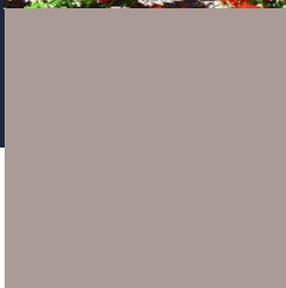
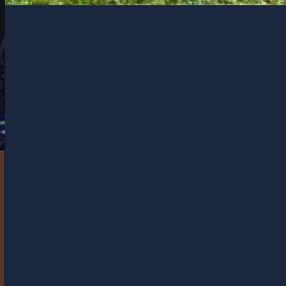
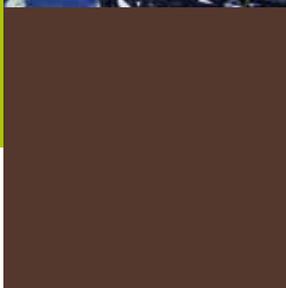


2007

ANNUAL FINANCIAL REPORT OF THE CITY OF KELOWNA, BRITISH COLUMBIA

For the year ended December 31, 2007



City of Kelowna

KELOWNA, BRITISH COLUMBIA

Annual Financial Report

FOR THE YEAR ENDED DECEMBER 31, 2007

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

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A message from the Mayor

I am pleased to report that we've made great strides in 2007 in pursuit of many of our goals; sustainability, healthy living, and protection and enhancement of our community.

Sustainability is a key goal of this community and we are working with other levels of government to make it a reality. Kelowna joined 60 other B.C. municipalities to sign the British Columbia Climate Change Charter, reinforcing the City's commitment to reduce greenhouse gas emissions. I am also a member of the BC Sustainable Energy Association's 100,000 Solar Roofs Task Team. Our goal is to develop a strategy and action plan for 100,000 solar roofs in B.C. by 2020.

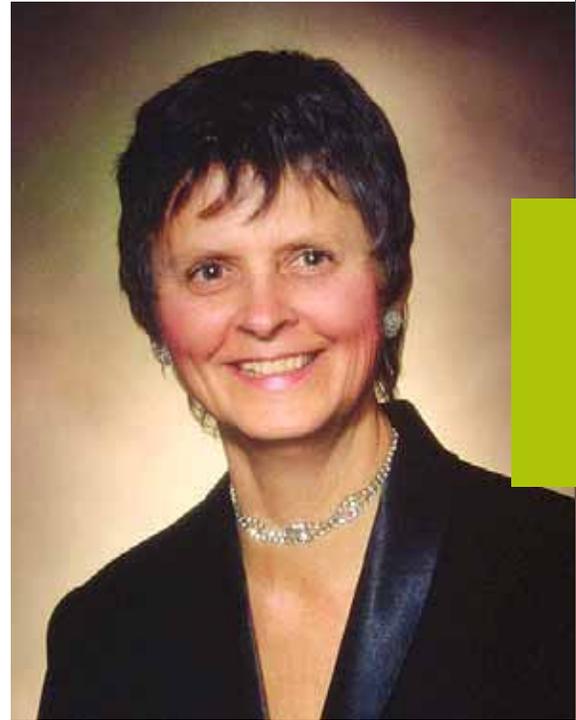
Regionally, Council supported the Central Okanagan Air Quality Management Plan; we also joined partners from across the North and Central Okanagan to sign a statement of co-operation for the Okanagan Collaborative Conservation Program. This will improve access to financial and technical resources to help aid conservation efforts in the valley.

Council has approved a pesticide reduction bylaw restricting the use of cosmetic, non-essential pesticides. This will come into effect in 2009, following a comprehensive "Be Pesticide Free" education campaign beginning in 2008.

Public consultation began regarding the Downtown Revitalization initiative which could see implementation of a comprehensive development zone to guide redevelopment of four city blocks of the downtown. Two public open houses, many stakeholder meetings and a survey have been completed to gather public input on what development should occur in these four blocks between Highway 97, Water Street, Queensway Avenue and Okanagan Lake.

We've also begun the process of redeveloping a key piece of land at Richter Street and Highway 97 (the former Kelowna Secondary School site). We have set our sights on LEED™ (Leadership in Energy and Environmental Design) gold for the Central Green development here, and have embarked on an extensive public consultation process to determine what Kelowna residents want to see. LEED™ is the most recognized green building rating system in North America.

Early in 2007, Council rezoned downtown waterfront lands to P3 (Park), reflecting the goal of Council to preserve continuous public access to Okanagan Lake from City Park to Knox Mountain Park. Council also directed staff to proceed with final design for Stuart Park, which will be home to a B.C. Spirit Square thanks to



\$500,000 from the provincial government. We eagerly await construction of this focal-point park which should begin in 2009.

In late 2007 Council hosted a workshop to End Homelessness where community leaders met to discuss short and long term plans. One concrete step forward involved Council granting \$9,500 to support temporary transitional housing at a vacant hotel property over the winter months. I will continue to lobby senior levels of government for more support for municipalities facing these issues.

Our third and fourth youth forums focused on parks planning and the environment helping students better understand civic planning and urban growth challenges.

2007 was a busy and exciting year and I am sure, given Kelowna's increasing popularity and changing face, we will be in for another busy year in 2008.

A handwritten signature in blue ink that reads "Sharon Shepherd".

Sharon Shepherd
MAYOR, CITY OF KELOWNA

City Council 2007 - 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 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 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 a.m. and on Sundays at 7 p.m.

A message from the City Manager

The 2006 Census revealed what we have known for a while, Kelowna is one of Canada's fastest growing cities. With a population of 106,000, our growth rate is 10.8% over 2001 statistics, compared to B.C.'s average growth of 5.3 and Canada's 5.4%.

This is not news to those of us who live here. This is a beautiful and coveted community and it is constantly undergoing change. In fact, much of what occupied the City of Kelowna's time in 2007 is evidence of the changes we face.

Development activity continues to rise significantly each year; our Planning Division saw a 38.7% increase in development activity in 2007. This has meant a significant increase in workload for Planning staff, high demands on our Works and Utilities staff as we constantly endeavour to keep up with servicing, road and park requirements, and pressure on administration staff.

Construction costs are increasing significantly at the same time. Our Financial Services Division conducted an extensive review of the 20-Year Servicing and Financing Plan in 2007. It was determined that Development Cost Charges would be increased in 2008 for all types of development in an effort to accommodate steadily rising construction costs and land values.

In 2007, a great deal of work was conducted by the Boundary Extension Review Team in preparation for the Westside residents' governance review and vote. The decision of Westside residents was to form a stand-alone community, but for much of 2007 we were asked to consider the impact of a 30% increase in our population overnight.

Kelowna International Airport embarked on its impressive 2010 Airport Development Program that will accommodate the forecasted growth to 1.6 million passengers by 2015. The \$36 million expansion will include a new international arrivals concourse capable of handling 250 passengers per hour. This airport continually exceeds previous passenger volumes and is adding new services and amenities each year.

We received many significant accolades this year. We earned the right to call ourselves the Best Blooming Community in Canada in 2008 thanks to high scores in the Communities in Bloom and Winter Lights competitions, we were second to Vancouver in the inaugural Provincial Green Cities Award and our Planning Division received the Crimson Apple Award from the Planning Institute of BC for its Hillside Development Audit.



Safety is a key concern in this community and a new RCMP Drug Policy Coordinator was hired in 2007; a crime analyst and a two-member target team were added to the new Crime Reduction Program. Some RCMP functions have moved to a newly-renovated Windsor Road facility.

The Kelowna Fire Department developed a five year strategic plan, standardized open burning and air quality issues, upgraded the Emergency Operations Centre and the Emergency Flood Plan.

This year, the City of Kelowna embarked on a far-reaching organizational review which will be announced in 2008. Every day we face new requests for our time and attention and I know we need a new organizational structure to meet these increasing demands. I believe this new structure will help us adapt to our ever-changing environment, now and into the future, and will propel us to our goal of being Canada's best mid-sized city.

Ron Mattiussi
CITY MANAGER

Report from the Director of Financial Services

May 2008

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 2007 Annual Financial Report of the City of Kelowna for the fiscal year ended December 31, 2007. The report includes the Auditor's report, the 2007 audited financial statements, and supplementary information for the City of Kelowna.

The financial statements for the year ended December 31, 2007 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 ten years the City of Kelowna tax increase for general municipal purposes has averaged just over 2 % per year. 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.

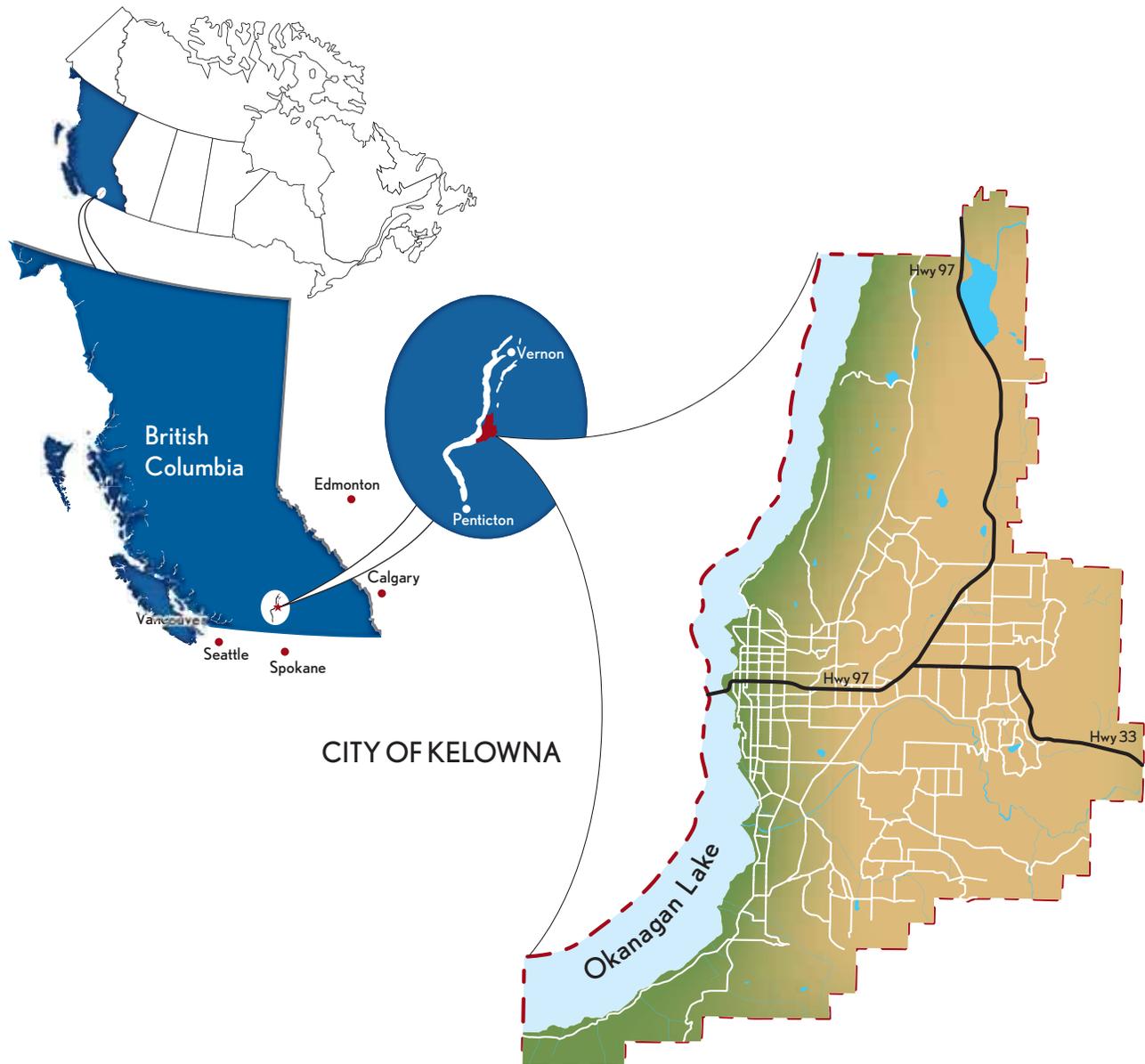
The City strives to be innovative and creative in terms of finding more efficient and effective ways of delivering services to reflect Council and community desires, in spite of the challenges of an increasingly complex operating environment. The City remains committed to providing sound financial management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

Respectfully submitted,



Paul Macklem, CMA
DIRECTOR 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 109,500, 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 Development

Director Rick Baker
 Police Administration
 Services Manager Scott Meadows

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
 Revenue Manager George King
 Risk Manager Lance Kayfish

Human Resources

Director (acting) Charlene Covington
 Employee Relations and
 Development Advisor Vacant
 Human Resources Manager Jodi Drope
 Human Resources Manager Joe Staniszewski
 Human Resources Manager Shirley Clement

Planning and Development Services

Director Vacant
 Current Planning Manager (acting) ... Shelley Gambacort
 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

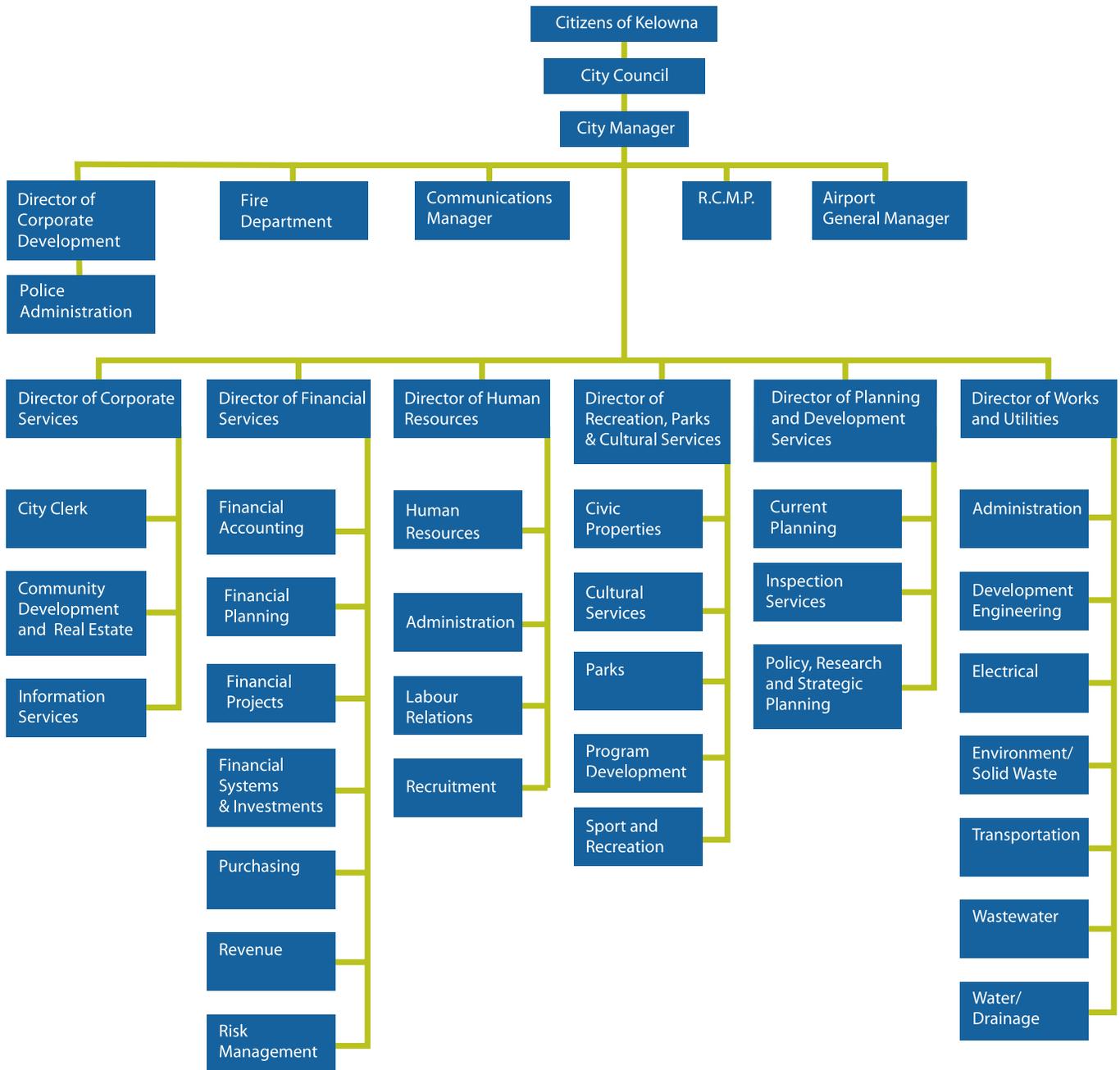
Director John Vos
 Administration Manager Elaine Shipclark
 Development Engineering Manager Steve Muenz
 Electrical Administration Manager Cindy McNeely
 Environment/Solid Waste Manager Mark Watt
 Transportation Manager Ron Westlake
 Wastewater Manager Bill Berry
 Water/Drainage Manager Don Degen

CITY SOLICITOR Lidstone, Young, Anderson

AUDITORS Grant Thornton LLP, Kelowna, BC

BANKER Royal Bank of Canada

Organization of the City of Kelowna



2007 Strategic Objectives

The **Strategic Plan** was developed in 2004 to shape the future of our city. An update was overseen by Council, the City's Senior Management and a Project Team, with extensive stakeholder consultation. The Strategic Plan provides directions over the next five to ten years and will be used for annual priority setting including the development of operational work programs and annual budgets.

