

Consolidated Financial Statements of

CITY OF KAMLOOPS

Year ended December 31, 2002

CITY OF KAMLOOPS

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Year ended December 31, 2002

Auditors' Report

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AUDITORS' REPORT

To the Mayor and Council of City of Kamloops

We have audited the consolidated statement of financial position of City of Kamloops as at December 31, 2002 and the consolidated statements of financial activities, equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purposes of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information included in the Schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information has been subjected to the auditing procedures applies 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.

Chartered Accountants

Kamloops, Canada
March 21, 2003

CITY OF KAMLOOPS

Exhibit A - Consolidated Statement of Financial Position

December 31, 2002, with comparatives for 2001

	2002	2001
Assets		
Cash and short-term investments (note 2)	\$ 46,185,919	\$ 45,165,392
Accounts receivable (note 3)	11,125,486	11,102,761
Inventory	791,874	893,377
Prepaid expenses	264,939	207,614
Investments	218,930	208,108
Capital assets (note 4)	535,553,682	509,400,762
	\$ 594,140,830	\$ 566,978,014
Liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 15,601,188	\$ 14,098,959
Funds held in trust	1,325,542	1,452,167
Deferred revenue (note 6)	17,873,487	18,341,376
Long-term debt (note 7)	31,793,228	31,346,637
Obligation under capital lease (note 8)	599,790	-
Landfill closure and post-closure care costs (note 9)	1,153,286	1,100,000
	68,346,521	66,339,139
Reserves, Surplus, and Equity		
Reserves for operating purposes (note 10)	5,243,281	3,968,796
Reserves for capital purposes (note 11)	17,080,411	18,781,096
Surplus from operations (note 12)	10,898,031	8,711,306
Total financial equity	33,221,723	31,461,198
Total capital equity	492,572,586	469,177,677
	525,794,309	500,638,875
Commitments and contingencies (note 17)		
	\$ 594,140,830	\$ 566,978,014

See accompanying notes to consolidated financial statements.

S.E. Edwards, C.M.A., Financial Administrator

CITY OF KAMLOOPS

Exhibit B - Consolidated Statement of Financial Activities

Year ended December 31, 2002, with comparatives for 2001

	2002 budget (unaudited)	2002	2001
Revenue:			
Taxation (note 13)	\$ 59,798,525	\$ 59,621,476	\$ 57,988,020
Fees, rates, and sales of service (note 14)	27,699,972	28,334,249	26,536,238
Grants (note 15)	6,857,599	8,253,742	7,802,638
Development cost charges	5,911,390	2,342,172	562,496
Investment income	2,761,592	4,530,502	4,517,110
Sale of capital assets	780,900	357,880	79,472
Private contributions	887,476	82,744	1,147,242
	<u>104,697,454</u>	<u>103,522,765</u>	<u>98,633,216</u>
Expenditures (note 16):			
Corporate services and administration	6,928,006	6,237,171	5,523,276
Solid waste	3,092,889	3,295,854	2,968,509
Drainage	722,518	537,333	534,817
Police services	13,884,775	13,522,439	12,792,607
Fire services	8,438,256	8,643,805	8,640,910
Roads, streets and parking	6,446,711	6,462,216	6,563,907
Parks, recreation and leisure services	15,123,796	15,115,585	15,083,615
Public transit	7,320,735	7,787,494	7,197,532
Development services	3,163,977	2,933,944	2,838,887
Cemetery	466,784	472,185	429,901
Water utility	4,211,080	4,188,061	3,946,487
Sewer utility	3,862,403	3,624,653	3,726,184
Kamloops Airport Authority Society	-	6,810	16,600
Debt servicing costs	4,627,187	4,248,128	5,231,509
Capital expenditures	68,571,218	27,444,573	20,813,480
	<u>146,860,335</u>	<u>104,520,251</u>	<u>96,308,221</u>
Net operating activity	(42,162,881)	(997,486)	2,324,995
Reduction in long-term debt	(5,005,662)	(4,571,661)	(4,147,408)
Capital assets acquired under capital lease	-	619,200	-
Repayment of obligations under capital lease	-	(19,410)	-
Capital assets acquired pending debenture issue	42,137,028	8,494,245	4,153,468
Capital assets acquired pending short-term debt issue	-	-	700,621
Cancellation of prior pending short-term debt issue	-	(1,764,363)	(434,000)
Increase (decrease) in financial equity	\$ (5,031,515)	\$ 1,760,525	\$ 2,597,676

See accompanying notes to consolidated financial statements.

