

City of Kamloops
Consolidated Financial Statements
For the year ended December 31, 2016

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the City of Kamloops (the "City") and all the information in this annual report are the responsibility of management and have been approved by the Mayor and Council of the City.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The City maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the City's assets are appropriately accounted for and adequately safeguarded.

The City is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Council carries out this responsibility principally through its Audit Committee.


The Audit Committee review the City's consolidated financial statements and recommends their approval to City Council. The Audit Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Mayor and Council takes this information into consideration when approving the financial statements for issuance to the ratepayers. The Mayor and Council also appoint the engagement of the external auditors.

The financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the ratepayers. BDO Canada LLP has full access to the Council and management.



CHRISTIAN

Chair of Audit Committee



K. H. H. H.

Finance Director

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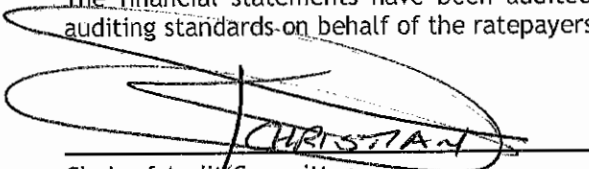
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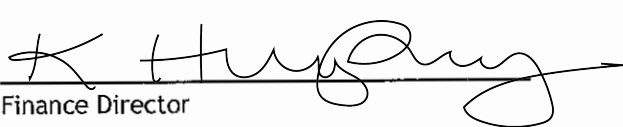
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CHRISTINA

Chair of Audit Committee



Finance Director



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BDO Canada LLP
300 - 275 Lansdowne Street
Kamloops BC V2C 6J3

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the City of Kamloops

We have audited the accompanying consolidated financial statements of the City of Kamloops, which comprise the Consolidated Statement of Financial Position as at December 31, 2016 and the Consolidated Statements of Operations, Change in Net Debt and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Kamloops as at December 31, 2016 and the results of its operations, changes net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants
Kamloops, British Columbia
May 2, 2017

City of Kamloops
Consolidated Statement of Financial Position

As at December 31

2016

2015

Financial Assets

Cash (Note 3)	\$ 42,626,628	\$ 13,930,724
Short-term investments (Note 3)	110,910,404	110,706,387
Accounts receivable (Note 4)	22,573,744	24,138,753
Long-term investments (Note 5)	1,947,574	1,930,004
	178,058,350	150,705,868

Liabilities

Accounts payable (Note 6)	21,280,678	23,035,172
Payroll benefits payable	4,568,427	4,505,823
Post-employment benefits payable (Note 7)	7,659,000	7,616,000
Landfill post-closure costs (Note 8)	2,977,203	2,705,722
Deferred revenue (Note 10)	28,037,767	26,901,964
Long-term debt (Note 11)	126,339,233	101,302,016
	190,862,308	166,066,697

Net Financial Debt

(12,803,958) **(15,360,829)**

Non-Financial Assets

Inventory	1,350,054	1,222,687
Prepaid expenses	1,189,160	1,472,980
Tangible capital assets (Note 12)	1,158,563,204	1,128,194,933
	1,161,102,418	1,130,890,600

Accumulated Surplus (Note 13)

\$ 1,148,298,460 **\$ 1,115,529,771**

See commitments and contingencies (Note 19)


Kathy Humphrey, CPA, CA
Finance Director


Ken Christian
Chair of Audit Committee

City of Kamloops
Consolidated Statement of Operations

For the year ended December 31	Financial Plan 2016	2016	2015
	(Note 21)		
Revenue (Note 14)			
Taxation (Note 17)	\$ 104,105,629	\$ 104,363,436	\$ 100,774,087
Development levies utilized	-	2,666,964	6,781,829
Fees, rates and sales of service	58,829,522	61,340,949	58,160,791
Government transfers (Note 18)	19,713,962	20,130,706	21,774,464
Investment income	4,671,754	4,659,065	5,049,604
Private contributions	72,637	22,382,725	9,294,325
	<u>187,393,504</u>	<u>215,543,845</u>	<u>201,835,100</u>
Expenses (Note 15)			
Cemetery	675,338	676,776	669,832
Community development	5,643,141	5,180,400	4,300,512
Corporate administration	15,921,502	11,071,601	11,008,500
Environmental services	596,760	595,456	233,140
Fire services	17,410,628	17,753,781	19,573,886
Infrastructure maintenance	23,928,452	24,768,172	26,543,538
Legislative and enforcement	5,661,676	5,739,587	5,688,962
Parks, recreation and cultural services	34,938,138	36,128,740	35,854,004
Police services	28,232,169	24,790,451	23,340,339
Public transit	17,263,605	17,331,495	16,494,250
Solid waste	10,076,387	10,539,448	8,059,367
Water utility	10,269,884	15,169,459	15,862,633
Sewer utility	7,620,648	10,141,125	8,707,701
Kamloops Airport Authority Society	2,065,311	2,238,666	2,130,454
Venture Kamloops Business Development Society	626,190	649,999	767,611
	<u>180,929,829</u>	<u>182,775,156</u>	<u>179,234,729</u>
Annual Surplus	6,463,675	32,768,689	22,600,371
Accumulated Surplus, beginning of year		<u>1,115,529,771</u>	1,092,929,400
Accumulated Surplus, end of year		<u>\$ 1,148,298,460</u>	<u>\$ 1,115,529,771</u>

City of Kamloops
Consolidated Statement of Change in Net Debt

For the year ended December 31	Financial Plan 2016 (Note 21)	2016	2015
Annual surplus	\$ 6,463,675	\$ 32,768,689	\$ 22,600,371
Acquisition of tangible capital assets (Note 12)	-	(59,243,412)	(54,937,199)
Amortization of tangible capital assets (Note 12)	-	28,482,676	27,364,415
Net book value of tangible capital assets disposed (Note 12)	-	392,463	2,227,494
Decrease in prepaid expenses	-	283,822	119,387
Increase in inventory	-	(127,367)	(4,031)
Change in net debt	6,463,675	2,556,871	(2,629,563)
Net debt, beginning of year	(15,360,829)	(15,360,829)	(12,731,266)
Net debt, end of year	\$ (8,897,154)	\$ (12,803,958)	\$ (15,360,829)

City of Kamloops
Consolidated Statement of Cash Flows

For the year ended December 31	2016	2015
Cash provided by (used for)		
Operating transactions		
Annual surplus	\$ 32,768,689	\$ 22,600,371
Non-cash items included in annual surplus		
Amortization expense	28,482,676	27,364,414
Increase (decrease) in post-employment benefits payable	43,000	(45,000)
Increase (decrease) in landfill post-closure costs	271,481	317,649
Loss (gain) on disposal of tangible capital assets	(26,976)	1,318,766
Private contributions	(13,236,166)	(7,821,792)
Changes in non-cash operating items:		
Decrease (increase) in accounts receivable	1,565,009	(6,492,084)
Decrease (increase) in inventory	(127,367)	(4,031)
Decrease (increase) in prepaid expenses	283,822	119,388
Increase (decrease) in accounts payable	(1,754,494)	2,476,725
Increase (decrease) in payroll benefits payable	62,604	418,577
Increase (decrease) in deferred revenue	1,135,803	(713,690)
	<u>49,468,081</u>	<u>39,539,293</u>
Capital transactions		
Acquisition of tangible capital assets	(46,007,246)	(47,115,407)
Proceeds from sale of tangible capital assets	419,439	908,729
	<u>(45,587,807)</u>	<u>(46,206,678)</u>
Investing transactions		
Decrease (increase) in short-term investments	(204,017)	(306,195)
Decrease (increase) in long-term investments	(17,570)	(18,066)
	<u>(221,587)</u>	<u>(324,261)</u>
Financing transactions		
Proceeds from issuance of long-term debt	33,952,235	13,675,260
Principal repayments on long-term debt	(8,915,018)	(9,141,743)
	<u>25,037,217</u>	<u>4,533,517</u>
Increase (decrease) in cash	28,695,904	(2,458,129)
Cash, beginning of year	<u>13,930,724</u>	<u>16,388,853</u>
Cash, end of year	<u>\$ 42,626,628</u>	<u>\$ 13,930,724</u>

December 31, 2016

1. Significant accounting policies

The City of Kamloops (the "City") was incorporated in 1893 under statute of the Province of British Columbia. Its principal activities include the provision of local government services to residents of the incorporated area. These include cemetery; community development; corporate administration; environmental services; fire; infrastructure maintenance; legislative and enforcement; parks, recreation and culture; police; public transit; solid waste; water utility; and sewer utility. The City is also responsible for the Kamloops Airport Authority Society and the Venture Kamloops Business Development Society.