STRATEGIC PLAN VISION

Kelowna is a vibrant city where the agricultural and beautiful natural setting, community spirit, economic stability, and stewardship of the environment enhance the quality of life for residents.

GOALS

1. To maintain, respect and enhance our natural environment.
2. To foster a strong, stable and expanding economy.
3. To foster the social and physical well-being of residents and visitors.

Objectives Goal #1: To maintain, respect and enhance our natural environment.

1. Conserve Kelowna's water resources

2007 Results - Reviewed water rate structure to address excessive consumption; Water Sustainability Action Plan directed water consumption be reduced by a further 15% by 2012.

2008 & 2009 Strategic Objectives - Work with other valley communities on conservation strategies; use more drought tolerant plant material in park design and boulevards; develop intergovernmental partnerships to better understand and address water supply and quality challenges.

2. Preserve and promote the enhancement of air quality.

2007 Results - Implementation of Air Quality Management Plan, completion of Physical Foreshore Study and Wetland inventory; 15 Smartcars outfitted with wireless computers and used as paperless offices.

2008 & 2009 Strategic Objectives - Work with other Central Okanagan communities on joint initiatives such as reducing reliance on the automobile, limiting open burning; enhance tree planting and replace tree canopy lost to pine beetle.

3. Manage human impacts on our natural environment.

2007 Results - Developed Wildland Fire Policy, Waterfront Management Strategy, Sensitive Ecosystems Inventory; award received from the Planning Institute of BC for the Hillside Development Audit.

2008 & 2009 Strategic Objectives - Pilot a Sustainable Building Guideline for municipal capital projects; develop trails and Mountain Bike Strategy encouraging residents to stay in designated areas to mitigate impact on sensitive eco-systems; monitor potential impacts of sediment and erosion.

Objectives Goal #2: To foster a strong, stable and expanding economy.

1. Aid in the growth and progress of Kelowna as a desirable place to do business.

2007 Results - 2010 Airport Development Program (\$36 million expansion) including a runway extension.

2008 & 2009 Strategic Objectives - Ensure plans are in place to provide required road and utility infrastructure; work with business associations to foster shared goals; extend airport's operating hours.

2. Aid in the growth and progress of Kelowna as a desirable place to visit, shop and tour.

2007 Results - Opened passenger ship wharf for commercial vessels; completed a Cultural Map, database, and two community public art projects.

2008 & 2009 Strategic Objectives - Provide recreational, sport and cultural facilities that accommodate tourism events and festivals; establish a spring and summer bicycle patrol program.

3. Increase the diversity of employment opportunities.

2007 Results - Attended five career fairs and pursued new recruitment initiatives including development of a Co-op Education Program; introduced a new Job Sharing Policy.

2008 & 2009 Strategic Objectives - Two aviation operations students will be hired through the BCIT student apprentice program with the support of CUPE.

4. Commit to continued sound fiscal management.

2007 Results - Preparation of a new Development Cost Charge bylaw to reflect rising land and construction costs.

2008 & 2009 Strategic Objectives - Conduct a review of airport fees; develop a full-cost budgeting model for optimum life-cycle investment in City-owned facilities; coordinate at least one Value for Money audit; deliver programs at the lowest long term cost to the taxpayer.

Objectives Goal #3: To foster the social and physical well-being of residents and visitors.

1. Promote health and wellness initiatives.

2007 Results - Agreement with YMCA-YWCA to operate new aquatic facility.

2008 & 2009 Strategic Objectives - Expand Wellness initiatives; expand park system to create more opportunities for regular physical activity; host 2008 BC Summer Games.

2. Ensure the availability of fiscal and human resources to provide quality services.

2007 Results - Planning for 2008 implementation of new integrated financial, human resource and payroll software; hired staff for a new Crime Reduction Program.

2008 & 2009 Strategic Objectives - Ensure the City is competitive in today's labour climate; expand an on-campus recruitment program; develop a Recreation, Parks and Cultural Services Master Plan.

3. Reduce traffic congestion.

2007 Results - completed \$29.5 million in transportation projects including Swamp and Casorso, Pandosy Avenue and Richter Street and High Road / Skyline connector; implemented first phase of Rails with Trails; expanded transit 25% by adding three new routes.

2008 & 2009 Strategic Objectives - Promote Transportation Demand Management principles and encourage sidewalk and bike lane construction; advance improvements to Hwy 97 in partnership with Ministry of Transportation; encourage development that supports reduced automobile use.

4. Realize construction of housing forms and prices that meet the needs of Kelowna residents.

2007 Results - Implemented a City-Owned Affordable Rental Housing Program.

2008 & 2009 Strategic Objectives - Work with the development community to pursue recommendations arising from the Affordable and Special Needs Housing Task Force; expand affordable housing policies in the OCP; review and amend the Zoning Bylaw to encourage affordable housing construction.

5. Achieve accessible, high quality living and working environments.

2007 Results - Coordinated a revitalization initiative for a four block area of downtown.

2008 & 2009 Strategic Objectives - Complete a 10-year work-space needs analysis for City staff; apply OCP Development Permit design guidelines to development proposals; complete partnership agreement for downtown revitalization site.

6. Provide infrastructure that keeps pace with population growth.

2007 Results - Completed several major park projects and \$22.9 million in wastewater, water and storm water construction projects; construction began on the \$46 million Aquatic Centre at Mission Recreation Park.

2008 & 2009 Strategic Objectives - Complete land transactions required for 2008 priorities; dialogue with School District #23 regarding sports field management; build new four-lane bridge on Gordon Drive over Mission Creek; replace water and sewer trunks in Harvey Avenue near Gordon Drive.

7. Sensitively integrate new development with heritage resources and existing urban, agricultural and rural areas.

2007 Results - Completed Urban Design and Downtown Plan implementation initiatives.

2008 & 2009 Strategic Objectives - Augment the City's built heritage resource conservation through partnerships with the Central Okanagan Heritage Society; encourage development that takes advantage of existing infrastructure.

8. Provide meaningful opportunities for a broader range of input from residents and agencies.

2007 Results - Initiated public consultation opportunities including open houses, meetings, workshops and surveys; considered recommendations from 14 Council committees with public representation.

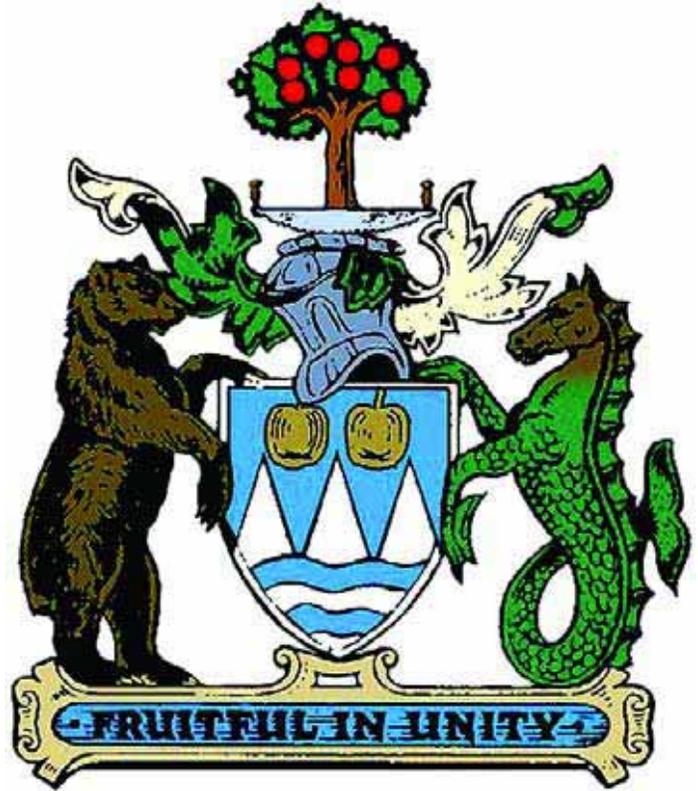
2008 & 2009 Strategic Objectives - Encourage public input via website, open houses, workshops, surveys etc. and ensure input is sought early in the process to be effectively utilized in decision-making; broaden public understanding of the role of statutory Council committees and the opportunities for participation.

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 Ogpogo.

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

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

MISSION STATEMENT

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

- Provides support to Council through the City Clerk's office
- 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 218 bylaws or amendments, administered over 65 Council meetings, processed 45 formal Freedom of Information requests, managed over 4,071 archived records requests from the City's off-site records storage provider and prepared 24,314 statutorily required notices related to various development applications being considered by Council.

A standard format was introduced for reports submitted to Council. A Request for Information was issued for an Electronic Data Management System.

Community Development and Real Estate

This Division administered two ongoing redevelopment initiatives involving significant public input. The Downtown Revitalization Plan proposes a Comprehensive Development Zone be created for a four-block area of Kelowna's downtown. Two open houses were held and over 1,200 surveys were submitted.

A proposal call to create a development concept plan for the old Kelowna Secondary School site was initiated. Dubbed Central Green, the development will include sustainable building design, affordable housing and a five-acre park.

The Downtown Revitalization initiative called for public input on a possible Comprehensive Development Zone for a key portion of Kelowna's downtown.

A draft land use plan was prepared for the 420 acres of land known as the Tutt Ranch for various future civic needs.

An Affordable Rental Housing program was implemented which offers City-owned properties that are being held for future parks, roads or other civic uses at affordable rents to low income households.

Information Services

Information Services (IS) worked with the City Clerk's Office to provide the ability for members of the public to automatically submit official correspondence during the appropriate time period for public hearing/public input items listed on the website, and provided significant support to the Kelowna Fire Department for mobile inspections, emergency planning, response management, and emergency response mapping projects.

IS also worked with several other departments on technical upgrades and software enhancements including BizPal, mobile business licences, internet tax payments, and new corporate financial systems software.



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, 2006

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



Chae S. Cox
President

Jeffrey L. Esser
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, 2006.

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 2007 report also conforms to the Canadian Award for Financial Reporting program guidelines and will be submitted to the GFOA.

The City of Kelowna received the Canadian Award for Financial Reporting for the 2006 Annual Financial Report; this marks the fifth 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 2007 taxation increase averaged 2.8% for all property classes. Modest taxation increases, together with 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.

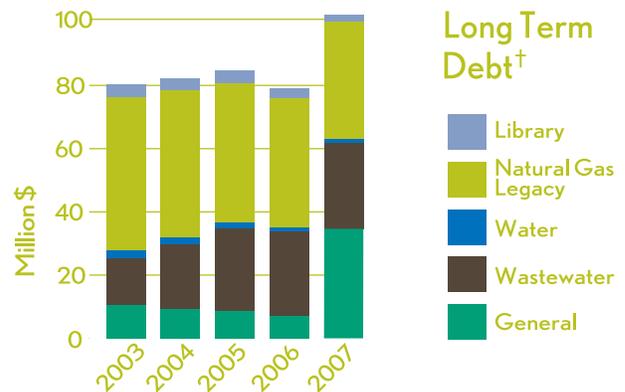
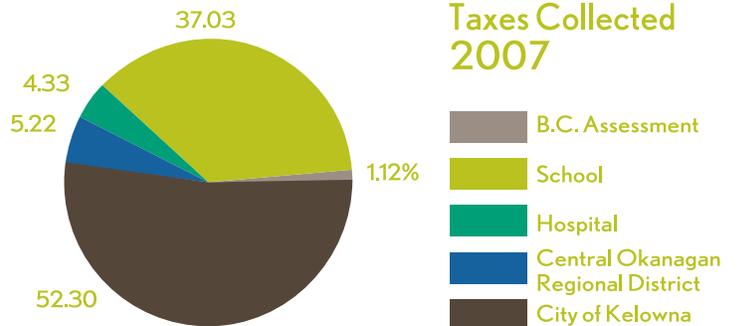
The City budgeted to collect a total of \$155 million in taxation revenues, 52% of which was retained for municipal purposes. The remaining 48% is levied by the Province to provide funding for schools, by the Regional District of Central Okanagan for shared services and by BC Assessment to cover the City's share of the costs associated with providing assessment information.

The City has historically relied on pay-as-you-go rather than debt financing for major infrastructure needs wherever possible in achieving strategic servicing goals. The decision to construct a major community aquatic facility necessitated a shift in this strategy for financing purposes to more appropriately assign associated debt repayment to those taxpayers who will benefit most over time. In 2007, less than half a cent of each municipal tax dollar collected was budgeted for tax-supported debt servicing programs. This is anticipated to exceed five cents after completion of the aquatic facility in 2009. Pay-as-you-go capital project funding represented 26% of the 2007 taxation requirement.

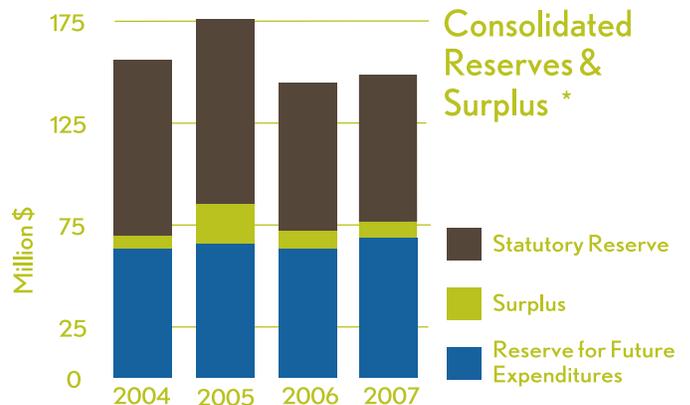
Maintenance of adequate levels of reserves and surplus continues to play a significant role in achieving a level of financial stability for Kelowna taxpayers and ratepayers. Reserves fall into two categories, the most significant of which is a capital reserve to ensure that existing City equipment and 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.

Financial Services, working with many other City divisions, began the process of implementing a custom-configured financial and human resource information software system. The Agresso Information Management project began officially in July with the first phase targeted for completion in July 2008.

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 2006 Annual Financial Report (fifth year) and the "Distinguished Budget Presentation Award" for the City's 2007 budget (sixth year). The GFOA supports over 17,400 local governments in the United States and Canada.



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



* Note: 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 four 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**

ADMINISTRATION

Recognizing the need for flexibility and the importance of successfully balancing work and family life, the City introduced a new program offering staff a variety of work options. Flexible work policies have been shown to help attract, retain and motivate employees while providing greater job satisfaction, creativity and the ability to manage stress.

The Department also developed a new policy giving employees a tool to raise concerns free of discrimination.

EMPLOYEE RELATIONS

Long term service awards were presented to 27 employees in 2007.

The City's Wellness program continues to be supported by staff who benefit from numerous health promotion activities and events.

All new employees were invited to attend orientation sessions including a bus tour of City facilities. In addition, new supervisors and managers participated in an orientation/training program aimed at integrating them into their new roles and further enhancing their leadership skills.

SAFETY AND OCCUPATIONAL HEALTH

Eight City divisions earned Safety Awards of Excellence in 2007.

Approximately 284 staff pursued internal training opportunities including confined space training and first aid.

The City recorded 444 lost time injury hours in 2007, compared to 507 in 2006.

EMPLOYMENT

Recruitment activity remained high and challenges continued in the recruitment of skilled trades workers, equipment operators, planners, accountants, technicians, and others.

Retention of trained and skilled employees also became a focus in this highly competitive market. Recruitment activity continues to increase each year, with 323 job vacancies filled. In 2006, 277 job vacancies were filled.

LABOUR

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

New City staff tour the waste water treatment facility.



City staff attended 5 career 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 Planning Division won the prestigious Crimson Apple Award from the Planning Institute of BC for its far-reaching Hillside Development Audit conducted in 2006.

