
CITY OF KELOWNA

MEMORANDUM

Date: June 20, 2007
File No.: 1830-20
To: City Manager
From: Financial Accounting Manager
Subject: 2006 Annual Financial Report

RECOMMENDATION:

THAT the Annual Financial Report for the year ended December 31, 2006 be received;

AND THAT the Statement of 2007 and 2008 Municipal Objectives be received;

AND THAT the Council Remuneration and Expenses report, Employee Remuneration report and schedule of Payment for the Provision of Goods and Services be received.

BACKGROUND:

In April, the City of Kelowna's annual financial statements for the year ended December 31, 2006 were reviewed by the audit committee and subsequently approved by Council. In addition to the financial statements, the Annual Financial Report contains a management report on current operations, a statistical section, and the Statement of Municipal Objectives for the years 2007 and 2008. The statement of objectives includes corporate objectives, strategies and performance measures for the various strategies.

A report on permissive tax exemptions granted by Council is also included within the statistical section of the annual report. The amount reported in this section is the municipal portion of taxes exempted for the year 2006 as required under the Community Charter.

The statement of Council remuneration and expenses, employee remuneration report, and the schedule of payment for the provision of goods and services are prepared annually as part of the Financial Information Act reporting requirements.

LEGAL/STATUTORY PROCEDURAL REQUIREMENTS:

The Community Charter section 98 "Annual municipal report" requires that the annual report be prepared by June 30th of each year, that it is available for public inspection and is available at the annual meeting. Section 99 of the Community Charter states that Council must annually consider, at a Council meeting or other public meeting, the annual report and submissions and questions from the public.

Considerations that were not applicable to this report:

LEGAL/STATUTORY AUTHORITY:

INTERNAL CIRCULATION TO:

EXISTING POLICY:

FINANCIAL/BUDGETARY CONSIDERATIONS:

PERSONNEL IMPLICATIONS:

TECHNICAL REQUIREMENTS:

EXTERNAL AGENCY/PUBLIC COMMENTS:

ALTERNATE RECOMMENDATION:

Jackie Dueck

Approved for Inclusion:



Paul Macklem, CMA
Director of Financial Services

**2006 Annual Financial Report of the
City of Kelowna, British Columbia**
FOR THE YEAR ENDED DECEMBER 31, 2006



City of Kelowna

KELOWNA, BRITISH COLUMBIA

Annual Financial Report

FOR THE YEAR ENDED DECEMBER 31, 2006

*Report preparation by Corporate Communications
and the Department of Financial Services*

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FRONT COVER: *An idyllic view of the setting sun over the Kelowna Yacht Club moorage basin.* photograph by Fred Schaad

A Message from the Mayor

2006 was another year of successes for Kelowna with many initiatives launched and awards received.

Several new committees of council were busy in 2006. A notable achievement was the work of the Affordable and Special Needs Housing Task Force which conducted an extensive online survey and workshops to assess the housing needs of the community. The committee presented eight recommendations to Council for consideration which have generated good debate and community discussion. I believe the work of this committee will go a long way in addressing the concern with affordable housing in Kelowna.

After public input and a report from the Site Review Task Force, City Council confirmed the location of a 30-unit transitional housing complex at 1436 St. Paul Street. The John Howard Society of the Central and South Okanagan was selected as lead partner in the design, development and operation of the building. This initiative is an important step in helping us deal with the challenges many of our citizens face.

The City received the Premier's Innovation and Excellence Partnership Award for its role on the Premier's Task Force on Homelessness, Mental Illness and Addictions. The task force was created in September 2004, established to identify integrated strategies to address homelessness throughout B.C. Former Mayor Walter Gray was one of seven mayors who participated on the task force, supported by a working group of senior public servants including our City Manager Ron Mattiussi, in his former capacity as Planning Director. This was a great honour and was accepted with pride.

After an Alternative Approval Process earlier in the year, Council approved the borrowing of the necessary funds to build a \$44 million aquatic facility for Mission Recreation Park. The exciting facility is expected to be complete in 2008 and can be enjoyed by the entire community.

Council provided tax incentives for redevelopment in the Rutland and Downtown cores, an endeavour we hope will help revitalize these areas.

Our Planning Department facilitated an extensive four-week public consultation project on sustainability in the Central Okanagan, called *Future OK*. This project culminated in a day-long Citizen's Forum which generated a great deal of discussion and ideas. The City of Kelowna and the Regional District of Central Okanagan will use the information to identify a common vision of what sustainability means for the region, focusing on key areas including land use, transportation, infrastructure, built form and economics, which will greatly assist us with our long-range and strategic planning.

We are looking regionally at a number of issues our community faces including the Mountain Pine Beetle. The beetle battle continues and we now know it will only worsen with predictions of 80 per cent or greater impact on our pine forest. We are involved in strategic planning that involves other levels of government. The real challenge is obtaining funds to help the private property owner.

Council's Youth Advisory Committee hosted two forums for youth in our community, one focusing on transit issues and another on social issues. Our youth, who are our future leaders, have provided valuable input into our decision making process.

Kelowna residents love where they live and take care of their surroundings as is evident in yet another Communities in Bloom award. This year we partnered with Summerland, mentoring that community to top honours in the Canadian Classic Category.

We are all pleased to have won the bid to host the 2008 BC Summer Games in Kelowna. Kelowna has hosted this event twice previously and we value the community's ability to provide the needed 4,000 volunteers.

I know that 2007 will be another productive year as we continue this good work and take on even more challenges.



Sharon Shepherd
Sharon Shepherd
MAYOR

City Council 2006–2008



Standing left to right

Councillor Colin Day, Councillor Andre Blanleil, Mayor Sharon Shepherd, Councillor Robert Hobson, Councillor Norm Letnick

Seated left to right

Councillor Brian Given, Councillor Michele Rule, Councillor Carol Gran, Councillor Barrie Clark

THE CITY OF KELOWNA is governed by an elected Council comprised of a Mayor and eight Councillors. Councillors are elected for three-year terms and each member of council represents the city at large.

Regular meetings are scheduled Monday afternoons at 1:30 p.m. at City Hall, 1435 Water Street. During the summer months these meetings are scheduled bi-weekly. Regular meetings, as well as Public Hearings on development applications, are also held every second Tuesday at 6:00 p.m. The public is welcome to attend all sessions. In addition, Council regularly meets Monday mornings to discuss in-camera business as permitted under the *Community Charter*.

Meeting agendas and minutes are available on the City's website www.kelowna.ca, click on the Council Meetings link on the homepage or go to City Hall/Council/Meetings. Council meetings (Monday afternoons and Tuesday evenings) are broadcast live (audio only) on the internet via www.castanet.net. Monday afternoon meetings are rebroadcast on Shaw Cable 11 on Wednesdays and Saturdays at 11:00 a.m. and on Sundays at 7:00 p.m.

Message from the City Manager

I AM PLEASED TO present the Annual Financial Report, which provides a summary of the City's significant achievements in 2006 and a comprehensive overview of the City's financial position.

2006 was a year of change for the staff of the City of Kelowna as we transitioned from our long-time City Manager, Ron Born, who retired in May. Ron had held the position since 1988 and he ensured we were well-prepared for the change. On his first day of retirement, he received the Lieutenant Governor's Silver Medal for Excellence in Public Administration, a prestigious award he thoroughly deserved.

The transition presented a good opportunity for us to take a close look at our operations and in 2007 we will be examining the City's corporate structure to ensure we are well-positioned to handle the challenges that lie ahead in our fast-growing community.

The 2006 Census revealed that Kelowna's population is 106,707, officially placing this City in the over-100,000 category for the first time. Our growth has averaged 10.8 per cent annually since 2001, making us one of the fastest growing municipalities in the province. The provincial average was 5.3 per cent.

The value of construction permits issued in 2006 totalled \$392 million, down from \$587 million in 2005, but still above the average of the past five years.

This growth has meant we face challenges in simply continuing to provide the quality of services our residents have come to expect. But City of Kelowna staff members are always encouraged to find new solutions to old problems and have proven repeatedly to be up to the challenge. This year we received a Leadership and Innovation Award from the Union of British Columbia municipalities for our Joint Biosolids Composting Facility (with Vernon) and one of our City employees invented an adaptation to a paving device that won a first place award from the Public Works Association of British Columbia. Kelowna Memorial Park Cemetery received an award from the International Cemetery and Funeral Association for the *Marking Our Past – 100 Markers for 100 Years* Centennial program. We also received a Corporate Recognition Award from the British Columbia Water and Waste Association for consistently demonstrating excellence, leadership and innovation in water and waste management.

Many of our key managers have been recognized by their peers for excellence in their fields and have been invited to speak internationally on our initiatives, or sit on prestigious decision-making boards.

The Kelowna Fire Department had a busy year with fire losses up from the year before with an estimated \$5.2 million for 2006, as compared to \$3.4 million in 2005, largely due to several significant structural fires this year. These included a fire in a condominium complex causing \$1.4 million in damage, and a residential home fire causing \$600,000 in damage.

Kelowna International Airport hosted Operation Unity 2006, a disaster response exercise which was rated a great success with over 100 people representing Airport Fire and Security, RCMP, Kelowna Fire Department, City and Regional District staff. Students from Rutland Senior Secondary helped to make the exercise as realistic as possible. Kelowna International Airport completed its 2025 Master Plan and consultation process, and its annual independent Customer Satisfaction & Benchmarking program found that passengers awarded a strong 4.42 (out of 5) satisfaction score, resulting in a third place ranking among airports in the study group.

Our Citizens Survey again indicated a very high approval of our services, and I believe it is with an inventive and intelligent work force that the City of Kelowna will be able to maintain that level of satisfaction in the coming years.



A handwritten signature in blue ink, which appears to read "Ron Mattiussi". The signature is fluid and stylized.

Ron Mattiussi
CITY MANAGER

Report from the Director of Financial Services

May 2007

The Mayor and Council
City of Kelowna

Your Worship and Members of Council:

In accordance with Section 167 of the *Community Charter*, I am pleased to present the *2006 Annual Financial Report of the City of Kelowna* for the fiscal year ended December 31, 2006. The report includes the Auditor's report, the 2006 audited financial statements, and supplementary information for the City of Kelowna.

The financial statements for the year ended December 31, 2006 were prepared by City staff in accordance with generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. Management is responsible for implementing and maintaining a system of internal controls to ensure that reliable financial statements and schedules are prepared and that these statements are consistent with other reporting requirements as part of the *Financial Information Act*. These financial statements were audited by Grant Thornton LLP and their responsibility was to express an opinion based on the results of their audit. The audit was planned and performed to obtain reasonable assurance as to whether the financial statements were free of material error or misstatement.

The statements have been reviewed by the City's Audit Committee, whose responsibility is to ensure the financial statements are comprehensive, reliable and understandable.

For the past seven years the City of Kelowna has limited tax increases for general municipal purposes to slightly less than British Columbia's inflation rate. This was achieved despite rapidly escalating costs for materials fundamental to the delivery of municipal capital projects, like steel, concrete and asphalt, continuing rapid population growth and a very tight labour market from which to attract high achieving staff members.

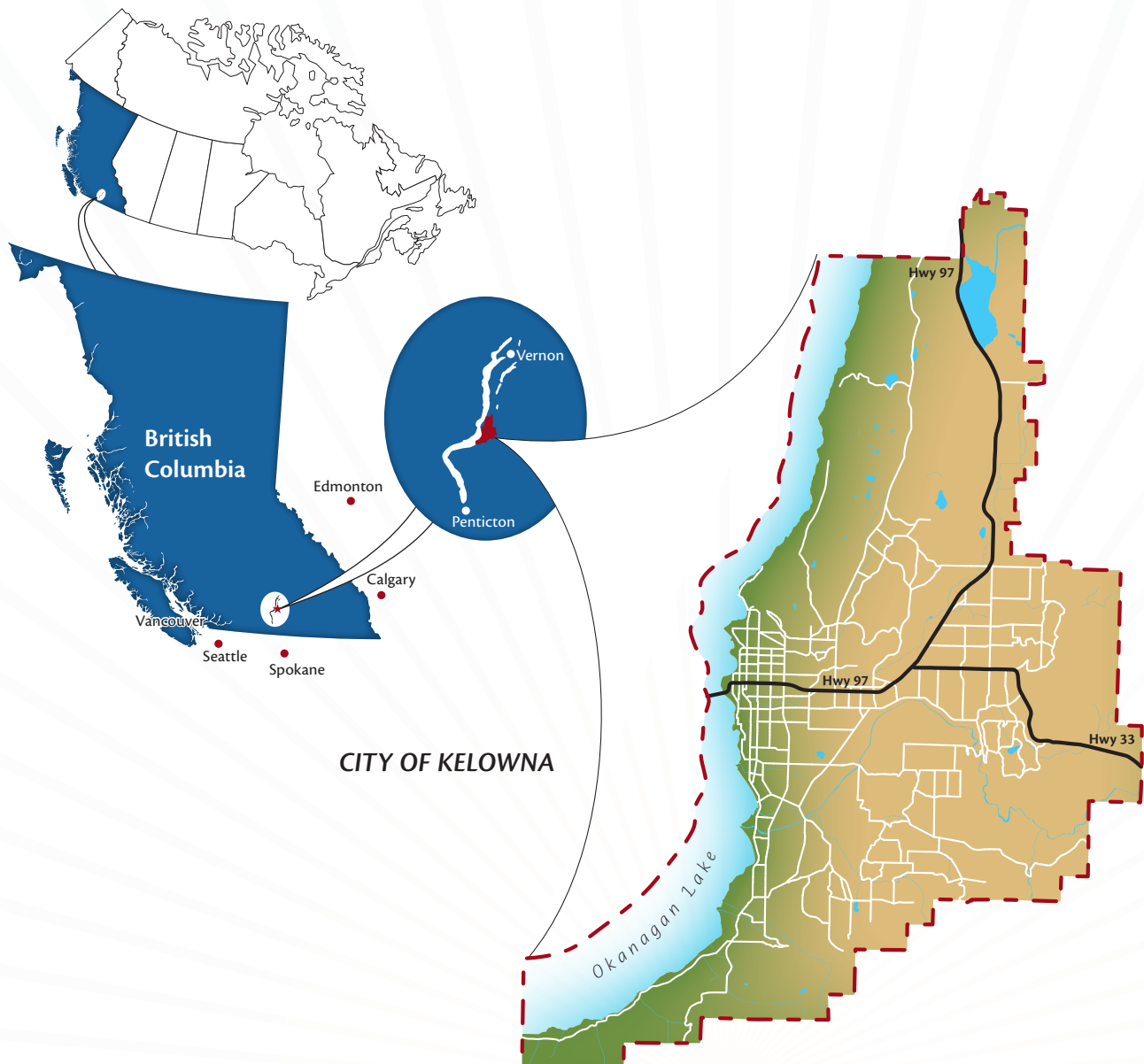
The City strives to be innovative and creative in terms of finding more efficient and effective ways of delivering services to reflect Council and community desires, in spite of the challenges of an increasingly complex operating environment. The City remains committed to providing sound financial management and long-term strategic planning to achieve its vision.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'PM', with a stylized flourish extending to the right.

Paul Macklem, CMA
DIRECTOR OF FINANCIAL SERVICES

Map of the City's Geographic Location



The City of Kelowna is centrally located in the Okanagan Valley, in the interior of British Columbia, Canada. Kelowna is situated on the eastern shore of Okanagan Lake, midway between Penticton to the south and Vernon to the north.

- With a population of approximately 106,707, Kelowna is the largest city in the Okanagan Valley.
- The city occupies approximately 214 square kilometres of land and 48 square kilometres of water area.
- Kelowna is well known for its hot summers and temperate winters. The average daytime high during July and August is 27.4 °C, the average daytime high during December and January is -0.3 °C.
- Kelowna receives over 2,000 hours of sunshine annually and just under 28 centimetres of precipitation.

