

City of Kamloops
Consolidated Financial Statements
For the year ended December 31, 2017

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For the year ended December 31, 2017

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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.

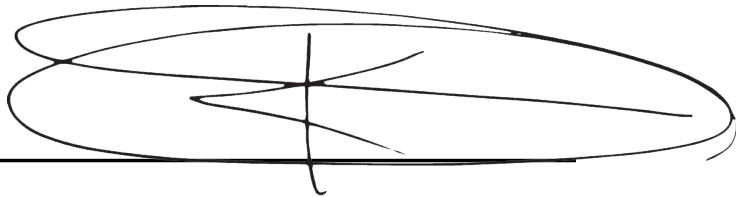
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management 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.

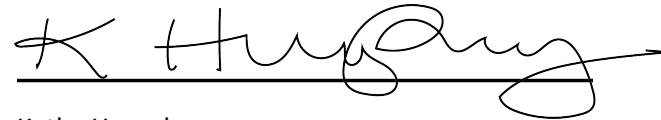
The City is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Council carries out this responsibility principally through its Audit Committee.

The Audit Committee reviews 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.



Ken Christian
Mayor



Kathy Humphrey
Finance Director



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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, 2017, and the consolidated statements of operations, changes in net assets 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.

Auditors' 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 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 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, 2017 and the results of its operations, changes in its net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professionals Accountants

Kamloops, British Columbia
May 15, 2018

City of Kamloops
Consolidated Statement of Operations
For the year ended December 31 (in thousands of dollars)

	Financial Plan 2017 (Note 21)			Financial Plan 2017 (Note 21)		
	2017	2016	2017	2016	2017	2016
Revenue (Note 14)						
Taxation (Note 17)	\$ 108,712	\$ 108,211	\$ 104,437	\$ 668	\$ 678	\$ 677
Development levies utilized	-	4,281	2,667	6,877	3,067	5,180
Fees, rates and sales of service	60,745	66,323	61,268	16,438	10,633	11,072
Government transfers (Note 18)	19,784	24,609	20,131	466	312	595
Investment income	4,744	5,340	4,659	17,506	20,163	17,754
Private contributions	88	27,376	22,381	16,432	24,272	24,768
	<u>\$ 194,073</u>	<u>\$ 236,140</u>	<u>\$ 215,543</u>	5,355	5,437	5,740
				36,104	36,878	36,129
				29,415	27,421	24,790
				17,618	17,068	17,331
				10,280	10,055	10,539
				14,988	14,590	15,169
				10,195	11,220	10,141
				2,135	1,983	2,239
				607	639	650
				<u>185,084</u>	<u>184,416</u>	<u>182,774</u>
Annual Surplus	8,989	51,724	32,769			
Accumulated Surplus , beginning of year		<u>1,148,299</u>	1,115,530			
Accumulated Surplus , end of year		<u><u>\$ 1,200,023</u></u>	\$ 1,148,299			

The accompanying summary of significant accounting policies, notes and schedules are an integral part of these consolidated financial statements.

City of Kamloops
Consolidated Statement of Change in Net Financial Assets
For the year ending December 31 (in thousands of dollars)

	Financial Plan 2017 (Note 21)	2017	2016
Annual surplus	\$ 8,989	\$ 51,724	\$ 32,769
Acquisition of tangible capital assets (Note 12)	-	(67,105)	(59,243)
Amortization of tangible capital assets (Note 12)	-	29,199	28,482
Net book value of tangible capital assets disposed (Note 12)	-	836	392
Decrease (Increase) in prepaid expenses	-	(592)	284
Decrease (Increase) in inventory	-	(12)	(126)
Change in net financial assets (debt)	8,989	14,050	2,558
Net debt, beginning of year	(12,803)	(12,803)	(15,361)
Net financial assets (debt), end of year	\$ (3,814)	\$ 1,247	\$ (12,803)

The accompanying summary of significant accounting policies, notes and schedules are an integral part of these consolidated financial statements.

City of Kamloops
Consolidated Statement of Cash Flows
For the year ending December 31 (in thousands of dollars)