CITY OF KAMLOOPS

Exhibit C - Consolidated Statement of Equity Operating Fund

December 31, 2002, with comparatives for 2001

	2002	2001
Balance, beginning of year	\$ 500,638,875	\$ 478,045,681
Financial equity:		
Changes in reserves for operating purposes	1,274,485	465,879
Changes in reserves for capital purposes	(1,700,685)	961,436
Operating surplus for the year	2,186,725	1,170,361
Net change in financial equity	1,760,525	2,597,676
Capital equity:		
Capital expenditures	27,444,573	20,813,480
Cost of capital assets disposed	(1,291,653)	(545,281)
Principal payments on long-term debt	2,794,037	2,810,490
Actuarial adjustment on long-term debt	1,777,624	1,336,918
Capital assets acquired by obligation under capital lease	(619,200)	-
Repayment of obligations under capital lease	19,410	-
Pending debenture issue	(8,494,245)	(4,153,468)
Pending short-term debt issue	-	(700,621)
Cancellation of prior pending short-term debt issue	1,764,363	434,000
Net change in capital equity	23,394,909	19,995,518
Balance, end of year	\$ 525,794,309	\$ 500,638,875

See accompanying notes to consolidated financial statements.

CITY OF KAMLOOPS

Exhibit D - Consolidated Statement of Cash Flows

Year ended December 31, 2002, with comparatives for 2001

	2002	2001
Operating:		
Net operating activity	\$ (997,486)	\$ 2,324,995
Changes in non-cash operating items:		
Decrease (increase) in accounts receivable	(22,725)	1,646,443
Decrease in inventory	101,503	146,555
Increase in prepaid expenses	(57,325)	(4,133)
Increase in investments	(10,822)	(10,402)
Decrease in other receivable	-	850,369
Increase in accounts payable and accrued liabilities	1,502,229	193,619
Increase (decrease) in funds held in trust	(126,625)	155,189
Increase (decrease) in deferred revenue	(467,889)	1,404,368
Increase in landfill closure and post-closure care costs	53,286	-
	(25,854)	6,707,003
Financing:		
Proceeds from long-term debt	5,018,252	4,036,000
Principal repayments on long-term debt	(4,571,661)	(4,147,408)
Increase in obligations under capital lease	619,200	-
Repayment of obligations under capital lease	(19,410)	-
	1,046,381	(111,408)
Net increase in cash position	1,020,527	6,595,595
Cash, beginning of year	45,165,392	38,569,797
Cash, end of year	\$ 46,185,919	\$ 45,165,392

Cash is defined as cash and short-term investments.

See accompanying notes to consolidated financial statements.

CITY OF KAMLOOPS

Notes to Consolidated Financial Statements

Year ended December 31, 2002

The City of Kamloops was incorporated in 1893 under statute of the Province of British Columbia. Its principal activities include the provision of local government services to residents of the incorporated area. These include corporate services and administration; solid waste; drainage; police; fire; roads, streets and parking; parks, recreation and leisure; public transit; development; cemetery; water utility; sewer utility; and fiscal services.

1. Significant accounting policies:

(a) Basis of presentation:

It is the City's policy to follow accounting principles generally accepted for British Columbia municipalities and to apply such principles consistently. These consolidated financial statements include the operations of the General, Water, and Sewer funds as well as the Kamloops Airport Authority Society. The consolidated financial statements have been prepared using the guidelines issued by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants with the exception of expensing prepaid items during the year. Accordingly, all revenues and expenditures are recorded on the accrual basis.

The City has received authorization from the Inspector of Municipalities for variation on the expensing of prepaid items and inventory purchased during the year under section 328 (4) of the Local Government Act.

(b) Funds of the City:

The resources and operations of the City are segregated into General, Water, and Sewer funds for accounting and financial reporting purposes.

(c) Principles of consolidation:

Consolidated financial statements include the accounts of all funds of the City as well as the Kamloops Airport Authority Society. Separate audited financial statements have been prepared for the Society. Inter-fund balances and transactions have been eliminated. Separate fund statements are presented as supplementary information to the consolidated financial statements.

(d) Inventory:

Inventory is valued at the lower of cost and net realizeable values with cost determined by the average cost method.

(e) Investments:

Short-term investments and investments are recorded at cost, which approximate net realizeable value.

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Notes to Consolidated Financial Statements

Year ended December 31, 2002

1. Significant accounting policies (continued):

(f) Capital assets:

Buildings, machinery and equipment, and engineered structures that have been acquired or constructed are recorded at cost. Amortization is not provided. Expenditures for repairs and upgrading that do not materially add to the value or life of an asset are expensed as incurred.

Infrastructure provided by developers and assumed by the City is not reflected in the financial statements.

(g) Funds held in trust:

Funds held in trust are comprised of monies received from various sources that may either be used by the City under certain conditions and circumstances or returned to the original contributor in the future. Accordingly, they are included in liabilities until such time as the City meets the conditions under which they may be spent or they are returned.