Basis of presentation

The Consolidated Financial Statements of the City have been prepared, in all material respects, in accordance with Canadian public sector accounting standards ("PSAS") for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPAC").

Basis of accounting

The basis of accounting followed in these consolidated financial statements is an accrual method and includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenses in the period the goods and services were acquired and a liability was incurred.

Basis of consolidation

The consolidated financial statements include the accounts of the Kamloops Airport Authority Society and the Venture Kamloops Business Development Society. Separate audited financial statements have also been prepared for the societies. Inter-fund balances and transactions have been eliminated.

The Kamloops Airport Authority Society and the Venture Kamloops Business Development Society are controlled by the City through its appointment of the members of each society. The consolidated financial statements include all accounts of these societies.

Revenue recognition

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues and the amounts to be received can be reasonably estimated and collection is reasonably assured.

Taxation for municipal purposes is recorded as revenue in the period the taxes are levied.

User charges, fees, and other amounts collected for which the City has an obligation to perform or provide a future service are deferred until the service is provided.

Contributions or other funding received which has externally imposed restrictions are initially accounted for as deferred revenue and then recognized as revenue when used for the specific purpose.

Contributions received in-kind are recognized as revenue in the period received at the fair market value at the time of the contribution.

December 31, 2016

1. Significant accounting policies (Continued)

Government transfers

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Inventory

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

Investments

Short-term investments and investments are recorded at cost, which approximates net realizable value.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Costs include all costs directly attributable to the acquisition or construction of the tangible capital asset including transportation costs, design and engineering fees, legal fees and site preparation costs.

Assets were amortized using the straight line method. There are several different amortization periods used for each major category of assets, as follows:

Land	No amortization taken
Site improvements	5 to 50 years
Equipment	5 to 10 years
Buildings	15 to 50 years
Transportation network	10 to 75 years
Water network	10 to 75 years
Sanitary network	10 to 75 years
Drainage network	10 to 75 years
Communication network	20 years
Computing infrastructure	4 to 10 years

Amortization is not taken on tangible capital assets until they are ready for use. The City holds several works of art and historic treasures that have not been included in the tangible capital assets, including displays at the museum, statues located throughout the City and various works of art and decorations within the facilities.

Non-financial assets

Non-financial assets are held for use in the provision of goods and services but are not available to discharge existing liabilities. These assets have a useful life extending beyond the current year and are not intended for sale in the ordinary course of operations.

December 31, 2016

1. Significant accounting policies (Continued)

Long-term debt

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

Reserves

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

Contaminated sites

Governments are required to accrue a liability for the costs to remediate a contaminated site. Liabilities are recognized when an environmental standard exists, contamination exceeds the standard, the government has responsibility for remediation, future economic benefits will be given up and a reasonable estimate can be made.

Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that have an effect on the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could be different from those estimates. Significant estimates in these financial statements include the post-employment benefit payable and the landfill post-closure costs.

Landfill post-closure costs

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

Retirement benefits and other employee benefit plans

The City's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred. The costs of other retirement benefits that accumulate over the period of service provided by employees are actuarially determined using the projected benefit method prorated on services based on management's best estimate of retirement ages, inflation rates, investment returns, wage and salary escalation, insurance and health care costs trends, employee turnover and discount rates. Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the employee group.

Deferred Revenue - Development Cost Charges

Development cost charges ("DCC's") collected to pay for capital costs due to development are recorded as deferred revenue. DCC's are recognized as revenue when the related development costs are incurred.

December 31, 2016

2. **Segmented Information**

The City of Kamloops is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed. The nature of the segments and the activities they encompass are as follows; and quantitative data on these segments can be found in Notes 14 and 15.

Cemetery

This segment captures all of the revenue and expenses associated with Cemetery operations including providing services to the public and maintenance of the cemetery infrastructure.

Community development

This segment includes many of the activities of the Planning, Engineering and Development Services Department including Building Permits, Business Licenses, Zoning, Development Applications and Engineering Services.

Corporate administration

This segment includes all of the internal support service functions of the corporation. This includes Human Resources, Information Technology, Finance and the Chief Administration Officer's department. All of these functions are typical to all medium to large corporations, either private or public.

Environmental services

This segment includes all of the operating activities of the Environmental Services Division which includes activities such as environmental assessments and groundwater monitoring.

Fire services

This segment includes all of the operating activities of the Fire and Rescue Services Division including fire prevention, suppression and education. This function also includes maintenance of the fire department fleet and operation of the Fire Training Centre.

Infrastructure maintenance

This segment includes all of the operating activities of the Public Works department that involve the repair and maintenance of the City's infrastructure assets including the road network, the storm water (drainage) network and the City's vehicle fleet. Maintenance of the recreation buildings and park assets are not included in this segment as they are included in the Parks, recreation and cultural services department.

December 31, 2016

2. Segmented information (Continued)

Legislative and enforcement

This segment includes the functions related to the legislative operations of the City. This encompasses revenue and expenses directly related to City Council, the City Clerk's office, bylaw enforcement, parking and animal control.

Parks, recreation and cultural services

This segment includes all of the operating activities of the Parks, Recreation and Cultural Services department. This includes the revenue and expenses to provide recreation and cultural programs throughout the City; repair and maintenance of the buildings and other infrastructure used to provide these programs; and repair and maintenance of administrative buildings throughout the City.

Police services

This segment includes all of the operating activities of the Police Services Division. This includes the activities of the RCMP and the municipal staff who support these activities.

Public transit

This segment includes all of the operating activities of the Public Transit Division to provide public transit services to the City.

Solid waste utility

Included in this segment is all of the revenue and expenses related to the collection and disposal of the residents' garbage and recycling products.

Water utility

This segment includes all of the operating activities related to the treatment and distribution of water throughout the City.

Sewer utility

This segment includes all of the operating activities related to the collection and treatment of wastewater (sewage) throughout the City.

Kamloops Airport Authority Society

This segment includes all of the operating activities of the Kamloops Airport Authority Society whose mandate is to oversee the operation of the Kamloops Airport and the repair and maintenance of its assets.

Venture Kamloops Business Development Society

This segment includes all of the operating activities of the Venture Kamloops Business Development Society.

City of Kamloops
Notes to the Consolidated Financial Statements

December 31, 2016

3. Cash and Short-Term Investments

	2016	2015
Consolidated cash	\$ 42,626,628	\$ 13,930,724
Consolidated short-term investments	110,910,404	110,706,387
	\$ 153,537,032	\$ 124,637,111
Restricted cash and short-term investments:		
Statutory reserves	\$ 37,326,275	\$ 37,413,811
Development cost charges	7,749,135	7,168,170
Kamloops Airport Authority Society	3,539,158	2,996,728
Venture Kamloops Business Development Society	138,935	70,353
Unrestricted cash and short term investments	104,783,529	76,988,049
	\$ 153,537,032	\$ 124,637,111

The maturity dates of the short-term investments held directly by the City range from January 23, 2017 to June 1, 2029. The interest rates earned on these investments range from 0.87% to 6.00%. The market value of cash and short term investments is \$112,985,979 (2015 - \$113,482,717).

