campion Cambro	820	54	874	4.98
2024	Spec. Area 30- Acland	342	22	364	4.98
2025	Spec. Area 20-North Rutland	6,593	229	6,822	4.17
2025	Spec. Area 28A-Okaview	617	21	638	4.17
	<b>Sewer Improvement Programs</b>				
2008	Glenmore Trunk Main	30	138	168	5.50
2008	Sewer System Improvements	4	17	21	5.50
2009	Sewer Trunk Main	207	581	788	5.00
2009	Mission Sewer Trunk Main	86	242	328	5.00
2010	Sewer System Improvements	54	104	158	4.00
2014	Long St. Sewer Main Replacement	40	24	64	5.49
2014	Glenwood Sewer Main Replacement	56	34	90	5.49
2019	Byrns Baron Main	3,498	368	3,866	4.98
	<b>Sewage Treatment Plant</b>				
2009	KPCC Upgrade #1	656	1,844	2,500	5.00
2011	KPCC Administration Building	417	583	1,000	4.00
2011	Sewer Treatment Plant Upgrade	532	743	1,275	4.00
2011	KPCC Sewer Treatment Plant	834	1,166	2,000	7.42
2011	KPCC Administration Building	292	408	700	7.42
2011	Sewer Treatment Plant Stage II	125	175	300	7.42
2014	Sewer Treatment Plant Phase III	4,981	3,019	8,000	5.99
		<u>\$ 24,089</u>	<u>\$ 11,761</u>	<u>\$ 35,850</u>	

## CITY OF KELOWNA

### Debenture Debt - Water Fund

as at December 31, 2006

(in thousands of dollars)

Year of Maturity	Purpose	Debenture Balance Dec. 31/06	Sinking Fund Balance Dec. 31/06	Amount of Issue	Current Interest Rate
	<b>Specified Area Programs</b>				%
2010	Spec. Area 13 - Mission	\$ 108	\$ 273	\$ 381	6.50
2023	Spec Area 16 - Byrns	36	3	39	4.78
2024	Spec Area 18 - Lakeshore	22	2	24	4.98
	<b>Water Improvement Programs</b>				
2008	Poplar Point Reservoir Covers	69	317	386	5.50
2008	Water System Improvements	21	97	118	5.50
2009	Cadder Ave Improvements	18	52	70	5.00
2009	Wilson Ave Improvements	16	44	60	5.00
2009	McDougal Ave Improvements	7	18	25	5.00
2010	Water System Improvements	109	209	318	4.00
2011	Water System Improvements	129	181	310	4.00
2011	Knox Mountain Reservoir	417	583	1,000	4.00
2011	Dilworth Reservoir Repairs	104	146	250	7.42
2011	Caramillo Pressure Valve	21	29	50	7.42
2011	Knox Mountain Reservoir	227	317	544	7.42
2012	Poplar Point	231	242	473	5.85
		<u>\$ 1,535</u>	<u>\$ 2,513</u>	<u>\$ 4,048</u>	

### Debenture Debt - Natural Gas Legacy Fund

as at December 31, 2006

(in thousands of dollars)

2018	Leased Capital Assets	\$ 23,974	\$ 5,826	\$ 29,800	6.01
2018	Leased Capital Assets	15,688	3,812	19,500	3.15
		<u>\$ 39,662</u>	<u>\$ 9,638</u>	<u>\$ 49,300</u>	

## CITY OF KELOWNA

### Reserves and Surplus - 5 Year Comparison

(in thousands of dollars)

	Actual 2006	Actual 2005	Actual 2004	Actual 2003	Actual 2002
<b>Surplus and Reserves for Future Expenditure</b>					
<b>General Fund</b>					
Reserves	\$ 42,859	\$ 47,368	\$ 46,178	\$ 49,504	\$ 54,255
Surplus	1,133	3,167	3,122	3,113	2,981
<b>Airport Fund</b>					
Reserves	9,663	8,165	7,083	6,605	5,150
Surplus (deficit)	(4,891)	(2,923)	(3,444)	(5,432)	(7,088)
<b>Electrical Fund</b>					
Reserves	3,026	3,078	3,131	3,020	3,126
Surplus	9,242	9,376	8,574	8,878	8,773
<b>Wastewater Fund</b>					
Reserves	5,686	3,795	3,021	2,367	2,112
Surplus	1,420	7,297	10,749	8,555	7,221
<b>Water Fund</b>					
Reserves	1,911	3,457	4,696	2,862	2,485
Surplus	(307)	1,082	1,632	2,549	2,011
<b>Natural Gas Legacy Fund</b>					
Surplus	2,318	1,270	2,248	2,137	1,864
<b>Library Fund</b>					
Surplus	166	166	166	166	166
<b>Total Surplus and Reserves for Future Expenditures</b>	<b>\$ 72,226</b>	<b>\$ 85,298</b>	<b>\$ 87,156</b>	<b>\$ 84,324</b>	<b>\$ 83,056</b>
<b>Statutory Reserves</b>					
Capital Works Machinery and Equipment	24,355	32,619	30,403	26,927	23,045
Land Sales	4,661	3,095	4,843	4,297	1,700
Parking	1,877	2,123	1,852	1,769	2,136
<b>Total Statutory Reserves</b>	<b>30,893</b>	<b>37,837</b>	<b>37,098</b>	<b>32,993</b>	<b>26,881</b>
<b>Deferred development cost charges</b>	<b>41,759</b>	<b>53,358</b>	<b>48,162</b>	<b>36,599</b>	<b>27,174</b>
	<b>\$ 144,878</b>	<b>\$ 176,493</b>	<b>\$ 172,416</b>	<b>\$ 153,916</b>	<b>\$ 137,111</b>