(h) Long-term debt:

Long-term debt is recorded net of any related sinking fund balances. Debt service charges, including principal and interest, are charged against current revenue in the periods in which they are incurred.

(i) Reserves:

Reserves for operating and capital purposes represent amounts reserved either internally or by statute for specific future purposes.

(j) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates.

(k) Financial instruments:

The City's financial instruments consist of cash and short-term investments, accounts receivable, investments, accounts payable and accrued liabilities, deferred revenue, funds held in trust, long-term debt, and obligation under capital lease. Due to the nature of these financial instruments, fair value approximates their carrying value. It is management's opinion the City is not subject to any significant interest rate, currency, or credit risk associated with these financial instruments.

CITY OF KAMLOOPS

Notes to Consolidated Financial Statements

Year ended December 31, 2002

2. Cash and short-term investments:

	2002	2001
Restricted cash and short-term investments:		
Statutory reserves	\$ 8,607,026	\$ 10,666,870
Development cost charges	9,045,066	10,054,155
Funds held in trust	1,325,542	1,452,167
Cemetery Perpetual Care Trust Fund	717,371	666,826
Kamloops Airport Authority Society	289,556	447,301
	19,984,561	23,287,319
Unrestricted cash and short-term investments	26,201,358	21,878,073
	\$ 46,185,919	\$ 45,165,392

3. Accounts receivable:

	2002	2001
General fund:		
Taxes	\$ 3,324,298	\$ 3,240,701
Utilities	1,054,866	1,077,334
Trade	2,722,201	4,342,243
Accrued interest	1,897,885	1,097,739
Province of British Columbia	858,730	468,199
Government of Canada	265,118	196,810
	10,123,098	10,423,026
Water fund:		
Trade	698,283	596,258
Sewer fund:		
Trade	55,651	-
Cemetery Trust:		
Accrued interest	12,662	9,652
Kamloops Airport Authority Society:		
Trade	235,792	73,825
	\$ 11,125,486	\$ 11,102,761

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Notes to Consolidated Financial Statements

Year ended December 31, 2002

4. Capital assets:

	2002	2001
General fund:		
Engineered structures	\$ 172,657,798	\$ 160,293,883
Buildings	66,539,526	66,035,640
Machinery and equipment	55,776,279	51,975,574
Land	17,568,614	16,475,965
	<u>312,542,217</u>	<u>294,781,062</u>
Water fund:		
Engineered structures	88,012,746	81,284,718
Buildings	662,101	662,101
Machinery and equipment	3,273,829	3,133,116
Land	152,785	152,785
	<u>92,101,461</u>	<u>85,232,720</u>
Sewer fund:		
Engineered structures	78,322,735	77,148,555
Buildings	298,555	298,555
Machinery and equipment	3,477,321	3,393,919
Land	250,790	250,790
	<u>82,349,401</u>	<u>81,091,819</u>
Kamloops Airport Authority Society:		
Capital assets	48,560,603	48,295,161
	<u>\$ 535,553,682</u>	<u>\$ 509,400,762</u>

Included in machinery and equipment are capital assets under capital lease with a net cost of \$619,200 (2001 - nil).

CITY OF KAMLOOPS

Notes to Consolidated Financial Statements

Year ended December 31, 2002

5. Accounts payable and accrued liabilities:

	2002	2001
General fund:		
Trade	\$ 5,694,104	\$ 3,961,858
Payroll and benefits	5,596,936	5,205,409
Province of British Columbia	1,186,098	1,775,112
Government of Canada	2,844,863	2,931,361
	15,322,001	13,873,740
Water fund:		
Payroll and benefits	121,603	122,344
Sewer fund:		
Payroll and benefits	97,282	97,875
Kamloops Airport Authority Society:		
Trade	60,302	5,000
	\$ 15,601,188	\$ 14,098,959

6. Deferred revenue:

	Balance at December 31, 2001	Collected	Interest	Recognized	Balance at December 31, 2002
Taxes	\$ 7,041,232	\$ 13,647,010	\$ 76,446	\$ (13,182,446)	\$ 7,582,242
Leases	168,818	-	-	(12,215)	156,603
Business licenses	814,899	811,339	-	(814,899)	811,339
Other	262,272	255,899	-	(239,934)	278,237
Development cost charges	10,054,155	881,844	451,239	(2,342,172)	9,045,066
	\$ 18,341,376	\$ 15,596,092	\$ 527,685	\$ (16,591,666)	\$ 17,873,487

CITY OF KAMLOOPS

Notes to Consolidated Financial Statements

Year ended December 31, 2002

7. Long-term debt:

The City issues debt instruments through the Municipal Finance Authority, pursuant to short-term capital borrowing, loan authorization and security issuing by-laws under authority of Sections 334 and 335 of the Local Government Act, to finance certain capital expenditures. Sinking fund balances managed by the Municipal Finance Authority, are netted against related long-term debt.