	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>
Cash provided by (used for)					
Operating transactions			Capital transactions		
Annual surplus	\$ 51,724	\$ 32,769	Acquisition of tangible capital assets	(41,517)	(46,007)
Non-cash items included in annual surplus			Proceeds from sale of tangible capital assets	4,655	420
Amortization expense	29,199	28,481		<u>(36,862)</u>	<u>(45,587)</u>
Increase (decrease) in post-employment benefits payable	314	43	Investing transactions		
Increase (decrease) in landfill post-closure costs	359	272	Decrease (increase) in short-term investments	(20,316)	(204)
Loss (gain) on disposal of tangible capital assets	(3,819)	(27)	Decrease (increase) in long-term investments	(18)	(18)
Private contributions	(25,588)	(13,236)		<u>(20,334)</u>	<u>(222)</u>
Changes in non-cash operating items:			Financing transactions		
Decrease (increase) in accounts receivable	(2,615)	1,565	Proceeds from issuance of long-term debt	-	33,950
Decrease (increase) in inventory	(12)	(127)	Principal repayments on long-term debt	(10,350)	(8,913)
Decrease (increase) in prepaid expenses	(592)	284		<u>(10,350)</u>	<u>25,037</u>
Increase (decrease) in accounts payable	(1,091)	(1,754)	Increase (decrease) in cash	(17,981)	28,696
Increase (decrease) in payroll benefits payable	(180)	62	Cash, beginning of year	42,627	13,931
Increase (decrease) in deferred income	1,866	1,136		<u>42,627</u>	<u>13,931</u>
	<u>49,565</u>	<u>49,468</u>	Cash, end of year	\$ 24,646	\$ 42,627

The accompanying summary of significant accounting policies, notes and schedules are an integral part of these consolidated financial statements.

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

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 services; infrastructure maintenance; legislative and enforcement; parks, recreation and cultural services; police services; public transit; solid waste utility; water utility; and sewer utility. The City is also responsible for the Kamloops Airport Authority Society and the Venture Kamloops Business Development Society.

(a) 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").

(b) 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.

(c) 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 Board of Directors of each society. The consolidated financial statements include all accounts of these societies.

(d) 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 at estimated amounts when it meets the definition of an asset, has been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

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.

(e) Government transfers

Government transfers are recognized as revenue in the consolidated 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.

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

1. Significant accounting policies (Continued)

(f) Inventory

Inventory is valued at the lower of cost and replacement cost with cost determined by the average cost method.

(g) Investments

Investments are recorded at cost, which approximates net realizable value.

(h) 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 in the facilities.

(i) 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.

(j) 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.

(k) Reserves

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

(l) 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, contaminated exceeds the standard, the government has responsibility for remediation, future economic benefits will be given up and a reasonable estimate can be made.

(m) 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.

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

1. Significant accounting policies (Continued)

(n) 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. The estimated costs to close and maintain the closed solid waste landfill sites are based on estimated future expenses in current dollars, discounted, adjusted for estimated inflation, and are recognized and charged to expense as the landfill site's capacity is used.

(o) 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.

(p) 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.

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.

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

2. Segmented Information (Continued)

(f) 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.

(g) 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.

(h) Parks, recreation and cultural services

This segment includes all 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.

(i) 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.

(j) Public transit

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

(k) Solid waste utility

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

(l) Water utility

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

(m) Sewer utility

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

(n) 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.

(o) 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, 2017

3. Cash and Short-Term Investments

	2017	2016
Consolidated cash	\$ 24,646	\$ 42,627
Consolidated short-term investments	<u>131,226</u>	<u>110,910</u>
	<u>\$ 155,872</u>	<u>\$ 153,537</u>
Restricted cash and short term investments:		
Statutory reserves (Note 13b)	\$ 41,079	\$ 37,326
Development cost charges (Note 10)	9,446	7,749
Kamloops Airport Authority Society	4,359	3,539
Venture Kamloops Business Development Society	232	139
Total restricted cash and short term investments	55,116	48,753
Unrestricted cash and short term investments	100,756	104,784
	<u>\$ 155,872</u>	<u>\$ 153,537</u>

The maturity dates of the short-term investments held directly by the City range from February 1, 2018 to June 1, 2029. The interest rates earned on these investments range from 1.50% to 6.00%. The market value of short-term investments is \$132 million (2016 - \$113 million).

4. Accounts Receivable

	2017	2016
General fund		
Taxes	\$ 3,692	\$ 4,758
Utilities	1,916	1,840
Trade	7,298	7,034
Accrued interest	909	888
Province of British Columbia	869	358
Government of Canada	694	523
	<u>\$ 15,378</u>	<u>\$ 15,401</u>
Water fund		
Trade	\$ 3,471	\$ 3,414
Province of British Columbia	2,952	495
	<u>\$ 6,423</u>	<u>\$ 3,909</u>
Sewer fund		
Trade	\$ 2,885	\$ 2,489
Kamloops Airport Authority Society		
Trade	\$ 382	\$ 386
Government of Canada	119	384
	<u>\$ 501</u>	<u>\$ 770</u>
Venture Kamloops Business Development Society		
Accounts receivable	\$ 2	\$ 5
	<u>\$ 25,189</u>	<u>\$ 22,574</u>