City of Kamloops
Notes to the Consolidated Financial Statements

December 31, 2016

4. Accounts Receivable

	2016	2015
General fund:		
Taxes	\$ 4,757,971	\$ 4,902,588
Utilities	1,839,696	1,771,156
Trade	7,033,933	8,010,708
Accrued interest	887,716	972,981
Province of British Columbia	358,059	371,164
Government of Canada	523,291	837,441
	\$ 15,400,666	\$ 16,866,038
 Water fund:		
Trade	3,414,163	3,350,360
Province of British Columbia	494,832	-
	3,908,995	3,350,360
 Sewer fund:		
Trade	2,489,465	2,195,604
Province of British Columbia	-	208,796
	2,489,465	2,404,400
 Kamloops Airport Authority Society		
Trade	386,113	488,361
Government of Canada	383,988	1,005,930
	770,101	1,494,291
 Venture Kamloops Business Development Society		
Trade	4,517	23,664
	\$ 22,573,744	\$ 24,138,753

December 31, 2016

5. Long-term Investments

The City's long-term investments are held by the British Columbia Interior Community Foundation in seven endowment funds; the City of Kamloops Centennial Fund "A", the City of Kamloops Centennial Fund "B", the 1979 Winter Games Legacy Fund, the 1993 Canada Summer Games Fund, the 2006 BC Summer Games Legacy Fund, the Art Gallery Reserve Fund and the Arts Legacy Fund.

All of the income earned in the City of Kamloops Centennial Fund "A" is re-invested in the fund. 90% of the income earned in the City of Kamloops Centennial Fund "B" is returned to the City to support the grant-in-aid program and the remaining 10% is re-invested in the fund. 75% of the income earned in the 1979 Winter Games Sports Legacy Fund is distributed to the City and the remaining 25% is re-invested in the fund. All of the income earned in the 1993 Canada Summer Games Legacy Fund is re-invested in the fund. 75% of the income earned in the 2006 BC Summer Games Legacy Fund is distributed back to the City and the remaining 25% is re-invested in the fund. All of the income earned in the Art Gallery Reserve Fund is distributed to the City. 75% of the income earned in the Arts Legacy Fund is distributed back to the City and the remaining 25% is re-invested in the fund.

6. Accounts Payable

	2016	2015
General fund:		
Trade	\$ 12,804,858	\$ 16,770,291
Payroll and benefits	1,330,238	815,321
Province of British Columbia	417,954	90,195
Government of Canada	5,997,512	4,593,387
	20,550,562	22,269,194
 Kamloops Airport Authority Society		
Trade	678,955	726,656
 Venture Kamloops Business Development Society		
Trade	51,161	39,322
	\$ 21,280,678	\$ 23,035,172

December 31, 2016

7. Post-employment benefits payable

The City of Kamloops sponsors a defined benefit plan for retirement benefits other than pensions for certain employees. The plan provides for a payout of accumulated sick leave for CUPE local 900 employees; an early retirement incentive payment and deferred vacation payout for IAFF local 913 employees; and an early retirement incentive payment for Management employees.

Total benefit payments paid during the year were \$597,000 (2015 - \$657,000). The plan does not require any contribution from employees. The retirement benefit liability at December 31, 2016 includes the following components:

	2016	2015
Accrued benefit obligation, beginning of year	\$ 7,616,000	\$ 7,661,000
Current service cost	614,000	601,000
Interest cost	252,000	243,000
Benefits paid	(597,000)	(657,000)
Actuarial gain/loss - current	(226,000)	(232,000)
Accrued benefit obligation - ending balance	7,659,000	7,616,000

Actuarial valuations for accounting purposes are performed using the projected benefit method prorated on services. The most recent actuarial report was prepared on January 23, 2017 using data as of December 31, 2016. The accrued benefit obligation shown for 2016 is based on amounts included in the 2015 valuation.

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the City's best estimates. The expected inflation rate is 3.25% (2015 - 3.25%). The discount rate used to determine the accrued benefit obligation is 3.4% (2015 - 3.2%).

The retirement benefit expense is included in the statement of operations and accumulated surplus as a component of program expenses. The retirement benefit interest expense is included in the public debt interest expense. The prior period cost of plan amendment is included in the current expenses for the year indicated.

December 31, 2016

8. Landfill post-closure costs

The City of Kamloops operates three solid waste landfill sites in the Kamloops area and assumes certain obligations for the landfill sites including closure and post closure liabilities. The reported liabilities are based on estimates and assumptions with respect to events extending over the remaining life of each of the landfills. The estimates and assumptions are provided through an independent assessment conducted in 2014. The liability and annual expense is calculated based on the ratio of current usage to total capacity of the site and the estimated future cash flows associated with closure and post-closure activities stated in current (2016) dollars. The aggregate liability for closure and post-closure costs for the two landfills is \$2,977,203 (2015 - \$2,705,722).

The main landfill at the Mission Flats site is expected to serve until 2044 with 25 years needed for post-closure care based on the independent assessment. The remaining capacity of the landfill site is estimated at 3.40 million cubic meters, which is 79% of the site's total capacity. Approximately 60% of landfill closure will be completed while the landfill is still in operation with costs associated with the closure being charged to expenses when they are incurred. To date \$2,089,871 has been spent on progressive closure costs.

Since a final design for the Barnhartvale site has not been completed the independent assessment was not able to provide a lifespan analysis. The City anticipates that the Barnhartvale site will serve until 2021 with 25 years needed for post-closure care. The remaining capacity of the landfill site is estimated at 92,954 cubic meters, which is approximately 16% of the site's total capacity.

The purchase of the Owl Road landfill site occurred in 2016. Consultants are currently working on the design and operations plan for the site. The capacity of the landfill site is estimated at 90,000 cubic meters. The closure costs are estimated at \$3.5 million. The remaining capacity and lifespan of the Owl Road landfill has not been calculated at this time as the City has not utilized any capacity of note since acquisition.

The estimated total expenses for closure and post-closure care of two of the three landfills, in current (2016) dollars, is \$20,526,466 (2015 estimate - \$20,336,302) with \$15,459,392 (2015 - \$15,633,532) remaining to be recognized as a liability. At this time the values do not include an estimate of the future liability for the Owl Road landfill.

The City has not provided a reserve to fund future landfill capital expenses as at December 31, 2016. The funding required is provided through current operations.

City of Kamloops
Notes to the Consolidated Financial Statements

December 31, 2016

9. Liability for remediation of contaminated sites

The City of Kamloops has used the standards contained in Schedule 2 (Industrial and Commercial Purposes and Activities) of the Contaminated Sites Regulation of the British Columbia Environmental Management Act to determine whether a potential liability exists. None of the uses of the parcels identified under Canadian PSAS 3620.05 meet the criteria listed in Schedule 2 of the Contaminated Sites Regulation, and accordingly the City has not recognized any liabilities for remediation of contaminated sites.

10. Deferred Revenue

	Balance at December 31, 2015	Collected	Interest	Recognized	Balance at December 31, 2016
General fund:					
Taxes	\$ 17,708,221	\$ 31,092,379	\$ -	\$ (30,848,890)	\$ 17,951,710
Leases	39,227	7,790	-	(12,934)	34,083
Business licenses	1,001,490	1,028,860	-	(1,001,490)	1,028,860
Other	984,855	1,268,979	-	(984,855)	1,268,979
	<u>\$ 19,733,793</u>	<u>\$ 33,398,008</u>	<u>\$ -</u>	<u>\$ (32,848,169)</u>	<u>\$ 20,283,632</u>
Development cost charges					
	<u>\$ 7,168,171</u>	<u>\$ 3,664,395</u>	<u>\$ 150,218</u>	<u>\$ (3,233,649)</u>	<u>\$ 7,749,135</u>
Venture Kamloops Business Development Society					
	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>
	<u>\$ 26,901,964</u>	<u>\$ 37,067,403</u>	<u>\$ 150,218</u>	<u>\$ (36,081,818)</u>	<u>\$ 28,037,767</u>

City of Kamloops
Notes to the Consolidated Financial Statements

December 31, 2016

11. Long-term debt:

(a) Long-term debt outstanding:

	General fund		Water fund		Sewer fund		Total
Balance at December 31, 2015	\$	53,430,045	\$	18,216,487	\$	29,655,484	\$ 101,302,016
Principal repayments		(3,150,424)		(1,879,082)		(1,874,309)	(6,903,815)
Actuarial adjustments		(1,109,637)		(704,809)		(196,757)	(2,011,203)
Debt acquired		25,360,000		3,214,000		5,378,235	33,952,235
Balance at December 31, 2016	\$	74,529,984	\$	18,846,596	\$	32,962,653	\$ 126,339,233

Kamloops Airport Authority Society debt included in General Fund balance. Amount outstanding on Dec 31, 2016 was \$6,486,797 (2015 - \$7,076,178).