(a) Long-term debt outstanding:

	Balance at December 31, 2001	Debt principal repayments	Actuarial adjustments	Debt acquired	Balance at December 31, 2002
General fund	\$ 10,535,421	\$ (942,548)	\$ (511,066)	\$ 1,057,720	\$ 10,139,527
Water fund	10,740,155	(1,129,040)	(586,108)	3,003,027	12,028,034
Sewer fund	10,071,061	(722,449)	(680,450)	957,505	9,625,667
	\$ 31,346,637	\$ (2,794,037)	\$ (1,777,624)	\$ 5,018,252	\$ 31,793,228

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

	General Fund	Water Fund	Sewer Fund	Total
2003	\$ 912,461	\$ 1,332,603	\$ 765,655	\$ 3,010,719
2004	843,884	700,966	752,793	2,297,643
2005	843,884	681,306	631,823	2,157,013
2006	843,884	677,374	616,391	2,137,649
2007	280,590	677,374	616,391	1,574,355
Thereafter	6,414,824	7,958,411	6,242,614	20,615,849
	\$ 10,139,527	\$ 12,028,034	\$ 9,625,667	\$ 31,793,228

The weighted average interest rate on long-term debt in 2002 was 5.80% (2001 - 7.08%).

CITY OF KAMLOOPS

Notes to Consolidated Financial Statements

Year ended December 31, 2002

7. Long-term debt (continued):

(c) Unissued debt:

The City internally finances certain capital projects pending the issue of long-term and/or short-term debt. For budget and financial reporting purposes, borrowed funds received in the current year are applied to advances pending from prior year's. A summary of the current year's transactions and cumulative advances pending debenture issue are as follows:

	Balance December 31, 2001	Capital assets purchased pending debt	Debt acquired	Balance December 31, 2002
General fund	1,050,772	4,023,144	(1,057,720)	4,016,196
Water fund	3,986,949	3,821,426	(3,003,027)	4,805,348
Sewer fund	2,042,354	649,675	(957,505)	1,734,524
	<u>\$ 7,080,075</u>	<u>\$ 8,494,245</u>	<u>\$ (5,018,252)</u>	<u>\$ 10,556,068</u>

At December 31, 2002, the City has authorized but unissued debt aggregating \$64,633,478.

8. Obligation under capital lease:

The City has entered into a capital lease agreement with On-Line Finance and Leasing Corporation to finance the acquisition of a certain capital asset. The required minimum lease payments over the next five years and net obligation under capital lease is as follows:

	2002
2003	\$ 78,728
2004	78,728
2005	78,728
2006	78,728
2007	362,086
Total minimum lease payments	676,998
Less amount representing interest (at approximately 3.5%)	(77,208)
	<u>\$ 599,790</u>

CITY OF KAMLOOPS

Notes to Consolidated Financial Statements

Year ended December 31, 2002

9. Landfill closure and post-closure care costs:

The City of Kamloops operates two solid waste landfill sites in the Kamloops area. Based on an independent assessment conducted in September 2000, the main landfill at the Mission Flats site is expected to serve until 2066. Final closure and post-closure care costs relating to reclamation of this area have been estimated at \$2,981,000. At December 31, 2002, management estimates the site to be 24.9% utilized. The Barnhartvale site is expected to serve until 2017. Final closure and post-closure care costs related to reclamation of this area have been estimated at \$586,000. At December 31, 2002, Management estimates the site to be 49.5% utilized.

The City has accrued \$1,153,286 related to these closure and post-closure care costs.

CITY OF KAMLOOPS

Notes to Consolidated Financial Statements

Year ended December 31, 2002

10. Reserves for operating purposes:

	Balance at December 31, 2001	Interest revenue and contributions	Transfers from/ (to) operations/ capital	Balance at December 31, 2002
General fund:				
Arts Legacy	\$ 186,070	\$ 20,076	\$ -	\$ 206,146
Canada Games Legacy	568,198	2,967	-	571,165
General Building	(16,964)	12,214	-	(4,750)
Heritage Foundation	10,000	-	-	10,000
Bi-Centennial Legacy	208,108	10,821	-	218,929
Oak Hills Dyke	12,932	-	-	12,932
Sports Legacy	175,543	2,006	-	177,549
Working Capital	900,000	426,909	-	1,326,909
Youth Legacy	4,331	-	-	4,331
Art Gallery	324,404	120,663	-	445,067
River Trails	223,073	3,552	(226,625)	-
Community Arts	34,499	-	-	34,499
Insurance	622,124	377,876	-	1,000,000
Stream Stewardship	5,000	-	-	5,000
DFO Grant	35,000	72,500	(8,000)	99,500
Police Contract	-	244,849	-	244,849
Deferred Operating	-	101,122	-	101,122
	3,292,318	1,395,555	(234,625)	4,453,248
Water fund:				
Deferred operating	-	30,000	-	30,000
Sewer fund:				
Deferred operating	-	30,000	-	30,000
Cemetery:				
Cemetery Care Trust Fund	676,478	103,925	(50,370)	730,033
	\$ 3,968,796	\$ 1,559,480	\$ (284,995)	\$ 5,243,281