City of Kelowna Managers

ADMINISTRATION

City Manager · · · · · Ron Mattiussi
 Airport General Manager · · · · · Roger Sellick
 Communications Manager · · · · · Karen Cairns
 RCMP Superintendent · · · · · Bill McKinnon
 Fire Chief · · · · · Rene Blanleil

CORPORATE SERVICES

Director · · · · · David Shipclark
 City Clerk · · · · · Allison Flack
 Community Development and
 Real Estate Manager · · · · · Doug Gilchrist
 Information Services Manager · · · Doug Rasmussen

FINANCIAL SERVICES

Director · · · · · Paul Macklem
 Financial Planning Manager · · · · Keith Grayston
 Financial Accounting Manager · · · Jackie Dueck
 Financial Systems & Investments
 Manager · · · · · Genelle Davidson
 Purchasing Manager · · · · Maureen MacGillivray
 Acting Revenue Manager · · · · George King
 Risk Manager · · · · · Lance Kayfish

HUMAN RESOURCES

Director · · · · · Rick Baker
 Employee Relations and
 Development Advisor · · · · Charlene Covington
 Human Resources Manager · · · Dwayne Burdeniuk
 Labour Relations Advisor · · · · Joe Staniszewski
 Police Administration
 Services Manager · · · · · Scott Meadows
 Recruitment Advisor · · · · · Shirley Clement

PLANNING AND DEVELOPMENT SERVICES

Director · · · · · Mary Pynenburg
 Current Planning Manager · · · Shelley Gambacort
 Development Services Manager · · · · Vacant
 Inspection Services Manager · · · · Ron Dickinson
 Policy, Research and
 Strategic Planning Manager · · · · · Signe Bagh
 Subdivision Approving Officer · · · Bob Shaughnessy

RECREATION, PARKS AND CULTURAL SERVICES

Director · · · · · David Graham
 Civic Properties Manager · · · · Randy Cleveland
 Cultural Services Manager · · · · Lorna Gunn
 Parks Manager · · · · · Joe Creron
 Development Manager · · · · · Reid Oddleifson
 Sport and Recreation Manager · · · · Jim Gabriel

WORKS AND UTILITIES

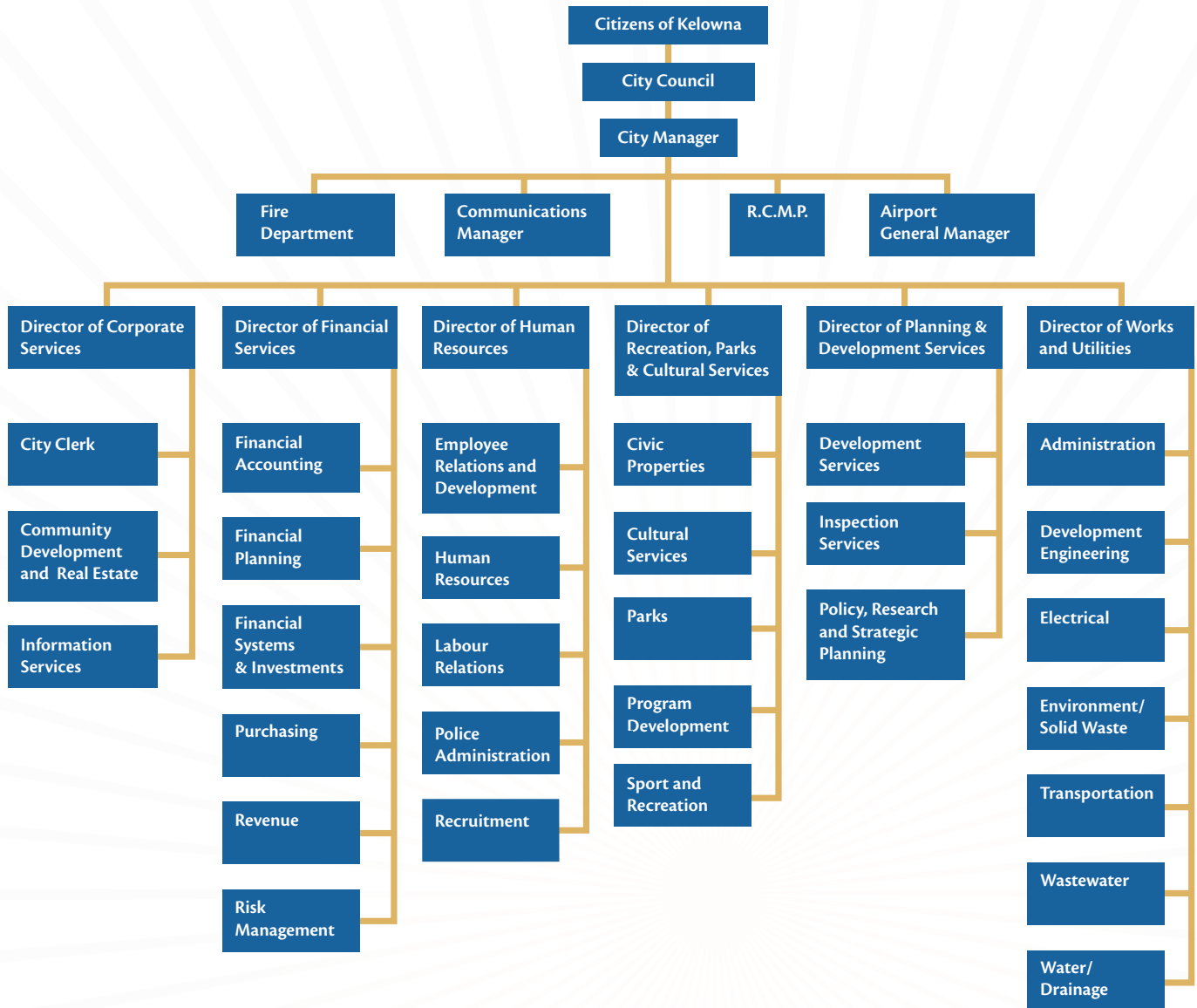
Director · · · · · John Vos
 Administration Manager · · · · Elaine Shipclark
 Development Engineering Manager · · Steve Muenz
 Electrical Administration Manager · · Cindy McNeely
 Environment/Solid Waste Manager · · · Mark Watt
 Transportation Manager · · · · Ron Westlake
 Wastewater Manager · · · · · Bill Berry
 Water/Drainage Manager · · · · · Don Degen

CITY SOLICITOR · · · · · Lidstone, Young, Anderson

AUDITORS · · · · Grant Thornton, LLP, Kelowna, B.C.

BANKER · · · · · Royal Bank of Canada

Organization of the City of Kelowna



City of Kelowna Municipal Objectives

ON JANUARY 1, 2004 the *Community Charter* was enacted replacing a large portion of the *Local Government Act*. The new legislation encourages an increased commitment to public reporting. In addition to traditional financial and operational information, the annual report now contains a statement of municipal objectives. These objectives are integrated with the overall strategic plan and vision of the municipality and form part of a corporate performance management program. This year reporting will focus on 2006 results and future strategic objectives for 2007 and 2008.

The performance measurement program has identified seven key areas for which objectives have been established and strategic direction developed.

2006 Strategic Objectives

FINANCE

- To ensure a fair balance between taxation, other revenue and control of expenditures in order to have sufficient resources for ongoing services, capital expenditures and financial reserves

HUMAN RESOURCES

- To retain, develop and attract appropriate staff, volunteers and elected officials who are committed to our Vision and Mission

PARTNERSHIPS

- To identify and develop partnerships that will provide efficient and quality services

FACILITIES, EQUIPMENT AND TECHNOLOGY

- To provide appropriate technology, spaces and places to support our programs, services, staff and volunteers

IMAGE

- To be respected and valued by our community

RESEARCH AND DEVELOPMENT

- To continuously seek improvements in corporate performance and to monitor key community and external indicators that may influence future operations

PRODUCTS AND SERVICES

- To offer high quality relevant programs and services that wisely use available resources in order to meet the challenges and opportunities of our community

2006 Results; 2007 and 2008 Strategic Objectives

FINANCE

2006 Results

- Received the Government Finance Officers Association Budget and Reporting awards for the fourth consecutive year
- Further developed performance measurement reporting corporate wide

2007 & 2008 Strategic Objectives

- Review application fees to ensure appropriate fees are being charged for various types of applications
- Develop a full-cost budgeting model for optimum life-cycle investment in city-owned facilities
- Pursue infrastructure grants with senior governments and ensure sufficient reserves for infrastructure development

HUMAN RESOURCES

2006 Results

- The first two groups of new supervisors were oriented to City policies and procedures and the first group was provided with four leadership skills training sessions designed for supervisors
- 350 staff benefited from internal training opportunities
- This year focused on campus recruitment and development of a co-op student policy to aid in recruitment

2007 & 2008 Strategic Objectives

- Orient all new supervisors to City policies and procedures through four training sessions for supervisors
- Ensure the workforce is well trained and qualified for future needs by developing at least one department succession plan
- Expand corporate-wide wellness initiatives that motivate employees to improve physical and mental well-being thus improving employee morale and retention

PARTNERSHIPS

2006 Results

- City of Kelowna/City of Vernon Regional Biosolids Facility construction was completed and the facility opened on July 5, 2006
- The City's commitment to enhancing communication and consultation moved forward with extensive involvement in two partnership projects involving B.C. Housing and the Gospel Mission
- Prepared an RFP for Transit Advertising and awarded contracts for a new 5 year period

2007 & 2008 Strategic Objectives

- Work with the community on fund-raising campaigns such as United Way, the Terry Fox Run and Run for the Cure
- Complete negotiations to acquire land for the Rails with Trails initiatives in 2007 and start construction
- Mission Aquatic Centre to be completed in 2008 with operator in place
- Partnerships with Provincial and Federal Ministries as well as with UBCO will be developed to better understand and address water supply and quality challenges facing the entire local area

FACILITIES, EQUIPMENT AND TECHNOLOGY

2006 Results

- Phase two implementation of Common Use Self Serve Check In equipment for the Airport was completed
- Implemented the office in the vehicle for bylaw enforcement officers, building and plumbing inspectors, which will increase efficiencies in the department

2007 & 2008 Strategic Objectives

- Improve Financial Information System and Electronic Document Management System through replacement and additional software
- Phase 2 of the airport operations centre renewal began in 2006 and is ongoing. It includes remodeling the operations work centre area, new state of the art security display monitors, and an Operations Centre Work Plan
- Police Protection will participate with "E" Division Informatics in the installation of BC PRIME, the replacement records management system for PIRS, scheduled for implementation in early 2008

IMAGE

2006 Results

- The City continues to foster community involvement in many areas through the National Commuter Challenge, Partners in Parks, Adopt-A-Road, Adopt-A-Stream and Communities in Bloom programs
- Satisfaction with staff customer service has risen steadily from 78% in 2000 to 91% in 2006
- The City improved its website through changes to the home page to enhance readability and space utilization. A "quick links" section was also added for easier navigation as were easy-to-find icons
- A Parks brochure was completed outlining the locations of parks and the benefits to the community

IMAGE CONTINUES

2007 & 2008 Strategic Objectives

- Develop a Corporate approach for dealing with potential Ethics in the Workplace issues
- Broaden public knowledge and understanding of role of statutory council committees and the opportunities for participation and input that they provide

RESEARCH AND DEVELOPMENT

2006 Results

- Conducted six training sessions for City staff groups on risk management principles, practical tools and tips to use during day-to-day activities, awareness of potential liability and different types of liability. These sessions will be part of an ongoing program to educate staff
- The annual Citizens Surveys conducted by Ipsos Reid indicates general satisfaction with current services and taxation levels at a 89% satisfaction level
- Work with Kelowna Detachment Forensic Identification Section to establish an Audio Visual Analyst Program at Kelowna Detachment was completed
- Many City departments were involved with a successful emergency response exercise involving community wide emergency response agencies

2007 & 2008 Strategic Objectives

- Complete and distribute an internal Freedom of Information Procedures Manual to all other departments
- Lead community consultation process for Community Development & Real Estate initiated projects. (KSS and Cedar Avenue redevelopment, Tutt Ranch Master Plan and Downtown Revitalization)
- Inventory and value the City's current capital assets in preparation for 2009 Public Sector reporting requirements

PRODUCTS AND SERVICES

2006 Results

- Works and utilities expenditures of \$34 million in road improvement projects were incurred for purposes of trying to reduce road congestion. An increase of \$11 million over 2005
- Increased spending in police protection services of \$1.8 million were incurred over 2005 resulting in safer parks, reduced illegal activities in the downtown core and a reduction in auto theft
- A new long term airport security contract was completed in the second quarter of 2006
- The Solid Waste Management Plan has been updated and has adopted a 5 year plan with 10 year strategies for improved solid waste and recycling efforts thus reducing the amount of waste in the landfill

2007 & 2008 Strategic Objectives

- Protect the City's pavement asset management by upgrading poor conditioned roads. Take advantage of sewer projects to upgrade road surfaces for roads affected by sewer installations
- Initiation of Parks and Recreation Master Plan with expected completion in 2007
- The Water Smart program will continue to provide a community based water conservation program

Coat of Arms

THE CITY OF KELOWNA'S Armorial Bearings were officially accepted by City Council on January 3, 1955, from the College of Heralds in London, England, marking the City's 50th year. At the time this made Kelowna one of the very few cities in Canada with an authentic armorial crest and Coat of Arms, made possible by the work of a local resident, Mrs. P. Aitken, who was related to Sir Gerald Woolaston, the Norroy King-At-Arms whose signature appears on the official document.

The Shield, with wavy blue lines on white at the base, depicts Okanagan Lake from which rise three white piles, representing mountains; above these are two apples of gold. Astride the Shield, knightly armour, surrounded by a wreath, supports an apple tree bearing apples. At the base of the tree, the ancient crosscut saw is emblematic of the lumber industry and early pioneers. The supporters are, on the dexter side, a grizzly bear, indicating the derivation of the city's name, and, on the sinister side, a seahorse, which in heraldry is the closest approximation of our Ogopogo.

The Motto, "Fruitful in Unity", alludes to Kelowna's steady progress, largely attributable to its basic fruit industry and the community mindedness and cooperation of its citizens.



VISION STATEMENT THE CITY OF KELOWNA

We will meet the challenges and opportunities of our community through innovation, creativity and flexibility.

MISSION STATEMENT THE CITY OF KELOWNA

Our corporation is a diverse team of talented and dedicated people striving collectively to provide leadership and services to build a healthy, safe and vibrant community.

Corporate Services

- **City Clerk**
- **Negotiates City land sales and purchases**
- **Provides strategic advice related to computer systems, designs in-house systems and provides operational support**

CITY CLERK'S OFFICE

The Clerk's Office processed over 155 bylaws or amendments, administrated over 60 Council meetings, processed 41 formal Freedom of Information requests, managed over 1,700 archived records requests from the City's off-site records storage provider and prepared 15,650 statutorily required notices related to various development applications being considered by Council.

COMMUNITY DEVELOPMENT AND REAL ESTATE

The division successfully completed partnership agreements to facilitate the construction and operation of a 30-unit supportive housing project on St. Paul Street to help address homelessness in Kelowna. The division also administered \$85,000 in grants via the Central Okanagan Foundation.

Community Development and Real Estate dealt with 587 land transactions in 2006, including the purchase of 410 acres of land known as the Tutt Ranch for various future civic needs such as landfill expansion, protection of Roberts Lake and a Highway 97-Glenmore Road link. A two-acre site for strategic expansion of Gyro Park was also secured.

INFORMATION SERVICES

Information Services, working with many other City divisions, engaged in a year-long financial information software system review with the goal of updating current City software. Information Services worked closely with the Inspections Division to outfit vehicles with wireless laptops, and wireless access was installed in City Hall, including Council Chambers.



Cardington Apartments on St. Paul Street.

Canadian Award for Financial Reporting

Canadian Award for Financial Reporting

Presented to
City of Kelowna
British Columbia

For its Annual
Financial Report
for the Year Ended

December 31, 2005

A Canadian Award for Financial Reporting is presented by the Government of Finance Officers Association of the United States and Canada to municipalities whose annual financial reports achieve the high program standards for Canadian Government accounting and financial reporting.




President


Executive Director

THE GOVERNMENT FINANCE OFFICERS ASSOCIATION of the United States and Canada (GFOA) awarded a *Canadian Award for Financial Reporting* to the City of Kelowna for its annual financial report for the fiscal year ended December 31, 2005.

The *Canadian Award for Financial Reporting* program was established to encourage municipal governments throughout Canada to publish high quality reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a *Canadian Award for Financial Reporting*, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments and address user needs.

A *Canadian Award for Financial Reporting* is valid for a period of one year only. This 2006 report also conforms to the *Canadian Award for Financial Reporting* program guidelines and will be submitted to the GFOA.



The City of Kelowna was awarded the Canadian Award for Financial Reporting for the 2005 Annual Financial Report; this marks the fourth year in a row the City has received this award.