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

	General fund		Water fund		Sewer fund		Total
Principal repayment:							
2017	\$	4,104,908	\$	1,990,356	\$	2,133,078	\$ 8,228,342
2018		4,055,891		1,692,271		2,088,705	7,836,867
2019		3,823,429		1,644,209		1,981,249	7,448,887
2020		3,823,429		1,658,815		1,981,249	7,463,493
2021		3,795,540		1,461,462		1,948,392	7,205,394
Thereafter:		47,879,423		7,397,518		15,965,234	71,242,175
		67,482,620		15,844,631		26,097,907	109,425,158
Sinking fund earnings		7,047,364		3,001,965		6,864,746	16,914,075
	\$	74,529,984	\$	18,846,596	\$	32,962,653	\$ 126,339,233

Kamloops Airport Authority Society debt included in General Fund - annual principal payment amount is \$484,429.

The weighted average interest rate on long-term debt in 2016 was 3.73% (2015 - 3.61%). Consolidated interest expense on long-term debt was \$5,118,708 (2015 - \$5,089,438).

Sinking fund assets, managed by the Municipal Finance Authority, are used to reduce long term debt to be repaid. In the event that the City does not default under any of its obligations, the sinking fund earnings will be used to offset future principal repayments.

December 31, 2016

11. Long-term debt (continued)

(c) Un-issued debt:

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

	Balance at December 31, 2015	Capital assets purchased pending debt	Debt acquired	Balance at December 31, 2016
General fund	\$ 21,247,445	\$ 8,912,555	\$ (25,360,000)	\$ 4,800,000
Water fund	2,361,990	852,010	(3,214,000)	-
Sewer fund	3,055,872	3,232,976	(5,378,235)	910,613
	<u>\$ 26,665,307</u>	<u>\$ 12,997,541</u>	<u>\$ (33,952,235)</u>	<u>\$ 5,710,613</u>

Unused credit facility:

Pursuant to Bylaw No. 16-306, the City was authorized to apply for a credit facility of \$6,000,000. The City has an unused demand overdraft facility agreement with TD Commercial Banking. When drawn upon, interest rates will be equal to the bank's prime rate.

City of Kamloops
Notes to Financial Statements

December 31, 2016

12. Tangible Capital Assets

	2016								
	Land	Site improvements	Buildings and building improvements	Vehicles, machinery and equipment	Roads and linear assets	Water infrastructure	Sewer infrastructure	Assets under construction	Total
Cost, beginning of year	\$ 94,373,108	\$ 68,033,613	\$ 203,539,891	\$ 75,270,052	\$ 832,001,855	\$ 170,362,725	\$ 85,219,523	\$ 17,700,731	\$ 1,546,501,498
Additions	8,627,170	5,701,353	2,285,736	6,721,326	26,218,462	3,483,563	10,155,677	(3,949,875)	59,243,412
Disposals	(107,139)	-	-	(5,295,092)	(563,941)	(5,572)	-	-	(5,971,744)
Cost, end of year	102,893,139	73,734,966	205,825,627	76,696,286	857,656,376	173,840,716	95,375,200	13,750,856	1,599,773,166
Accumulated amortization, beginning of year	-	(39,178,313)	(83,762,429)	(46,924,126)	(162,888,403)	(60,798,675)	(24,754,621)	-	(418,306,567)
Amortization	-	(2,827,968)	(6,000,572)	(5,430,243)	(8,452,311)	(4,247,496)	(1,524,086)	-	(28,482,676)
Disposals	-	-	-	5,018,835	556,581	3,865	-	-	5,579,281
Adjustments	-	-	-	-	-	-	-	-	-
Accumulated amortization, end of year	-	(42,006,281)	(89,763,001)	(47,335,534)	(170,784,133)	(65,042,306)	(26,278,707)	-	(441,209,962)
Net carrying amount, end of year	\$ 102,893,139	\$ 31,728,685	\$ 116,062,626	\$ 29,360,752	\$ 686,872,243	\$ 108,798,410	\$ 69,096,493	\$ 13,750,856	\$ 1,158,563,204

During the year the City received \$13,236,166 (2015 - \$7,821,792) in land and infrastructure from developers. These contributed tangible capital assets were recorded at fair value at the date of contribution.

No interest was capitalized during the year. There were no write-downs of capital assets during the year.

City of Kamloops
Notes to Financial Statements

December 31, 2016

12. Tangible Capital Assets (continued)

2015

	Land	Site improvements	Buildings and building improvements	Vehicles, machinery and equipment	Roads and linear assets	Water infrastructure	Sewer infrastructure	Assets under construction	Total
Cost, beginning of year	\$ 94,135,770	\$ 65,781,744	\$ 181,135,643	\$ 67,973,354	\$ 793,198,320	\$ 166,949,662	\$ 65,818,484	\$ 62,793,316	\$ 1,497,786,293
Additions	596,794	2,906,854	22,404,248	8,955,999	41,682,980	3,992,317	19,490,592	(45,092,585)	54,937,199
Disposals	(359,456)	(654,985)	-	(1,659,301)	(2,879,445)	(579,254)	(89,553)	-	(6,221,994)
Cost, end of year	94,373,108	68,033,613	203,539,891	75,270,052	832,001,855	170,362,725	85,219,523	17,700,731	1,546,501,498
Accumulated amortization, beginning of year	-	(36,812,951)	(78,111,434)	(43,439,040)	(155,740,305)	(57,355,845)	(23,477,077)	-	(394,936,652)
Amortization	-	(2,727,730)	(5,645,745)	(5,121,774)	(8,821,793)	(3,759,642)	(1,287,731)	-	(27,364,415)
Disposals	-	362,368	(5,250)	1,636,688	1,673,695	316,812	10,187	-	3,994,500
Accumulated amortization, end of year	-	(39,178,313)	(83,762,429)	(46,924,126)	(162,888,403)	(60,798,675)	(24,754,621)	-	(418,306,567)
Net carrying amount, end of year	\$ 94,373,108	\$ 28,855,300	\$ 119,777,462	\$ 28,345,926	\$ 669,113,452	\$ 109,564,050	\$ 60,464,902	17,700,731	\$ 1,128,194,931

City of Kamloops
Notes to the Consolidated Financial Statements

December 31, 2016

13. Accumulated Surplus

	Balance at December 31, 2015	Interest income and contributions	Transfers to operations and capital	Balance at December 31, 2016
(a) General fund				
Affordable Housing	\$ 1,112,295	151,931	(15,000)	\$ 1,249,226
Arts Gallery	464,069	-	-	464,069
Arts Legacy	231,115	2,159	-	233,274
Bi-centennial Legacy	374,408	12,685	-	387,093
Canada Games Legacy	568,300	-	-	568,300
Climate Action	1,012,182	213,081	(280,418)	944,845
Community Arts	7,999	-	-	7,999
Downtown Parking	141,166	-	135,420	276,586
Deferred Operating	2,686,329	917,271	(377,262)	3,226,338
Environmental Grant	30,000	-	-	30,000
General Building	112,626	12,934	-	125,560
Heritage Foundation	250,000	20,000	-	270,000
Insurance	672,070	-	(7,743)	664,327
Oak Hills Dyke	12,932	-	-	12,932
Police Contract	5,660,562	-	(672,400)	4,988,162
Return to Work	237,146	-	-	237,146
Health Benefit Premiums	517,000	-	-	517,000
Solid Waste	3,609,827	1,646,386	(820,069)	4,436,144
Sports Legacy	193,756	1,809	-	195,565
Working Capital	1,545,174	-	(13,684)	1,531,490
Youth Legacy	4,331	-	-	4,331
2006 BC Summer Games	98,355	918	-	99,273
	<u>\$ 19,541,642</u>	<u>2,979,174</u>	<u>(2,051,156)</u>	<u>\$ 20,469,660</u>
Water fund				
Deferred Operating	170,162	-	(3,636)	166,526
Sewer fund				
Deferred Operating	50,000	-	6,500	56,500
Venture Kamloops Business Development Society				
Reserve fund	30,000	30,000	-	60,000
	<u>\$ 19,791,804</u>	<u>3,009,174</u>	<u>(2,048,292)</u>	<u>\$ 20,752,686</u>