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

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

	2017	2016
General fund		
Trade	\$ 12,247	\$ 12,805
Payroll and benefits	1,351	1,330
Province of British Columbia	5	418
Government of Canada	<u>6,165</u>	<u>5,998</u>
	<u>\$ 19,768</u>	<u>\$ 20,551</u>
Kamloops Airport Authority Society		
Accounts payable	<u>\$ 360</u>	<u>\$ 679</u>
Venture Kamloops Business Development Society		
Accounts payable	<u>\$ 62</u>	<u>\$ 51</u>
	<u>\$ 20,190</u>	<u>\$ 21,281</u>

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

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 \$483 thousand (2016 - \$597 thousand). The plan does not require any contribution from employees. The retirement benefit liability at December 31, 2017 includes the following components:

	2017	2016
Accrued benefit obligation , beginning of year	\$ 7,659	\$ 7,616
Current service cost	618	614
Interest cost	270	252
Benefits paid	(483)	(597)
Actuarial gain (loss) - current	(91)	(226)
Accrued benefit obligation , end of year	\$ 7,973	\$ 7,659

Actuarial valuations for accounting purposes are performed using the projected benefit method prorated on services. The most recent actuarial report was prepared on February 7, 2018 using data as of December 31, 2017. The accrued benefit obligation shown for 2017 is based on amounts included in the 2017 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% (2016 - 3.25%). The discount rate used to determine the accrued benefit obligation is 2.90% (2016 - 3.40%).

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.

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 (2017) dollars. The aggregate liability for closure and post-closure costs for two of the landfills is \$3.336 million (2016 - \$2.977 million.)

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 3.60 million cubic meters, which is 84% 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 \$2.102 million 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 74,840 cubic meters, which is approximately 13% of the site's total capacity.

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

8. Landfill post-closure cost (Continued)

The purchase of the Kamloops Resource Recovery Centre occurred in 2016 and is expected to serve until 2062 with 30 additional years needed for post-closure care based on the independent assessment. The capacity of the landfill site is estimated at 664,900 cubic meters. The closure costs are estimated at \$4.36 million.

The estimated total expenses for closure and post-closure care of two of the three landfills, in current (2017) dollars, is \$20.686 million (2016 estimate - \$20.526 million) with \$15.088 million (2016 - \$15.459 million) remaining to be recognized as a liability. At this time the values do not include an estimate of the future liability for the Kamloops Resource Recovery Centre.

The City has not provided a reserve to fund future landfill capital expenses as at December 31, 2017. The funding required is provided through current operations.

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, 2016	Collected	Interest	Recognized	Balance at December 31, 2017
General fund					
Taxes	\$ 17,952	\$ 31,438	\$ -	\$ (30,663)	\$ 18,727
Leases	34	-	-	(4)	30
Business licenses	1,029	1,065	-	(1,029)	1,065
Other	1,269	636	-	(1,269)	636
	<u>\$ 20,284</u>	<u>\$ 33,139</u>	<u>\$ -</u>	<u>\$ (32,965)</u>	<u>\$ 20,458</u>

Development cost charges

	<u>\$ 7,749</u>	<u>\$ 5,772</u>	<u>\$ 221</u>	<u>\$ (4,296)</u>	<u>\$ 9,446</u>
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Venture Kamloops Business Development Society

	<u>\$ 5</u>	<u>\$ (5)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ 28,038</u>	<u>\$ 38,906</u>	<u>\$ 221</u>	<u>\$ (37,261)</u>	<u>\$ 29,904</u>

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

11. Long-term debt

(a) Long-term debt outstanding:

	General fund	Water fund	Sewer fund	Total
Balance at December 31, 2016	\$ 74,529	\$18,847	\$32,963	\$ 126,339
Principal repayments	(4,105)	(1,991)	(2,134)	(8,230)
Actuarial adjustments	(1,198)	(714)	(210)	(2,122)
Debt acquired	-	-	-	-
Balance at December 31, 2017	\$ 69,228	\$16,142	\$30,619	\$ 115,989

Kamloops Airport Authority Society debt is included in the General Fund balance. The amount outstanding on December 31, 2017 was \$5.874 million (2016 - \$6.487 million).

(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:				
2018	\$ 4,056	\$ 1,692	\$ 2,089	\$ 7,837
2019	3,823	1,644	1,981	7,448
2020	3,823	1,659	1,981	7,463
2021	3,796	1,461	1,948	7,205
2022	3,796	1,247	1,948	6,991
Thereafter:	43,226	6,144	19,465	68,835
	62,520	13,847	29,412	105,779
Sinking fund	6,708	2,295	1,207	10,210
	\$ 69,228	\$16,142	\$30,619	\$ 115,989

Kamloops Airport Authority Society debt included in General fund - annual principal payment amount: \$484 thousand.

The weighted average interest rate on long-term debt in 2017 was 2.70% (2016 - 3.73%). Consolidated interest expense on long-term debt was \$4.613 million (2016 - \$5.119 million).