Financial Services

- Provides current and long term financial planning; prepares financial reports
- Administers the City's assets through financial systems, budgets, valuations, insurance planning and internal control systems
- Manages the City's investment portfolio ; administers the property tax and accounts receivable systems
- Recommends purchasing policy and provides centralized purchasing and stores inventory service
- Provides payroll and risk management services, including claims administration

The 2006 taxation increase averaged 2.00% for all property classes. Modest taxation increases, and the utilization of tax revenue and development cost charges generated from new growth, assist in providing a balanced approach to the expansion of services and infrastructure required to accommodate continuous growth within the municipality.

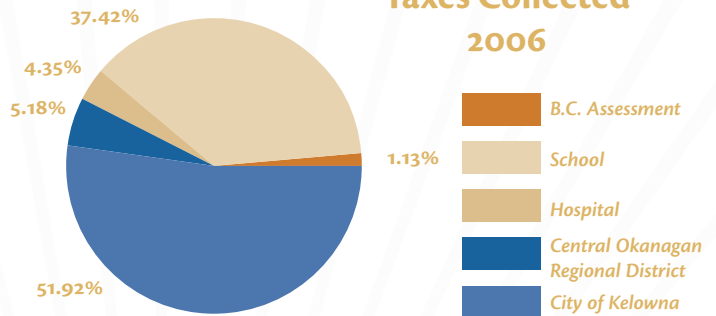
The City budgeted to collect a total of \$144 million in taxation revenues, 52% of which was retained for municipal purposes. The remaining 48% is levied by the Province to provide funding for schools, by the Regional District of the Central Okanagan for shared services and by BC Assessment to cover the City's share of the costs associated with providing assessment information.

The City continues to rely on pay-as-you-go rather than debt financing for major infrastructure needs wherever possible in achieving strategic servicing goals. This limits debt-servicing costs and provides increased flexibility to meet the general needs of the community. In 2006, a modest 1.9 cents of each municipal tax dollar collected was budgeted for tax-supported debt servicing programs. Pay-as-you-go capital project funding represented 26% of the 2006 taxation requirement.

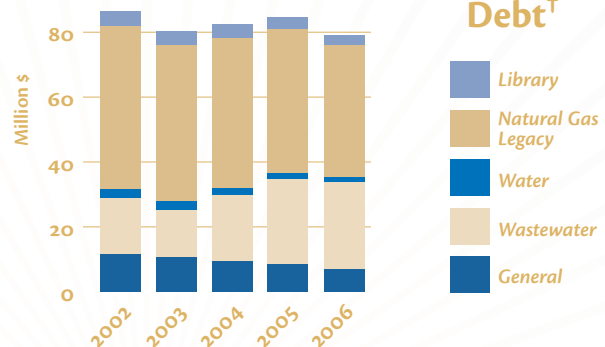
Maintenance of adequate levels of reserves and surplus continues to play a significant role in achieving a level of financial stability for Kelowna taxpayers and ratepayers. Reserves fall into two categories, the most significant of which is a capital reserve to ensure that existing City equipment and infrastructure can be maintained, and an operating reserve to ensure that unusual and unforeseen operating conditions can be met without the need for extraordinary tax increases.

Committed to excellence in governmental accounting and financial reporting, Financial Services earned the Government Finance Officers Association's (GFOA) Canadian Award for Financial Reporting for the City's 2005 Annual Financial Report (fourth year) and the Distinguished Budget Presentation Award for the City's 2006 budget (fifth year). The GFOA supports over 17,100 local governments in the United States and Canada.

Taxes Collected 2006

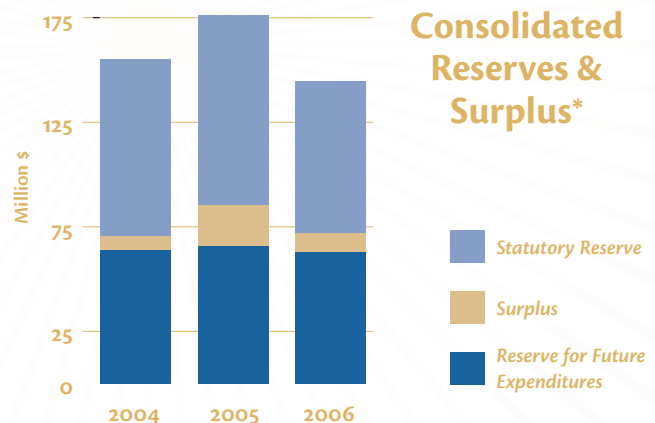


Long Term Debt†



† Long Term Debt does not include the Airport internal financing.

Consolidated Reserves & Surplus*



* Capital is now included within the Revenue and Expenditure section in the Statement of Financial Activity. Therefore, the consolidated reserves and surplus graph is limited to three years of comparative information.

Human Resources

- *Creates and coordinates staff development, training and recognition programs*
- *Recruits and retains superior quality staff*
- *Manages labour relations*
- *Manages occupational health, safety and accident prevention programs, WCB claims and attendance/safety related cost containment programs*
- *Administers compensation and benefit programs*

SAFETY AND OCCUPATIONAL HEALTH

The annual Department Safety Awards were awarded to eight departments with perfect scores in 2006. A total of 475 hours were lost due to injury in 2006, slightly higher than the previous year, yet Kelowna remains a safety model among B.C. municipalities of similar size. The Kelowna Fire Department has been recognized for a full year in 2006 with no lost time injuries, an exemplary feat considering the nature of the work.

EMPLOYEE RELATIONS

The City's Wellness program, established in 2005, provided a number of programs and benefits to City employees in 2006. Wellness was instrumental in creating a shower facility with indoor bike storage at the Memorial Arena. The Wellness program also provided free flu shots, free financial planning sessions, created a "Comfort Zone" in the City Hall lunchroom and facilitated smoking cessation, weight-loss and healthy-living programs.

Long Service Awards were presented to 75 employees and two customer service awards were presented.

TRAINING AND DEVELOPMENT

The new Supervisor/Manager Internal Orientation program was officially launched this year. Also, the first four new Supervisor/Manager training sessions, focusing on Communication, Building Trust, Conflict Resolution and Team Building, were held with all new managers participating.

EMPLOYMENT

A key challenge continues to be recruitment of skilled trades workers, accountants and technicians. Retention of trained and skilled employees is also a challenge in this highly competitive market. Recruitment activity continues to increase each year, with 277 job vacancies filled in 2006.

LABOUR

For the twentieth consecutive year, the City did not lose any work time due to labour disputes.



The Human Resources Department actively promotes career opportunities with the City at many job fairs.

Planning and Development Services

- *Prepares the Official Community Plan, the Strategic Plan and handles all development and building applications*
- *Prepares and enforces City bylaws and ensures compliance with relevant legislation*

PLANNING AHEAD

The City of Kelowna spearheaded *Future OK*, a regional public consultation program on sustainability, culminating in a Citizens' Forum with approximately 200 participants. The four-week project was significantly web-based and featured an online poll. Results of *Future OK* will greatly assist with the City's long-range and strategic planning.

A Hillside Development Audit was presented to Council in late 2006 that involved a review of City policies, practices and regulations pertaining to hillside development projects. The City can now determine whether policies and regulations need to be changed to achieve hillside development that is aesthetically pleasing, functionally appropriate and environmentally sensitive.

A review of policies, procedures and bylaws relating to wildland fire was completed in 2006 and included stakeholder and public consultation. This review resulted in Council endorsing a number of recommendations to ensure the City is continuing to use best management practices when dealing with the threat of wildland fire to the community.

BUILDING ACTIVITY

The total value of construction permits issued in 2006 was \$392 million, down from \$587 million in 2005. Over the past five years the City has averaged \$362 million in construction permits annually. Large projects approved included a 131-unit multiple housing complex on Yates Road, an 82-unit hotel on Harvey Avenue and a 68,700 square foot multi-purpose academic and research facility at UBCO.



The façade of this new building at Bernard and Ellis greatly adds to the streetscape downtown.

	2006	2005	Change
Total Value of Construction Permits	\$392 million	\$587.2 million	-33 %
Number of Residential Units	1249	3,055	-59 %
Single Detached	696	844	-18 %
Multiple Housing	553	2,204	-75 %
City's Regional Share of Residential Development	70 %	77 %	
Commercial Development (sq ft)	219,353	416,621	-47 %
Industrial Development Value (sq ft)	343,439	487,201	-30 %
Institutional Development Value (sq ft)	127,891	439,728	-71 %
Development Applications (processed)	1061	693	+53 %
Subdivision Approval	817	602	+36 %

As noted the number of residential building permits was significantly higher in 2005 than in 2006, especially in multiple housing. The amount of commercial, industrial and institutional development was also higher. It is likely that this reflects the Development Cost Charge increase that came into effect on January 1, 2006. It is also noteworthy that no new apartment units were issued in the 1st quarter of 2006. It is reasonable to conclude that in the absence of the DCC rate increase it is possible that some of the 2005 multiple units would have been pushed into 2006. The transfer of these units to the 2006 inventory would have resulted in the 2006 single/semi detached, multiple housing unit split more closely resembling recent historical averages with less percentage change.

BYLAW ENFORCEMENT

Bylaw Enforcement received 8,150 complaints and noise continues to be the most frequent concern.

Recreation, Parks and Cultural Services

- *Delivers recreational, sports, cultural and parks services*
- *Coordinates design, construction, maintenance and operation of civic facilities, buildings and parks*
- *Develops plans for future facilities, parks and open space*
- *Provides opportunities for leisure, artistic and cultural enrichment*



The Run sculpture series installed on Mission Creek Greenway.

MILESTONES

The development of a \$44 million aquatic facility for Mission Recreation Park began, with the first steps in construction coming in late 2006. An Alternative Approval Process earlier in the year resulted in approval for Council to borrow the necessary funds for the facility, which is expected to be largely complete in 2008 and include a 50 metre swimming pool, a large leisure water park, a wave pool and a major fitness centre.

Mission Recreation Park was the site of the unveiling of the City's first full-size outdoor artificial turf field. More durable than grass, the turf provides the ability to extend the playing season. The artificial turf was part of a \$5 million project at Mission Recreation Park which included the creation of two other full-size fields and 1,100 metres of walking trails.

BUILDING BLOCKS

The Civic Properties Division oversaw the construction of the Kelowna Commercial Passenger Ship Wharf located near the Sails on Bernard Avenue as well as the expansion of the Rutland Arena lobby.

New way-finding kiosks, part of a larger overall signage plan for the City, were installed in Kelowna's downtown, providing maps, events listings and historical information.

Working with the Kelowna Veendam Sister City Association and a number of veteran associations, the City completed the Cenotaph Improvement Project, a \$675,000 refurbishment of the City's war memorials.

PARKS AND PARTNERSHIPS

Parks staff conducted several public consultation opportunities regarding the future development of Bellevue Creek Linear Park. The 6-kilometre linear park, which runs along Bellevue Creek between Okanagan Lake and Myra-Bellevue Provincial Park, is an important natural amenity travelling through a scenic canyon. A draft Master Plan is slated to be complete in 2007.

The Mill Creek Linear Park, running along Mill Creek from Dilworth Drive to Powick Road, opened in November. The park is the first step towards fulfilling the Mill Creek Linear Park Master Plan.

The City's first arboretum, a botanical garden featuring 200 native and non-native trees, opened at Mission Recreation Park.

The Mountain Pine Beetle drew a significant amount of attention from the City's Urban Forestry Division. The City hired a pine beetle coordinator to help residents deal with infestation and coordinate the distribution of \$100,000 provided by City Council to assist private landowners with the disposal of infested trees. An extensive public information campaign was also enacted and included interactive web pages, public information sessions and a pine beetle hotline.

The Kelowna Memorial Park Cemetery received an award from the International Cemetery and Funeral Association for the *Marking Our Past – 100 Markers for 100 Years Centennial* program.

Two new neighbourhood parks were constructed in Rutland, Davie and Harris Parks, and one new park in Kettle Valley, Jewel Park.

RECREATION

KickStart Kelowna launched its community effort to promote healthy living alternatives and encourage a 20 per cent increase in physical activity in our community by 2010.

The Sport & Recreation Division distributed 21 Sport Event Development Grants totalling over \$33,000.

Sport Kelowna was awarded the Sport Tourism Community Legacy Award from the Council of Tourism Associations of British Columbia. Sport Kelowna is a community based partnership between Tourism Kelowna, the City of Kelowna, and the Pacific Sport Group, committed to supporting Kelowna's sports community through sport development, sport tourism and sport partnerships.

CULTURAL SERVICES

A new addition to the City's public art collection is featured on the Mission Creek Greenway. *Run* is a series of three sculptures placed strategically along the Greenway; shaped like ancient canoes, they harken to the historical and environmental significance of Mission Creek. The Cultural Services Division also began the process to establish two new public art projects, one located within the Glenmore Linear Park system and the second, a Community Spirit project, funded in part by a generous contribution from the Okanagan Mountain Park Fire Recovery Society.

The Community Dialogues About Culture project involved hosting a series of seven open, facilitated dialogue sessions to determine the common cultural threads in our community. The ideas generated will be used by the Cultural Services Division in drafting a new Cultural Strategic Plan for Kelowna. Also as part of the strategic planning process, Cultural Services engaged in a cultural mapping project which consists of a database and geographical map indicating Kelowna's current cultural amenities.



Artificial turf installed in Mission Recreation Park.



Much of the attention of the City's Urban Forestry division was focused on the Western Pine Beetle infestation.

Works and Utilities

- *Manages planning, design, construction and maintenance of City water, wastewater, solid waste, drainage, electrical and transportation infrastructure*
- *Reviews technical design of subdivisions and land developments*
- *Delivers environmental services*



Gordon Drive in the south Mission was upgraded in 2006.

TRANSPORTATION

The City delivered \$22 million in road construction projects in 2006. Major projects included:

- the Central Okanagan Bypass, (now the Central Okanagan Multi-Modal Corridor) from Cerise Drive to Spall Road,
- the Richter Street and Ellis Street widenings for the East Approach Improvements to the W.R. Bennett Bridge,
- the Gordon Drive upgrade in the south Mission and
- a joint project with the province to extend Highway 33 to Enterprise Way.

Planning is now underway for the Central Okanagan Multi-Modal Corridor from Spall Road to Kelowna International Airport.

The City launched its *Snow Busters* program, a snow removal program that invites members of the community to nominate those who regularly clear snow from another's sidewalk. All nominees are eligible to win a \$500 travel voucher.

The City organized its second *Bike-to-Work Week* event, experiencing tremendous community participation, and won the National Commuter Challenge for the fifth year in a row.

BC Transit service was extended to the South Mission and Black Mountain area.

DRAINAGE

Drainage projects included improvements within the South Rutland area in conjunction with sanitary sewer projects, as well as drainage upgrades on Valley Road North and on Rumour Creek along the Gulley Road corridor. Stream improvement works were also initiated for Vernon Creek and in Bellevue Creek near the outlet to Okanagan Lake.

SOLID WASTE

The award-winning Biosolids Composting Facility, a joint venture with the City of Vernon, opened in September 2006. Biosolids from both cities are trucked to the new facility just outside of Vernon and converted to OgoGrow, Kelowna's popular organic compost.

A new Solid Waste Management bylaw was enacted requiring all businesses and apartment buildings to provide recyclable collection including paper, cardboard, tin and plastics.

Traffic at the Glenmore Landfill rose by 30,000 vehicles.

WATER

The City's Ultraviolet Light water disinfection system was officially launched in September 2006. UV transmitters have now been installed at three of four lake intakes, providing an effective barrier to Giardia and Cryptosporidia.

In keeping with new provincial guidelines, the City launched new Water Quality initiatives including public reporting guidelines for beach water quality and drinking water turbidity (the level of suspended particles in water).

Water Smart, the City's water conservation and public information arm, launched a number of new initiatives in 2006, including the test planting of a new drought-tolerant species of grass and experiments with compost tea.

An overall water rate increase of 5.1% was initiated, as well as a plan to further reduce water consumption by 10 per cent by 2010 and an additional 5 per cent by 2012.

WASTEWATER

Construction was completed for the Country Rhodes sewer project and Phase 2 (of 3) of the South Rutland sewer project. Detailed design work began for the Fisher Road area sewer project.

Design work was begun on expansion plans for the Wastewater Treatment Facility.



Sewer Construction in South Rutland.

ENVIRONMENT

The Environment Division undertook a Shore Zone Fisheries and Wildlife Habitat Assessment, presented to council in late 2006. The objective of the assessment was to gather information about important aquatic and foreshore habitats of Okanagan Lake so the municipality can prepare a shore zone management plan that will incorporate scientifically based identification of environmentally sensitive areas.

A post-Okanagan Mountain Park Fire rehabilitation weed control study was completed.