Council directed staff to withhold support from OCP amendment applications for development proposals in the South Pandosy Sector until a review of the OCP is complete in late 2009/early 2010. Growth in the area has exceeded provisions in the 20 Year Servicing Plan and Financing Strategy; further water, sewer and transportation planning is needed.

A Heritage Strategy and a Sustainability Strategy were completed that will assist in future decision making. To help make Kelowna a more sustainable community, 14 short-term actions were initiated in 2007, with implementation continuing into 2008. These included creating more natural open spaces, adding tree cover, reducing greenhouse gases, ensuring more sustainable purchasing practices and expanding solar technologies. The total number of Development Applications received for 2007 increased 39% over 2006.

Building Activity

The total value of construction permits issued in 2007 was \$633 million, up significantly from \$392 million in 2006. Over the past five years the City has averaged \$455 million in permits annually.

The highest percentage of new residential development was concentrated in the Central City sector with 467 units, the Glenmore/Dilworth sector with 321 units and the Southwest Mission sector with 222 units. Some of the largest multiple housing unit projects approved in 2007 included Waterscapes, a 96-unit building at 1075 Sunset Drive, a

91-unit building complex at 1479-1483 Glenmore Road North and a 90-unit building at 2040 Springfield Road. Some of the largest institutional projects approved included the 117,330 square foot Dr. Knox Middle School located at 121 Drysdale Boulevard, the 100,911 square foot Mission Aquatic Centre at 4105 Gordon Drive and the 83,000 square foot UBC-O expansion at 3333 University Way.

In 2007, 10,376 business licences were issued and the City began offering Mobile Business Licences for companies doing business in more than one community.

Inspections Services

The City now proudly owns 17 smart cars, most of which are used by building inspectors and function as mobile offices.

Bylaw Enforcement

In 2007, Bylaw Enforcement received 7,944 complaints. Noise complaints continue to be the most common, followed by parking issues. Bike patrols now bring staff in closer contact with the public and a new bylaw was approved aimed at persistent panhandlers which allows fines up to \$2,000 and a period of incarceration. Repeat offenders setting up shelter in parks and public spaces may face incarceration and fines up to \$10,000.

Enforcement of the unsightly premises bylaw began; 10 properties were cleaned up with City costs billed to the owners.

A new program was developed which resulted in landlords demolishing 16 houses, identified by the RCMP as home to criminal activity.

	2007	2006	Change
Total Value of Construction Permits	\$633 million	\$392 million	+ 61%
Number of Residential Units	1,712	1,249	+ 37 %
Single Detached	621	696	- 11%
Multiple Housing	1,091	553	+ 97 %
City's Regional Share of Residential Development	57%	53%	+ 8 %
Commercial Development floor space (sq ft)	279,704	219,353	+ 28 %
Industrial Development floor space (sq ft)	378,730	343,439	+ 10 %
Institutional Development floor space (sq ft)	464,813	127,891	+ 260 %
Development Applications (received)	1,502	1,061	+ 42 %
Subdivision Approval	465	817	- 43 %

The City owns 17 smart cars which are mobile offices for Inspections staff.



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*

Milestones

Construction began on the \$46 million Mission Recreation Park Aquatic Facility. The 100,000 square foot facility will include a 50 metre pool, fitness studio and exercise rooms and a leisure indoor water park that includes a wave pool. A Memorandum of Understanding was reached with the YM-YWCA of the Central Okanagan for the operation of the new facility.

The City of Kelowna was named Best Blooming Community in Canada thanks to its top aggregate score in the Communities in Bloom and WinterLights competitions.

Building Blocks

The Civic Properties Division officially opened a new Passenger Ship Wharf for commercial vessels at the western end of Bernard Avenue and completed several renovations at City Hall including a new one-window service counter for Financial Services and an audio-visual upgrade in Council Chambers. The Okanagan Gymnastics Centre and RCMP facilities were both expanded.

Parks and Partnerships

The draft Master Plan for Bellevue Creek Linear Park, which runs six km along Bellevue Creek between Okanagan Lake and Myra-Bellevue Provincial Park, was complete in 2007. Priest Creek Trail, Powerline Park and Blair Pond Park were created, providing green spaces and new recreation opportunities. Two new neighbourhood parks were constructed, Davie Park and McCarren Park, and two new softball diamonds were built at Mission Recreation Park as part of a quad complex.

A draft Parks Master Plan was prepared after public input to help shape and prioritize future municipal recreation, parks and cultural initiatives. The 10 year comprehensive action plan will help ensure the ever changing needs of our vibrant community are met, while retaining the physical and cultural attributes that help to define Kelowna.

The Parks Division also conducted an extensive public consultation process that will lead to a regional Mountain Bike Strategy. Four information-gathering focus groups, an online survey and interviews with seven B.C. communities were



Construction began on the Mission Recreation Park Aquatic Centre.



Kelowna promotes active living through a variety of programs designed for all age groups.

conducted to learn more about the size, demographics, needs and issues of the local mountain biking community.

The Mountain Pine Beetle occupied much of the Urban Forestry Division's attention again this year with \$700,000 spent on fuel modification for beetle management. The City received \$520,000 in grants from the federal and provincial governments.

A goose management strategy and action plan were developed in partnership with the municipalities of Vernon, Penticton, Osoyoos and Summerland.

Recreation

The Sport & Recreation Division distributed 25 Sport Event Development Grants totalling over \$46,200 in 2007. Athletic Excellence Grants, totalling \$12,000, were given to 25 individuals and teams to assist with travel-related expenses when competing at high level sporting events.

KickStart Kelowna teamed up with Interior Health in developing the Everybody Gets to Play network. Twenty agency representatives are meeting to coordinate efforts to increase access to recreational activities for low-income families and their children.

KickStart also offered a series of recreation open houses for adults 50+ to try a variety of activities at no charge, and administered a very successful "Steps Out" Program that

involved over 2250 students and teachers in School District 23. Designed to encourage Kelowna residents to inject some exercise into their daily lives, the "Steps Out" pedometer program promoted walking as an exercise for everyone.

Cultural Services

Four new public art pieces were installed or launched in 2007: Growth, a series of seven stone sculptures installed along Glenmore Linear Park; Martin Avenue Mosaics, a community public art project; Reach for the Stars, an aerosol art mural; and the Spirit of Kelowna community public art project. Spirit of Kelowna will consist of 102 cast bronze medallions designed and made by Kelowna residents to be permanently installed in the City Hall foyer in 2008.

Kelowna's Cultural Services Division has been gathering information from arts, cultural and heritage organizations and individual artists to build a cultural map of the city. The project, which consists of a database and geographical map, is part of a strategic planning process underway at Cultural Services, and will assist in analysis of Kelowna's current cultural climate and areas of potential development.

Updated operating agreements were completed with the Kelowna Art Gallery and the Kelowna Visual and Performing Arts Centre Society, the operator of the Rotary Centre for the Arts.

Submissions to the Parks' Division photography contest included this photo of the pavilion at Knox Mountain Park by Russell Bennett.



Knox Mountain Park.



Outdoor ballet at Island Stage in Waterfront Park.



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**

Transportation

The City delivered \$29.5 million in road improvement projects in 2007. New roads and major upgrades included:

- Realignment of Water and Pandosy Streets as part of the approach changes to the new W.R. Bennett Bridge
- Construction of a new two-lane bridge at Casorso Road and two new roundabouts
- Intersection improvements and widening at Richter Street and Highway 97 as part of bridge approach changes
- Construction of High/Skyline extension and widening UBC-O Flyover on Highway 97 in partnership with the Ministry of Transportation

Construction of Rails With Trails Phase 1 began in 2007. The \$3.6 million, 1.8 km pathway extends along Clement Avenue.

Drive Kelowna, an interactive website that provides up-to-date information on road work and major projects that may affect motorists, was launched.

B.C. Transit service was expanded by 25% with three new routes, including phase one of the Bus Rapid Transit service between downtown and UBC-O. All regional transit buses are now running on biodiesel (5% blend).

The City organized its third Bike-to-Work Week, with tremendous community participation, and won the National Commuter Challenge for the sixth year in a row.

Drainage

The Drainage Division installed several Stormceptors in key locations of the city to help prevent pollutants from reaching Okanagan Lake. The new catch basins were installed at high risk locations with high collision rates to help capture spilled oil and fuel.

Solid Waste

This Division oversaw \$2.5 million in construction at the Glenmore Landfill including installation of 2 kms of leachate pipe and 2.2 km of road. The Landfill saw an increase of 11% in garbage and a 15% increase in organics. The Region's recycling program was expanded to include all plastics.

Water

Water Smart, the City's water conservation and public information program, worked with the City's Parks Division on a pilot project to conserve water in 12 community parks. Irrigation levels were reduced by 15, 25 and 35%; community sentiment and turf health thresholds will now be monitored to provide future direction for irrigation on City property.

The water rate structure was reviewed to address over consumption as part of the Water Sustainability Action Plan which directs that water consumption be reduced a further 15% by 2012.

Kelowna residents enthusiastically supported Walk and Roll Car Free Day.



Wastewater

\$23 million of utility upgrades occurred in 2007 including completion of the Southwest Rutland sewer project and the Fisher Road Sewer and water project.

Environment

The Environment Division implemented the Air Quality Management Plan, developed through public dialogue and in consultation with representatives from provincial and federal agencies, public health, municipal managers and politicians.

The Environment Division conducted a Waste Audit at City Hall. Results will be used to develop a strategic plan to reduce waste at City facilities.

Staff undertook several initiatives to promote pesticide reduction, including recommendations to Council regarding implementation of a Pesticide Bylaw coupled with extensive public education.

Environmental programs, including school presentations and special events, reached over 12,500 residents.

MLA Al Horning, Mayor Sharon Shepherd and Don Knox, Chairman of the Kelowna Cycling Coalition, participated in the sod-turning event for the City's Rails With Trails project.



Access along Mission Creek Greenway was improved for pedestrians and equestrians with rebuilding of the Casorso Bridge.



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 Public Private Partnerships, 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.

The Simpson Boardwalk in Waterfront Park offers beautiful views of Okanagan Lake.



Financial Section

Flower gardens frame the view as one looks west through City Park to Okanagan Lake.



City of Kelowna

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Auditors' report

Grant Thornton LLP
 200 - 1633 Ellis Street
 Kelowna, BC
 V1Y 2A8
 T (250) 712-6800
 (800) 661-4244 (Toll Free)
 F (250) 712-6850
 www.GrantThornton.ca

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, 2007 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, 2007 and the results of its financial activities and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Kelowna, BC

March 17, 2008

Grant Thornton LLP
 Chartered accountants

Partners

Kevin Crookes, CA, CBV
 Paul F. Gallo, CA
 Mike Gilmore, CA, CFP
 James R. Grant, CA
 Bill McTavish, CGA, CA
 Dan Vass, CA
 J. Kim Ward, CA, CFP
 Bill Winters, CA, CFP

Audit • Tax • Advisory

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Consolidated Statement of Financial Position
As at December 31, 2007
(in thousands of dollars)

	<u>2007</u>	<u>2006</u>
Financial Assets		
Cash and temporary investments	\$ 194,423	\$ 177,375
Accounts receivable	26,951	23,261
Accrued interest	1,208	941
Land held for resale	817	838
Long term investments	6,000	6,000
Municipal Finance Authority debt reserve deposit	6,289	5,197
Other	2,106	1,370
	<u>237,794</u>	<u>214,982</u>
Liabilities		
Accounts payable	42,242	30,278
Performance deposits	5,500	4,199
Deferred revenue	25,024	27,883
Deferred development cost charges	43,809	41,759
Municipal Finance Authority debt reserve	6,289	5,197
Long term debt	103,580	79,281
	<u>226,444</u>	<u>188,597</u>
Net Financial Assets	<u>11,350</u>	<u>26,385</u>
Non Financial Assets		
Inventory	1,454	1,001
Work in progress	133,960	114,115
Capital	957,960	868,600
	<u>1,093,374</u>	<u>983,716</u>
Net Financial Position	<u>\$ 1,104,724</u>	<u>\$ 1,010,101</u>
Fund Position		
Operating surplus	11,207	9,081
Reserves for future expenditures	69,800	63,145
Statutory reserve funds	31,786	30,893
Fund Balance	112,793	103,119
Equity in capital assets	991,931	906,982
	<u>\$ 1,104,724</u>	<u>\$ 1,010,101</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, 2007
(in thousands of dollars)

	Budget <u>2007</u>	Actual <u>2007</u>	Actual <u>2006</u>
Revenue			
Taxation	\$ 86,258	\$ 86,504	\$ 80,943
Fees and charges	90,081	104,532	94,291
Interest earned	4,580	6,099	6,196
DCC contributions	44,707	22,259	27,132
Contribution from other governments	35,500	23,488	19,957
Other capital contributions	-	2,921	5,298
	<u>261,126</u>	<u>245,803</u>	<u>233,817</u>
Expenditures			
General government services	15,950	14,330	11,121
Protective services	34,792	35,173	32,438
Transportation services	86,396	75,561	67,498
Recreational and cultural services	91,405	47,500	43,970
Other services	18,182	17,269	29,169
Airport operations	29,686	14,988	14,573
Electrical utility	25,192	25,181	20,522
Wastewater utility	91,533	19,937	13,387
Water utility	19,876	6,509	10,875
Debt charges	6,532	6,133	6,230
	<u>419,544</u>	<u>262,581</u>	<u>249,783</u>
Net expenditure	(158,418)	(16,778)	(15,966)
Debt issuance	97,859	29,867	-
Transfer (to) from other funds	-	507	-
Debt repayment	(4,045)	(3,922)	(4,050)
	<u>(4,045)</u>	<u>(3,922)</u>	<u>(4,050)</u>
Increase (decrease) in fund balance	\$ <u>(64,604)</u>	\$ 9,674	\$ (20,016)
Consolidated fund balance, beginning of year		103,119	123,135
Consolidated fund balance, end of year		\$ <u>112,793</u>	\$ <u>103,119</u>

See accompanying notes to the financial statements.

Consolidated Statement of Changes in Financial Position For the Year Ended December 31, 2007

(in thousands of dollars)

	Actual <u>2007</u>	Actual <u>2006</u>
Net cash inflow (outflow) from operating activities		
Net Expenditure	\$ (16,778)	\$ (15,966)
Items not affecting cash - transfers between funds	<u>70,452</u>	<u>105,519</u>
	<u>53,674</u>	<u>89,553</u>
Decrease (increase) in non-cash financial assets		
Accounts receivable	(3,957)	6,674
Other assets	(1,807)	123
Increase (decrease) in short term financial liabilities		
Accounts payable	11,964	4,689
Deferred development cost charges	2,050	(11,599)
Other liabilities	(466)	(2,527)
	<u>61,458</u>	<u>86,913</u>
Financing		
Issuance of long term debt	29,867	-
Contributions and grants	12,042	6,861
Repayment of long term debt	(3,922)	(4,050)
	<u>37,987</u>	<u>2,811</u>
Investing		
Proceeds on sale of capital assets	122	-
Purchase of capital assets	(82,066)	(112,224)
Decrease (increase) in inventory	(453)	13
	<u>(82,397)</u>	<u>(112,211)</u>
Net cash (outflow) inflow	17,048	(22,487)
Cash position, beginning of year	177,375	199,862
Cash position, end of year	<u>\$ 194,423</u>	<u>\$ 177,375</u>
Cash and temporary investments	<u>\$ 194,423</u>	<u>\$ 177,375</u>

See accompanying notes to the financial statements.

Consolidated Statement of Statutory Reserve Funds
For the Year Ended December 31, 2007
(in thousands of dollars)

	Capital Works Mach and Equip 2007	Land Sales Reserve 2007	Parking 2007	Total Actual 2007	Total Actual 2006
Sources of Funds					
Return on Investment	\$ 964	\$ 199	\$ 77	\$ 1,240	\$ 1,341
Contributions from Developers	676	-	-	676	682
Proceeds from land sales	-	2,347	-	2,347	5,298
Transfers from General Fund	5,063	-	619	5,682	6,724
Transfers from Wastewater Fund	25	-	-	25	126
Transfers from Water Fund	76	-	-	76	239
	<u>6,804</u>	<u>2,546</u>	<u>696</u>	<u>10,046</u>	<u>14,410</u>
Uses of Funds					
Transfers to General Fund	5,684	1,871	1,481	9,036	21,321
Transfers to Wastewater Fund	45	-	-	45	33
Transfers to Water Fund	72	-	-	72	-
	<u>5,801</u>	<u>1,871</u>	<u>1,481</u>	<u>9,153</u>	<u>21,354</u>
Change in reserve fund balance	1,003	675	(785)	893	(6,944)
Balance, beginning of year	24,355	4,661	1,877	30,893	37,837
Balance, end of year	<u>\$ 25,358</u>	<u>\$ 5,336</u>	<u>\$ 1,092</u>	<u>\$ 31,786</u>	<u>\$ 30,893</u>

See accompanying notes to the financial statements.