December 31, 2016

13. Accumulated Surplus (continued)

(b) Reserves for capital purposes

	Balance at December 31, 2015	Interest income and contributions	Transfers to operations and capital	Balance at December 31, 2016
Statutory reserves:				
Tax sale property fund	\$ 9,474,985	\$ 166,445	\$ (210,954)	\$ 9,430,476
Local improvement fund	1,189,398	139,097	-	1,328,495
Debt retirement fund	461,487	5,108	(291,747)	174,848
Parking facility reserve	1,800,646	271,158	(126,223)	1,945,581
Land sale reserve fund	3,330,937	76,457	(105,346)	3,302,048
Equipment replacement fund	21,156,358	5,750,629	(5,762,160)	21,144,827
	<u>37,413,811</u>	<u>6,408,894</u>	<u>(6,496,430)</u>	<u>37,326,275</u>
Non-statutory reserves:				
General fund	7,849,813	2,851,613	(2,373,079)	8,328,347
Community Works fund	6,188,323	3,733,025	(3,333,509)	6,587,839
Water fund	10,059,161	832,089	(1,203,994)	9,687,256
Sewer fund	6,941,510	3,126,737	(3,035,413)	7,032,834
	<u>31,038,807</u>	<u>10,543,464</u>	<u>(9,945,995)</u>	<u>31,636,276</u>
Airport capital fund	<u>3,365,536</u>	<u>3,900,121</u>	<u>(3,481,620)</u>	<u>3,784,037</u>
	<u>\$ 71,818,154</u>	<u>\$ 20,852,479</u>	<u>\$ (19,924,045)</u>	<u>\$ 72,746,588</u>

December 31, 2016

13. Accumulated Surplus (continued)

(c) Current funds

	2016	2015
General fund		
Balance beginning of year	\$ 8,293,593	\$ 8,634,334
Operating surplus for the year	1,357,054	(340,741)
	<u>9,650,647</u>	<u>8,293,593</u>
Water fund		
Balance beginning of year	3,155,606	2,521,659
Operating surplus for the year	750,659	633,947
	<u>3,906,265</u>	<u>3,155,606</u>
Sewer fund		
Balance beginning of year	8,338,005	7,157,423
Operating surplus for the year	(2,770,073)	1,180,582
	<u>5,567,932</u>	<u>8,338,005</u>
Kamloops Airport Authority Society		
Balance beginning of year	100,000	409,879
Operating surplus for the year	-	(309,879)
	<u>100,000</u>	<u>100,000</u>
Venture Kamloops Business Development Society		
Balance beginning of year	32,460	-
Operating surplus for the year	1,675	32,460
	<u>34,135</u>	<u>32,460</u>
	<u>\$ 19,258,979</u>	<u>\$ 19,919,664</u>

December 31, 2016

13. Accumulated Surplus (continued)

(d) Capital equity

	2016	2015
General fund		
Balance beginning of year	\$ 789,585,417	\$ 776,214,149
Net capital equity addition for the year	26,298,346	13,371,268
	<u>815,883,763</u>	<u>789,585,417</u>
Water fund		
Balance beginning of year	89,326,542	86,295,807
Net capital equity addition for the year	872,827	3,030,735
	<u>90,199,369</u>	<u>89,326,542</u>
Sewer fund		
Balance beginning of year	72,135,562	71,813,999
Net capital equity addition for the year	2,933,450	321,563
	<u>75,069,012</u>	<u>72,135,562</u>
Kamloops Airport Authority Society		
Balance beginning of year	52,943,215	47,876,161
Net capital equity addition for the year	1,287,047	5,067,054
	<u>54,230,262</u>	<u>52,943,215</u>
Venture Kamloops Business Development Society		
Balance beginning of year	9,413	15,558
Net capital equity addition for the year	751	(6,145)
	<u>10,164</u>	<u>9,413</u>
Capital equity	<u>\$ 1,035,392,570</u>	<u>\$ 1,004,000,149</u>

Total Accumulated Surplus

	2016	2015
General fund	\$ 861,067,893	\$ 831,458,788
Water fund	103,959,416	102,711,471
Sewer fund	87,726,278	87,465,077
Statutory reserves	37,326,275	37,413,811
Kamloops Airport Authority Society	58,114,299	56,408,751
Venture Kamloops Business Development Society	104,299	71,873
	<u>\$ 1,148,298,460</u>	<u>\$ 1,115,529,771</u>

City of Kamloops
Notes to Financial Statements

December 31, 2016

14. Operating revenues by segment

	2016						
	Taxation	Fees, rates and sales of service	Develop levies utilized	Gov't transfers	Investment income	Private contributions	Total
Cemetery	\$ 86,112	\$ 429,454	\$ -	\$ -	\$ 44,411	\$ -	559,977
Community Development	1,717,753	3,120,695	-	2,500	-	2,500	4,843,448
Corporate Administration	8,189,108	2,450,917	-	6,557,362	2,396,475	-	19,593,862
Environmental Services	260,280	-	-	-	-	-	260,280
Fire Services	16,939,966	1,458,804	-	883	-	15,000	18,414,653
Infrastructure	11,535,628	17,854	-	-	-	-	11,553,482
Legislative & Enforcement	3,524,020	2,476,264	-	-	-	-	6,000,284
Parks, Recreation & Cultural Services	21,497,014	6,781,988	-	654,924	72,089	65,519	29,071,534
Police Services	21,716,776	221,909	-	3,181,512	-	-	25,120,197
Public Transit	5,544,664	4,442,161	-	7,329,424	-	-	17,316,249
Solid Waste Utility	174,100	10,912,937	-	-	-	-	11,087,037
Water Utility	-	11,447,405	-	-	46,342	-	11,493,747
Sewer Utility	-	9,850,574	-	-	64,568	-	9,915,142
Kamloops Airport	-	2,393,816	-	1,421,470	128,928	-	3,944,214
Venture Kamloops	-	4,870	-	50,189	-	-	55,059
Non-operating	13,178,015	5,331,301	2,666,964	932,442	1,906,252	22,299,706	46,314,680
	<u>\$ 104,363,436</u>	<u>\$ 61,340,949</u>	<u>\$ 2,666,964</u>	<u>\$ 20,130,706</u>	<u>\$ 4,659,065</u>	<u>\$ 22,382,725</u>	<u>\$ 215,543,845</u>

City of Kamloops
Notes to Financial Statements

December 31, 2016

15. Operating revenues by segment (continued)

							2015
	Taxation	Fees, rates and sales of service	Develop levies utilized	Gov't transfers	Investment income	Private contributions	Total
Cemetery	\$ 34,123	\$ 431,574	-	-	43,496	-	509,193
Community Development	1,228,354	3,270,051	-	-	-	2,548	4,500,953
Corporate Administration	8,738,321	2,470,780	-	6,336,470	2,328,878	-	19,874,449
Environmental Services	209,550	-	-	-	-	300,000	509,550
Fire Services	17,443,125	1,347,647	-	-	-	15,000	18,805,772
Infrastructure	12,231,764	9,960	-	-	-	-	12,241,724
Legislative & Enforcement	3,596,722	2,220,446	-	-	-	-	5,817,168
Parks, Recreation & Cultural Services	21,084,653	6,660,768	-	568,248	70,901	74,327	28,458,897
Police Services	20,858,031	9,093	-	3,320,551	-	-	24,187,675
Public Transit	5,224,849	4,369,126	-	6,884,887	-	-	16,478,862
Solid Waste Utility	217,399	8,569,773	-	-	-	-	8,787,172
Water Utility	-	11,382,311	-	-	178,129	-	11,560,440
Sewer Utility	-	6,946,390	-	-	102,440	-	7,048,830
Kamloops Airport	-	2,269,931	-	3,645,360	118,804	-	6,034,095
Venture Kamloops	-	613	-	186,088	-	-	186,701
Non-operating	9,907,196	8,202,328	6,781,829	832,860	2,206,956	8,902,450	36,833,619
	\$ 100,774,087	\$ 58,160,791	\$ 6,781,829	\$ 21,774,464	\$ 5,049,604	\$ 9,294,325	\$ 201,835,100