Kelowna became the first city in Canada to pilot outdoor LED (light emitting diode) street lighting. While more expensive than typical lamps, the LEDs are expected to consume 60% less energy.

The Environment Division actively promoted its *Be Pesticide Free* campaign, offering Pesticide Free lawn signs and carabiner key chains that include “recipe” cards for creating eco-friendly pesticide alternatives. The City also established a Pesticide Bylaw Advisory Committee to research community pesticide reduction strategies, pesticide bylaw formation and pesticide alternatives.



Joint Biosolids Facility with the City of Vernon

Financial Management Strategies

THERE ARE VARIOUS strategies adopted by Council that guide the City of Kelowna in managing a vibrant and sustainable community. These strategies were updated in 2003 and are included in the City's ten year plans.

Park Acquisition Strategy

This plan provides for the park land acquisition standard of 2.2 hectares per thousand of population and the acquisition of natural space by means other than cash outlay.

Parks Development Strategy

Parks development costs will be a function of the capital allocation deemed reasonable annually and are to be shared by the community rather than through increased development cost charge fees.

Waterfront Amenities Strategy

An annual allocation is provided for some waterfront land acquisitions but the emphasis is on private enterprise or community contributions to develop other amenities.

Major Recreational Facilities Strategy

Major recreational/cultural facilities are budgeted with substantial emphasis on funding from PPP's, public sector partnering and other contributions. Pay-as-you-go capital and reserve funding will be required to minimize long-term debt financing.

Civic Buildings Strategy

Buildings will be planned and constructed as required, subject to funding availability, with a focus on Public Private Partnerships in the development of these future civic buildings.

Pavement Management Strategy

Annual general revenue contributions are to increase from the baseline of \$1.9 million over the ten year program.

Storm Drainage Retrofit Strategy

Annual general revenue contribution of \$1.6 million to this program over the ten year plan.

Generation/Disposition of Surplus Strategy

One million dollars is to be allocated to reserves each year from annual surplus in order to mitigate the need for abnormal tax increases or incurring of new debt and to provide for capital expenditure opportunities which might otherwise require an alternative approval and/or referendum process.

Capital Pay-As-You-Go Strategy

Half of new construction taxation revenue each year is to be allocated to capital, increasing the percentage of capital to Municipal Taxation to a maximum of 30%.

Debt Management Strategy

The existing strategy of using alternative funding for discretionary expenditures, capitalizing on debt reduction opportunities and using short term borrowing and agreements for sale has been maintained. Maximum debt servicing should not exceed 5% of annual taxation demand.

Investment and Cash Strategy

The City will maintain sufficient short term liquid assets to enable it to meet its annual operating budget as required. Due to the uncertain nature of future expenses, the portfolio will focus on high quality, liquid securities.

Financial Section

A new aquatic facility planned for 2008 will meet the community's thirst for more water adventure.



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.

A handwritten signature in black ink that reads "Grant Thornton LLP".

Chartered Accountants

Kelowna, B.C.
March 16, 2007

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Kelowna, British Columbia
V1Y 2A8
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Fax: (250) 712-6850

Canadian Member of Grant Thornton International

Consolidated Statement of Financial Position

As at December 31, 2006

(in thousands of dollars)

	2006	2005
Financial Assets		
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>
Liabilities		
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>
Net Financial Assets	<u>26,385</u>	<u>40,850</u>
Non Financial Assets		
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>
Net Financial Position	<u>\$ 1,010,101</u>	<u>\$ 914,389</u>
Fund Position		
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

Consolidated Statement of Financial Activities
For the Year Ended December 31, 2006
(in thousands of dollars)

	Budget 2006	Actual 2006	Actual 2005
Revenue			
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>
Expenditures			
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>
Net revenue (expenditure)	(45,213)	(15,966)	12,052
Debt issuance	-	-	7,460
Debt repayment	(4,050)	(4,050)	(3,960)
Increase (decrease) in fund balance	<u>\$ (49,263)</u>	<u>\$ (20,016)</u>	<u>\$ 15,552</u>
Consolidated fund balance, beginning of year		123,135	107,583
Consolidated fund balance, end of year		<u>\$ 103,119</u>	<u>\$ 123,135</u>

See accompanying notes to the financial statements.

Consolidated Statement of Changes in Financial Position
For the Year Ended December 31, 2006
(in thousands of dollars)

	Actual 2006	Actual 2005
Net cash inflow (outflow) from operating activities		
Excess of revenue over expenditures	\$ (15,966)	\$ 12,052
Items not affecting cash - transfers between funds	<u>105,519</u>	<u>56,035</u>
	89,553	68,087
 Decrease (increase) in non-cash financial assets		
Accounts receivable	6,674	(3,070)
Other assets	<u>123</u>	<u>(8)</u>
 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>
	86,913	81,010
 Financing		
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>
	2,811	23,673
 Investing		
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	<u>13</u>	<u>(2)</u>
	(112,211)	(76,335)
 Net cash (outflow) inflow	(22,487)	28,348
 Cash position, beginning of year	199,862	171,514
 Cash position, end of year	\$ <u>177,375</u>	\$ <u>199,862</u>
 Cash and temporary investments	\$ <u>177,375</u>	\$ <u>199,862</u>

See accompanying notes to the financial statements.

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
Sources of Funds					
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>
Uses of Funds					
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>
Change in reserve fund balance	(8,264)	1,566	(246)	(6,944)	739
Balance, beginning of year	32,619	3,095	2,123	37,837	37,098
Balance, end of year	<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.

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

(in thousands of dollars)

	Actual 2006	Actual 2005
Reserves for future expenditures	\$ <u>63,145</u>	\$ <u>65,863</u>
Surplus		
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>
Fund balance, end of year	\$ <u><u>72,226</u></u>	\$ <u><u>85,298</u></u>

**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>
Contributions to capital assets		
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>
Debt retirement		
Retirement of debt	4,050	3,960
Retirement of short-term debt	156	-
Actuarial increase in sinking funds	1,331	1,158
	<u>5,537</u>	<u>5,118</u>
Asset disposal at original cost	<u>(2,033)</u>	<u>(3,593)</u>
Balance, end of year	\$ <u><u>906,982</u></u>	\$ <u><u>791,254</u></u>
Capital asset additions		
Contributions to capital assets	\$ <u>112,224</u>	\$ <u>68,932</u>
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>
Increase in capital assets	\$ <u><u>110,191</u></u>	\$ <u><u>72,799</u></u>

See accompanying notes to the financial statements.

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 Fund 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 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:

Type of Investments	2006	2005
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	<u>\$ 177,375</u>	<u>\$ 199,862</u>

City of Kelowna

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, DECEMBER 31, 2006

(ALL TABULAR AMOUNTS REPORTED IN 000'S OF DOLLARS)

Accounts Receivable

Accounts receivable are recorded net of allowance and comprise:

Type of Receivable	2006	2005
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 Governments	564	367
Utilities	4,772	5,084
Deferred development cost charges	<u>3,576</u>	<u>8,793</u>
Total Accounts receivable	<u>\$ 23,261</u>	<u>\$ 30,266</u>

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.

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

Deferred DCC	2006	2005
Balance, beginning of year	\$ 53,358	\$ 48,162
Return on investments	1,631	1,376
DCC levied in the year	<u>13,901</u>	<u>22,166</u>
	<u>15,532</u>	<u>23,542</u>
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	<u>-</u>	<u>128</u>
	<u>(27,131)</u>	<u>(18,346)</u>
Balance, end of year	<u>\$ 41,759</u>	<u>\$ 53,358</u>

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:

	2007	2008	2009	2010	2011
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	<u>226</u>	<u>249</u>	<u>272</u>	<u>297</u>	<u>324</u>
	<u>\$4,005</u>	<u>\$3,990</u>	<u>\$3,981</u>	<u>\$3,829</u>	<u>\$3,776</u>

Debt as a percentage of total expenditures:

2006	2005	2004	2003	2002
57.6%	67.0%	66.7%	70.5%	81.6%

3. CAPITAL ASSETS AND WORK IN PROGRESS

	2006 Work in progress	2006 Capital Assets	2005 Work in progress	2005 Capital Assets
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 & equipment	-	59,642	-	55,270
Gas distribution system (leased)	<u>-</u>	<u>55,609</u>	<u>-</u>	<u>55,609</u>
	<u>\$ 114,115</u>	<u>\$ 868,600</u>	<u>\$ 81,854</u>	<u>\$ 790,671</u>

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.

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.

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 15th 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.

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.

Supplementary Financial Section

A glimpse of Kelowna's bountiful harvest.



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.

Grant Thornton LLP

Chartered Accountants

Kelowna, B.C.
March 16, 2007

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Canadian Member of Grant Thornton International

Statement of Financial Position — by Fund
As at December 31, 2006
(in thousands of dollars)

	General Fund 2006	Airport Fund 2006	Electrical Fund 2006	Wastewater Fund 2006
Financial Assets				
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>
Liabilities				
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>
Net Financial Assets (Liabilities)	<u>36,433</u>	<u>4,772</u>	<u>12,054</u>	<u>(14,443)</u>
Non Financial Assets				
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>
Fund Position				
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>

Water Fund 2006	Statutory Reserves 2006	Nat. Gas Legacy Fund 2006	Library Society 2006	Consolidation Adjustments 2006	Consolidated 2006	Consolidated 2005
\$ 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>
<u>(29)</u>	<u>30,893</u>	<u>(39,788)</u>	<u>(3,507)</u>	<u>-</u>	<u>26,385</u>	<u>40,850</u>
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>

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	Wastewater Fund 2006
Revenue				
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>
Expenditures				
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>
Excess Revenue Over Expenditures	(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>
(Decrease) increase in fund balances	\$ (6,543)	\$ (470)	\$ (186)	\$ (3,986)
Consolidated Fund balance, beginning of year	50,535	5,242	12,454	3,632
Consolidated Fund balance, end of year	<u>\$ 43,992</u>	<u>\$ 4,772</u>	<u>\$ 12,268</u>	<u>\$ (354)</u>

Water Fund 2006	Natural Gas Legacy Fund 2006	Statutory Reserve Funds 2006	Library Society 2006	Consolidated 2006	Consolidated 2005
\$ 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>

Statement of Reserves and Surplus — by Fund**For the Year Ended December 31, 2006****(in thousands of dollars)**

	General Fund 2006	Airport Fund 2006	Electrical Fund 2006	Wastewater Fund 2006
Reserves for future expenditures	\$ 42,859	\$ 9,663	\$ 3,026	\$ 5,686
Surplus				
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
Fund balance, end of year	\$ 43,992	\$ 4,772	\$ 12,268	\$ 7,106

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
Contributions to Capital Assets				
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
Debt Retirement				
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)	-	-	-
Balance, end of year	\$ 582,327	\$ 46,928	\$ 34,093	\$ 164,815
Capital asset additions				
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)	-	-	-
Increase in capital assets	\$ 85,200	\$ 8,669	\$ 3,564	\$ 6,851

Water Fund 2006	Natural Gas Legacy Fund 2006	Library Society 2006	Consolidated 2006	Consolidated 2005
\$ 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

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
	Public Works				%
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
	Local Improvements				
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
	Recreation and Cultural				
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>	

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
	Specified Area Programs				%
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
	Sewer Improvement Programs				
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
	Sewage Treatment Plant				
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>	

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
	Specified Area Programs				%
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
	Water Improvement Programs				
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>	

Reserves and Surplus — 5 Year Comparison
 (in thousands of dollars)

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

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

	Operating Fund	Fed/Prov Funding	Statutory Reserves	Developer /Public	Borrowing /Other	Actual 2006	Actual 2005
General Fund							
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>
Total General Fund	<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>

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

	Operating Fund	Fed/Prov Funding	Statutory Reserves	Developer /Public	Borrowing /Other	Actual 2006	Actual 2005
Total General Fund	\$ 32,978	\$ 5,035	\$ 20,406	\$ 25,922	\$ 2,892	\$ 87,233	\$ 51,630
Airport Fund							
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>
Electric Utility Fund							
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>
Wastewater Utility Fund							
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>
Water Utility Fund							
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>
Natural Gas Legacy Fund							
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>

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>

Electrical Services	Wastewater 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

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

	Actual 2006	Actual 2005
Federal Gas Tax Agreement Funds		
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

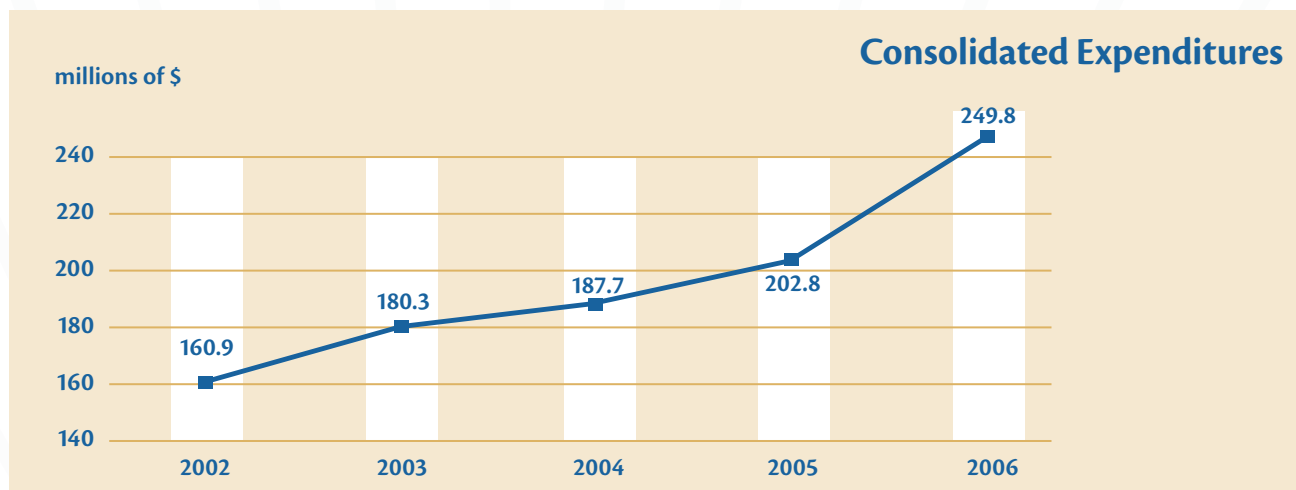
Gas Tax funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Municipality and the Union of British Columbia Municipalities.

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.

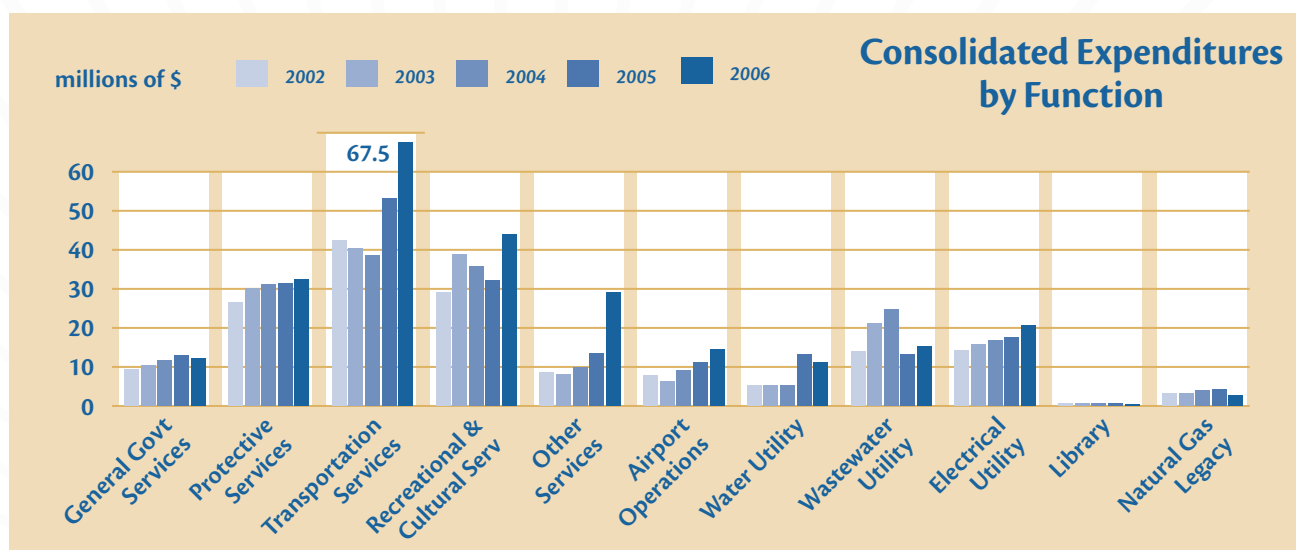
Statistical Section

Kelowna's breathtaking views enhance all outdoor recreation activities.