Consolidated Statement of Reserves and Surplus For the Year Ended December 31, 2007

(in thousands of dollars)

	Actual <u>2007</u>	Actual <u>2006</u>
Reserves for future expenditures	\$ <u>69,800</u>	\$ <u>63,145</u>
Surplus		
Balance, beginning of year	9,081	19,435
Add:		
Transfer from reserve for future expenditures	29,085	31,892
Increase (decrease) in fund balances	8,781	(13,072)
Deduct:		
Transfer to reserve for future expenditures	<u>35,740</u>	<u>29,174</u>
Balance, end of year	<u>11,207</u>	<u>9,081</u>
Fund balance, end of year	\$ <u><u>81,007</u></u>	\$ <u><u>72,226</u></u>

Consolidated Statement of Equity in Capital Assets For the Year Ended December 31, 2007

(in thousands of dollars)

	Actual <u>2007</u>	Actual <u>2006</u>
Balance, beginning of year	\$ <u>906,982</u>	\$ <u>791,254</u>
Contributions to capital assets		
Operating funds	35,537	55,803
Other trust funds	3,758	2,786
Statutory reserve funds	8,554	20,439
Public	177	66
Federal government	923	895
Provincial government	8,039	4,558
Development cost charge contribution	22,053	26,335
Developers	2,903	1,342
Proceeds on sale of capital assets	<u>122</u>	<u>-</u>
	<u>82,066</u>	<u>112,224</u>
Debt retirement		
Retirement of debt	3,922	4,050
Retirement of short-term debt	-	156
Actuarial increase in sinking funds	<u>1,646</u>	<u>1,331</u>
	<u>5,568</u>	<u>5,537</u>
Asset disposal at original cost	<u>(2,685)</u>	<u>(2,033)</u>
Balance, end of year	\$ <u><u>991,931</u></u>	\$ <u><u>906,982</u></u>
Capital asset additions		
Contributions to capital assets	\$ <u>82,066</u>	\$ <u>112,224</u>
Debt Issuance	<u>29,867</u>	<u>-</u>
Total capital assets acquired	<u>111,933</u>	<u>112,224</u>
Assets disposal at original cost	<u>(2,685)</u>	<u>(2,033)</u>
Increase in capital assets	\$ <u><u>109,248</u></u>	\$ <u><u>110,191</u></u>

See accompanying notes to the financial statements.

Notes to the Consolidated Financial Statements

December 31, 2007

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

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

1. Significant accounting policies

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

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

Basis of presentation

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

The City of Kelowna Library Society and the Festivals and Special Events Development Society of Kelowna are controlled by the City of Kelowna through its appointment of the members of the respective societies. Accordingly, the consolidated financial statements include all the accounts of the societies.

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

The City records physical assets including assets held under capital lease at cost in the period they were acquired on the statement of financial position and as expenditures within the statement of financial activities.

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 commenced financing some of the capital additions. Those additions funded by the City are reflected in these financial statements and valued at cost.

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.

Notes to the Consolidated Financial Statements December 31, 2007

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

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:

<u>Type of Investments</u>	<u>2007</u>	<u>2006</u>
Cash	\$25,988	\$40,272
Municipal Finance Authority Bond / Money Market Funds	-	34,993
Provincial and Bank Issued Accrual Notes and Debentures	166,437	100,112
Guaranteed Investment Certificates and Term Deposit Notes	<u>1,998</u>	<u>1,998</u>
Total Cash and temporary investments	<u>\$194,423</u>	<u>\$177,375</u>

Accounts Receivable

Accounts receivable are recorded net of allowance and comprise:

<u>Type of Receivables</u>	<u>2007</u>	<u>2006</u>
Property Tax	\$3,163	\$3,488
Trade Receivables	9,473	7,150
Due from Federal Government	1,544	1,552
Due from Provincial Government	2,056	2,159
Due from Regional Government	91	564
Utilities	4,736	4,772
Deferred Development Cost Charges	<u>5,888</u>	<u>3,576</u>
Total Accounts Receivable	<u>\$26,951</u>	<u>\$23,261</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.

<u>Deferred DCC by Type</u>	<u>2007</u>	<u>2006</u>
Roads	\$9,057	\$10,813
Parks	10,177	7,134
Drainage	3,068	2,942
Wastewater	12,477	12,955
Water	<u>9,030</u>	<u>7,915</u>
Total Deferred DCC	<u>\$43,809</u>	<u>\$41,759</u>

<u>Deferred DCC</u>	<u>2007</u>	<u>2006</u>
Balance, beginning of year	<u>\$41,759</u>	<u>\$53,358</u>
Return on Investments	1,720	1,631
DCC levied in the year	<u>23,168</u>	<u>13,901</u>
	<u>24,888</u>	<u>15,532</u>
Transfers to General Capital	(16,459)	(25,106)
Transfers to Wastewater Capital	(5,358)	(554)
Transfers to Wastewater Operating	(785)	(798)
Transfers to Water Capital	(236)	(673)
	<u>(22,838)</u>	<u>(27,131)</u>
Balance, end of year	<u>\$43,809</u>	<u>\$41,759</u>

Notes to the Consolidated Financial Statements December 31, 2007

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

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 2007 was 5.12% (2006 – 5.43%). Principal repayments for the next five years (in thousands of dollars) are as follows:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund	\$1,291	\$1,291	\$1,291	\$1,265	\$1,195
Wastewater Fund	1,442	1,442	1,275	1,243	998
Water Fund	224	224	217	191	91
Nat. Gas Legacy	1,699	1,699	1,699	1,699	1,699
Library Society	<u>249</u>	<u>272</u>	<u>297</u>	<u>324</u>	<u>354</u>
	<u>\$4,905</u>	<u>\$4,928</u>	<u>\$4,779</u>	<u>\$4,722</u>	<u>\$4,337</u>

Debt as a percentage of total expenditures:

<u>2007</u>	<u>2006</u>	<u>2005</u>
39.40%	31.73%	41.73%

Short Term Debt

Total short term debt of \$1.6 million (\$nil – 2006) is to be repaid over the next 5 years. The amount of the principal repayment is \$315,500 per year. Interest is to be paid annually at prime rate on the outstanding balance.

3. Capital Assets and Work in Progress

	<u>2007</u> <u>Work in</u> <u>Progress</u>	<u>2007</u> <u>Capital</u> <u>Assets</u>	<u>2006</u> <u>Work in</u> <u>Progress</u>	<u>2006</u> <u>Capital</u> <u>Assets</u>
Land	\$ -	\$147,959	\$ -	\$137,793
Buildings	38,718	99,250	24,125	91,115
Engineering Structures	93,021	591,737	89,990	524,441
Machinery and Equipment	2,220	63,405	-	59,642
N.Gas System (capital lease)	-	<u>55,609</u>	-	<u>55,609</u>
	<u>\$133,959</u>	<u>\$957,960</u>	<u>\$114,115</u>	<u>\$868,600</u>

Transitional Provisions

Effective January 1, 2007, The City adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants (“CICA”) with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 – Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2007, the City continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2007, the City has not yet completed a listing of individual capital assets and values for the asset classes. The accumulation of data is currently underway and is expected to be completed by September 30, 2008.

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 trusted pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 144,000 active members and approximately 51,000 retired members. Active members include approximately 35,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in mid 2010. The actuary does not attribute portions of the surplus to individual employers. The City of Kelowna paid \$3.4 million for employer contributions to the plan in fiscal 2007. Employee contributions were \$2.8 million.

Notes to the Consolidated Financial Statements

December 31, 2007

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

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 purchase orders open as at December 31, 2007 which have not been recorded in the accounts. Due to an update to the Peoplesoft system in the previous year, 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.

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. The reported liability of \$2.8 million (2006 - \$2.8 million) represents the portion of the estimated total expenditure recognized as at

December 31, 2007. 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 7.0 million tonnes, which is 89% 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, 2007. 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, 2007 the outstanding 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

Notes to the Consolidated Financial Statements December 31, 2007

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

- 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 2007 represented year 8 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, 2007 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 \$42.6 million for the construction of an aquatic facility. As at December 31, 2007 there was an outstanding commitment of \$30.4 million. This will become due as the project is completed which is estimated to be in early 2009.

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 \$46.0 million (2006 - \$36.5 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. Included in the \$46.0 million, the City is holding irrevocable Letters of Credit in the amount of \$5.7 million (2006 - \$4.6 million) which are received from developers to ensure payment of development cost charges in future years.

Notes to the Consolidated Financial Statements

December 31, 2007

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

8. Capital lease payable

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

Capital lease

Under the terms of the agreement the City entered into a 35 year capital lease with Terasen Gas Inc. on November 1, 2001 for the natural gas distribution system within the City's municipal 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 also entered into a 17 year operating lease with Terasen Gas Inc. on 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:

2002	\$5.6 million
2003	\$5.3 million
2004	\$5.8 million
2005	\$4.9 million
2006	\$5.4 million
2007	\$5.2 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, 2007 the mortgage balance was \$3.4 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, 2007 the Trust Fund balance is \$1.5 million (2006 - \$1.4 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

Renovated heritage-style buildings add charm to downtown Kelowna.



A diverse group of Kelowna's municipal staff keeps customer service top priority.





Auditors' report on supplementary financial information

Grant Thornton LLP
 200 - 1633 Ellis Street
 Kelowna, BC
 V1Y 2A8
 T (250) 712-6800
 (800) 661-4244 (Toll Free)
 F (250) 712-6850
 www.GrantThornton.ca

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, 2007.

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, 2007 included in the following supporting schedules are presented for the purposes of additional analysis. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Kelowna, BC

March 17, 2008

Grant Thornton LLP
 Chartered accountants

Partners

Kevin Crookes, CA, CBV
 Paul F. Gallo, CA
 Mike Gilmore, CA, CFP
 James R. Grant, CA
 Bill McTavish, CGA, CA
 Dan Vass, CA
 J. Kim Ward, CA, CFP
 Bill Winters, CA, CFP

Audit • Tax • Advisory

Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

Statement of Financial Position - by Fund**As at December 31, 2007**

(in thousands of dollars)

	General Fund <u>2007</u>	Airport Fund <u>2007</u>	Electrical Fund <u>2007</u>	Waste- water Fund <u>2007</u>	Water Fund <u>2007</u>
Financial Assets					
Cash and temporary investments	\$ 97,713	\$ 12,588	\$ 481	\$ 9,956	\$ 1,318
Accounts receivable	12,833	2,286	2,756	1,587	661
Accrued interest	1,208	-	-	-	-
Land held for resale	817	-	-	-	-
Long term investments	6,000	-	-	-	-
Municipal Finance Authority debt reserve	1,844	-	-	2,070	258
Other	1,951	121	-	22	12
Due from other funds	5,187	-	3,500	-	-
	<u>127,553</u>	<u>14,995</u>	<u>6,737</u>	<u>13,635</u>	<u>2,249</u>
Liabilities					
Accounts payable	39,187	533	1,650	369	41
Due to other funds	-	8,687	-	-	-
Performance deposits	5,287	213	-	-	-
Deferred revenue	22,000	-	-	3,000	24
Deferred development cost charges	-	-	-	-	-
Municipal Finance Authority debt reserve					
Cash deposits	501	-	-	581	75
Demand notes	1,343	-	-	1,489	183
Long term debt	37,135	-	-	22,035	1,183
	<u>105,453</u>	<u>9,433</u>	<u>1,650</u>	<u>27,474</u>	<u>1,506</u>
Net Financial Assets (Liabilities)	<u>22,100</u>	<u>5,562</u>	<u>5,087</u>	<u>(13,839)</u>	<u>743</u>
Non Financial Assets					
Inventory	1,009	-	235	131	79
Work in progress, at cost	98,978	8,226	5,408	19,922	1,426
Capital	568,243	46,866	36,737	178,931	63,567
	<u>668,230</u>	<u>55,092</u>	<u>42,380</u>	<u>198,984</u>	<u>65,072</u>
Net Financial Position	<u>\$ 690,330</u>	<u>\$ 60,654</u>	<u>\$ 47,467</u>	<u>\$ 185,145</u>	<u>\$ 65,815</u>
Fund Position					
Operating surplus (deficit)	22,779	(8,154)	3,185	(9,539)	(203)
Reserves for future expenditures	36,449	13,716	2,137	15,245	2,253
Statutory reserve funds	-	-	-	-	-
Equity in capital assets	631,102	55,092	42,145	179,439	63,765
	<u>\$ 690,330</u>	<u>\$ 60,654</u>	<u>\$ 47,467</u>	<u>\$ 185,145</u>	<u>\$ 65,815</u>

	Nat. Gas Legacy Fund 2007	Statutory Reserves 2007	Festivals Kelowna 2007	Library Society 2007	Consolidation Adjustments 2007	Consolidated 2007	Consolidated 2006
\$	2,485	\$ 69,706	\$ 8	\$ 168	\$ -	\$ 194,423	\$ 177,375
	864	5,889	53	22	-	26,951	23,261
	-	-	-	-	-	1,208	941
	-	-	-	-	-	817	838
	-	-	-	-	-	6,000	6,000
	2,117	-	-	-	-	6,289	5,197
	-	-	-	-	-	2,106	1,370
	-	-	-	-	(8,687)	-	-
	<u>5,466</u>	<u>75,595</u>	<u>61</u>	<u>190</u>	<u>(8,687)</u>	<u>237,794</u>	<u>214,982</u>
	427	-	10	25	-	42,242	30,278
	-	-	-	-	(8,687)	-	-
	-	-	-	-	-	5,500	4,199
	-	-	-	-	-	25,024	27,883
	-	43,809	-	-	-	43,809	41,759
	638	-	-	-	-	1,795	1,489
	1,479	-	-	-	-	4,494	3,708
	39,783	-	-	3,444	-	103,580	79,281
	<u>42,327</u>	<u>43,809</u>	<u>10</u>	<u>3,469</u>	<u>(8,687)</u>	<u>226,444</u>	<u>188,597</u>
	<u>(36,861)</u>	<u>31,786</u>	<u>51</u>	<u>(3,279)</u>	<u>-</u>	<u>11,350</u>	<u>26,385</u>
	-	-	-	-	-	1,454	1,001
	-	-	-	-	-	133,960	114,115
	<u>55,609</u>	<u>-</u>	<u>-</u>	<u>8,007</u>	<u>-</u>	<u>957,960</u>	<u>868,600</u>
	<u>55,609</u>	<u>-</u>	<u>-</u>	<u>8,007</u>	<u>-</u>	<u>1,093,374</u>	<u>983,716</u>
\$	<u>18,748</u>	<u>31,786</u>	<u>51</u>	<u>4,728</u>	<u>-</u>	<u>1,104,724</u>	<u>1,010,101</u>
	2,922	-	51	166	-	11,207	9,081
	-	-	-	-	-	69,800	63,145
	-	31,786	-	-	-	31,786	30,893
	15,826	-	-	4,562	-	991,931	906,982
\$	<u>18,748</u>	<u>31,786</u>	<u>51</u>	<u>4,728</u>	<u>-</u>	<u>1,104,724</u>	<u>1,010,101</u>

Statement of Financial Activities - by Fund
For the Year Ended December 31, 2007
(in thousands of dollars)

	General Fund 2007	Airport Fund 2007	Electrical Fund 2007	Waste- water Fund 2007
Revenue				
Taxation	\$ 82,754	\$ -	\$ -	\$ 2,279
Fees and charges	42,955	14,631	22,954	11,240
Interest earned	2,916	727	506	604
Stat Reserve Cont to Capital	8,438	-	-	45
DCC Contributions	16,459	-	-	5,358
Contribution from other governments	21,219	445	-	1,824
Other Capital Contributions	122	-	-	452
	<u>174,863</u>	<u>15,803</u>	<u>23,460</u>	<u>21,802</u>
Expenditures				
General government services	14,330	-	-	-
Protective services	35,173	-	-	-
Transportation services	75,561	-	-	-
Recreational and cultural services	46,976	-	-	-
Other services	17,081	-	-	-
Airport operations	-	14,988	-	-
Electrical utility	-	-	25,181	-
Wastewater utility	-	-	-	19,937
Water utility	-	-	-	-
Debt Charges	913	-	-	1,811
	<u>190,034</u>	<u>14,988</u>	<u>25,181</u>	<u>21,748</u>
Net Revenue (Expenditure)	(15,171)	815	(1,721)	54
Debt issuance	29,867	-	-	-
Debt repayment	(380)	-	-	(1,443)
Transfer (to) from other funds	920	(25)	(5,225)	(11)
	<u>15,236</u>	<u>790</u>	<u>(6,946)</u>	<u>(1,400)</u>
Increase (decrease) in fund balances	\$ 15,236	\$ 790	\$ (6,946)	\$ (1,400)
Fund balance, beginning of year	43,992	4,772	12,268	7,106
Fund balance, end of year	<u>\$ 59,228</u>	<u>\$ 5,562</u>	<u>\$ 5,322</u>	<u>\$ 5,706</u>