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Notes to Consolidated Financial Statements

Year ended December 31, 2002

11. Reserves for capital purposes:

	Balance at December 31, 2001	Interest revenue and contributions	Transfers from (to) operations/ capital	Balance at December 31, 2002
Statutory reserves:				
Tax sale property	\$ 3,537,934	\$ 212,980	\$ (958,318)	\$ 2,792,596
Local improvement	610,644	144,657	-	755,301
Debt retirement	595,859	26,666	(309,325)	313,200
Parking facility	1,312,140	160,910	(721,379)	751,671
Land sale	527,516	39,252	(258,101)	308,667
Equipment replacement	4,082,777	2,709,204	(3,106,390)	3,685,591
	10,666,870	3,293,669	(5,353,513)	8,607,026
Non-statutory reserves:				
General capital	4,625,342	3,154,429	(3,038,329)	4,741,442
Water capital	2,032,355	967,215	(124,897)	2,874,673
Sewer capital	963,851	854,113	(71,511)	1,746,453
	7,621,548	4,975,757	(3,234,737)	9,362,568
Less: internal financings	-	-	(1,330,363)	(1,330,363)
	7,621,548	4,975,757	(4,565,100)	8,032,205
Airport capital fund	492,678	164,885	(216,383)	441,180
	\$ 18,781,096	\$ 8,434,311	\$ (10,134,996)	\$ 17,080,411

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Notes to Consolidated Financial Statements

Year ended December 31, 2002

12. Surplus from operations:

	2002	2001
General fund:		
Balance, beginning of year	\$ 5,067,499	\$ 4,285,063
Operating surplus for the year	571,262	782,436
	5,638,761	5,067,499
Water fund:		
Balance, beginning of year	2,058,941	1,667,982
Operating surplus for the year	1,112,958	390,959
	3,171,899	2,058,941
Sewer fund:		
Balance, beginning of year	1,561,418	1,565,117
Operating surplus (deficiency) for the year	502,087	(3,699)
	2,063,505	1,561,418
Kamloops Airport Authority Society:		
Balance, beginning of year	23,448	22,783
Operating surplus for the year	418	665
	23,866	23,448
	\$ 10,898,031	\$ 8,711,306

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Notes to Consolidated Financial Statements

Year ended December 31, 2002

13. Taxation revenue:

	2002	2001
General fund:		
Real property	\$ 54,633,553	\$ 53,083,486
Special assessments	1,795,786	1,805,930
Utilities	1,054,027	969,119
Grants in lieu of taxes	2,138,110	2,129,485
	<u>\$ 59,621,476</u>	<u>\$ 57,988,020</u>

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

	2002	2001
Province of British Columbia - school taxes	\$ 29,174,107	\$ 28,854,593
Thompson-Nicola Regional District	3,487,674	3,446,564
Thompson-Nicola Regional Hospital District	2,251,731	2,191,915
British Columbia Assessment Authority	931,683	873,624
	<u>\$ 35,845,195</u>	<u>\$ 35,366,696</u>

CITY OF KAMLOOPS

Notes to Consolidated Financial Statements

Year ended December 31, 2002

14. Fees, rates, and sales of service by function and object:

	2002 Budget (unaudited)	2002	2001
Corporate services and administration:			
Sale of service	\$ 100,600	\$ 121,309	\$ 108,857
Licenses and permits	110,000	95,278	98,006
Concessions and franchises	1,259,400	1,259,437	988,615
Fines and fees	34,100	54,745	40,462
Rentals	126,000	142,942	126,562
Penalties and interest	555,000	543,232	642,227
Miscellaneous	63,740	169,276	208,715
	2,248,840	2,386,219	2,213,444
Solid waste:			
Sale of service	1,227,000	1,396,966	1,027,580
Police services:			
Sale of service	134,800	148,142	144,675
Rentals	70,000	70,000	70,000
	204,800	218,142	214,675
Fire services:			
Sale of service	360,284	375,563	331,222
Roads, streets and parking:			
Sale of service	870,404	766,440	735,690
Licenses and permits	-	-	1,411
Fines and fees	200,737	177,408	129,180
	1,071,141	943,848	866,281
Public transit:			
Sale of service	2,179,472	2,476,160	2,542,927
Parks, recreation and leisure services:			
Sale of service	3,671,020	3,691,150	3,678,899
Miscellaneous	1,800	2,619	2,706
	3,672,820	3,693,769	3,681,605
Development services:			
Sale of service	87,400	108,246	89,203
Licenses and permits	1,345,500	1,366,812	1,239,591
Rentals	88,215	88,452	81,171
Miscellaneous	2,000	737	1,172
	1,523,115	1,564,247	1,411,137