**City of Kamloops
Notes to Financial Statements**

December 31, 2016

15. Operating revenues by segment (continued)

							Fiscal Plan
	Taxation	Fees, rates and sales of service	Develop levies utilized	Gov't transfers	Investment income	Private contributions	Total
Cemetery	\$ 8,291	\$ 482,050	-	-	69,000	-	559,341
Community Development	2,143,237	2,942,200	-	-	-	-	5,085,437
Corporate Administration	22,777,375	2,364,399	-	6,996,795	2,001,000	-	34,139,569
Environmental Services	241,585	-	-	-	-	-	241,585
Fire Services	16,733,199	1,338,300	-	-	-	-	18,071,499
Infrastructure	10,587,364	13,100	-	650	-	-	10,601,114
Legislative & Enforcement	3,576,714	2,304,882	-	-	-	-	5,881,596
Parks, Recreation & Cultural Services	20,070,788	6,779,209	-	586,128	70,630	72,637	27,579,392
Police Services	21,988,086	179,000	-	3,759,961	-	-	25,927,047
Public Transit	5,800,533	4,421,398	-	7,026,428	-	-	17,248,359
Solid Waste Utility	234,100	10,201,000	-	-	-	-	10,435,100
Water Utility	-	15,960,000	-	-	99,000	-	16,059,000
Sewer Utility	-	9,823,000	730,454	-	105,000	-	10,658,454
Kamloops Airport	-	2,340,007	-	1,335,000	45,000	-	3,720,007
Venture Kamloops	-	850	-	9,000	-	-	9,850
Non-operating	-	-	-	-	1,906,251	-	1,906,251
	\$ 104,161,272	\$ 59,149,395	\$ 730,454	\$ 19,713,962	\$ 4,295,881	\$ 72,637	\$ 188,123,601

**City of Kamloops
Notes to Financial Statements**

December 31, 2016

15. Operating expenses by segment

										2016
	Salaries, wages and benefits	Personnel expenses	Supplies and other services	Contracted services	Cross functional services	Cost allocated to capital	Debt servicing costs	Amortization	Loss (Gain) Capital asset disposal	Total
Cemetery	\$ 285,116	\$ -	\$ 182,815	\$ 17,883	\$ 115,937	\$ -	\$ -	\$ 75,025	\$ -	\$ 676,776
Community Development	5,354,042	73,855	690,475	233,959	(14,199)	(1,229,026)	-	63,973	7,321	5,180,400
Corporate Administration	8,520,686	370,708	1,584,578	3,252,871	(3,345,981)	-	17,788	670,951	-	11,071,601
Environmental Services	200,725	4,228	339,926	49,943	(15,630)	-	-	16,264	-	595,456
Fire Services	15,790,382	151,765	728,059	392,648	257,456	-	251,424	182,047	-	17,753,781
Infrastructure	10,386,877	120,533	8,548,639	3,051,603	(9,048,193)	(1,056,078)	614,485	12,425,067	(274,761)	24,768,172
Legislative & Enforcement	3,440,243	130,151	1,071,804	545,052	369,684	-	48,380	134,273	-	5,739,587
Parks, Recreation & Cultural Services	13,529,607	137,670	7,959,340	3,731,171	3,474,908	(48,000)	1,879,288	5,458,603	6,153	36,128,740
Police Services	3,984,442	49,867	99,438	20,477,041	117,067	-	-	62,596	-	24,790,451
Public Transit	16,939	394	147	17,070,350	228,419	-	-	15,246	-	17,331,495
Solid Waste Utility	2,284,153	8,438	775,708	4,239,819	2,874,484	-	-	122,541	234,305	10,539,448
Water Utility	2,951,097	40,412	3,567,495	564,974	2,329,136	-	1,115,111	4,599,527	1,707	15,169,459
Sewer Utility	1,709,991	36,873	2,581,780	455,811	2,176,169	-	816,286	2,364,215	-	10,141,125
Kamloops Airport	-	-	-	66,222	-	-	366,632	1,807,513	(1,701)	2,238,666
Venture Kamloops	-	-	642,130	-	-	-	-	7,869	-	649,999
Non-operating	-	-	-	-	-	-	-	-	-	-
	\$ 68,454,300	\$ 1,124,894	\$ 28,772,334	\$ 54,149,347	\$ (480,743)	\$ (2,333,104)	\$ 5,109,394	\$ 28,005,710	\$ (26,976)	\$ 182,775,156

City of Kamloops
Notes to Financial Statements

December 31, 2016

15. Operating expenses by segment (continued)

	2015									
	Salaries, wages and benefits	Personnel expenses	Supplies and other services	Contracted services	Cross functional services	Cost allocated to capital	Debt servicing costs	Amortization	Loss (Gain) capital asset disposal	Total
Cemetery	\$ 325,634	\$ 632	\$ 145,820	\$ 10,701	\$ 98,825	\$ -	\$ -	\$ 88,220	\$ -	\$ 669,832
Community Development	5,251,041	72,686	500,632	210,715	(47,992)	(1,424,421)	-	70,975	(333,124)	4,300,512
Corporate Administration	8,269,343	378,889	1,804,771	2,987,174	(2,885,792)	(66,744)	18,354	501,345	1,160	11,008,500
Environmental Services	169,758	6,534	6,611	47,087	(14,130)	-	-	16,017	1,263	233,140
Fire Services	17,817,490	146,981	641,171	359,246	202,954	-	254,389	149,553	2,102	19,573,886
Infrastructure	9,900,867	130,407	8,145,235	3,093,653	(8,048,303)	(1,062,957)	588,101	12,593,359	1,203,176	26,543,538
Legislative & Enforcement	3,371,795	124,864	1,028,041	542,563	364,494	-	48,951	208,542	(288)	5,688,962
Parks, Recreation & Cultural Services	13,563,508	109,769	8,255,921	3,391,828	2,980,540	-	1,908,686	5,529,608	114,144	35,854,004
Police Services	3,721,799	40,815	71,531	19,354,383	100,919	-	-	50,892	-	23,340,339
Public Transit	76,701	2,981	757	16,171,624	226,799	-	-	15,388	-	16,494,250
Solid Waste Utility	2,035,281	9,928	505,819	3,061,911	2,409,839	-	-	36,589	-	8,059,367
Water Utility	2,862,655	42,951	3,836,304	700,921	2,212,781	-	1,343,039	4,601,540	262,442	15,862,633
Sewer Utility	1,660,508	35,139	2,398,352	423,924	1,769,431	-	566,419	1,774,562	79,366	8,707,701
Kamloops Airport	-	-	-	40,594	-	-	379,656	1,721,679	(11,475)	2,130,454
Venture Kamloops	-	-	761,466	-	-	-	-	6,145	-	767,611
Non-operating	-	-	-	-	-	-	-	-	-	-
	\$ 69,026,380	\$ 1,102,576	\$ 28,102,431	\$ 50,396,324	\$ (629,635)	\$ (2,554,122)	\$ 5,107,595	\$ 27,364,414	\$ 1,318,766	\$ 179,234,729