Water Fund 2007	Natural Gas Legacy Fund 2007	Statutory Reserve Funds 2007	Festivals Kelowna 2007	Library Society 2007	Consolidated 2007	Consolidated 2006
\$ 1,242	\$ -	\$ -	\$ 229	\$ -	\$ 86,504	\$ 80,943
5,749	5,251	676	346	730	104,532	94,291
106	-	1,240	-	-	6,099	6,196
72	-	(8,555)	-	-	-	-
442	-	-	-	-	22,259	27,132
-	-	-	-	-	23,488	19,957
-	-	2,347	-	-	2,921	5,298
<u>7,611</u>	<u>5,251</u>	<u>(4,292)</u>	<u>575</u>	<u>730</u>	<u>245,803</u>	<u>233,817</u>
-	-	-	-	-	14,330	11,121
-	-	-	-	-	35,173	32,438
-	-	-	-	-	75,561	67,498
-	-	-	524	-	47,500	43,970
-	-	-	-	188	17,269	29,169
-	-	-	-	-	14,988	14,573
-	-	-	-	-	25,181	20,522
-	-	-	-	-	19,937	13,387
6,509	-	-	-	-	6,509	10,875
162	2,933	-	-	314	6,133	6,230
<u>6,671</u>	<u>2,933</u>	<u>-</u>	<u>524</u>	<u>502</u>	<u>262,581</u>	<u>249,783</u>
940	2,318	(4,292)	51	228	(16,778)	(15,966)
-	-	-	-	-	29,867	-
(157)	(1,714)	-	-	(228)	(3,922)	(4,050)
<u>(337)</u>	<u>-</u>	<u>5,185</u>	<u>-</u>	<u>-</u>	<u>507</u>	<u>-</u>
\$ 446	\$ 604	\$ 893	\$ 51	\$ -	\$ 9,674	\$ (20,016)
1,604	2,318	30,893	-	166	103,119	123,135
<u>2,050</u>	<u>2,922</u>	<u>31,786</u>	<u>51</u>	<u>166</u>	<u>112,793</u>	<u>103,119</u>

Statement of Reserves and Surplus - by Fund
For the Year Ended December 31, 2007
(in thousands of dollars)

	General Fund 2007	Airport Fund 2007	Electrical Fund 2007	Waste- water Fund 2007
Reserves for future expenditures	\$ 36,449	\$ 13,716	\$ 2,137	\$ 15,245
Surplus				
Balance, beginning of year	1,133	(4,891)	9,242	1,420
Add:				
Transfer from reserve for future expenditure	21,058	5,422	1,328	681
Increase (decrease) in fund balance	15,236	790	(6,946)	(1,400)
Deduct:				
Transfer to reserve for future expenditure	14,647	9,475	440	10,240
Balance, end of year	<u>22,780</u>	<u>(8,154)</u>	<u>3,184</u>	<u>(9,539)</u>
Fund balance, end of year	<u>\$ 59,229</u>	<u>\$ 5,562</u>	<u>\$ 5,321</u>	<u>\$ 5,706</u>

Statement of Equity in Capital Assets - by Fund
For the Year Ended December 31, 2007
(in thousands of dollars)

Balance, beginning of year	\$ 582,327	\$ 46,928	\$ 34,093	\$ 164,815
Contributions to Capital Assets				
Operating fund	12,087	8,164	7,993	5,377
Trust and other funds	3,758	-	-	-
Statutory reserve funds	8,437	-	-	45
Public	177	-	-	-
Federal government	923	-	-	-
Provincial government	6,701	-	-	1,338
Development cost charge contribution	16,459	-	-	5,358
Developers	2,185	-	59	452
Proceeds from the sale of capital assets	122	-	-	-
	<u>50,849</u>	<u>8,164</u>	<u>8,052</u>	<u>12,570</u>
Debt Retirement				
Retirement of debt	381	-	-	1,442
Retirement of short-term debt	-	-	-	-
Actuarial increase in sinking funds	230	-	-	612
	<u>611</u>	<u>-</u>	<u>-</u>	<u>2,054</u>
Asset disposal at original cost	<u>(2,685)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 631,102</u>	<u>\$ 55,092</u>	<u>\$ 42,145</u>	<u>\$ 179,439</u>
Capital asset additions				
Contributions to capital assets	\$ 50,849	\$ 8,164	\$ 8,052	\$ 12,570
Debt Issuance	29,867	-	-	-
Total capital assets acquired	<u>80,716</u>	<u>8,164</u>	<u>8,052</u>	<u>12,570</u>
Assets disposal at original cost	<u>(2,685)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in capital assets	<u>\$ 78,031</u>	<u>\$ 8,164</u>	<u>\$ 8,052</u>	<u>\$ 12,570</u>

Water Fund 2007	Natural Gas Legacy Fund 2007	Festivals Kelowna 2007	Library Society 2007	Consolidated 2007	Consolidated 2006
\$ 2,253	\$ -	\$ -	\$ -	\$ 69,800	\$ 63,145
(307)	2,318	-	166	9,081	19,435
596	-	-	-	29,085	31,892
446	604	51	-	8,781	(13,072)
938	-	-	-	35,740	29,174
(203)	2,922	51	166	11,207	9,081
\$ 2,050	\$ 2,922	\$ 51	\$ 166	\$ 81,007	\$ 72,226
\$ 60,982	\$ 13,503	\$ -	\$ 4,334	\$ 906,982	\$ 791,254
1,916	-	-	-	35,537	55,803
-	-	-	-	3,758	2,786
72	-	-	-	8,554	20,439
-	-	-	-	177	66
-	-	-	-	923	895
-	-	-	-	8,039	4,558
236	-	-	-	22,053	26,335
207	-	-	-	2,903	1,342
-	-	-	-	122	-
2,431	-	-	-	82,066	112,224
157	1,713	-	229	3,922	4,050
-	-	-	-	-	156
195	609	-	-	1,646	1,331
352	2,322	-	229	5,568	5,537
-	-	-	-	(2,685)	(2,033)
\$ 63,765	\$ 15,825	\$ -	\$ 4,563	\$ 991,931	\$ 906,982
\$ 2,431	\$ -	\$ -	\$ -	\$ 82,066	\$ 112,224
-	-	-	-	29,867	-
2,431	-	-	-	111,933	112,224
-	-	-	-	(2,685)	(2,033)
\$ 2,431	\$ -	\$ -	\$ -	\$ 109,248	\$ 110,191

Debenture Debt - General Fund
as at December 31, 2007
(in thousands of dollars)

Year of Maturity	Purpose	Debenture Balance Dec. 31/07	Sinking Fund Balance Dec. 31/07	Amount of Issue	Current Interest Rate
	Public Works				%
2019	South Pandosy Spec Area 1	\$ 167	\$ 67	\$ 234	5.99
2019	South Pandosy Spec Area 2	291	119	410	5.99
2021	Downtown Parkade	1,545	655	2,200	7.42
2022	Chapman Parkade	3,391	680	4,071	5.37
	Local Improvements				
2009	Local Improvements	-	54	54	6.50
2010	Local Improvements	189	677	866	6.50
2011	Local Improvements	202	508	710	10.25
2011	Local Improvements	21	54	75	7.42
2014	Local Improvements	263	304	567	9.52
2016	Local Improvements	224	169	393	4.00
2016	Local Improvements	153	116	269	7.42
2017	Local Improvements	34	20	54	5.85
2019	Local Improvements	49	20	69	5.49
	Recreation and Cultural				
2007	Parkland Acquisition	-	826	826	6.10
2011	Brandt's Creek	342	658	1,000	4.00
2021	Kokanee Gymnastics Facility	397	103	500	5.69
2027	Mission Aquatic Centre	27,500	-	27,500	4.82
2027	Kokanee Gymnastics Facility	800	-	800	4.82
		<u>35,568</u>	<u>5,030</u>	<u>40,598</u>	
	Short Term Debt				
2013	Cedar Avenue Land	700	0	700	Prime
2013	Agresso Software System	867	0	867	Prime
		<u>1,567</u>	<u>0</u>	<u>1,567</u>	
		<u>\$ 37,135</u>	<u>\$ 5,030</u>	<u>\$ 42,165</u>	

Debenture Debt - Wastewater Fund
as at December 31, 2007
(in thousands of dollars)

Year of Maturity	Purpose	Debenture Balance Dec. 31/07	Sinking Fund Balance Dec. 31/07	Amount of Issue	Current Interest Rate
	Specified Area Programs				%
2010	Spec. Area 13 - Mission	\$ 152	\$ 543	\$ 695	6.50
2013	Spec. Area 6 - Black Mtn/Toovey	464	676	1,140	6.25
2013	Spec. Area 14 - N. Glenmore	57	82	139	5.50
2013	Spec. Area 15 - Belgo Molnar	15	22	37	6.25
2015	Spec. Area 17 - Mission Flats	700	650	1,350	4.75
2018	Spec. Area 18 - Caramillo	90	45	135	5.55
2018	Spec. Area 19 - Poplar Point	51	26	77	5.55
2022	Spec. Area 22A- Gerstmar	33	6	39	6.06
2024	Spec. Area 21A- McKenzie Bench	1,221	129	1,350	4.98
2024	Spec. Area 22B- Vista Rd	72	7	79	4.98
2024	Spec. Area 22C- Hein Rd	241	25	266	4.98
2024	Spec. Area 22D- Elwyn Rd	134	15	149	4.98
2024	Spec. Area 22E- Dease Rd	87	9	96	4.98
2024	Spec. Area 22F- Mills Rd	310	32	342	4.98
2024	Spec. Area - Campion Cambro	791	83	874	4.98
2024	Spec. Area 30- Acland	330	34	364	4.98
2025	Spec. Area 20-North Rutland	6,355	467	6,822	4.17
2025	Spec. Area 28A-Okaview	595	43	638	4.17
	Sewer Improvement Programs				
2008	Glenmore Trunk Main	-	168	168	5.50
2008	Sewer System Improvements	-	21	21	5.50
2009	Sewer Trunk Main	141	647	788	5.00
2009	Mission Sewer Trunk Main	59	269	328	5.00
2010	Sewer System Improvements	41	117	158	4.00
2014	Long St. Sewer Main Replacement	36	28	64	5.49
2014	Glenwood Sewer Main Replacement	50	40	90	5.49
2019	Byrns Baron Main	3,301	565	3,866	4.98
	Sewage Treatment Plant				
2009	KPCC Upgrade #1	448	2,052	2,500	5.00
2011	KPCC Administration Building	342	658	1,000	4.00
2011	Sewer Treatment Plant Upgrade	435	840	1,275	4.00
2011	KPCC Sewer Treatment Plant	683	1,317	2,000	7.42
2011	KPCC Administration Building	239	461	700	7.42
2011	Sewer Treatment Plant Stage II	102	198	300	7.42
2014	Sewer Treatment Plant Phase III	4,460	3,540	8,000	5.99
		<u>\$ 22,035</u>	<u>\$ 13,815</u>	<u>\$ 35,850</u>	

Debenture Debt - Water Fund
as at December 31, 2007
(in thousands of dollars)

<u>Year of Maturity</u>	<u>Purpose</u>	<u>Debenture Balance Dec. 31/07</u>	<u>Sinking Fund Balance Dec. 31/07</u>	<u>Amount of Issue</u>	<u>Current Interest Rate</u>
	Specified Area Programs				%
2010	Spec. Area 13 - Mission	\$ 83	\$ 298	\$ 381	6.50
2023	Spec Area 16 - Byrns	34	5	39	4.78
2024	Spec Area 18 - Lakeshore	21	3	24	4.98
	Water Improvement Programs				
2008	Poplar Point Reservoir Covers	-	386	386	5.50
2008	Water System Improvements	-	118	118	5.50
2009	Cadder Ave Improvements	12	58	70	5.00
2009	Wilson Ave Improvements	11	49	60	5.00
2009	McDougal Ave Improvements	7	18	25	5.00
2010	Water System Improvements	83	235	318	4.00
2011	Water System Improvements	106	204	310	4.00
2011	Knox Mountain Reservoir	341	659	1,000	4.00
2011	Dilworth Reservoir Repairs	85	165	250	7.42
2011	Caramillo Pressure Valve	17	33	50	7.42
2011	Knox Mountain Reservoir	186	358	544	7.42
2012	Poplar Point	197	276	473	5.85
		<u>\$ 1,183</u>	<u>\$ 2,865</u>	<u>\$ 4,048</u>	

Debenture Debt - Natural Gas Legacy Fund
as at December 31, 2007
(in thousands of dollars)

2018	Leased Capital Assets	\$ 22,579	\$ 7,221	\$ 29,800	6.01
2018	Leased Capital Assets	14,775	4,725	19,500	3.15
		<u>\$ 37,354</u>	<u>\$ 11,946</u>	<u>\$ 49,300</u>	

Reserves and Surplus - 5 Year Comparison

(in thousands of dollars)

	Actual <u>2007</u>	Actual <u>2006</u>	Actual <u>2005</u>	Actual <u>2004</u>	Actual <u>2003</u>
Surplus and Reserves for Future Expenditure					
General Fund					
Reserves	\$ 36,449	\$ 42,859	\$ 47,368	\$ 46,178	\$ 49,504
Surplus	22,780	1,133	3,167	3,122	3,113
Airport Fund					
Reserves	13,716	9,663	8,165	7,083	6,605
Surplus (deficit)	(8,154)	(4,891)	(2,923)	(3,444)	(5,432)
Electrical Fund					
Reserves	2,137	3,026	3,078	3,131	3,020
Surplus	3,184	9,242	9,376	8,574	8,878
Wastewater Fund					
Reserves	15,245	5,686	3,795	3,021	2,367
Surplus (deficit)	(9,539)	1,420	7,297	10,749	8,555
Water Fund					
Reserves	2,253	1,911	3,457	4,696	2,862
Surplus (deficit)	(203)	(307)	1,082	1,632	2,549
Natural Gas Legacy Fund					
Surplus	2,922	2,318	1,270	2,248	2,137
Festivals Kelowna					
Surplus	51	-	-	-	-
Library Fund					
Surplus	166	166	166	166	166
Total Surplus and Reserves for Future Expenditures	\$ 81,007	\$ 72,226	\$ 85,298	\$ 87,156	\$ 84,324
Statutory Reserves					
Capital Works Machinery and Equipment	25,358	24,355	32,619	30,403	26,927
Land Sales	5,336	4,661	3,095	4,843	4,297
Parking	1,092	1,877	2,123	1,852	1,769
Total Statutory Reserves	31,786	30,893	37,837	37,098	32,993
Deferred development cost charges	43,809	41,759	53,358	48,162	36,599
	\$ 156,602	\$ 144,878	\$ 176,493	\$ 172,416	\$ 153,916

Capital Expenditures and Funding Sources
For the Year Ended December 31, 2007
(in thousands of dollars)