CITY OF KAMLOOPS

Notes to Consolidated Financial Statements

Year ended December 31, 2002

14. Fees, rates, and sales of service by function and object (continued):

	2002 Budget (unaudited)	2002	2001
Cemetery:			
Sale of service	324,000	336,349	296,804
Water utility:			
Sale of service	8,603,500	8,587,779	7,527,471
Miscellaneous	-	-	1,151
	8,603,500	8,587,779	7,528,622
Sewer utility:			
Sale of service	6,261,000	6,148,561	6,222,679
Miscellaneous	24,000	44,513	31,656
	6,285,000	6,193,074	6,254,335
Kamloops Airport Authority Society:			
Sale of service	-	162,133	167,606
	\$ 27,699,972	\$ 28,334,249	\$ 26,536,238

CITY OF KAMLOOPS

Notes to Consolidated Financial Statements

Year ended December 31, 2002

15. Grants:

	2002 Budget (unaudited)	2002	2001
General fund:			
Federal Government:			
Policing	\$ 1,269,473	\$ 1,212,461	\$ 1,236,247
Capital infrastructure	-	-	258,897
Other	-	72,500	55,000
Provincial Government:			
Transit	3,262,000	3,423,952	3,193,383
Gaming	1,500,000	1,507,548	1,297,653
Victims assistance	47,685	35,764	62,406
Community development	10,000	4,799	-
Capital infrastructure	-	-	50,000
Other	35,050	15,444	17,735
	6,124,208	6,272,468	6,171,321
Water fund:			
Federal Government:			
Capital infrastructure	-	605,552	416,098
Provincial Government:			
Revenue sharing	526,368	418,695	527,927
Capital infrastructure	-	700,852	416,097
	526,368	1,725,099	1,360,122
Sewer fund:			
Provincial Government:			
Revenue sharing	207,023	111,302	207,023
Capital infrastructure	-	93,551	-
	207,023	204,853	207,023
Kamloops Airport Authority Society:			
Federal Government:			
Capital infrastructure	-	51,322	64,172
	\$ 6,857,599	\$ 8,253,742	\$ 7,802,638

CITY OF KAMLOOPS

Notes to Consolidated Financial Statements

Year ended December 31, 2002

16. Expenditure by function and object:

	2002 Budget (unaudited)	2002	2001
Corporate services and administration:			
Wages, salaries and benefits	\$ 8,976,701	\$ 8,815,175	\$ 8,611,257
Personnel expenses	305,765	246,441	251,736
Contractual services	2,588,330	2,549,409	2,204,570
Supplies and other expenses	4,257,807	3,726,799	3,574,387
Transfers from other functions	2,938,397	3,011,052	2,952,598
Transfers to other functions	(11,240,494)	(11,647,997)	(11,218,711)
Cost allocated to capital	(898,500)	(463,708)	(852,561)
Total operating expenditures	6,928,006	6,237,171	5,523,276
Capital expenditures	5,864,918	3,470,471	2,396,948
	12,792,924	9,707,642	7,920,224
Solid waste:			
Wages, salaries and benefits	984,646	961,422	919,561
Personnel expenses	8,200	6,866	6,943
Contractual services	1,273,800	1,460,697	1,235,286
Supplies and other expenses	29,010	72,573	21,416
Transfers from other functions	855,302	852,365	843,372
Transfers to other functions	(58,069)	(58,069)	(58,069)
Total operating expenditures	3,092,889	3,295,854	2,968,509
Capital expenditures	701,890	490,565	747,439
	3,794,779	3,786,419	3,715,948
Drainage:			
Wages, salaries and benefits	296,899	235,999	220,048
Contractual services	63,706	45,083	29,785
Supplies and other expenses	57,950	17,794	28,817
Transfers from other functions	313,963	248,457	266,167
Transfers to other functions	(10,000)	(10,000)	(10,000)
Total operating expenditures	722,518	537,333	534,817
Capital expenditures	5,683,999	4,182,066	1,440,905
	6,406,517	4,719,399	1,975,722