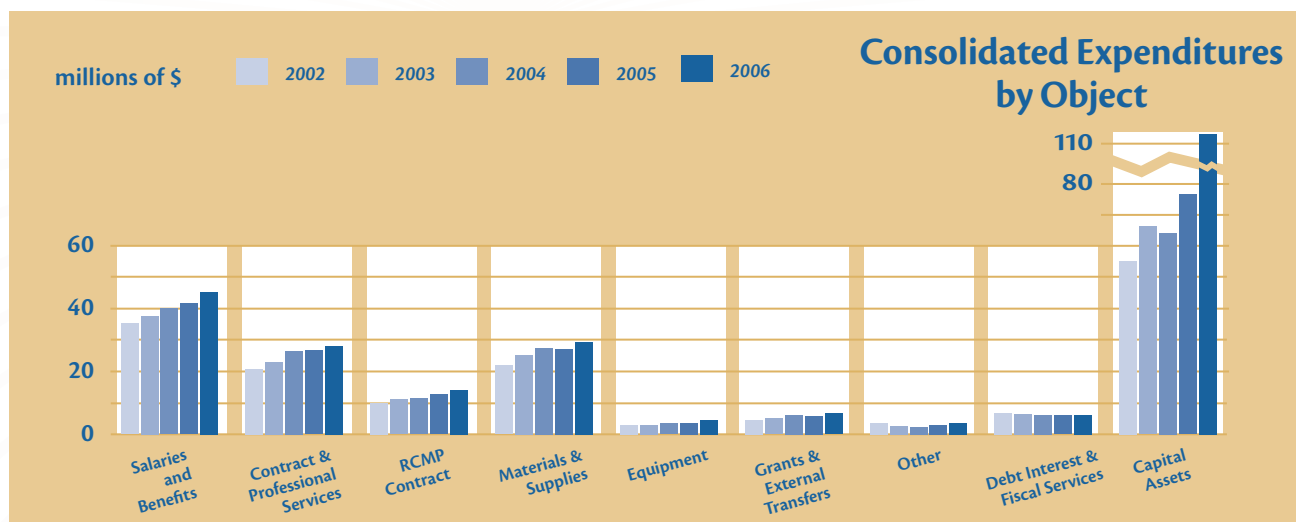




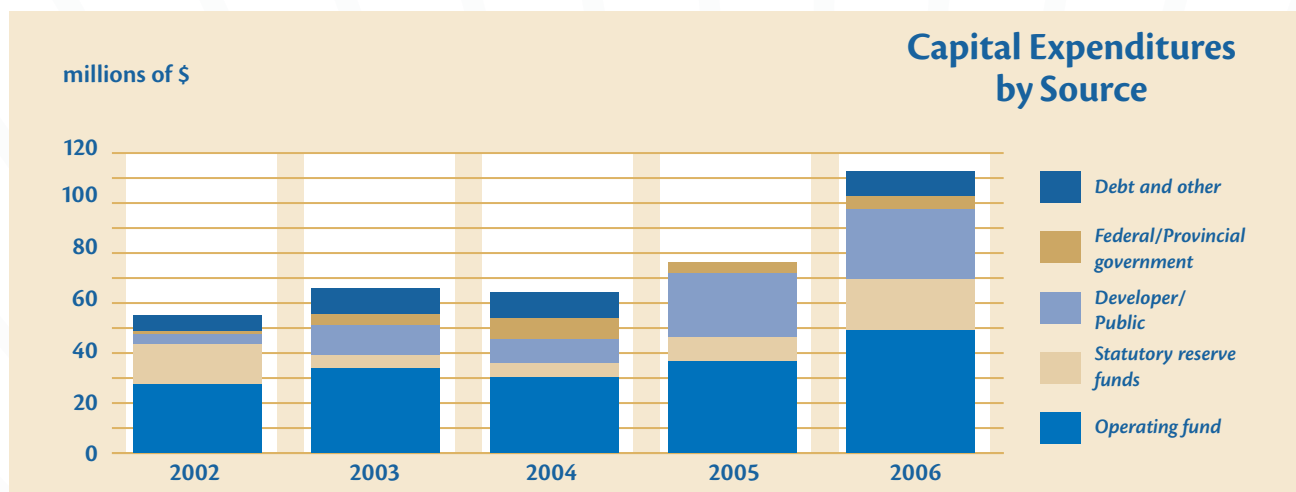
Source: City of Kelowna Financial Services Department



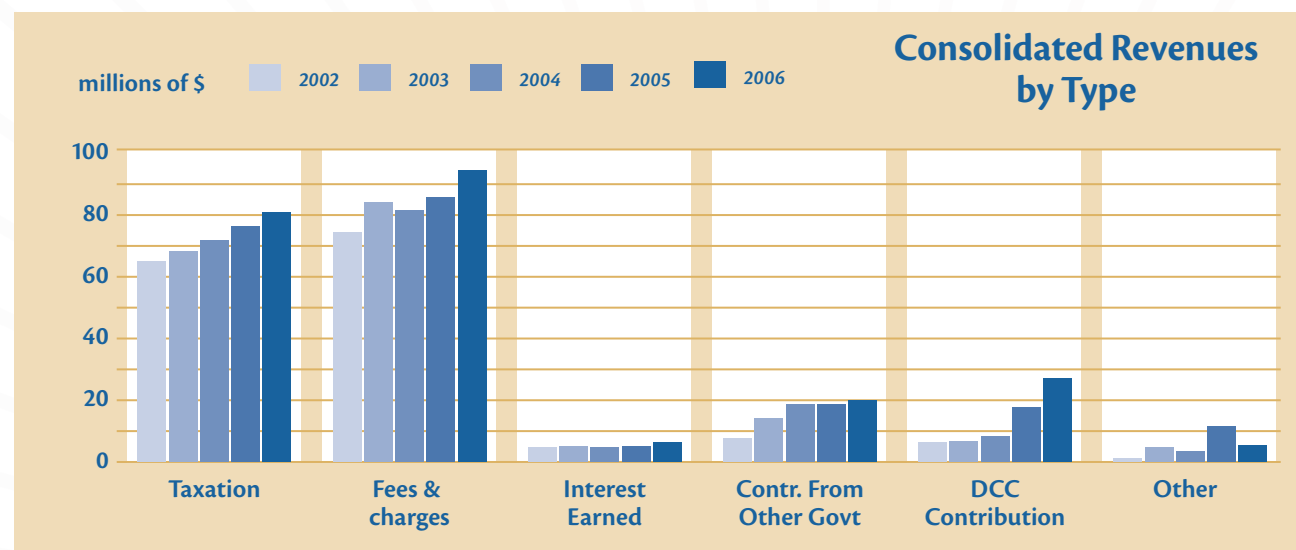
Source: City of Kelowna Financial Services Department



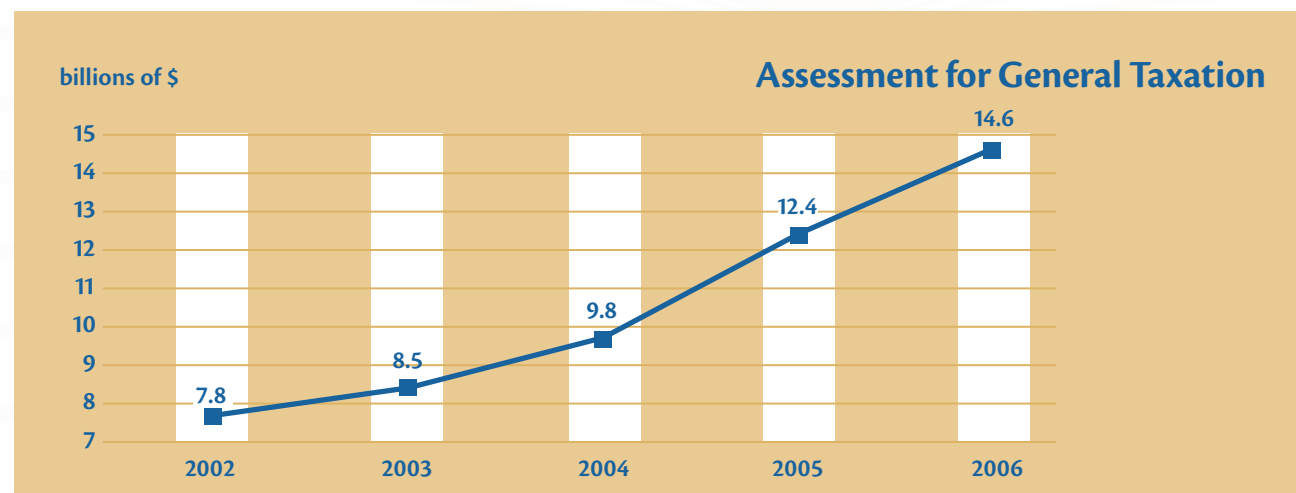
Source: City of Kelowna Financial Services Department



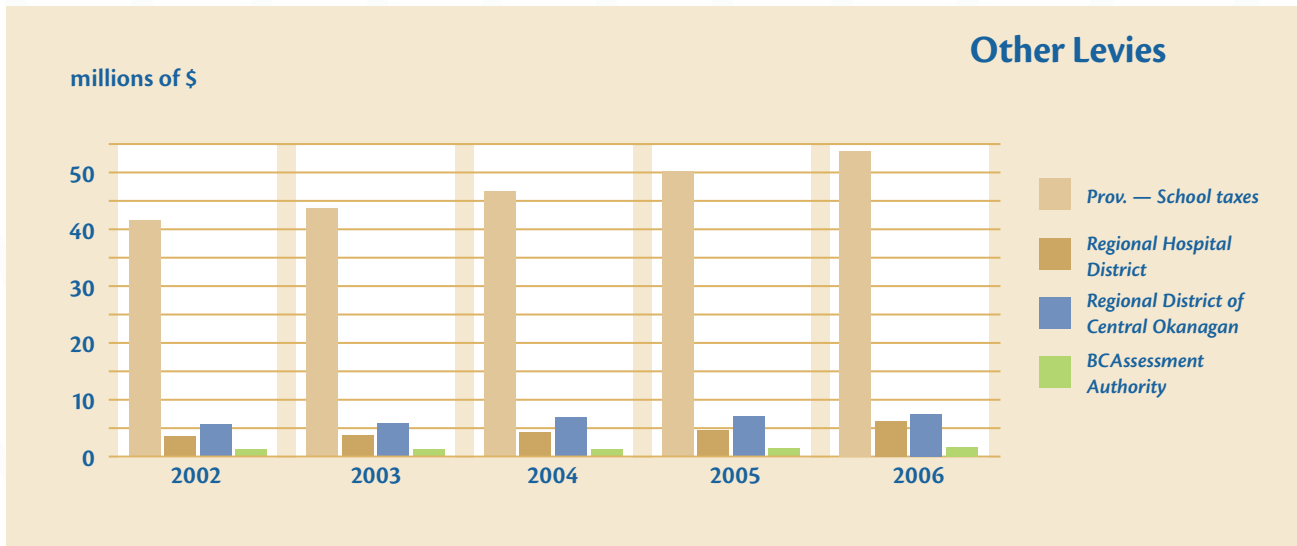
Source: City of Kelowna Financial Services Department



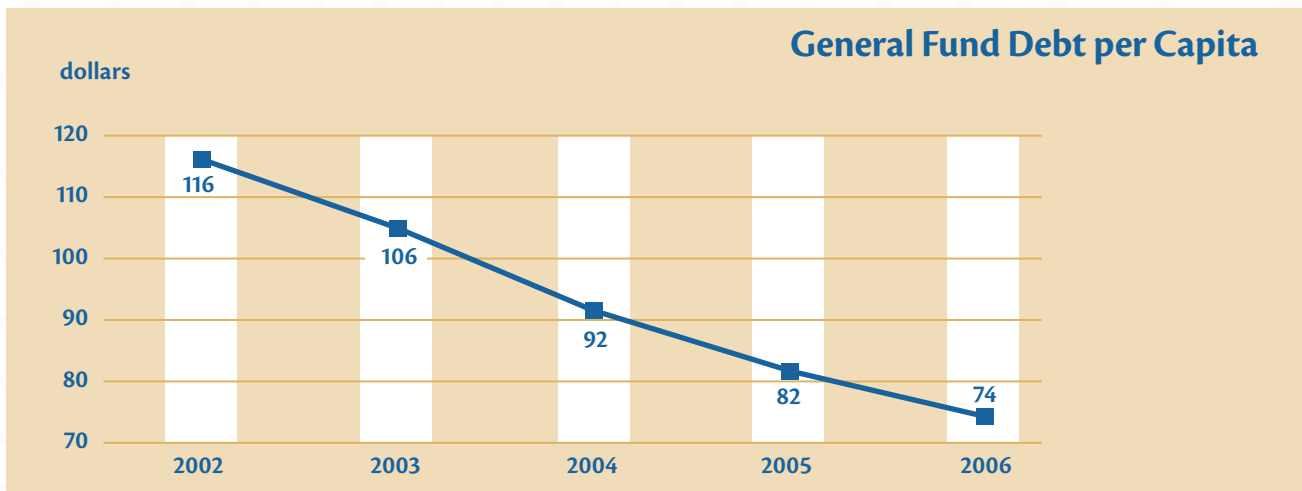
Source: City of Kelowna Financial Services Department



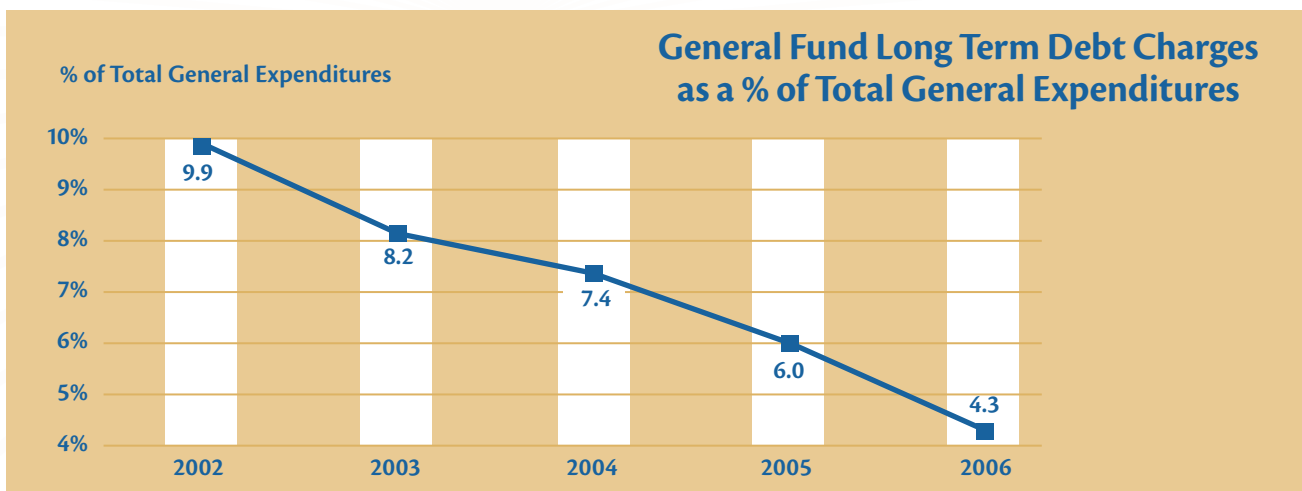
Source: City of Kelowna Financial Services Department



Source: City of Kelowna Financial Services Department



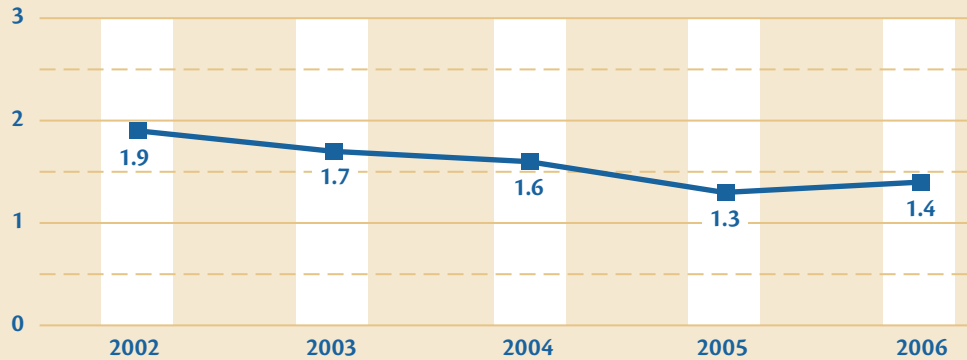
Source: City of Kelowna Financial Services Department