	<u>Operating Fund</u>	<u>Fed/Prov Funding</u>	<u>Statutory Reserves</u>	<u>Developer / Public</u>	<u>Borrowing/ Other</u>	<u>Actual 2007</u>	<u>Actual 2006</u>
General Fund							
Land							
Transportation services	\$ 1,570	\$ 1,363	\$ 518	\$ 2,571	\$ 1,736	\$ 7,758	\$ 10,092
Environment Health	-	-	-	-	-	-	12,569
Public health and welfare	13	-	306	-	-	319	57
Recreation and cultural services	679	-	655	2,764	-	4,098	8,208
Other	-	-	-	34	-	34	902
	<u>2,262</u>	<u>1,363</u>	<u>1,479</u>	<u>5,369</u>	<u>1,736</u>	<u>12,209</u>	<u>31,828</u>
Buildings							
General government services	418	-	-	-	-	418	135
Protective services	943	-	-	-	-	943	5
Transportation services	128	-	31	-	-	159	5
Recreation and cultural services	10,082	2,415	62	-	746	13,305	4,618
	<u>11,571</u>	<u>2,415</u>	<u>93</u>	<u>-</u>	<u>746</u>	<u>14,825</u>	<u>4,763</u>
Engineering Structures							
General government services	-	-	-	-	-	-	101
Transportation services	16,262	3,092	1,671	13,313	5,099	39,437	34,208
Environmental health services	114	22	2,781	-	-	2,917	3,941
Public health and welfare	-	-	-	-	-	-	161
Recreation and cultural services	3,904	698	333	255	-	5,190	8,106
	<u>20,280</u>	<u>3,812</u>	<u>4,785</u>	<u>13,568</u>	<u>5,099</u>	<u>47,544</u>	<u>46,517</u>
Machinery and Equipment							
General government services	994	-	29	-	867	1,890	479
Protective services	233	-	87	-	-	320	349
Transportation services	1,441	-	1,908	4	-	3,353	2,356
Environmental health services	33	-	57	-	-	90	507
Recreation and cultural services	396	34	(1)	2	54	485	434
	<u>3,097</u>	<u>34</u>	<u>2,080</u>	<u>6</u>	<u>921</u>	<u>6,138</u>	<u>4,125</u>
Total General Fund	<u>\$ 37,210</u>	<u>\$ 7,624</u>	<u>\$ 8,437</u>	<u>\$ 18,943</u>	<u>\$ 8,502</u>	<u>\$ 80,716</u>	<u>\$ 87,233</u>

Capital Expenditures and Funding Sources (continued)
For the Year Ended December 31, 2007
(in thousands of dollars)

	Operating Fund	Fed/Prov Funding	Statutory Reserves	Developer / Public	Borrowing/ Other	Actual 2007	Actual 2006
Total General Fund	\$ 37,210	\$ 7,624	\$ 8,437	\$ 18,943	\$ 8,502	\$ 80,716	\$ 87,233
Airport Fund							
Buildings	7,609	-	-	-	-	7,609	1,884
Engineering Structures	505	-	-	-	-	505	6,467
Machinery and Equipment	50	-	-	-	-	50	318
	<u>8,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,164</u>	<u>8,669</u>
Electric Utility Fund							
Engineering Structures	7,603	-	-	59	-	7,662	3,220
Machinery and Equipment	390	-	-	-	-	390	344
	<u>7,993</u>	<u>-</u>	<u>-</u>	<u>59</u>	<u>-</u>	<u>8,052</u>	<u>3,564</u>
Wastewater Utility Fund							
Engineering Structures	421	1,338	45	5,810	4,939	12,553	6,784
Machinery and Equipment	17	-	-	-	-	17	67
	<u>438</u>	<u>1,338</u>	<u>45</u>	<u>5,810</u>	<u>4,939</u>	<u>12,570</u>	<u>6,851</u>
Water Utility Fund							
Land	-	-	-	-	-	-	2
Engineering Structures	1,423	-	72	443	462	2,400	5,887
Machinery and Equipment	31	-	-	-	-	31	18
	<u>1,454</u>	<u>-</u>	<u>72</u>	<u>443</u>	<u>462</u>	<u>2,431</u>	<u>5,907</u>
Natural Gas Legacy Fund							
Leased Gas Distribution System	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 55,259</u>	<u>\$ 8,962</u>	<u>\$ 8,554</u>	<u>\$ 25,255</u>	<u>\$ 13,903</u>	<u>\$ 111,933</u>	<u>\$ 112,224</u>

**Consolidated Expenditures
By Function and Object
For the Year Ended December 31, 2007
(in thousands of dollars)**

	<u>General Gov't</u>	<u>Protective Services</u>	<u>Trans. Services</u>	<u>Recreation/ Cultural Services</u>	<u>Other Services</u>	<u>Airport Services</u>	<u>Electrical Services</u>
Salaries and Benefits	\$ 8,778	\$ 16,494	\$ 6,342	\$ 7,550	\$ 3,610	\$ 2,128	\$ 114
Contract and Professional Services	1,848	1,559	12,761	6,570	6,478	2,244	750
RCMP Contract	-	14,276	-	-	-	283	-
Materials and Supplies	4,008	987	3,493	3,013	1,239	1,630	15,308
Equipment	186	257	1,678	1,052	1,447	15	-
Allocations	(2,934)	-	(162)	(81)	(848)	572	952
Cost Recoveries	(315)	(22)	(157)	(94)	(1)	(469)	-
Grants and External Transfers	280	49	-	4,880	1,728	-	-
Utilities	171	310	899	1,009	68	421	5
Capital Assets	2,308	1,263	50,707	23,078	3,359	8,164	8,052
	<u>14,330</u>	<u>35,173</u>	<u>75,561</u>	<u>46,977</u>	<u>17,080</u>	<u>14,988</u>	<u>25,181</u>
Debt Interest and Fiscal Services	913	-	-	-	-	-	-
	<u>\$ 15,243</u>	<u>\$ 35,173</u>	<u>\$ 75,561</u>	<u>\$ 46,977</u>	<u>\$ 17,080</u>	<u>\$ 14,988</u>	<u>\$ 25,181</u>

<u>Waste- water Services</u>	<u>Water Services</u>	<u>Nat. Gas Legacy Services</u>	<u>Festivals Kelowna Services</u>	<u>Library Services</u>	<u>Total</u>				
					<u>Actual 2007</u>	<u>Actual 2006</u>	<u>Actual 2005</u>	<u>Actual 2004</u>	<u>Actual 2003</u>
\$ 2,561	\$ 1,630	\$ -	\$ 177	\$ 20	\$ 49,404	\$ 45,209	\$ 41,593	\$ 40,085	\$ 37,652
635	352	-	23	43	33,263	28,039	26,727	26,597	23,053
-	-	-	-	-	14,559	14,014	12,659	11,385	11,122
628	771	-	324	9	31,410	29,379	27,084	27,386	25,184
411	235	-	-	3	5,284	4,511	3,515	3,501	3,059
2,049	503	-	-	-	51	22	79	(474)	(112)
-	(5)	-	-	(2)	(1,065)	(722)	(865)	(801)	(874)
-	-	-	-	-	6,937	6,577	5,813	6,085	5,016
1,083	592	-	-	115	4,673	4,300	3,821	3,638	3,587
<u>12,570</u>	<u>2,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,932</u>	<u>112,224</u>	<u>76,392</u>	<u>64,139</u>	<u>66,169</u>
19,937	6,509	-	524	188	256,448	243,553	196,818	181,541	173,856
1,811	162	2,933	-	314	6,133	6,230	6,018	6,197	6,462
<u>\$ 21,748</u>	<u>\$ 6,671</u>	<u>\$ 2,933</u>	<u>\$ 524</u>	<u>\$ 502</u>	<u>\$ 262,581</u>	<u>\$ 249,783</u>	<u>\$ 202,836</u>	<u>\$ 187,738</u>	<u>\$ 180,318</u>

**Schedule of Receipts and Disbursements of Federal Gas Tax
For the Year Ended December 31, 2007**
(in thousands of dollars)

	<u>Actual 2007</u>	<u>Actual 2006</u>
Federal Gas Tax Agreement Funds		
Balance, beginning of the year	\$ 1,275	\$ 834
Add:		
Amount received during the year	1,116	833
Interest earned	48	34
Deduct:		
Program expenditures	802	426
Balance, end of the year	\$ <u>1,637</u>	\$ <u>1,275</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.

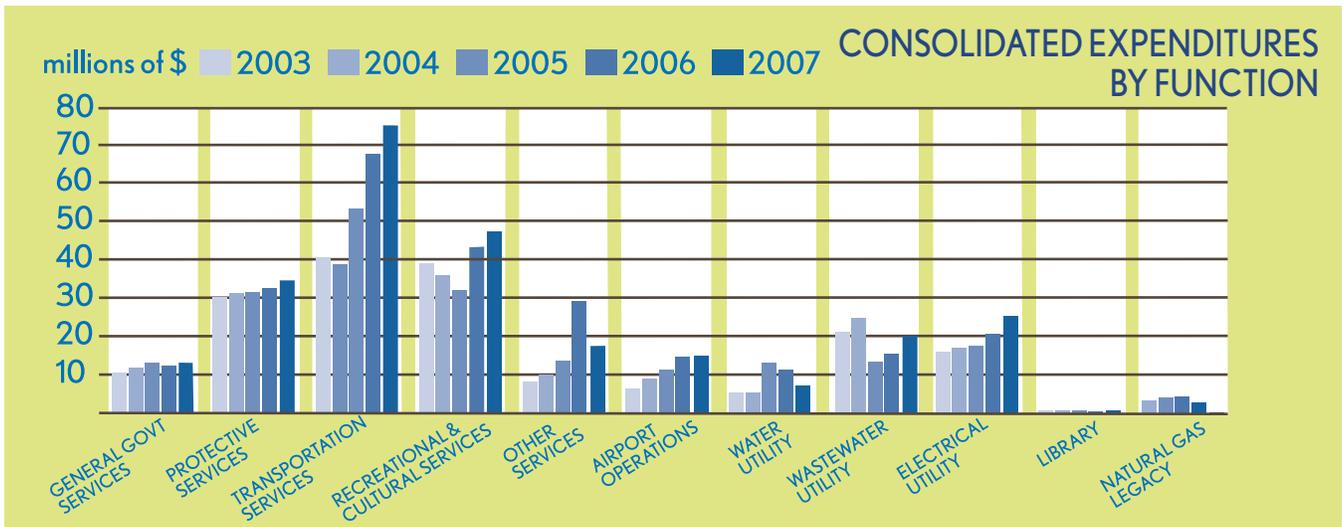
Statistical Section

Kelowna's official flower, the Okanagan sunflower or Arrowleaf Balsamroot, provides splashes of yellow on the hillsides in early spring.

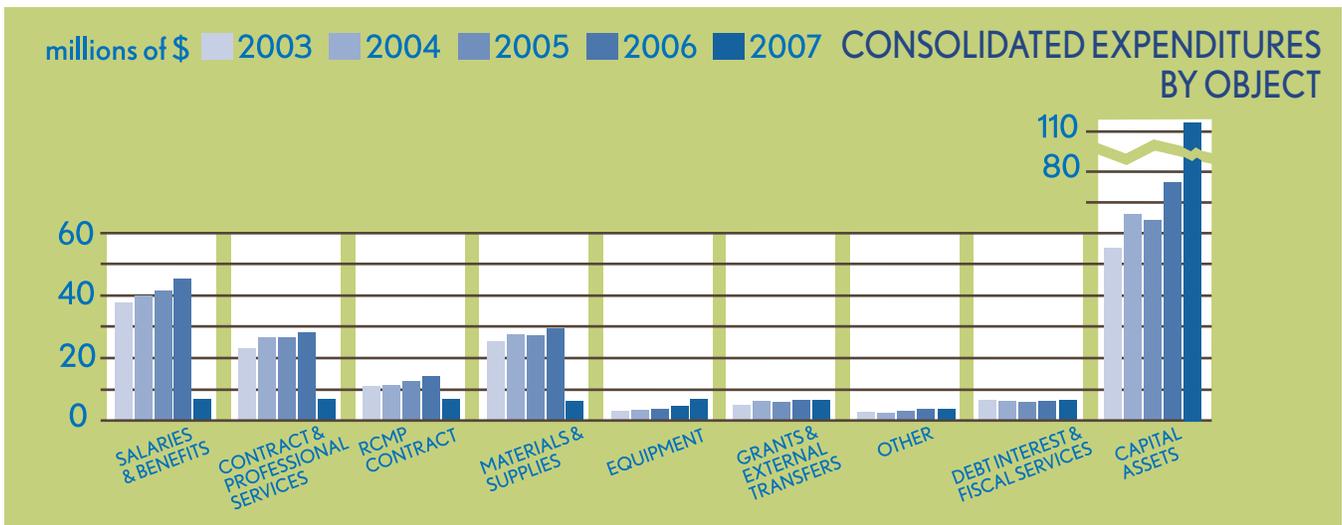




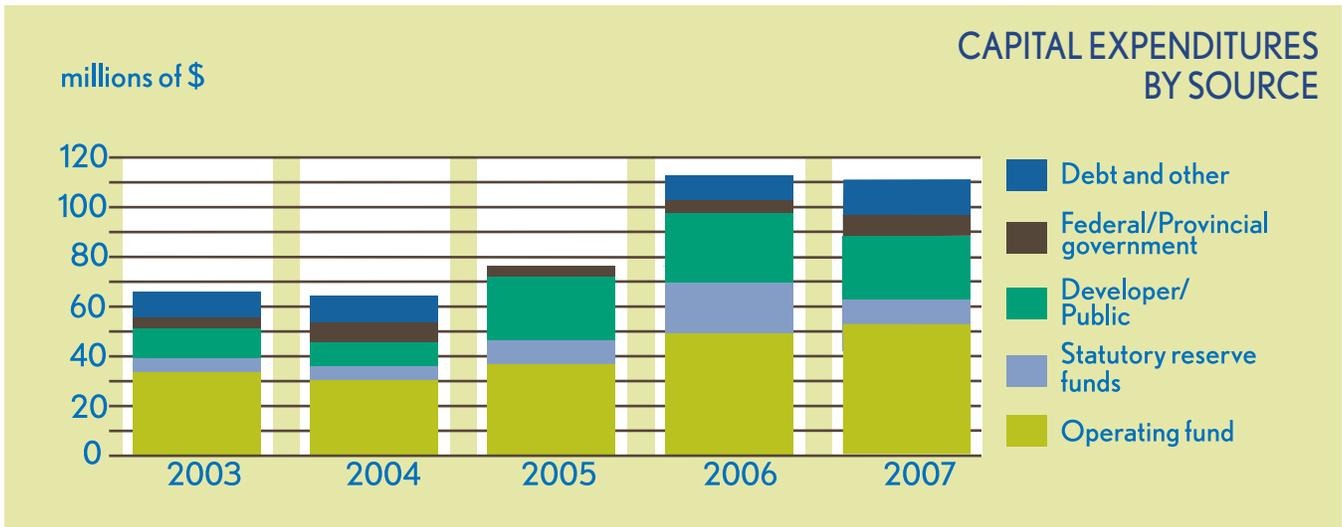
Source: City of Kelowna Financial Services Department



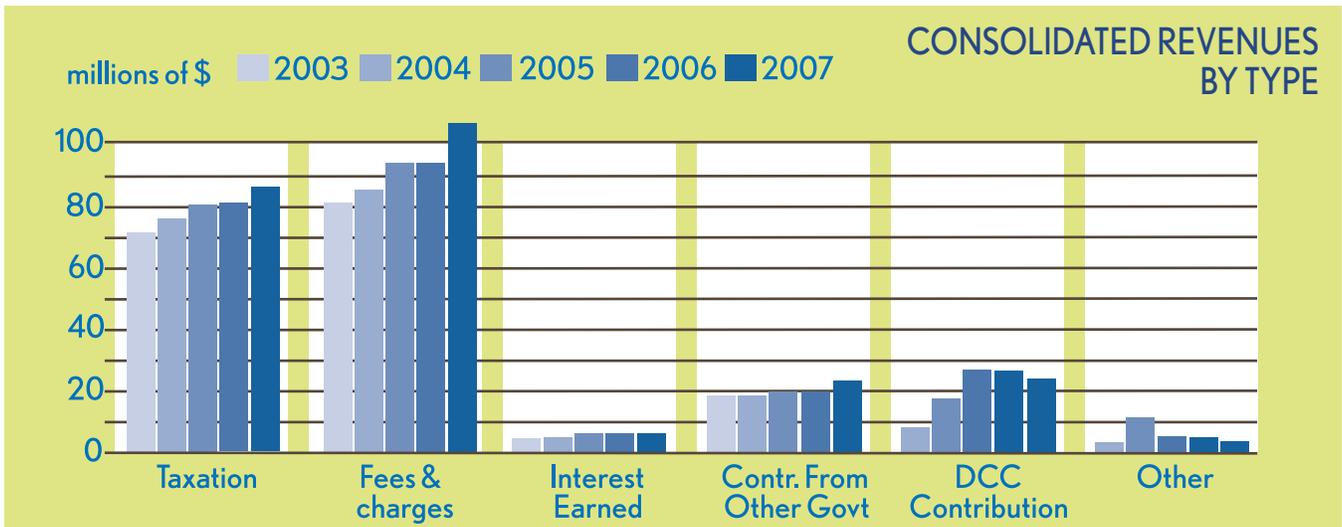
Source: City of Kelowna Financial Services Department