City of Kamloops
Notes to Financial Statements

December 31, 2016

15. Operating expenses by segment (continued)

										Fiscal Plan
	Salaries, wages and benefits	Personnel expenses	Supplies and other services	Contracted services	Cross functional services	Cost allocated to capital	Debt servicing costs	Amortization	Loss (Gain) capital asset disposal	Total
Cemetery	\$ 271,748	\$ -	\$ 69,888	\$ 16,500	\$ 127,205	\$ -	\$ -	\$ -	\$ -	485,341
Community Development	5,864,443	99,620	240,326	214,206	29,118	(1,360,000)	-	-	-	5,087,713
Corporate Administration	8,191,518	443,032	3,017,528	3,003,819	(3,566,980)	(41,530)	-	-	-	11,047,387
Environmental Services	213,021	7,103	337,850	33,000	(12,039)	-	-	-	-	578,935
Fire Services	15,671,420	139,305	630,387	424,568	273,635	-	-	-	-	17,139,315
Infrastructure	10,709,078	151,450	5,357,257	2,736,339	(8,614,016)	(1,992,036)	-	-	(125,000)	8,223,072
Legislative & Enforcement	3,389,137	166,965	1,055,173	472,100	376,753	-	-	-	-	5,460,128
Parks, Recreation & Cultural Services	14,113,954	164,125	6,223,916	3,627,778	3,420,860	(140,058)	-	-	-	27,410,575
Police Services	4,202,354	74,850	58,266	23,661,649	116,806	-	-	-	-	28,113,925
Public Transit	162,465	500	500	16,844,502	240,392	-	-	-	-	17,248,359
Solid Waste Utility	2,327,671	9,953	664,798	3,958,500	2,900,101	-	-	-	-	9,861,023
Water Utility	2,624,138	53,100	2,911,860	658,862	2,757,447	-	1,264,477	-	-	10,269,884
Sewer Utility	2,176,374	40,700	1,788,886	778,950	2,104,666	-	731,072	-	-	7,620,648
Kamloops Airport	-	-	-	73,500	-	-	361,811	1,630,000	-	2,065,311
Venture Kamloops	-	-	618,321	-	-	-	-	7,869	-	626,190
Non-operating	-	-	-	-	-	-	-	-	-	-
	\$ 69,917,321	\$ 1,350,703	\$ 22,974,956	\$ 56,504,273	\$ 153,948	\$ (3,533,624)	\$ 2,357,360	\$ 1,637,869	\$ (125,000)	\$ 151,237,806

City of Kamloops
Notes to the Consolidated Financial Statements

December 31, 2016

16. Operating transfers by segment

	2016				
	Transfers to (from) reserves	Transfer to (from) other funds	Transfer to (from) current funds	Transfer to (from) capital equity	Total
Cemetery	\$ -	\$ 73,198	\$ -	\$ (189,997)	\$ (116,799)
Community Development	423,247	-	-	(760,199)	(336,952)
Corporate Administration	7,419,046	1,953,072	-	(849,857)	8,522,261
Environmental Services	(318,912)	-	-	(16,264)	(335,176)
Fire Services	140,333	792,184	-	(271,645)	660,872
Infrastructure	-	2,235,977	-	(15,450,667)	(13,214,690)
Legislative & Enforcement	135,419	326,826	-	(201,548)	260,697
Parks, Recreation & Cultural Services	193,566	275,000	-	(7,525,772)	(7,057,206)
Police Services	387,990	60,000	-	(118,244)	329,746
Public Transit	-	-	-	(15,246)	(15,246)
Solid Waste	997,258	-	-	(449,669)	547,589
Water Utility	777,029	874,659	-	(5,327,400)	(3,675,712)
Sewer Utility	3,047,185	10,242	-	(3,283,410)	(225,983)
Kamloops Airport Authority Society	418,501	-	-	1,287,047	1,705,548
Venture Kamloops	40,295	(627,366)	-	(7,869)	(594,940)
Non-operating	(11,638,732)	(1,810,258)	(6,689,334)	66,453,004	46,314,680
	\$ 2,022,225	\$ 4,163,534	\$ (6,689,334)	\$ 33,272,264	\$ 32,768,689

City of Kamloops
Notes to the Consolidated Financial Statements

December 31, 2016

16. Operating transfers by segment (continued)

	2015				
	Transfers to (from) reserves	Transfer to (from) other funds	Transfer to (from) current funds	Transfer to (from) capital equity	Total
Cemetery	\$ -	\$ -	\$ -	\$ (160,639)	\$ (160,639)
Community Development	305,955	286,037	-	(391,551)	200,441
Corporate Administration	7,953,828	1,667,816	-	(755,695)	8,865,949
Environmental Services	290,850	-	-	(14,440)	276,410
Fire Services	(1,451,025)	792,184	-	(109,273)	(768,114)
Infrastructure	(162,568)	2,368,058	-	(16,507,304)	(14,301,814)
Legislative & Enforcement	52,235	300,917	-	(224,946)	128,206
Parks, Recreation & Cultural Services	37,190	275,000	-	(7,707,297)	(7,395,107)
Police Services	855,338	60,000	-	(68,002)	847,336
Public Transit	-	-	-	(15,388)	(15,388)
Solid Waste Utility	710,402	-	-	17,403	727,805
Water Utility	533,537	877,028	-	(5,712,758)	(4,302,193)
Sewer Utility	793,617	21,971	-	(2,474,459)	(1,658,871)
Kamloops Airport	(853,534)	(309,879)	-	5,067,054	3,903,641
Venture Kamloops	40,898	(615,663)	-	(6,145)	(580,910)
Non-operating	(10,418,661)	(4,743,568)	1,344,704	50,651,144	36,833,619
	<u>\$ (1,311,938)</u>	<u>\$ 979,901</u>	<u>\$ 1,344,704</u>	<u>\$ 21,587,704</u>	<u>\$ 22,600,371</u>

December 31, 2016

17. Taxation

	2016 Fiscal Plan	2016	2015
Real property	\$ 99,566,000	\$ 99,734,075	\$ 96,074,257
Special assessments	824,681	823,470	785,321
Utilities	1,463,177	1,463,176	1,413,115
Government transfers in lieu of taxes	2,307,414	2,342,715	2,501,394
	<u>104,161,272</u>	<u>104,363,436</u>	<u>100,774,087</u>
Collections for other taxing authorities			
Province of British Columbia - school taxes	40,360,003	39,779,106	40,326,518
Thompson-Nicola Regional Hospital District	7,791,859	7,901,575	7,785,208
Thompson-Nicola Regional District	6,107,215	6,169,692	6,102,002
British Columbia Assessment Authority	1,086,637	1,036,238	1,085,731
	<u>55,345,714</u>	<u>54,886,611</u>	<u>55,299,459</u>
Payments to other taxing authorities	(55,345,714)	(54,886,611)	(55,299,459)
	<u>\$ 104,161,272</u>	<u>\$ 104,363,436</u>	<u>\$ 100,774,087</u>

December 31, 2016

18. Government transfers

	2016 Fiscal Plan	2016	2015
General fund			
Federal government			
Policing	\$ 2,354,124	\$ 1,826,848	\$ 1,909,606
Community Works Fund	3,666,795	3,666,795	3,547,334
Provincial government			
Transit	7,026,428	7,329,424	6,884,887
Gaming revenue	3,100,000	2,662,486	2,553,585
Victims assistance	71,280	72,499	71,850
Traffic fines	1,154,557	1,092,296	1,154,557
Capital infrastructure	-	932,442	88,001
Other	996,778	421,667	988,336
	<u>18,369,962</u>	<u>18,004,457</u>	<u>17,198,156</u>
Water fund			
Federal government			
Community Works Fund	-	2,500	-
Sewer fund			
Provincial government			
Capital infrastructure	-	652,090	744,860
Kamloops Airport Authority Society			
Federal government			
Capital infrastructure	1,335,000	1,421,470	3,645,360
Venture Kamloops Business Development Society			
Provincial government			
Other	9,000	50,189	186,088
	<u>\$ 19,713,962</u>	<u>\$ 20,130,706</u>	<u>\$ 21,774,464</u>

19. 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.