Source: City of Kelowna Financial Services Department

% of Taxation

General Debt Charges as a % of Taxation



Source: City of Kelowna Financial Services Department

thousands of \$

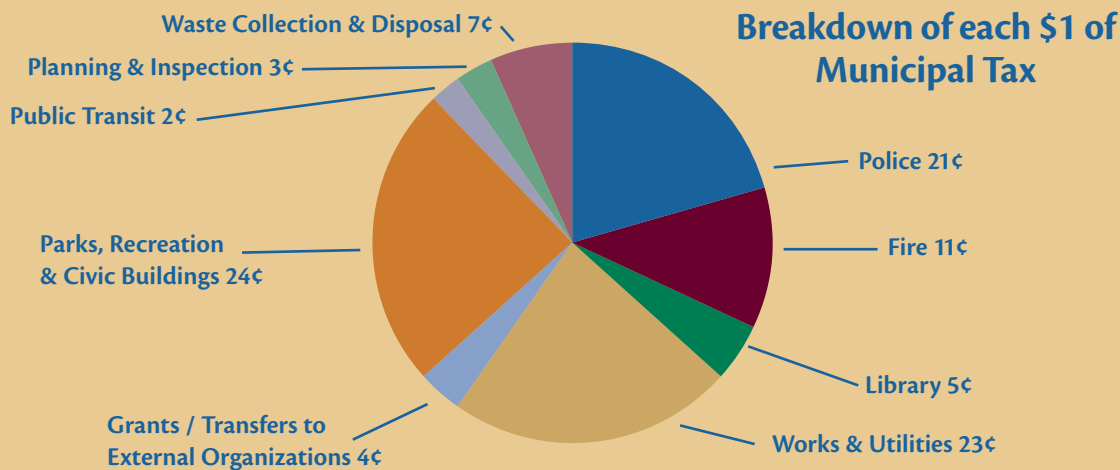
Taxes Collected

	2002	2003	2004	2005	2006
Current Year's Levy	120,824	127,009	135,660	144,889	155,241
Current Taxes Collected	118,713	125,077	133,399	142,851	152,539
Current Taxes Outstanding	2,111	1,932	2,261	2,038	2,702
Percentage of Taxes Collected	98.3%	98.5%	98.3%	98.6%	98.3%

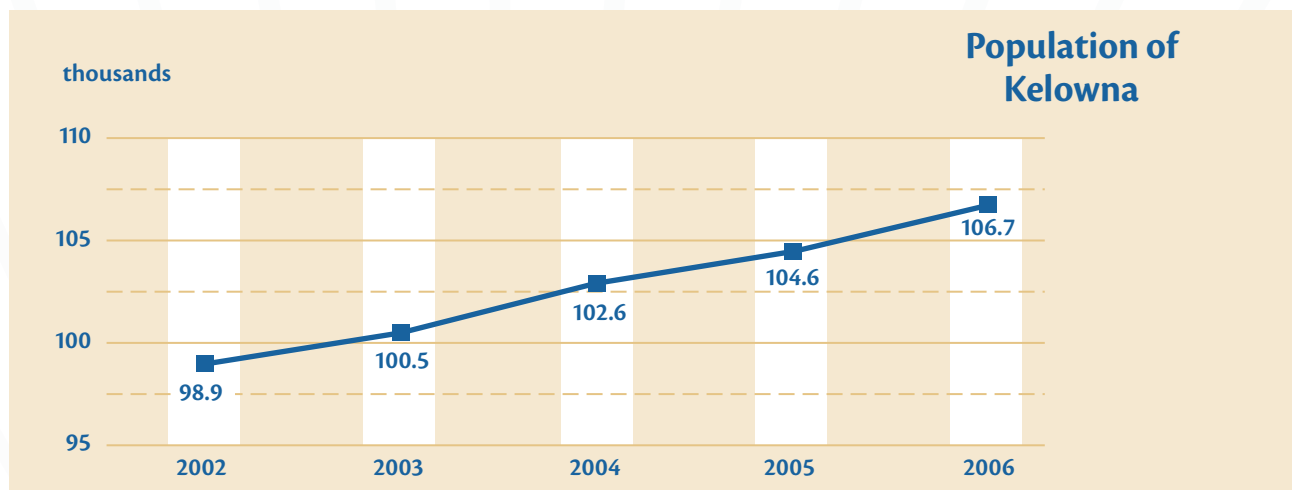
Top Ten Principal Corporate Taxpayers — 2006

	Legal Name	Type of Property		Legal Name	Type of Property
1	Orchard Park Shopping Centre Holdings Inc.	Orchard Park Shopping Mall	6	Dilworth Shopping Centre	Dilworth Shopping Plaza
2	Grand Okanagan Resort Ltd.	Hotel and Convention Centre	7	4231 Investments Ltd.	Spall Plaza
3	Terasen Gas	Gas Utility	8	FortisBC	Electrical Utility
4	McIntosh Properties Ltd.	Orchard Plaza	9	Al Stober Construction	Developer
5	Tolko Industries Ltd.	Lumber Industry	10	Telus Communications	Telephone Utility

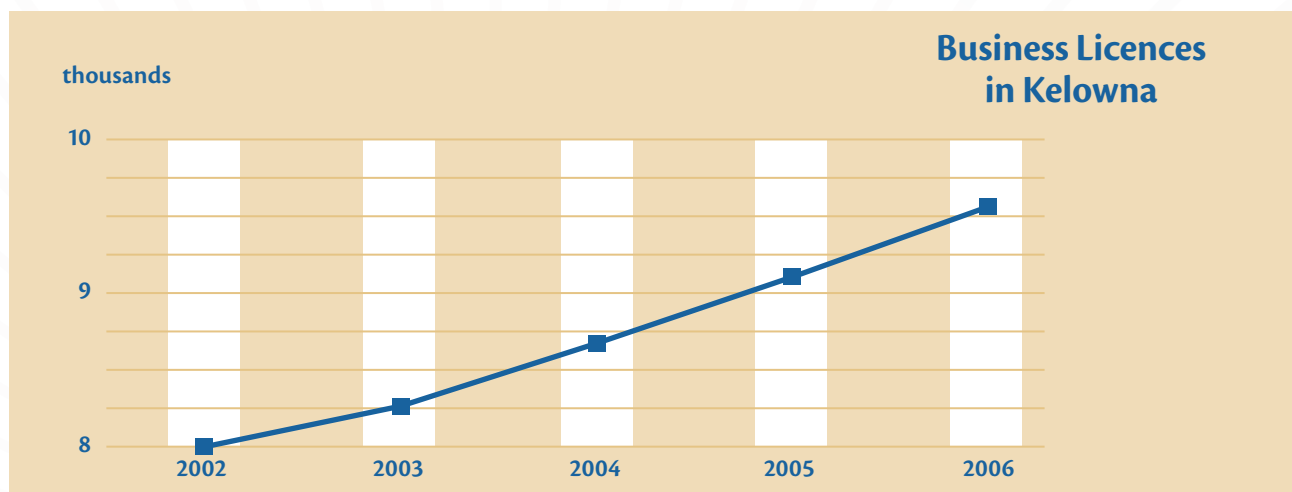
Source: City of Kelowna Financial Services Department



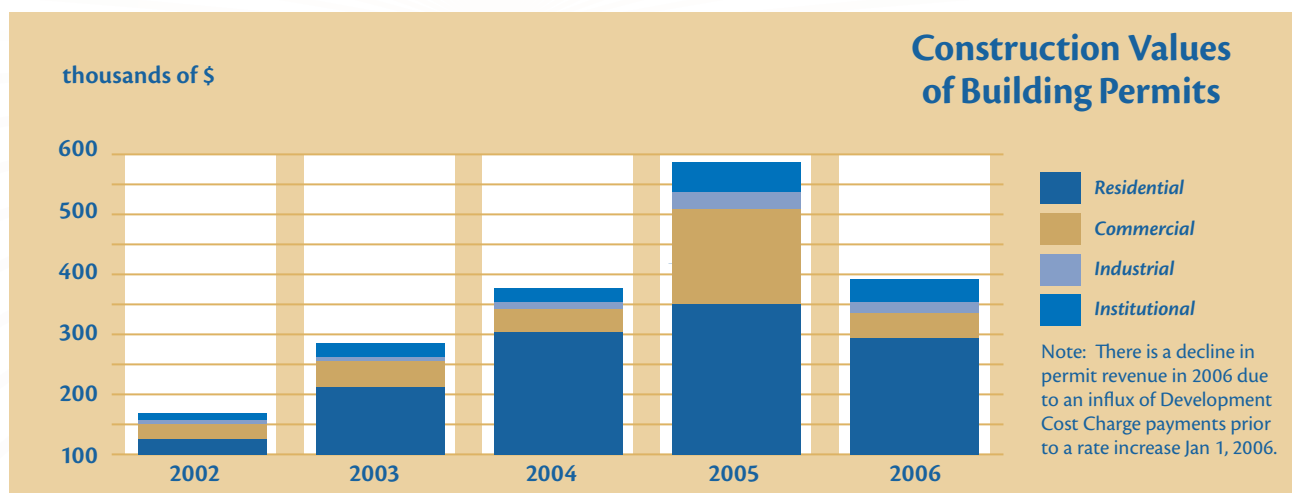
Source: City of Kelowna Financial Services Department



Source: Statistics Canada 2006 Census and City of Kelowna Research and Strategic Planning Department



Source: City of Kelowna Business Licence system



Source: City of Kelowna Permits system

2005 Permissive Tax Exemptions Provided by Council (municipal portion only)

Organization	Value of Tax Exemption 2006	Organization	Value of Tax Exemption 2006
Athletic or Service Club		Charitable or Philanthropic continued	
Boy Scouts of Canada	3,946	Ki-Low-Na Friendship Society	1,618
Boy Scouts of Canada	4,431	MADAY Society for Seniors	2,214
Boys & Girls Club	32,974	National Society of Hope	1,641
Boys & Girls Club	16,013	National Society of Hope	2,889
Boys & Girls Club	93,294	National Society of Hope	1,675
Central Okanagan Heritage Society	3,559	New Opportunities for Women (NOW)	1,932
Central Okanagan Parks and Wildlife	1,121	New Opportunities for Women (NOW)	1,032
Central Okanagan Parks and Wildlife Trust	1,421	New Opportunities for Women (NOW)	1,149
Central Okanagan Parks and Wildlife Trust	2,926	Okanagan Families Society Inc.	1,745
Central Okanagan Small Boat Association	17,954	Okanagan Families Society Inc.	2,620
East Kelowna Community Hall Association	1,580	Okanagan Halfway House Society	1,168
Ellison Centennial Parks & Recreation	1,013	Okanagan Halfway House Society	1,463
Kelowna Badminton Club	4,401	Okanagan Independent Living Society	1,341
Kelowna Cricket Club	117	Okanagan Independent Living Society	1,252
Kelowna Curling Club	29,357	Okanagan Independent Living Society	1,071
Kelowna Fish & Game Club	8,130	Orchard City Abbeyfield Society	1,679
Kelowna Lawn Bowling Club	3,530	Resurrection Recovery Society	1,341
Kelowna Major Mens' Fastball Association	9,777	Resurrection Recovery Society	3,952
Kelowna Yoga House Society	4,389	Private Hospital Licensed under Community Care Facility Act	
Nature Trust of B.C.	5,435	Canadian Cancer Society	47,845
Nature Trust of B.C.	2,204	Central Okanagan Child Development Association	15,502
Nature Trust of B.C.	12,652	Crossroads Treatment Centre	5,266
Nature Trust of B.C.	15,074	Crossroads Treatment Centre	5,590
Okanagan Gymnastic Centre	15,314	Interior Health Authority	13,623
Okanagan Mission Community Hall Assoc.	3,855	Interior Health Authority	21,853
Rutland Minor Fastball	7,864	Interior Health Authority	66,765
Rutland Park Society	18,636	Art Gallery, Museum, Cultural Purpose	
Charitable or Philanthropic		Central Okanagan Heritage Society	5,714
B.C. Society for Prevention of Cruelty to Animals	7,125	Centre Culturel Francais De L'Okanagan	1,580
Building Health Families	1,196	Kelowna Art Gallery	49,474
Canadian Mental Health	2,396	Kelowna Canadian Italian Club	1,110
Central Okanagan Emergency Shelter	1,571	Kelowna Centennial Museum Association	5,271
Columbus Holding Society	933	Kelowna Centennial Museum Association	16,609
Columbus Holding Society	1,158	Okanagan Military Museum Society	1,660
Columbus Holding Society	1,392	Roman Catholic Bishop of Nelson	1,237
Father DeLestre Columbus Society	2,650	Rotary Centre for the Arts	79,858
Howard-Fry Housing Society	1,298	Public Worship / Church Hall	
Kalano Club of Kelowna	3,234	Christian Science Society of Kelowna	1,502
Kelowna & District S.H.A.R.E.Society	6,323	Kelowna Victory Life Fellowship	2,157
Kelowna & District Society for Community Living	9,046	R.Chase, E.Hunter, C.Nash, Free Methodist Church	3,070
Kelowna (#26) Royal Canadian Legion	959	Housing Construction (Elderly Citizens) Act	
Kelowna Centre for Positive Living Society	722	BC Corp of Seventh Day Adventist Church	11,199
Kelowna Child Care Society	2,530	Capital News Centre	208,789
Kelowna Community Foodbank Society	6,614	Oak Lodge Center Ltd.	2,556
Kelowna Community Resources & Crisis Centre Society	3,100	Non-profit organization using Municipal Building	
Kelowna Drop-in & Information Centre	1,763	Boys & Girls Club	8,888
Kelowna Gospel Mission Society	1,496	Central Okanagan Day Care Society	6,420
Kelowna Gospel Mission Society	4,304	City of Kelowna Library Society	92,309
Kelowna Music Society	3,173	Good Samaritan	45,643
Kelowna Sr. Citizens Society of BC	2,232	Kelowna & District Safety Council Society	1,013
Kelowna Youth Outreach Care Society	3,672	Lifestyle Equity Society	1,322
KGH Foundation Auxiliary Thrift Shop	2,096	Total Municipal Taxes Exempted by Council in 2006	
Ki-Low-Na Friendship Society	6,116	\$1,153,681	



1435 Water Street
Kelowna BC V1Y 1J4
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Fax 250 862-3399
www.kelowna.ca



**COUNCIL REMUNERATION AND EXPENSES,
EMPLOYEE REMUNERATION AND EXPENSES
AND PAYMENT FOR PROVISION OF GOODS OR SERVICES**

FOR THE YEAR ENDED DECEMBER 31, 2006

Paul Macklem, CMA
Director of Financial Services

CITY OF KELOWNA
Council Remuneration and Expense Report
for the year ended December 31, 2006

Surname	First Name	Taxable Remuneration	Non-taxable Allowance	Other Expenses	Benefits
Mayor					
SHEPHERD	SHARON ANNE	55,425	27,399	6,900	651
Councillors					
BLANLEIL	ANDRE	16,881	8,453		
CLARK	BARRIE	16,881	8,453	1,026	
DAY	COLIN	16,643	8,335	714	
GIVEN	BRIAN	16,866	8,448		
GRAN	CAROL	16,654	8,359	476	
HOBSON	ROBERT D.	16,651	8,338	4,565	
LETNICK	NORMAN	16,884	8,473	510	
RULE	MICHELE	16,654	8,359	6,260	
Total Council		189,540	94,616	20,450	651

CITY OF KELOWNA

Schedule of Remuneration and Expenses paid to or on behalf of each employee for the year ended December 31, 2006