Source: City of Kelowna Financial Services Department



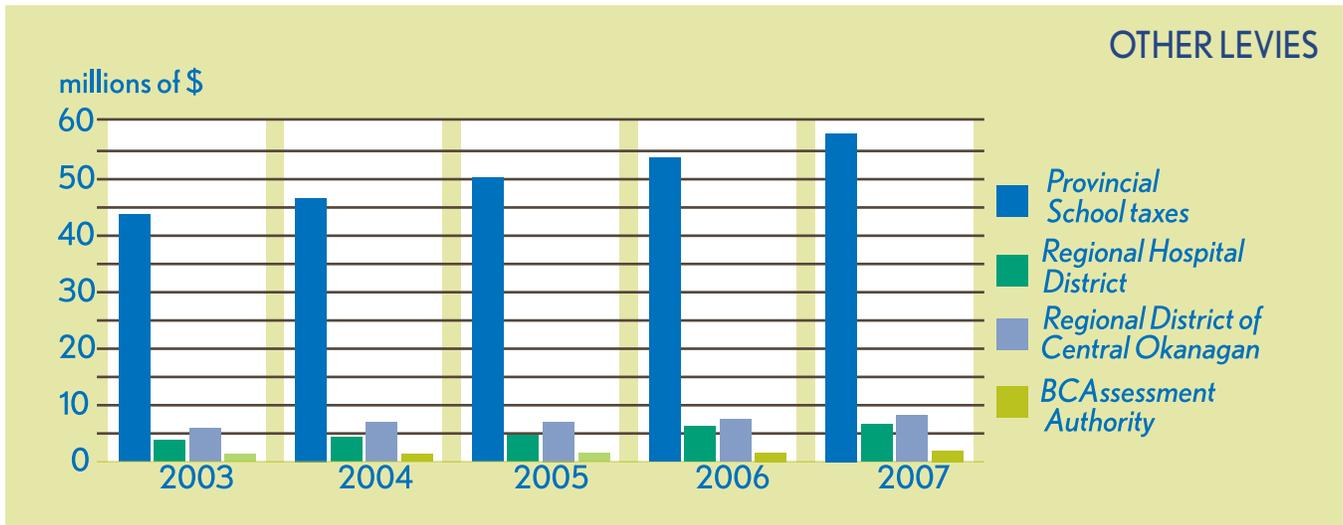
Source: City of Kelowna Financial Services Department



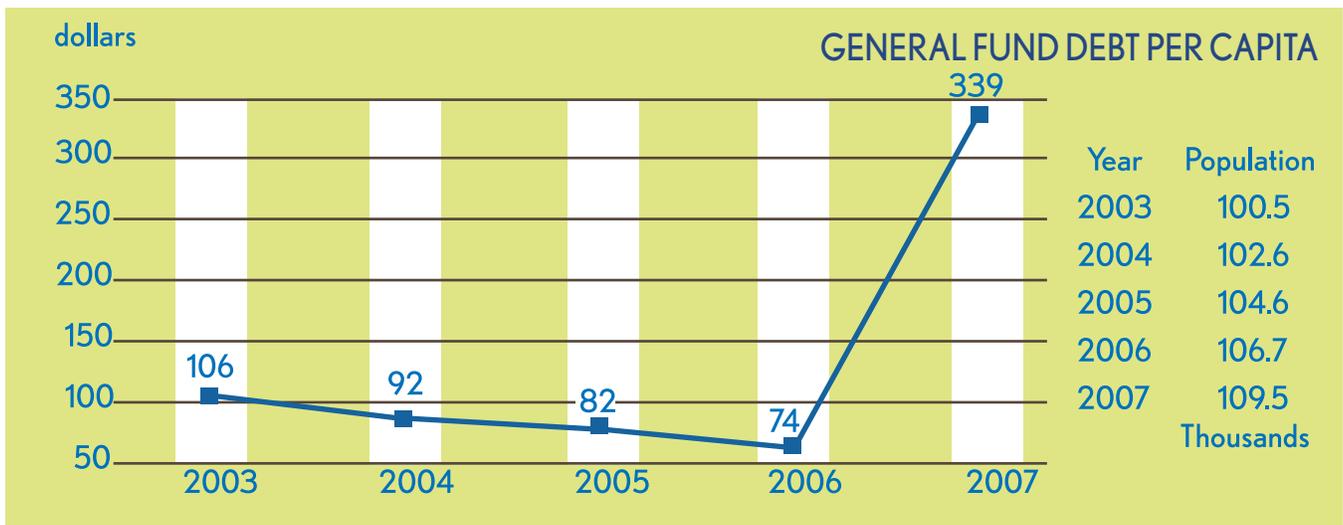
Source: City of Kelowna Financial Services Department



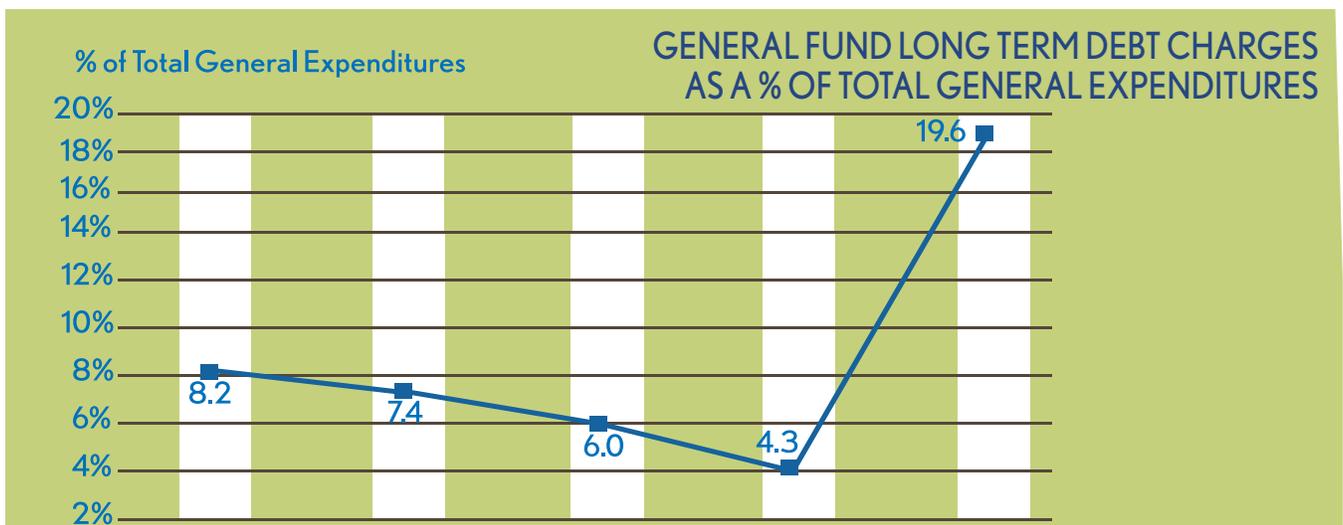
Source: City of Kelowna Financial Services Department



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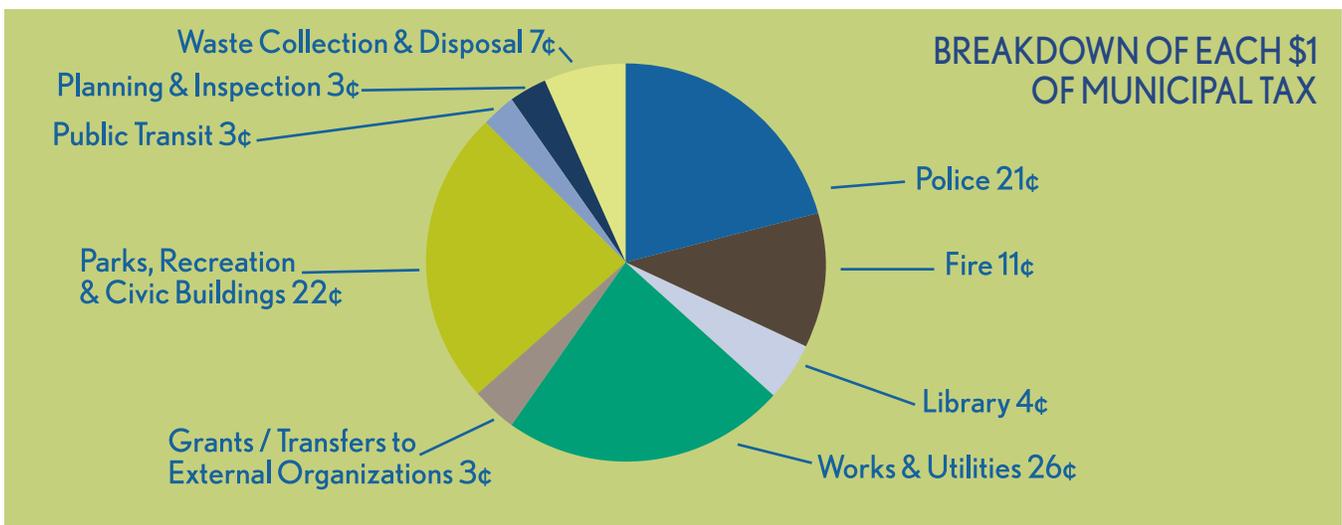
Source: City of Kelowna Financial Services Department

thousands of \$	TAXES COLLECTED				
	2003	2004	2005	2006	2007
Current Year's Levy	127,009	135,660	144,889	155,241	166,013
Current Taxes Collected	125,077	133,399	142,851	152,539	163,255
Current Taxes Outstanding	1,932	2,261	2,038	2,702	2,758
Percentage of Taxes Collected	98.5%	98.3%	98.6%	98.3%	98.3%

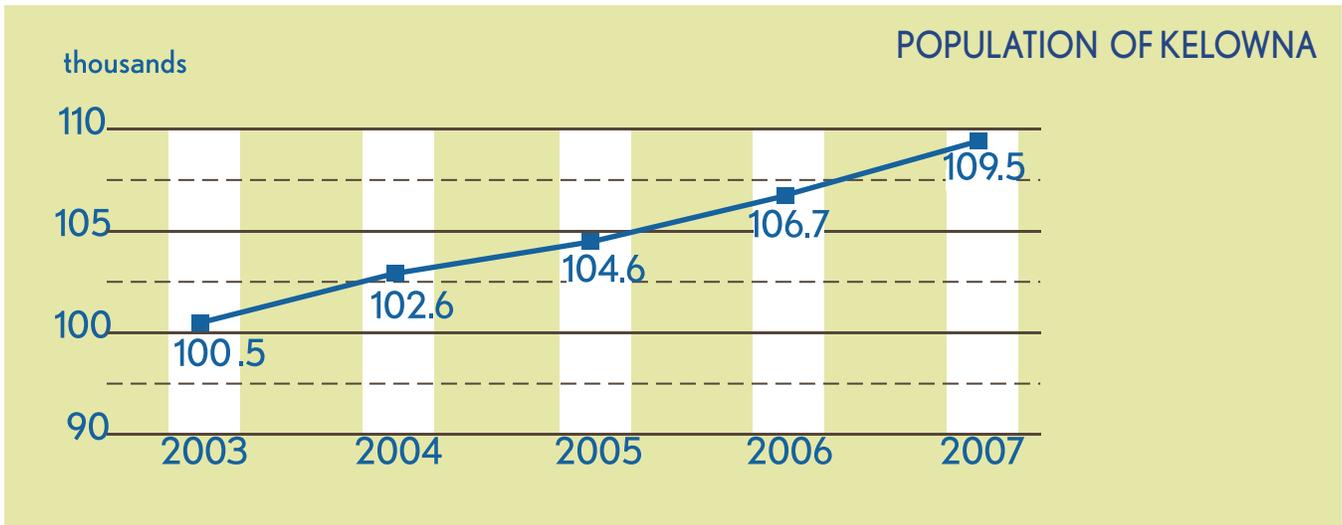
TOP TEN PRINCIPAL CORPORATE TAXPAYERS - 2007

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

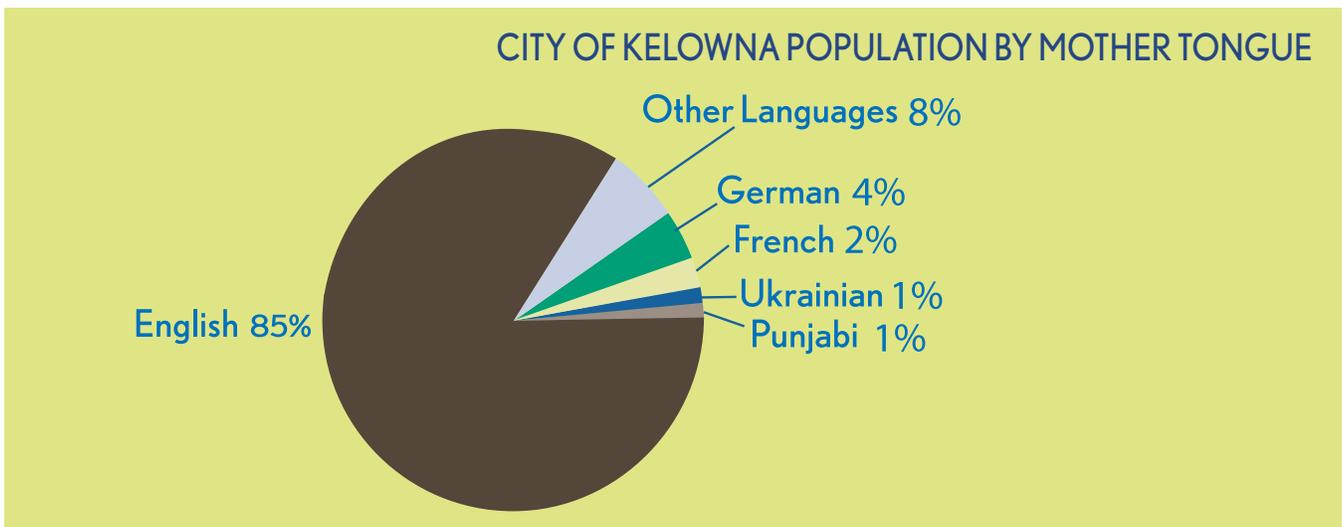
Source: City of Kelowna Financial Services Department



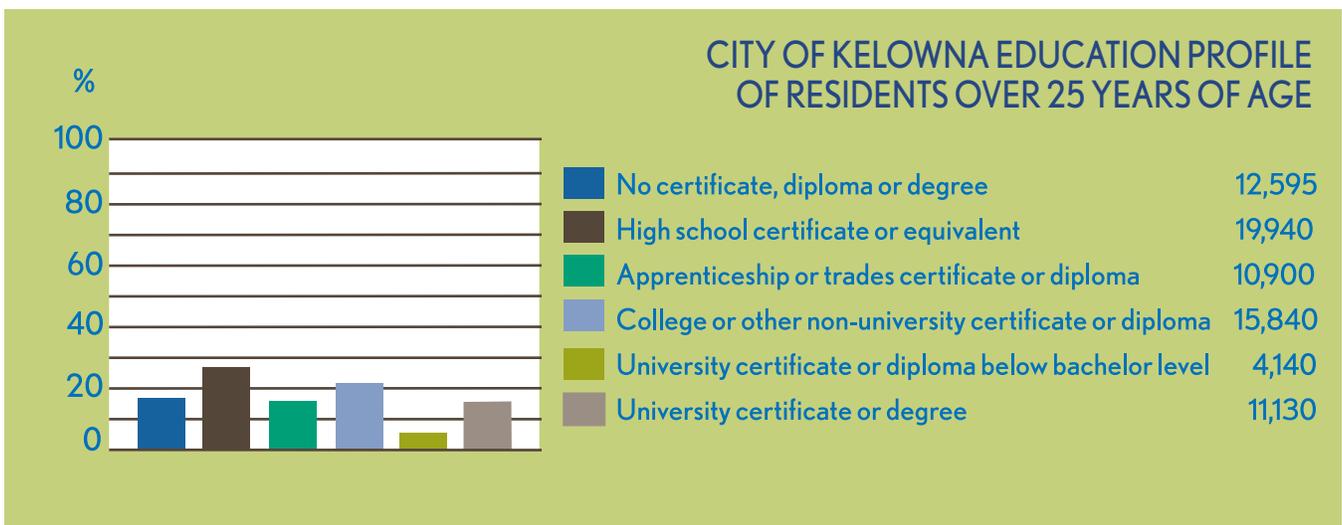
Source: City of Kelowna Financial Services Department