# CITY OF KELOWNA

## Capital Expenditures and Funding Sources

For the Year Ended December 31, 2006

(in thousands of dollars)

	<u>Operating Fund</u>	<u>Fed/Prov Funding</u>	<u>Statutory Reserves</u>	<u>Developer / Public</u>	<u>Borrowing /Other</u>	<u>Actual 2006</u>	<u>Actual 2005</u>
<b>General Fund</b>							
Land							
Transportation services	\$ 2,911	\$ 5	\$ 3,550	\$ 3,626	\$ -	\$ 10,092	\$ 8,705
Environment Health	1	-	12,381	57	130	12,569	62
Public health and welfare	44	-	13	-	-	57	43
Recreation and cultural services	1,438	-	1	6,769	-	8,208	6,396
Other	678	-	224	-	-	902	1,032
	<u>5,072</u>	<u>5</u>	<u>16,169</u>	<u>10,452</u>	<u>130</u>	<u>31,828</u>	<u>16,238</u>
Buildings							
General government services	34	-	101	-	-	135	1,358
Protective services	5	-	-	-	-	5	122
Transportation services	5	-	-	-	-	5	152
Recreation and cultural services	2,201	2,380	21	-	16	4,618	1,708
	<u>2,245</u>	<u>2,380</u>	<u>122</u>	<u>-</u>	<u>16</u>	<u>4,763</u>	<u>3,340</u>
Engineering Structures							
General government services	101	-	-	-	-	101	-
Transportation services	18,466	833	1,033	13,696	180	34,208	23,163
Environmental health services	-	-	803	962	2,176	3,941	2,178
Public health and welfare	-	-	161	-	-	161	174
Recreation and cultural services	5,683	1,815	3	605	-	8,106	2,326
	<u>24,250</u>	<u>2,648</u>	<u>2,000</u>	<u>15,263</u>	<u>2,356</u>	<u>46,517</u>	<u>27,841</u>
Machinery and Equipment							
General government services	479	-	-	-	-	479	856
Protective services	41	-	308	-	-	349	677
Transportation services	460	2	1,807	49	38	2,356	2,162
Environmental health services	-	-	-	155	352	507	97
Recreation and cultural services	431	-	-	3	-	434	419
	<u>1,411</u>	<u>2</u>	<u>2,115</u>	<u>207</u>	<u>390</u>	<u>4,125</u>	<u>4,211</u>
<b>Total General Fund</b>	<u>\$ 32,978</u>	<u>\$ 5,035</u>	<u>\$ 20,406</u>	<u>\$ 25,922</u>	<u>\$ 2,892</u>	<u>\$ 87,233</u>	<u>\$ 51,630</u>