Surname	First Name	Position	Salary	Expenses
Backmeyer	Don	Facilities Operations Spvrs	76,629	3,587
Bagh	Signe	Mgr Pol Resrch/Strategic Plng	103,436	0
Baker	Rick	Human Resources Director	140,751	0
Barnes	Robin	Water Drainage Engineer	83,756	60
Barth	Neil	Captain	86,894	0
Bayat	Mo	Manager, Permits & Inspections	82,461	3,581
Beaudry	Dale	Roads & Equip Superintendent	87,284	4,322
Beese	Michael	Captain	84,201	0
Berry	William	Wastewater Manager	101,384	1,140
Bjur	Larry	Captain	82,375	0
Blanleil	Rene	Fire Chief	123,260	229
Born	Ronald	City Manager	152,548	1,024
Bostock	Bruce	Firefighter- 10YR	76,797	0
Buchanan	Robbie	Firefighter- 10YR	75,604	0
Bunce	Bruce	Traffic Signals Technician	109,284	3,419
Burdeniuk	Dwayne	Human Resources Manager	83,820	407
Calhoun	Dale	Captain	82,290	0
Carr	Eric	Systems Development Manager	92,818	2,335
Chapman	Ian	Platoon Captain	86,126	0
Chasca	Danny	Firefighter- 10YR	76,375	0
Chatham	Allan	Firefighter- 10YR	75,696	0
Christy	Hazel	Special Projects Plng Manager	91,129	1,119
Covington	Charlene	Employee Rltns & Dev. Manager	82,524	1,525
Crane	Patrick	Captain	86,733	0
Creron	Joe	Parks Manager	102,465	4,528
Daft	Gregory	Fire Inspector II	76,965	0
Darchuk	Gord	Firefighter- 10YR	75,527	0
Davidson	Genelle	Mgr, Financial Systm&Investmnt	76,581	7,114
Degen	Don	Water & Drainage Manager	102,345	4,301
Dickinson	Ron	Inspection Services Manager	96,970	4,549
Dixon	Allen	License/Bylaw Enf. Supervisor	75,823	3,562
Dombowsky	Jerry	Transp Demand Supervisor	80,227	473
Drachenberg	Neil	Airport Fire & Security Chief	77,905	4,751
Dray	David	Properties Supervisor	74,236	2,033
Dueck	Jackie	Financial Accounting Manager	74,624	2,067
Eichler	Theresa	Community Planning Manager	79,102	477
Enseleit	Calvin	Firefighter	75,395	0
Entwistle	Robert	Technical Systems Manager	91,074	2,498
Flack	Allison	City Clerk	89,497	2,713
Fleming	Stephen	Council Services Supervisor	75,698	640
Forbes	Ronald	Cultural Facilities Manager	73,783	2,584
Fuller	David	Assist. Gen. Mgr - Airport Ops	94,846	9,680
Gabriel	Jim	Sport & Recreation Manager	100,649	3,475
Gibbs	Andrew	Parks Plng,Design &Const Spvrs	79,379	2,779
Golling	Ronald	Captain	80,579	0
Graham	David	Recr,Pks,Culturl Svc. Director	139,949	6,943

Surname	First Name	Position	Salary	Expenses
Grayston	Keith	Financial Planning Manager	89,735	1,853
Gunn	Lorna	Cultural Services Manager	78,539	4,949
Hailstones	John	Plumbing & Gas Insp Supervisor	73,103	5,188
Hall	Steven	Firefighter- 10YR	77,628	0
Heyming	Harold	Platoon Captain	87,302	0
Hill	Timothy	Firefighter- 10YR	78,389	0
Hoy	Timothy	Platoon Captain	87,741	0
Jacobson	Kenneth	Fire Training/Safety Officer	99,801	1,013
Kayfish	Lance	Risk Manager	81,218	2,950
Kelly	John	Firefighter- 10YR	75,652	0
Klonteig	Kerry	Assistant Fire Chief	100,109	2,263
Klotzbach	Forrest	Roadways Engineeer	75,535	216
Kranabetter	Mark	Firefighter- 10YR	76,227	0
Light	Tim	Captain	85,618	0
Loken	Dennis	Captain	85,016	0
MacGillivray	Maureen	Purchasing Manager	81,981	0
Macklem	Paul	Financial Services Director	140,430	8,403
Mattiussi	Ronald	City Manager	169,935	10,742
Meadows	Scott	Police Admin. Services Manager	76,914	0
Miller	Dennis	Firefighter- 10YR	78,620	0
Minchin	Brian	Captain	84,939	0
Mitchell	Edward	Platoon Captain	87,678	0
Moore	Brian	Fire Administration Officer	81,410	2,606
Muenz	Steven	Development Engineer. Manager	107,855	4,318
Murrell	Gordon	Roadways Operations Supervisor	75,054	2,581
Murrell	Michael	Utilities Network Supervisor	74,942	1,440
Neid	Michael	Fire Prevention Officer	86,401	1,384
Oddleifson	Reid	Program Development Manager	96,326	2,386
O'Reilly	Shawn	Captain	83,856	0
Paley	Glenn	Asst. Fire Training Officer	80,188	645
Pekrul	Brian	Captain	86,145	0
Pinda	Ronald	Captain	82,889	0
Radford	Dennis	Cemetery Manager	75,258	3,596
Rasmussen	Douglas	Information Services Manager	108,726	978
Richard	Gerry	Captain	83,562	0
Roelofs	Henry	Captain	83,303	0
Roshinsky	Steven	Firefighter- 10YR	77,133	0
Sakamoto	Blaine	Captain	84,027	0
Samaddar	Sam	Assist. Gen. Mgr.- Airport Dev	96,479	2,594
Schleppe	Robert	Firefighter- 10YR	75,620	0
Sellick	Roger	Airport General Manager	124,272	16,189
Serres	Lawrence	Captain	84,623	0
Shaughnessy	Robert	Subdivision Approving Officer	92,241	0
Shaw	Joel	Wastewater Engineer	82,899	0
Shipclark	David	Director of Corporate Services	114,885	0
Simpson	Eric	Firefighter- 10YR	76,672	0
Sophonow	Ted	Parks Op. & Mtce Supervisor	74,142	2,131
Staniszewski	Joseph	Labour Relations Manager	84,792	0
Stephens	Carla	Parks Administration Sprvsr	76,373	1,138
Thompson	Harry	Traffic & Transp. Engineer	83,820	3,158
Vos	John	Works & Utilities Director	143,745	3,368
Wallick	Steve	Firefighter- 10YR	80,222	690

Surname	First Name	Position	Salary	Expenses
Walter	Lynn	Mgr, Terasan Gas Secondment	93,913	0
Watt	Mark	Environment & Solid Waste Mgr	91,937	4,951
Weaden	Adrian	Pump Station Supervisor	74,834	2,554
Westlake	Ron	Transportation Manager	109,744	7,152
White	James	Wastewater Treatmnt Supervisor	73,823	1,987
Wilde	Louis	Assistant Fire Chief	100,328	2,408
Wilson	Ian	Urban Forestry Supervisor	77,134	3,649
Zahara	Randy	Theatre Manager	74,638	852
Employees Less than \$75,000			31,562,618	200,981
Total of all Employees*			<u>41,006,736</u>	<u>399,226</u>

* Prepared under the Financial Information Regulation, Schedule 1, Section 6 (2),(3),(6),(7) and (8)

STATEMENT OF SEVERANCE AGREEMENTS**

There were no severance agreements under which payment commenced between the City of Kelowna and its non-unionized employees during the fiscal year 2006

**Prepared under the Financial Information Regulation, Schedule 1, subsection 6(7)

RECONCILIATION PER SECTION 6 (2) (d)

Total Employees (including council)	41,196,276
Total per Expenditure by Function and Object- Salaries & Benefits	45,209,340
Variance, difference Fringe Benefits- Employer portion	<u>(4,013,064)</u>

CITY OF KELOWNA
2006 Schedule of Payments for the
Provision of Goods or Services

Supplier's Name	Amount
24/7 TRAFFIC CONTROL	59,913
357581 B.C. LTD.,	48,217
371868 BC LTD	27,323
460531 BC LTD.	31,733
481124 B.C. LTD.	48,133
557969 B.C. LTD.	85,803
566214 B.C. LTD	98,991
620241 BC LTD.O/A AB CONTRACTING	639,267
678502 BC LTD	30,708
A.G. APPEL ENTERPRISES LTD.	321,990
A.H. MCELROY SALES & SERVICE (CANADA)LTD	68,521
A.R. MOWER & SUPPLY LTD.	42,002
ACCU-SWEEP SERVICES LTD.	35,122
ACKLANDS-GRAINGER INC.	52,298
ACTION STUMP GRINDING	26,030
ADT SECURITY SERVICES CANADA, INC.	37,433
ADVANCED VIDEO SURVEILLANCE	35,355
AL STOBER CONSTRUCTION LTD	102,329
ALLANS HOSE N ALL	29,902
ALLIANCE PROFESSIONAL SERVICES	35,664
AMERICAN LaFRANCE	316,837
ANDREW SHERET LTD.	35,917
ANSELL CONSTRUCTION LTD.	3,733,614
AON REED STENHOUSE INC.	156,837
APPLE VALLEY BOBCAT SERVICE	67,678
ARCONAS	85,336
ART RENOVATIONS	56,332
ASG MANAGEMENT & INVESTMENT LTD.	41,216
ASSOCIATED ENGINEERING B.C. LTD.	418,667
ASTROGRAPHIC INDUSTRIES LTD	29,850
ATLAS POWER SWEEPING LTD.	103,839
AUTODRAFT INC	29,875
AVALON EVENT RENTALS INC.	52,074
AVENSYS	32,724
B.G. MACDONALD SERVICES LTD.	64,838
BA BLACKWELL AND ASSOCIATES LTD	29,325
BAKSTAD, ODVAR LORENTZ KLEISER AND	29,500
BC ASSESSMENT AUTHORITY	1,629,089
BC TRANSIT	4,232,033
BEE-CLEAN BUILDING MAINTENANCE INC.	31,272
BELL MOBILITY INC.	26,992
BEL-MK ENGINEERING LTD.	265,474
BENNETT CONTRACTING LTD.	396,067
BETTY VAN EXAN ENTERPRISES	162,827
BLACK & MCDONALD LIMITED	1,344,833
BLACK MOUNTAIN IRRIGATION DISTRICT	55,180
BLAKE, CASSELS & GRAYDON LLP	37,624
BLINK DEVELOPMENT CORPORATION	35,973
BOARDWALK COMMUNICATIONS LTD	40,195
BRANDT TRACTOR LTD.	26,911

CITY OF KELOWNA
2006 Schedule of Payments for the
Provision of Goods or Services

Supplier's Name	Amount
BRENNTAG CANADA INC.	155,948
BROWNE, JAMES	31,500
C G L CONTRACTING LTD	67,811
C I B A SPECIALTY CHEMICALS	113,699
C.D.ENTERPRISES	42,022
CANADA POST	25,098
CANADA SAFETY EQUIPMEN	26,196
CANADIAN UNION OF PUBLIC EMPLOYEES	470,007
CANADIAN WESTERN BANK	7,884,616
CAPRI INSURANCE - CROSSING	275,444
CARO ENVIROMENTAL SERVICES	63,222
CASCADIA SPORT SYSTEMS INC.	29,574
CENTRAL OKANAGAN FOUNDATION	93,001
CENTRAL OKANAGAN HERITAGE SOCIETY	147,839
CENTRAL OKANAGAN REGIONAL HOSPITAL	6,254,980
CH2M HILL CANADA LIMITED	106,766
CHBC-TV - A DIVISION OF	27,782
CHECKMATE CABS LTD.	97,299
CHEVRON CANADA LIMITED	1,251,022
CIBC MORTGAGE CORPORATION	30,278
CINTAS THE UNIFORM PEOPLE	67,601
CITICORP VENDOR FINANCE, LTD.	40,465
CKOV & CKLZ - FM	30,045
CLEANING COMPANY,THE	150,792
CLEARTECH INDUSTRIES INC.	65,917
CMW INSURANCE SERVICES LTD	880,111
COLLICUT ENERGY SERVICES LTD.	97,043
COMMISSIONAIRES BC	1,569,265
COMMONWEALTH HISTORIC RESOURCE	36,747
COMPLETE CLIMATE CONTROL INC.	35,727
COOKSON MOTORS LTD.	212,939
CORIX UTILITIES INC.	598,483
CORIX WATER PRODUCTS INC	158,578
CORMODE & DICKSON LTD	272,257
CORNOCK, COLLEEN	39,584
CORPORATE EXPRESS	100,492
COVER-ALL BUILDINGS - BC	45,031
COWBOY FORESTRY LTD.	164,291
COYSA / KELOWNA UNITED SOCCER	52,865
CTQ CONSULTANTS LTD.	71,381
CUMMINS WESTERN CANADA	402,960
D & E COMMUNICATIONS	26,137
D & L SEPTIC SERVICES	35,797
D.A.GODDARD LAND SURVEYING INC.	46,224
DAYTON & KNIGHT LTD.	83,155
DEL EQUIPMENT LIMITED	43,788
DELEURME ENTERPRISES (B.C)	40,848
DELL CANADA INC.	66,362
DELL COMPUTER CORPORATION	242,164
DELTA AERIAL SURVEYS LTD.	44,538

CITY OF KELOWNA
2006 Schedule of Payments for the
Provision of Goods or Services

Supplier's Name	Amount
DIANNE & DON'S BUILDING MAINTENANCE	136,311
DISTRICT OF LAKE COUNTRY	262,341
DOAK SHIRREFF "IN TRUST"	545,200
DON FOLK CHEV OLDS INC.	64,800
DOWNTOWN KELOWNA ASSOCIATION	837,797
DR. JOHN DORWARD	37,345
E.C.L. FIBERGLASS MANUFACTURING INC.	41,101
EAGLE TRAFFIC SERVICES	212,180
EARTH TECH (CANADA) INC.	611,546
EBA ENGINEERING CONSULTANTS LTD.	314,930
ECONOLITE CANADA INC.	347,174
ECONOWISE OFFICE PRODUCTS	53,055
ECOSCAPE ENVIRONMENTAL CONSULTANTS LTD.	26,098
EECOL ELECTRIC (SASK.) LTD.	202,961
EHMANN PRINTWORX LTD.	64,841
EINFELD WATTS "IN TRUST"	150,000
ELDORADO RANCH LTD.	63,340
ELECTRIC MOTOR & PUMP SERVICE	59,470
EMCO CORPORATION	196,652
EMIL ANDERSON CONSTRUCTION (EAC) INC.	589,749
ENGINEERED COMPOST SYSTEMS	634,112
ENSIGN BROS. ENTERPRISES LTD.	82,030
ENVIRO WEST INC.	36,642
ESRI CANADA LIMITED	49,997
EVERGRO CANADA INC.	101,395
EXCEL DEVELOPMENTS LTD.	86,454
EXCEL METAL FAB. LTD.	30,237
FDM SOFTWARE LTD.	26,682
FIELD DRILLING	34,424
FINNING INTERNATIONAL INC.	902,462
FIRST RESPONSE TRAINING & SAFETY SYSTEMS	56,680
FMC TECHNOLOGIES, INC - JETWAY	123,208
FORT GARRY INDUSTRIES LTD.	33,131
FORTIS BC INC.	17,487,718
FORTIS PACIFIC HOLDINGS INC.	4,682,034
FRENCH, KEN AND NOREEN	45,000
G. MOROSO & ASSOCIATES	27,178
GAIGG, ANTON & HELEN FRANZISKA	47,464
GENERAL PAINT/ AFFILIATE OF WILLIAMS	197,155
GERALD BAKER AIRPORT CONSULTANT	34,494
GIL BARRY CONTRACTING LTD.	68,039
GLENMORE STORE LTD.	49,949
GLENMORE-ELLISON IMPROVEMENT DISTRICT	1,480,672
GLIDEPATH SYSTEMS LTD.	782,201
GOLDER ASSOCIATES LTD.	314,413
GOLF CENTRE, THE	35,718
GOOD SAMARITAN CANADA	39,768
GRAHAM CONSTRUCTION & ENGINEERING (1985)	2,880,460
GRAND & TOY	42,434
GRAND OKANAGAN RESORT, THE	142,723