CITY OF KAMLOOPS

Notes to Consolidated Financial Statements

Year ended December 31, 2002

16. Expenditure by function and object (continued):

	2002 Budget (unaudited)	2002	2001
Police services:			
Wages, salaries and benefits	2,155,089	2,082,589	1,888,183
Personnel expenses	49,900	48,146	50,505
Contractual services	10,880,723	10,596,215	10,078,008
Supplies and other expenses	50,413	48,768	45,133
Transfers from other functions	748,650	746,721	730,778
Total operating expenditures	13,884,775	13,522,439	12,792,607
Capital expenditures	116,353	40,516	815,121
	14,001,128	13,562,955	13,607,728
Fire services:			
Wages, salaries and benefits	7,553,098	7,813,198	7,713,340
Personnel expenses	67,650	61,301	60,840
Contractual services	163,500	113,234	259,250
Supplies and other expenses	263,650	266,079	240,333
Transfers from other functions	390,358	389,993	367,147
Total operating expenditures	8,438,256	8,643,805	8,640,910
Capital expenditures	797,118	850,759	780,519
	9,235,374	9,494,564	9,421,429
Roads, streets, and parking:			
Wages, salaries and benefits	3,078,649	3,083,482	2,990,690
Personnel expenses	39,445	39,226	34,484
Contractual services	849,150	758,722	666,045
Supplies and other expenses	1,600,427	1,682,423	1,787,034
Transfers from other functions	2,258,764	2,213,519	2,378,589
Transfers to other functions	(1,284,724)	(1,255,640)	(1,227,858)
Cost allocated to capital	(95,000)	(59,516)	(65,077)
Total operating expenditures	6,446,711	6,462,216	6,563,907
Capital expenditures	8,123,698	6,335,813	4,264,593
	14,570,409	12,798,029	10,828,500

CITY OF KAMLOOPS

Notes to Consolidated Financial Statements

Year ended December 31, 2002

16. Expenditure by function and object (continued):

	2002 Budget (unaudited)	2002	2001
Public transit:			
Wages, salaries and benefits	79,744	81,386	77,735
Personnel expenses	1,500	1,141	996
Contractual services	7,200,721	7,673,496	7,096,417
Transfers from other functions	38,770	31,471	22,384
Total operating expenditures	7,320,735	7,787,494	7,197,532
Capital expenditures	111,280	-	12,460
	7,432,015	7,787,494	7,209,992
Parks, recreation, and leisure services:			
Wages, salaries and benefits	6,942,731	6,815,889	6,869,446
Personnel expenses	135,912	132,358	116,710
Contractual services	2,002,433	2,175,667	2,063,696
Supplies and other expenses	3,558,625	3,392,772	3,664,901
Transfers from other functions	2,971,793	3,060,597	2,830,560
Transfers to other functions	(461,698)	(461,698)	(461,698)
Cost allocated to capital	(26,000)	-	-
Total operating expenditures	15,123,796	15,115,585	15,083,615
Capital expenditures	3,783,485	2,832,253	3,938,634
	18,907,281	17,947,838	19,022,249
Development services:			
Wages, salaries and benefits	2,049,482	1,983,917	1,963,371
Personnel expenses	38,650	22,578	22,010
Contractual services	180,350	102,277	167,654
Supplies and other expenses	482,136	418,821	288,406
Transfers from other functions	841,359	839,601	840,096
Transfers to other functions	(403,000)	(403,000)	(408,500)
Cost allocated to capital	(25,000)	(30,250)	(34,150)
Total operating expenditures	3,163,977	2,933,944	2,838,887
Capital expenditures	56,500	683,460	43,858
	3,220,477	3,617,404	2,882,745

CITY OF KAMLOOPS

Notes to Consolidated Financial Statements

Year ended December 31, 2002

16. Expenditure by function and object (continued):

	2002 Budget (unaudited)	2002	2001
Cemetery:			
Wages, salaries and benefits	283,732	289,938	255,883
Contractual services	10,500	10,989	9,050
Supplies and other expenses	52,117	47,372	40,126
Transfers from other functions	120,435	123,886	124,842
Total operating expenditures	466,784	472,185	429,901
Capital expenditures	150,500	164,641	201,272
	617,284	636,826	631,173
Water utility:			
Wages, salaries and benefits	1,378,583	1,362,153	1,227,965
Personnel expenses	9,900	9,434	8,881
Contractual services	387,500	371,045	228,551
Supplies and other expenses	1,465,775	1,458,886	1,527,476
Transfers from other functions	1,307,644	1,274,865	1,254,329
Transfers to other functions	(288,322)	(288,322)	(250,715)
Cost allocated to capital	(50,000)	-	(50,000)
Total operating expenditures	4,211,080	4,188,061	3,946,487
Capital expenditures	38,081,699	6,868,742	4,605,373
	42,292,779	11,056,803	8,551,860
Sewer Utility:			
Wages, salaries and benefits	1,188,586	1,058,764	1,053,105
Personnel expenses	12,446	11,423	7,927
Contractual services	456,879	412,156	447,968
Supplies and other expenses	1,263,620	1,165,160	1,212,496
Transfers from other functions	1,002,048	1,018,326	1,065,864
Transfers to other functions	(41,176)	(41,176)	(41,176)
Cost allocated to capital	(20,000)	-	(20,000)
Total operating expenditures	3,862,403	3,624,653	3,726,184
Capital expenditures	5,099,778	1,257,582	1,466,744
	8,962,181	4,882,235	5,192,928