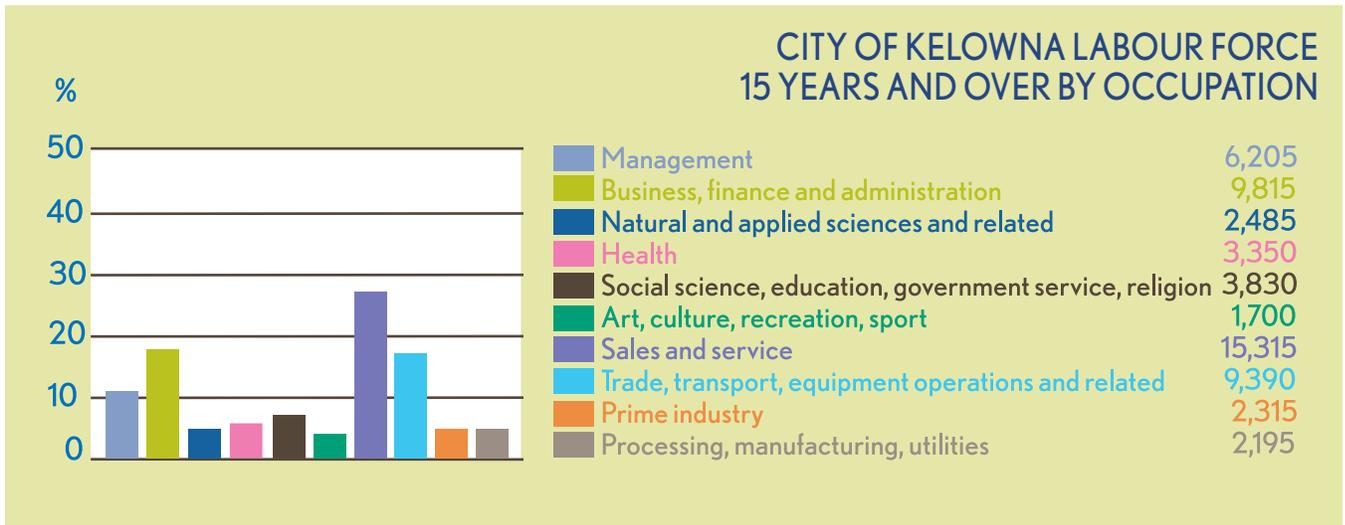
Source: Statistics Canada: 2006 Census and City of Kelowna Research and Strategic Planning Division



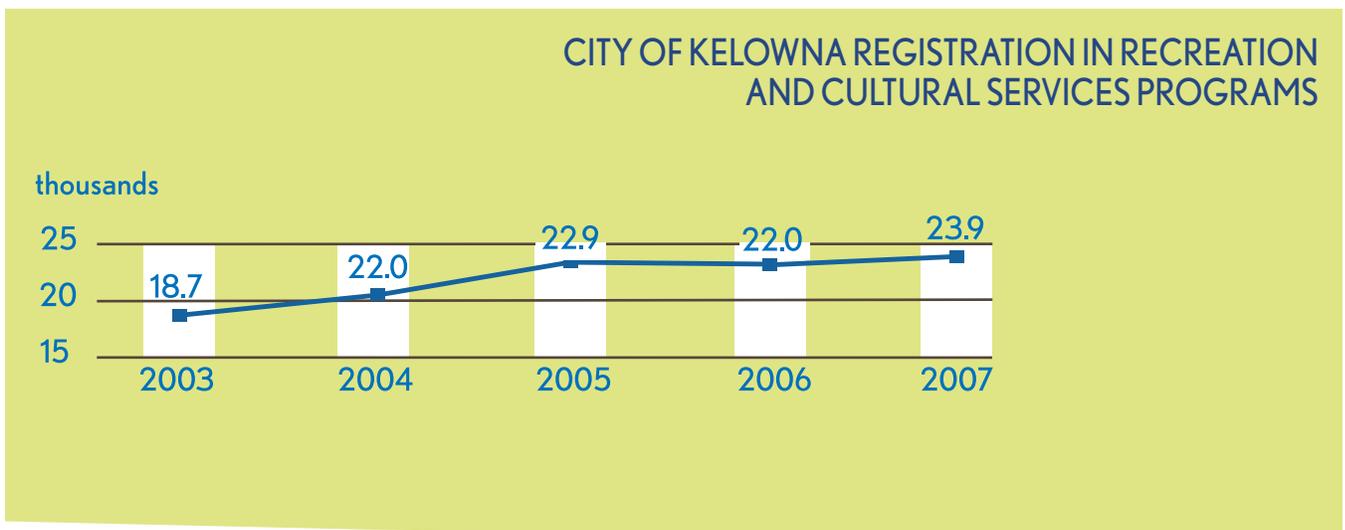
Source: Statistics Canada: 2006 Census



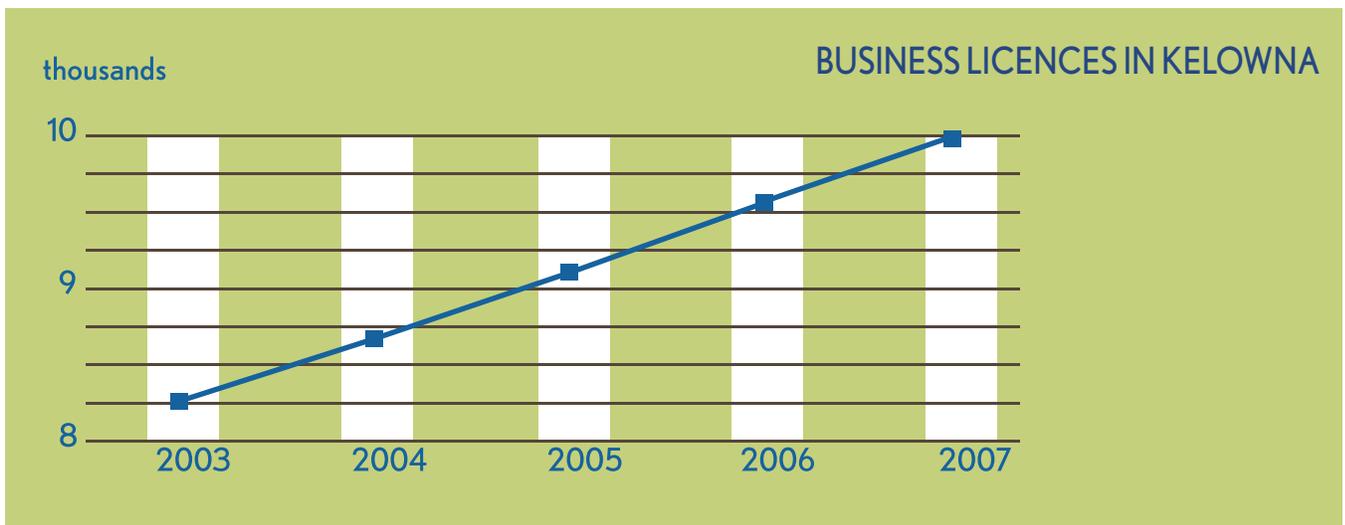
Source: Statistics Canada: 2006 Census



Source: Statistics Canada: 2006 Census

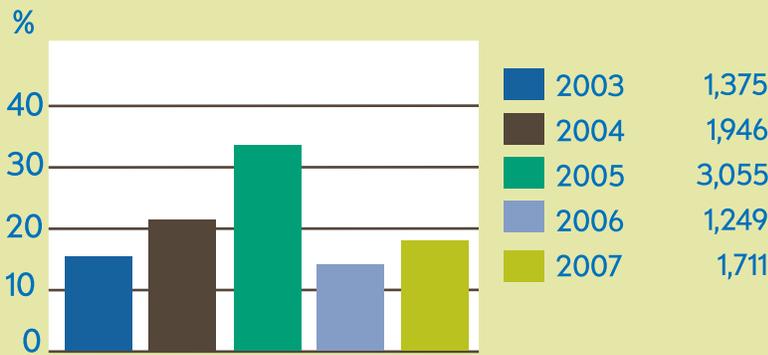


Source: City of Kelowna Recreation, Parks and Cultural Services Department



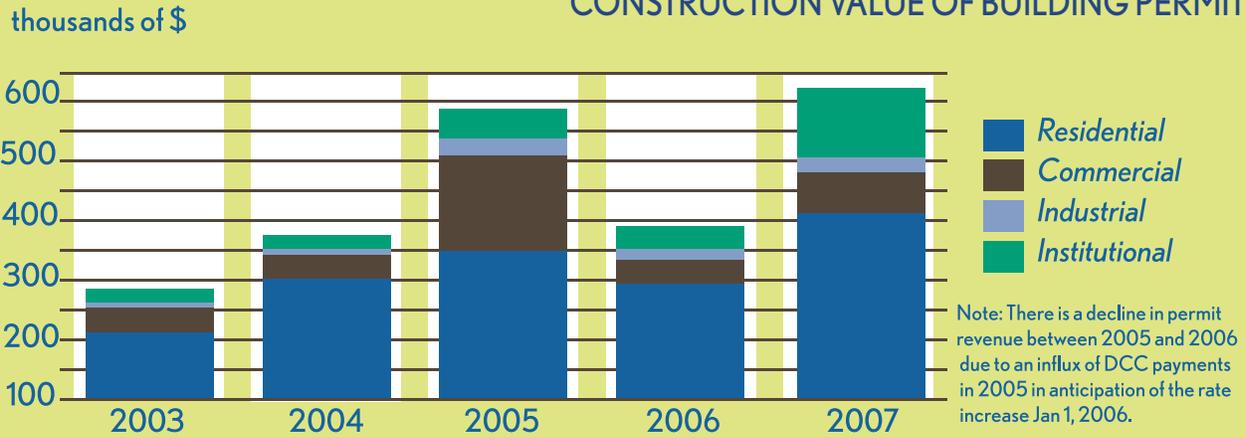
Source: City of Kelowna Business Licence system

CITY OF KELOWNA HOUSING STARTS 2003 - 2007



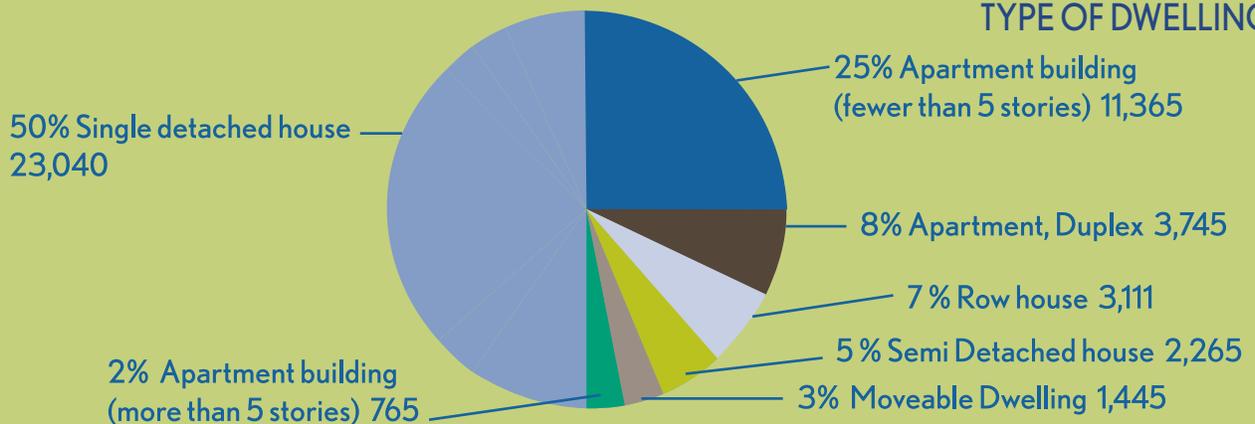
Source: Regional District of Central Okanagan, Region Wide Building Statistics and City of Kelowna Building Permit Issuances

CONSTRUCTION VALUE OF BUILDING PERMITS



Source: City of Kelowna Permits System

% OF OCCUPIED PRIVATE DWELLINGS BY STRUCTURAL TYPE OF DWELLING



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

2007 Permissive Tax Exemptions Provided by Council (*municipal portion only*)

<i>Organization</i>	<i>Value of Tax Exemption 2007</i>	<i>Organization</i>	<i>Value of Tax Exemption 2007</i>
Art Gallery, Museum, Cultural Purpose			
Central Okanagan Heritage Society	\$5,448	Kelowna Music Society	\$3,322
Centre Culturel Francais De L'Okanagan	1,648	Kelowna Sr. Citizens Society of BC	1,993
Kelowna Art Gallery	51,833	Kelowna Youth Outreach Care Society	3,333
Kelowna Centennial Museum Association	5,083	KGH - Rutland Auxiliary Thrift Shop	6,400
Kelowna Centennial Museum Association	16,621	Ki-Low-Na Friendship Society	1,623
Okanagan Military Museum Association	1,866	Ki-Low-Na Friendship Society	6,533
Roman Catholic Bishop of Nelson	1,230	Lifestyle Equity Society	1,094
Rotary Centre for the Arts	75,939	MADAY Society for Seniors	2,601
Athletic or Service Club		National Society of Hope	1,682
Boy Scouts of Canada	4,301	National Society of Hope	2,802
Boy Scouts of Canada	4,715	National Society of Hope	11,355
Central Okanagan Heritage Society	3,355	New Opportunities for Women	1,103
Central Okanagan Parks and Wildlife Trust	1,175	New Opportunities for Women	1,158
Central Okanagan Parks and Wildlife Trust	2,990	New Opportunities for Women	1,993
Central Okanagan Parks and Wildlife Trust	3,923	OK Independent Living Society	1,107
Central Okanagan Small Boat Association	16,401	OK Independent Living Society	1,248
East Kelowna Community Hall Association	1,555	OK Independent Living Society	1,342
Ellison Parks & Recreation	1,248	Okanagan Families Society	111
Kelowna Badminton Club	4,518	Okanagan Families Society	1,759
Kelowna Cricket Club	109	Okanagan Families Society	1,831
Kelowna Curling Club	27,621	Okanagan Families Society	2,215
Kelowna Fish & Game Club	7,793	Okanagan Halfway House Society	1,542
Kelowna Lawn Bowling Club	3,335	Okanagan Halfway House Society	1,729
Kelowna Major Mens' Fastball	10,544	Orchard City Abbeyfield Society	1,496
Kelowna Yoga House Society	4,894	Resurrection Recovery Resource Society	1,295
Nature Trust of B.C.	2,300	Resurrection Recovery Resource Society	1,405
Nature Trust of B.C.	5,924	Resurrection Recovery Resource Society	1,589
Nature Trust of B.C.	13,791	Royal Canadian Legion	1,226
Nature Trust of B.C.	15,941	S.H.A.R.E. Society	7,341
OK Gymnastic Centre	14,218	S.P.C.A.	7,065
OK Mission Community Hall	3,816	The Kelowna Community Food Bank Society	7,419
Rutland Minor Fastball	8,135	The Salvation Army Kelowna Community Resource Centre	5,835
Rutland Park Society	12,003	Construction (Elderly Citizens) Act	
Charitable or Philanthropic		Capital News Centre	196,756
Building Healthy Families	1,193	Oak Lodge Center Ltd.	2,564
Canadian Mental Health	2,202	Seventh Day Adventist Church	9,591
Central Okanagan Child Development Association	14,805	Non-profit organization using Municipal Building	
Central Okanagan Emergency Shelter	1,623	Boys & Girls Club	6,035
Columbus Holding Society	271	Boys & Girls Club	8,349
Columbus Holding Society	891	Boys & Girls Club	15,757
Columbus Holding Society	1,446	Boys & Girls Club	32,920
Father DeLestre Columbus Society	2,653	Boys & Girls Club	86,048
German - Canadian Harmonie Club	4,114	Kelowna & District Safety Council	1,110
Good Samaritan	33,162	Kelowna Regional Library	86,502
Howard-Fry Housing Society	1,063	Private Hospital Licensed Under Community Care Facility Act	
Kalano Club	3,355	Canadian Cancer Society	44,414
Kelowna & District Society for Community Living	8,548	Crossroads Treatment Centre	5,085
Kelowna Centre for Positive Living	753	Crossroads Treatment Centre	5,311
Kelowna Child Care Society	2,490	Interior Health Authority	12,973
Kelowna Community Resources & Crisis Centre	3,156	Interior Health Authority	20,337
Kelowna Drop-in & Info Centre	2,016	Interior Health Authority	63,502
Kelowna Gospel Mission Society	1,469	Public Worship\Church Hall	
Kelowna Gospel Mission Society	1,495	Christian Science Society	1,535
Kelowna Gospel Mission Society	1,742	Kelowna Free Methodist Church	3,201
Kelowna Gospel Mission Society	4,817	Kelowna Victory Life Fellowship	2,390
Kelowna Italian Club	1,150		
		TOTAL MUNICIPAL TAXES EXEMPTED	
		by Council in 2007	\$1,127,614



1435 Water Street, Kelowna, BC, V1Y 1J4 PH 250 469.8500 FX 250 862.3399 www.kelowna.ca