December 31, 2016

19. Commitments and Contingencies (continued)

- (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 (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is administering the plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As of December 31, 2015, the plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of the plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding deficit.

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis.

The City of Kamloops paid \$5,558,425 (2015 - \$5,870,187) for employer contributions while employees contributed \$4,814,356 (2015 - \$5,085,429) to the plan in fiscal 2016.

The next valuation will be as at December 31, 2018 with results available in 2019.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

- (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.

City of Kamloops
Notes to the Consolidated Financial Statements

December 31, 2016

19. Commitments and Contingencies (Continued)

- (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 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.

	Cash Deposits	Contingent Demand Notes	2016	2015
General fund	\$ 1,182,195	\$ 3,813,056	\$ 4,995,251	\$ 3,109,510
Water utility fund	574,821	1,932,622	2,507,443	1,896,726
Sewer utility fund	361,493	1,512,711	1,874,204	1,343,144
Kamloops Airport Authority	118,899	326,119	445,018	441,785
	<u>\$ 2,237,408</u>	<u>\$ 7,584,508</u>	<u>\$ 9,821,916</u>	<u>\$ 6,791,165</u>

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

20. Trust Funds

The City operates the cemeteries and maintains a cemetery perpetual care fund in accordance with the Cremation, Interment and Funeral Services Act. In accordance with PSAB guidelines, the Cemetery Perpetual Care Trust Fund is excluded from the City's consolidated financial statements.

	2016	2015
Financial assets		
Cash and short-term investments	\$ 1,829,454	\$ 1,755,088
Accounts receivable	10,541	11,711
	<u>\$ 1,839,995</u>	<u>\$ 1,766,799</u>
Accumulated surplus		
Balance, beginning of the year	\$ 1,766,799	\$ 1,694,353
Care fund contributions	73,196	72,446
Interest earned	44,411	43,496
Contribution to cemetery operations	(44,411)	(43,496)
Balance, end of the year	<u>\$ 1,839,995</u>	<u>\$ 1,766,799</u>

City of Kamloops
Notes to the Consolidated Financial Statements

December 31, 2016

21. Fiscal Plan

The Financial Plan By-law adopted by Council at the time of adoption of the Annual Taxation By-law did not anticipate amortization expense. In addition, some expenses that were classified as capital expenses did not represent new assets or extend the life or service capacity or improve the quality of an existing asset and, therefore, must be added to the operating expenses. These expenses are added to the Financial Plan and presented as the fiscal plan in these Financial Statements as follows:

	Financial Plan Bylaw	Amortization and expenses not capitalized	Venture Kamloops and Kamloops Airport	Fiscal Plan
Revenue				
Taxation	\$ 104,105,629	\$ -	\$ -	\$ 104,105,629
Development levies utilized	-	-	-	-
Fees, rates and sale of service	56,488,665	-	2,340,857	58,829,522
Government transfers	18,369,962	-	1,344,000	19,713,962
Investment income	4,626,754	-	45,000	4,671,754
Private contributions	72,637	-	-	72,637
	<u>183,663,647</u>	<u>-</u>	<u>3,729,857</u>	<u>187,393,504</u>
Expenses				
Cemetery	485,341	189,997	-	675,338
Community development	5,087,713	555,428	-	5,643,141
Corporate administration	14,626,015	698,621	596,866	15,921,502
Environmental services	578,935	17,825	-	596,760
Fire services	17,139,315	271,313	-	17,410,628
Infrastructure maintenance	8,348,072	15,580,380	-	23,928,452
Legislative and enforcement	5,460,128	201,548	-	5,661,676
Parks, recreation and culture	27,410,575	7,527,563	-	34,938,138
Police services	28,113,925	118,244	-	28,232,169
Public transit	17,248,359	15,246	-	17,263,605
Solid waste	9,861,023	215,364	-	10,076,387
Water utility	10,269,884	-	-	10,269,884
Sewer utility	7,620,648	-	-	7,620,648
Kamloops Airport Authority	-	-	2,065,311	2,065,311
Venture Kamloops	-	-	626,190	626,190
	<u>152,249,933</u>	<u>25,391,529</u>	<u>3,288,367</u>	<u>180,929,829</u>
Annual surplus	31,413,714	(25,391,529)	441,490	6,463,675
Debt principal repayment	(8,325,635)	-	-	(8,325,635)
Debt acquired	-	-	-	-
Transfer (to)/from reserves	(4,155,330)	-	-	(4,155,330)
Transfer (to)/from current funds	(4,701,115)	-	449,359	(4,251,756)
Transfer (to)/from capital equity	(17,182,720)	25,391,529	(7,869)	8,200,940
	<u>\$ (2,951,086)</u>	<u>-</u>	<u>-</u>	<u>\$ 14,995,456</u>

December 31, 2016

22. Comparative Figures

The comparative figures have been reclassified to conform with the financial statement format adopted in the current year.

City of Kamloops
Schedule 1: Kamloops Airport Authority Society
Statement of Financial Position

As at December 31	2016	2015
Financial Assets		
Cash	\$ 3,539,158	\$ 2,996,728
Accounts receivable	770,101	1,494,291
	<u>4,309,259</u>	<u>4,491,019</u>
Liabilities		
Accounts payable	678,955	1,726,656
Long-term debt	6,486,797	7,076,178
	<u>7,165,752</u>	<u>8,802,834</u>
Net debt	<u>(2,856,493)</u>	<u>(4,311,815)</u>
Non-Financial Assets		
Prepaid expenses	97,000	97,000
Tangible capital assets	60,873,792	60,623,566
	<u>60,970,792</u>	<u>60,720,566</u>
Accumulated Surplus	<u>\$ 58,114,299</u>	<u>\$ 56,408,751</u>

City of Kamloops
Schedule 2: Kamloops Airport Authority Society
Statement of Operations

For the year ended December 31	Financial Plan 2016	2016	2015
Revenue			
Fees, rates and sales of service	\$ 2,340,007	\$ 2,393,816	\$ 2,269,931
Government transfers	1,335,000	1,421,470	3,645,360
Investment income	45,000	128,928	118,804
	<u>3,720,007</u>	<u>3,944,214</u>	<u>6,034,095</u>
Expenses			
Kamloops Airport Authority Society	2,065,311	2,240,367	2,141,929
Gain on disposal of capital assets	-	(1,701)	(11,475)
	<u>2,065,311</u>	<u>2,238,666</u>	<u>2,130,454</u>
Increase in accumulated surplus	<u>\$ 1,654,696</u>	<u>\$ 1,705,548</u>	<u>\$ 3,903,641</u>

City of Kamloops
Schedule 3: Venture Kamloops Business
Development Society
Statement of Financial Position

As at December 31	2016	2015
Financial Assets		
Cash	\$ 138,935	\$ 70,353
Accounts receivable	4,517	23,664
	<u>143,452</u>	<u>94,017</u>
Liabilities		
Accounts payable	51,161	39,322
Deferred revenue	5,000	-
	<u>56,161</u>	<u>39,322</u>
Net financial assets	<u>87,291</u>	<u>54,695</u>
Non-Financial Assets		
Prepaid expenses	6,844	7,765
Tangible capital assets	10,164	9,413
	<u>17,008</u>	<u>17,178</u>
Accumulated Surplus	<u>\$ 104,299</u>	<u>\$ 71,873</u>

City of Kamloops
 Schedule 4: Venture Kamloops Business
 Development Society
 Statement of Operations

For the year ended December 31	Financial Plan 2016	2016	2015
Revenue			
Fees, rates and sales of service	\$ 850	\$ 4,870	\$ 613
Government transfers	9,000	50,189	186,088
Investment income	-	-	-
Transfers from other funds	627,366	627,366	615,663
	<u>637,216</u>	<u>682,425</u>	<u>802,364</u>
Expenses			
Venture Kamloops Business Development Society	626,190	649,999	767,611
	<u>626,190</u>	<u>649,999</u>	<u>767,611</u>
Increase in accumulated surplus	<u>\$ 11,026</u>	<u>\$ 32,426</u>	<u>\$ 34,753</u>