# CITY OF KELOWNA

## Capital Expenditures and Funding Sources (continued) For the Year Ended December 31, 2006 (in thousands of dollars)

	<u>Operating Fund</u>	<u>Fed/Prov Funding</u>	<u>Statutory Reserves</u>	<u>Developer / Public</u>	<u>Borrowing /Other</u>	<u>Actual 2006</u>	<u>Actual 2005</u>
Total General Fund	\$ 32,978	\$ 5,035	\$ 20,406	\$ 25,922	\$ 2,892	\$ 87,233	\$ 51,630
<b>Airport Fund</b>							
Buildings	1,884	-	-	-	-	1,884	2,343
Engineering Structures	6,139	328	-	-	-	6,467	3,360
Machinery and Equipment	318	-	-	-	-	318	100
	<u>8,341</u>	<u>328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,669</u>	<u>5,803</u>
<b>Electric Utility Fund</b>							
Engineering Structures	3,165	-	-	55	-	3,220	1,840
Machinery and Equipment	344	-	-	-	-	344	333
	<u>3,509</u>	<u>-</u>	<u>-</u>	<u>55</u>	<u>-</u>	<u>3,564</u>	<u>2,173</u>
<b>Wastewater Utility Fund</b>							
Engineering Structures	891	90	33	885	4,885	6,784	5,770
Machinery and Equipment	67	-	-	-	-	67	223
	<u>958</u>	<u>90</u>	<u>33</u>	<u>885</u>	<u>4,885</u>	<u>6,851</u>	<u>5,993</u>
<b>Water Utility Fund</b>							
Land	2	-	-	-	-	2	-
Engineering Structures	3,001	-	-	880	2,006	5,887	9,131
Machinery and Equipment	18	-	-	-	-	18	12
	<u>3,021</u>	<u>-</u>	<u>-</u>	<u>880</u>	<u>2,006</u>	<u>5,907</u>	<u>9,143</u>
<b>Natural Gas Legacy Fund</b>							
Leased Gas Distribution System	-	-	-	-	-	-	1,650
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,650</u>
	<u>\$ 48,807</u>	<u>\$ 5,453</u>	<u>\$ 20,439</u>	<u>\$ 27,742</u>	<u>\$ 9,783</u>	<u>\$ 112,224</u>	<u>\$ 76,392</u>

## CITY OF KELOWNA

**Consolidated Expenditures  
By Function and Object  
For the Year Ended December 31, 2006**  
(in thousands of dollars)

	General Gov't	Protective Services	Trans. Services	Recreation/ Cultural Services	Other Services	Airport Services
Salaries and Benefits	\$ 7,826	\$ 15,489	\$ 5,492	\$ 7,270	\$ 3,211	\$ 1,905
Contract and Professional Services	1,670	1,466	10,479	5,767	4,801	1,761
RCMP Contract	-	13,691	-	-	-	323
Materials and Supplies	3,328	901	2,785	3,188	1,201	1,352
Equipment	165	222	1,433	837	1,049	15
Allocations	(2,941)	-	(203)	(81)	(815)	562
Cost Recoveries	(223)	(21)	(5)	(41)	(2)	(394)
Grants and External Transfers	433	46	1	4,723	1,373	-
Utilities	148	290	855	941	49	380
Capital Assets	715	354	46,661	21,366	18,137	8,669
	<u>11,121</u>	<u>32,438</u>	<u>67,498</u>	<u>43,970</u>	<u>29,004</u>	<u>14,573</u>
Debt Interest and Fiscal Services	1,045	-	-	-	-	-
	<u>\$ 12,166</u>	<u>\$ 32,438</u>	<u>\$ 67,498</u>	<u>\$ 43,970</u>	<u>\$ 29,004</u>	<u>\$ 14,573</u>

					Total				
Electrical Services	Waste- water Services	Water Services	Nat. Gas Legacy Services	Library Services	Actual 2006	Actual 2005	Actual 2004	Actual 2003	Actual 2002
\$ 94	\$ 2,138	\$ 1,770	\$ -	\$ 14	\$ 45,209	\$ 41,593	\$ 40,085	\$ 37,652	\$ 35,244
1,120	429	515	-	31	28,039	26,727	26,597	23,053	20,778
-	-	-	-	-	14,014	12,659	11,385	11,122	9,946
14,788	679	1,142	-	15	29,379	27,084	27,386	25,184	21,890
1	304	483	-	2	4,511	3,515	3,501	3,059	2,984
950	2,043	507	-	-	22	79	(474)	(112)	(48)
-	(15)	(21)	-	-	(722)	(865)	(801)	(874)	(536)
1	-	-	-	-	6,577	5,813	6,085	5,016	4,544
4	958	572	-	103	4,300	3,821	3,638	3,587	4,211
3,564	6,851	5,907	-	-	112,224	76,392	64,139	66,169	55,125
20,522	13,387	10,875	-	165	243,553	196,818	181,541	173,856	154,138
-	1,933	268	2,651	333	6,230	6,018	6,197	6,462	6,723
\$ 20,522	\$ 15,320	\$ 11,143	\$ 2,651	\$ 498	\$ 249,783	\$ 202,836	\$ 187,738	\$ 180,318	\$ 160,861

## CITY OF KELOWNA

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### Schedule of Receipts and Disbursements of Federal Gas Tax For the Year Ended December 31, 2006 (in thousands of dollars)

	Actual 2006	Actual 2005
<b>Federal Gas Tax Agreement Funds</b>		
Balance, beginning of the year	\$ 834	\$ -
Add:		
Amount received during the year	833	834
Interest earned	34	-
Deduct:		
Program expenditures	426	-
Balance, end of the year	\$ <u>1,275</u>	\$ <u>834</u>

#### Federal Gas Tax

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.