CITY OF KELOWNA
2006 Schedule of Payments for the
Provision of Goods or Services

Supplier's Name	Amount
GRANT THORNTON LLP	63,838
GRASSMICK'S EXCAVATING LTD.	140,514
GRAYHAWK INDUSTRIES LTD.	49,608
GREAT MASTERS CLEANING & CONTRACTORS	323,211
GREAT WEST EQUIPMENT	619,999
GREEN PROJECTS LTD.	58,910
GREENLEAF ENTERPRISES LTD.	1,258,663
GUILLEVIN INTERNATIONAL INC.	151,226
H2OKANAGAN WATER CONSERVATION LTD.	281,584
HAWKEYE HOLDINGS LTD.	37,733
HAYTER CONSTRUCTION LTD.	7,235,165
HAZCO ENVIRONMENTAL SERVICES LTD.	78,876
HEENAN BLAIKIE	42,656
HERITAGE OFFICE FURNISHINGS LTD.	26,673
HI-PRO SPORTING GOODS	27,707
HMA ARCHITECTS INC.	86,308
HORT PRO CONTRACTING LTD.	523,171
HUME-SMITH CONTRACTING & DEV CO LTD	35,046
HUNGRY HOUND RESTAURANT	92,980
HUSKA HOLDINGS LTD. DBA HUSKA EXCAVATING	29,219
IBI GROUP	257,982
IBM CANADA LTD.	347,517
IFIDS.COM INC.	53,124
IMS INFRASTRUCTURE MANAGEMENT SERVICES	41,409
INNOVEX EVENT & PROJECT MANAGEMENT	39,465
INPROTECT SYSTEMS INC.	45,745
INTERCOAST UTILITIES LTD.	77,510
INTERIOR BUILDING MOVERS	26,590
INTERIOR EMULSIONS LTD.	51,190
INTERIOR MICROFILMING LTD.	26,490
INTERIOR PORTABLE RENTALS LTD.	62,095
INTERIOR TESTING SERVICES LTD.	55,194
INTERNATIONAL ASSOC. OF FIREFIGHTERS	125,283
INTERPROVINCIAL TRAFFIC SERVICES LTD.	36,880
INTERVISTAS CONSULTING INC.	115,793
IPSOS-REID LP	84,048
J & M CONTRACTING	45,855
J. STEPHEN TRUCKING LTD.	38,484
J.S. FOSTER CORPORATION	44,590
JACKSON BEGG LTD	91,165
JDL CONSTRUCTION MANAGEMENT	62,096
JNJ EXCAVATING INC.	46,686
JOHN KUNOW	34,635
JORDANS	34,128
KARMA BASRAN TRUCKING LTD.	75,234
KEL EXCAVATING LTD	46,712
KELDON ELECTRIC & DATA LTD.	158,348
KELOWNA ART GALLERY	415,317
KELOWNA ARTS FOUNDATION	210,000
KELOWNA BOYS & GIRLS CLUB	341,551

CITY OF KELOWNA
2006 Schedule of Payments for the
Provision of Goods or Services

Supplier's Name	Amount
KELOWNA CABS (1981) LTD.	161,020
KELOWNA CAPITAL NEWS LTD.	194,315
KELOWNA CHAINSAWS	33,797
KELOWNA CHAMBER OF COMMERCE	359,097
KELOWNA CURLING CLUB	77,527
KELOWNA DAILY COURIER , THE	201,292
KELOWNA GOSPEL MISSION SOCIETY	150,505
KELOWNA IRON WORKS	33,217
KELOWNA MOTORS LTD.	29,482
KELOWNA MUSEUM ASSOCIATION	399,221
KELOWNA MUSEUM'S SOCIETY	149,738
KELOWNA PACIFIC RAILWAY LTD.	41,234
KELOWNA RCMP AUXILIARY	42,000
KELOWNA STEEL FABRICATORS LTD.	26,431
KELOWNA VISUAL & PERFORMING ARTS	157,562
KELOWNA WATERWORKS	41,130
KENT-MACPHERSON APPRAISALS	222,374
KERR WOOD LEIDAL ASSOC. LTD.	182,315
KETTLE VALLEY DEVELOPMENT	50,433
KETTLE VALLEY HOLDINGS LTD	193,404
KNIGHT'S VACUUM SERVICES LTD.	393,946
KON KAST PRODUCTS LTD	158,586
KOST FIRE SAFETY LTD.	27,121
KOTLER, MEL	27,335
LAHAWK ENTERPRISES	50,668
LAKESIDE OFFICE SYSTEMS LTD.	47,614
LANDSCAPE FORMS INC	29,758
LEDCOR CONSTRUCTION LTD	31,060
LFG SPECIALTIES LLC	45,140
LIDSTONE, YOUNG, ANDERSON "IN TRUST"	15,617,617
LIDSTONE, YOUNG, ANDERSON	510,699
LTS PRO SOUND AND LIGHTING	27,507
MACDONALD REALTY KELOWNA LTD "IN TRUST"	121,000
MACLEAN GROUP MARKETING INC.	58,404
MADGE CONTRACTING	66,142
MAGNUM RESULTS CORP.	62,681
MAILEY DEVELOPMENTS LTD.	56,877
MANULIFE FINANCIAL	71,153
MAPLE REINDERS INC.	4,900,656
MAPLEHEATH RANCH LTD.	72,143
MARATHON COMMUNICATIONS INC.	28,282
MARONA ESTATES LTD.	42,178
MATTHEWS CANADA LTD.	43,532
MAXIMUM SPORTS & ENTERTAINMENT LTD.	25,362
MCASPHALT WESTERN LTD.	434,710
MCKENZIE ELECTRIC CONTRACTING LTD.	46,033
MEARL'S MACHINE WORKS LTD	135,831
MEIKLEJOHN ARCHITECTS INC.	37,588
METRO MOTORS LTD.	251,677
METTLER-TOLEDO INC.	27,658

CITY OF KELOWNA
2006 Schedule of Payments for the
Provision of Goods or Services

Supplier's Name	Amount
MID-MOUNTAIN EXCAVATING LTD.	118,959
MILLENNIUM PROTECTION INC.	40,579
MINISTER OF FINANCE	35,165,044
MINISTER OF FINANCE, PROVINCE OF B.C.	915,076
MONDO AMERICA INC	702,079
MORROW ENVIRONMENTAL CONSULTANTS INC	85,441
MULTI-POWER PRODUCTS LTD.(KELOWNA)	39,926
NAPA AUTO PARTS	105,012
NAPP ENTERPRISES LTD.	186,254
NEIL MARRS CONTRACTING LTD.	115,851
NEW WEST GYPSUM RECYCLING (BC) INC.	151,697
NORTHERN COMPUTER	145,292
O.K. BUILDERS SUPPLIES LTD.	247,942
OK EXCAVATING	856,662
OKANAGAN AGGREGATES LTD.	160,011
OKANAGAN BOYS & GIRLS CLUB	69,886
OKANAGAN COMPUTER PRODUCTS RECYCLING INC	35,002
OKANAGAN FERTILIZER LTD.	42,843
OKANAGAN MAINLINE MUNICIPAL LABOUR	35,859
OKANAGAN REGIONAL LIBRARY	3,759,390
OKANAGAN SYMPHONY SOCIETY	25,000
OMEGA COMMUNICATIONS LTD.	130,626
ORACLE CORPORATION CANADA INC.	201,875
ORCHARD FORD SALES LTD.	51,761
PACIFIC NORTHERN RAIL CONTRACTORS INC.	218,063
PACIFIC SPORT OKANAGAN	51,039
PACIFIC SUN ENTERPRISES LTD.	34,245
PATTISON SIGN GROUP	109,000
PCL CONSTRUCTORS WESTCOAST INC.	1,149,155
PENSION CORPORATION	5,818,486
PETER'S BROS. CONSTRUCTION LTD.	12,774,810
PETRO-CANADA	51,537
PIER MAC PETROLEUM INSTALLATIONS LTD.	243,178
PIER MAC SAND & GRAVEL	145,796
PITURA ENTERPRISES LTD.	40,240
POINTE OF VIEW CONDOMINIUM (QUAIL) INC.	153,740
PORTER RAMSAY "IN TRUST"	979,890
POSTAGE BY PHONE	60,245
PRECISE PARKLINK INC.	73,277
PREMIUM CANADA	68,166
PRINT THREE KELOWNA	29,725
PRO FLAG TRAFFIC CONTROL	64,401
PROGRESSIVE LANDS LTD.	47,395
PROMO WEST	27,804
QUALATECH AERO CONSULTING LTD.	41,325
QUANTUM LAND DEVELOPMENT MANAGEMENT	75,497
R & L EXCAVATING	333,936
R & N MAINTENANCE (WESTERN DIVISION)	31,688
R. SMITH CONTRACTING LTD	212,804
R.A. QUALITY HOMES LTD.	78,006

CITY OF KELOWNA
2006 Schedule of Payments for the
Provision of Goods or Services

Supplier's Name	Amount
R.G.PROPERTIES (MISSION) LTD.	25,874
RAY SMITH SERVICES	104,951
RECEIVER GENERAL FOR CANADA	25,293,676
REDLINE BOBCAT SERVICES	28,530
REFRIGERATIVE SUPPLY	27,796
REGIONAL DISTRICT OF CENTRAL OKANAGAN	18,482,562
RENAISSANCE ARCHITECTURE PLANNING INC.	35,062
RESOURCE RECOVERY SYSTEMS OF NEBRASKA IN	220,148
REVV H & G KELOWNA	57,467
RG ARENAS (KELOWNA) LTD.	1,289,369
RG FACILITIES (MISSION) LTD.	33,320
RISSE, WAYNE	33,460
RITE-WAY FENCING INC.	30,681
ROGERS WIRELESS INC.	137,135
ROYAL STAR ENTERPRISES INC.	557,758
ROYALE LANDSCAPING LTD	311,946
RUBY HOLDINGS LTD.	131,570
RUNNALLS, DENBY & ASSOCIATES	57,720
RUTLAND WATERWORKS DISTRICT	42,577
RYAN PEAK ULC	3,248,389
SALLOUM LANGIN "IN TRUST"	25,000
SANDRA KOCHAN	69,890
SAWCHUK DEVELOPMENTS LTD	367,871
SCHOOL DISTRICT NO.23 (CENTRAL OKANAGAN)	41,263
SCOTIABANK	45,369
SD-16 VENTURES LTD.	29,006
SENTES CHEVROLET LTD	40,568
SERWA BULLDOZING (1982) CO. LTD.	144,764
SHAW CABLESYSTEMS LTD.	43,324
SHORELINE PILEDIVING AND WHARF	70,736
SIEMENS CANADA LIMITED	53,876
SIERRA LANDSCAPING LTD.	843,418
SIGNCRAFT	30,738
SITE360	35,661
SKYSERVICE	36,189
SLIMAN STANDER LLP, "IN TRUST"	4,414,777
SMARTE CARTE INC.	29,374
SMARTSTAGE AMERICA INC	67,288
SOFTCHOICE CORPORATION	85,321
SPIEGEL SKILLEN & ASSOCIATED LTD	93,051
SPLASH DESIGN	29,080
ST. GEORGE MOVING & STORAGE	33,698
ST. PAUL FIRE & MARINE INSURANCE COMPANY	30,163
STANDARD RADIO INC.	32,020
STANTEC CONSULTING LTD. (SCL)	1,531,599
STUART W. MUIR CONSULTING	27,178
SUMMIT CUSTOMS BROKERS	35,165
SUMMIT SOUTH DEVELOPMENTS JOINT VENTURE	341,767
SUN HOLDINGS LTD.	70,642
SUN VALLEY ROOFING LTD.	38,274

CITY OF KELOWNA
2006 Schedule of Payments for the
Provision of Goods or Services

Supplier's Name	Amount
SUN-OKA VALLEY TRANSPORT	242,965
SUNSET MEMORIAL & STONE LTD.	136,432
SUPERIOR EXCAVATING SERVIVCES	135,227
SURFWOOD SUPPLY (1964) LTD.	47,611
SW AUDIO VISUAL	50,194
SWIFT CONSTRUCTION LTD.	55,290
T & A DRILLING & BLASTING	59,927
T.J. WARD CONSULTING GROUP INC.	32,932
T.R.'S TRUCKING LTD.	142,374
T245 ENTERPRISES LTD	40,694
TALON SECURITY SERVICES INC.	220,727
TARLIT, STEVE	28,608
TCC THE CLEANING COMPANY CO LTD	32,291
TELUS ADVANCED SERVICES INC	76,272
TELUS COMMUNICATIONS INC.	531,009
TELUS MOBILITY	80,897
TERASEN GAS INC.	1,229,005
TERASEN UTILITY SERVICES	759,748
TERASEN WATERWORKS INC	93,961
TERRALINK HORTICULTURE INC.	26,261
TOLKO INDUSTRIES LTD	144,469
TOMKO SPORTS SYSTEMS INC	205,407
TOPS OFFICE PRODUCTS LTD.	30,700
TOSHIBA OF CANADA LTD.	89,865
TOURISM KELOWNA	1,207,783
TRAFCO (CANADA)	54,520
TRANSTECH DATA SERVICES (1992)_ LTD	31,308
TRANS-WESTERN ELECTRIC LTD.	35,063
TRI-CITY CONTRACTING LTD.	2,189,071
TROJAN SECURITY SYSTEMS INC.	53,293
TYALTA INDUSTRIES INC.	25,405
UMA ENGINEERING LTD	45,020
UNION OF BRITISH COLUMBIA MUNICIPALITIES	48,395
UNIT ELECTRICAL ENGINEERING LTD.	457,813
UNITED LOCK BLOCK LTD	60,798
URBAN SYSTEMS LTD.	1,466,177
VALLEY CURBING LTD	76,629
VALLEY MAINTENANCE & OPERATIONS	196,195
VALU-MAID SERVICES INC	45,771
VAN GURP AND COMPANY	73,841
VANCOUVER INTERNATIONAL AIRPORT	52,583
VAN-KEL DISTRIBUTORS LTD.	42,204
VIRK ENTERPRISES	121,328
VISCO MANUFACTURING LTD.	98,198
WASTE MANAGEMENT	1,361,697
WATTON, RONALD & BARBARA	30,118
WESCLEAN EQUIPMENT	31,055
WEST COAST MONUMENTS INC	211,609
WESTLAKE PAVING & AGGREGATES LTD	1,214,918
WEST-WIND NURSERIES LTD.	543,080

CITY OF KELOWNA
2006 Schedule of Payments for the
Provision of Goods or Services

Supplier's Name	Amount
WHOLESALE FIRE & RESCUE LTD.	63,867
WIENER'S PLUMBING AND IRRIGATION LTD	73,632
WILCO LANDSCAPE CONTRACTORS LTD	4,169,603
WILDCAT SPECIALTY LOADER SERVICE	165,645
WILLIS ENERGY SERVICES LTD	63,149
WINKLER, DONALD & JUDITH	25,406
WINN RENTALS LTD	188,285
WISHBONE INDUSTRIES	29,931
WOLSELEY WATERWORKS GROUP	252,712
WOOD COMMUNICATIONS LTD	25,217
WOODLAND EQUIPMENT INC.	392,640
WORKSAFE BC	334,291
X-RAIL SIGNALS INC.	196,384
YMCA-YWCA OF THE CENTRAL OKANAGAN	666,305
ZEP MANUFACTURING CO.	36,383
 VENDOR PAYMENTS LESS THAN 25,000	 9,215,377
 TOTAL PAYMENTS	 <u><u>269,516,503</u></u>

RECONCILIATION PER SCHEDULE 1 SECTION 7

Total Vendor Payments	<u>269,516,503</u>
Total per Expenditure by Function and Object (less Salaries)	204,418,000
Payments made to other Taxing Authorities	<u>69,314,636</u>
	<u>273,732,636</u>
 * Variance	 <u><u>(4,216,133)</u></u>

* Variance consists of expenditures recorded through the general ledger that didn't require payment to a supplier:

Development Cost Charge Credits	(3,045,038)
Major Contracts accrual variance	(596,445)
Interest on internal financing	(631,453)
Other (payments made to suppliers not included in Expenditure by Function and Object)	56,803
	<u><u>(4,216,133)</u></u>

CITY OF KELOWNA
2006 Schedule of Payments for the
Provision of Goods or Services

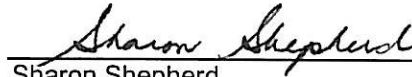
Supplier's Name	Amount
KELOWNA ART GALLERY	412,923
KELOWNA BOYS & GIRLS CLUB	341,551
KELOWNA MUSEUM ASSOCIATION	520,550
YMCA-YWCA OF THE CENTRAL OKANAGAN	695,178
KELOWNA VISUAL & PERFORMING ARTS	150,460
DOWNTOWN AMBASSADOR PROGRAM	42,000
KELOWNA ARTS FOUNDATION GRANT	210,000
KELOWNA CHAMBER OF COMMERCE	346,430
KELOWNA YOUTH & FAMILY CENTRE (SD-16 VENTURES)	27,256
DOWNTOWN KELOWNA ASSOCIATION	424,000
MISCELLANEOUS COMMUNITY SERVICE GRANTS	58,379
TOTAL GRANTS OR CONTRIBUTIONS INCLUDED	3,228,727

CITY OF KELOWNA
Statement of Financial Information Approval

The undersigned, as authorized by the Financial Information Regulation, Schedule 1, subsection 9(2), approves all the statements and schedules included in this Statement of Financial Information, produced under the *Financial Information Act*.



Paul Macklem, CMA
Director of Financial Services



Sharon Shepherd
Mayor

June 18, 2007
Date

June 18, 2007
Date