CITY OF KAMLOOPS

Notes to Consolidated Financial Statements

Year ended December 31, 2002

16. Expenditure by function and object (continued):

	2002 Budget (unaudited)	2002	2001
Kamloops Airport Authority Society:			
Contractual services	-	4,486	16,035
Supplies and other expenses	-	2,324	565
Total operating expenditures	-	6,810	16,600
Capital expenditures	-	267,705	99,614
	-	274,515	116,214
Debt servicing costs	4,627,187	4,248,128	5,231,509
	\$ 146,860,335	\$ 104,520,251	\$ 96,308,221

17. Commitments and contingencies:

- (a) The City of Kamloops has entered into various agreements and contracts for services and construction for periods ranging from one to five years.
- (b) The City of Kamloops, as a member of the Thompson Nicola Regional District, is liable for its proportion of any operating deficits or long-term debt related to functions in which it participates.
- (c) The City of Kamloops is a participant in the Municipal Insurance Association of British Columbia. Should the Association pay out claims in excess of premiums received, it is possible the City, along with other participants, would be required to contribute towards the deficit.
- (d) The City of Kamloops and its employees contribute to the Municipal Pension Plan ("the Plan"), a jointly-trusted pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of the assets and administration of the plan. The pension plan is a multi-employer contributory defined benefit pension plan with about 126,000 active contributors, including approximately 28,000 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, 2000 indicated a funding surplus of \$436 million. The Joint Trust Agreement specifies how surplus assets can be used. The actuary does not attribute portions of the surplus to individual employers. The City of Kamloops paid \$2,251,726 for employer contributions to the plan in fiscal 2002.

CITY OF KAMLOOPS

Notes to Consolidated Financial Statements

Year ended December 31, 2002

17. Commitments and contingencies (continued):

- (e) From time to time the City of Kamloops is brought forth as defendant in various lawsuits. The City reviews its exposure to any potential litigation for which it would not be covered by insurance and assesses whether a successful claim against the City would materially affect the consolidated financial statements of the City. The City reserves a portion of its operating surplus for future payment of insurance deductibles and payment of claims for which it would not be covered by insurance. The City is currently not aware of any claims brought against it that if not defended successfully would result in a material change to the consolidated financial statements of the City.
- (f) The City issues certain of its debt instruments through the Municipal Finance Authority. As a condition of these borrowings and as required by legislation, a debt reserve fund is to be established in the amount of one-half the average annual instalment of principal and interest as set out in the agreement(s) entered into. The reserve is funded in part by cash, being the withholding of 1% of the total issue proceeds, and the remainder being funded by a demand note whereby the City may be required to loan certain amounts to the Municipal Finance Authority. These demand notes are contingent in nature and are not reflected in the accounts of the City.

Details of the cash deposits and contingent demand notes on hand at year end are as follows:

			2002	2001
	Cash Deposits	Contingent Demand Notes	Total	Total
General fund	\$ 413,428	\$ 1,053,287	\$ 1,466,715	\$ 1,755,721
Water utility fund	634,875	1,158,565	1,793,440	2,308,019
Sewer utility fund	473,464	956,598	1,430,062	1,999,012
	\$ 1,521,767	\$ 3,168,450	\$ 4,690,217	\$ 6,062,752

18. Budget figures:

Budget figures are unaudited and represent the Financial Plan By-Law adopted by Council at the time of adoption of the Annual Taxation By-Law. Subsequent amendments to the Financial Plan By-Law have been made by Council to reflect changes as required by law.

CITY OF KAMLOOPS

Notes to Consolidated Financial Statements

Year ended December 31, 2002

19. Trust funds:

The City operates the cemetery and maintains a cemetery perpetual care fund in accordance with the Cemetery and Funeral Services Act.

20. Comparative figures:

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year. In addition, the City has reclassified future landfill closure and post-closure care costs from reserves for operating purposes to liabilities and has applied this change in presentation on a retroactive basis.