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

(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 year's. A summary of the current year's transactions and cumulative advances pending debenture issue are as follows:

	Balance at December 31, 2016	Capital assets purchased pending debt	Debt acquired	Balance at December 31, 2017
General fund	4,800	970	-	5,770
Water fund	-	47	-	47
Sewer fund	911	-	-	911
	5,711	1,017	-	6,728

(d) Unused credit facility:

Pursuant to Bylaw No. 16-306, the City was authorized to apply for a credit facility of \$6.000 million. 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 the Consolidated Financial Statements
December 31, 2017

12. Tangible Capital Assets

(a) 2017	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	\$ 102,893	\$ 73,734	\$ 205,826	\$ 76,698	\$ 857,656	\$ 173,841	\$ 95,375	\$ 13,750	\$ 1,599,773
Additions	1,519	4,674	5,351	4,049	22,225	3,572	3,544	22,171	67,105
Disposals	(835)	-	-	(769)	-	-	-	-	(1,604)
End of year	103,577	78,408	211,177	79,978	879,881	177,413	98,919	35,921	1,665,274
Accumulated amortization									
Beginning of year	-	(42,006)	(89,762)	(47,334)	(170,787)	(65,043)	(26,278)	-	(441,210)
Amortization	-	(3,462)	(6,156)	(5,435)	(8,733)	(3,785)	(1,628)	-	(29,199)
Disposals	-	-	-	768	-	-	-	-	768
End of year	-	(45,468)	(95,918)	(52,001)	(179,520)	(68,828)	(27,906)	-	(469,641)
Net carrying amount, end of year	\$ 103,577	\$ 32,940	\$ 115,259	\$ 27,977	\$ 700,361	\$ 108,585	\$ 71,013	\$ 35,921	\$ 1,195,633

During the year the City received \$25.588 million (2016 - \$13.236 million) 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 the Consolidated Financial Statements
December 31, 2017

12. Tangible Capital Assets (Continued)

(b) 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	\$ 68,032	\$ 203,539	\$ 75,272	\$ 832,002	\$ 170,364	\$ 85,219	\$ 17,701	\$ 1,546,502
Additions	8,627	5,702	2,287	6,721	26,218	3,483	10,156	(3,951)	59,243
Disposals	(107)	-	-	(5,295)	(564)	(6)	-	-	(5,972)
End of year	102,893	73,734	205,826	76,698	857,656	173,841	95,375	13,750	1,599,773
Accumulated amortization									
Beginning of year	-	(39,179)	(83,763)	(46,924)	(162,889)	(60,799)	(24,754)	-	(418,308)
Amortization	-	(2,827)	(5,999)	(5,429)	(8,454)	(4,248)	(1,524)	-	(28,481)
Disposals	-	-	-	5,019	556	4	-	-	5,579
End of year	-	(42,006)	(89,762)	(47,334)	(170,787)	(65,043)	(26,278)	-	(441,210)
Net carrying amount, end of year	\$ 102,893	\$ 31,728	\$ 116,064	\$ 29,364	\$ 686,869	\$ 108,798	\$ 69,097	13,750	\$ 1,158,563

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

13. Accumulated surplus

(a) General fund

	Balance at December 31, 2016	Interest income and contributions	Transfers to operations and capital	Balance at December 31, 2017		Balance at December 31, 2016	Interest income and contributions	Transfers to operations and capital	Balance at December 31, 2017
Affordable Housing	\$ 1,249	\$ 191	\$ -	\$ 1,440					
Arts Gallery	464	-	-	464					
Arts Legacy	233	2	-	235					
Bi-centennial Legacy	387	13	-	400					
Canada Games Legacy	568	-	-	568					
Climate Action	945	304	(183)	1,066					
Community Arts	8	-	-	8					
Downtown Parking	277	-	-	277					
Deferred Operating	3,226	580	(2,063)	1,743					
Environmental Grant	30	-	-	30					
General Building	126	4	-	130					
Heritage Foundation	270	-	-	270					
Insurance	664	16	(30)	650					
Oak Hills Dyke	13	-	-	13					
Police Contract	4,988	-	(1,266)	3,722					
Return to Work	237	-	-	237					
Health Benefits Premium	517	-	-	517					
Solid Waste	4,436	4,444	(2,260)	6,620					
Sports Legacy	196	1	-	197					
Working Capital	1,531	-	-	1,531					
Youth Legacy	4	-	-	4					
2006 BC Summer Games	99	1	-	100					
	<u>\$ 20,468</u>	<u>\$ 5,556</u>	<u>\$ (5,802)</u>	<u>\$ 20,222</u>					
					Water fund				
					Deferred operating	<u>\$ 167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167</u>
					Sewer fund				
					Deferred operating	<u>\$ 57</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57</u>
					Venture Kamloops Business Development Society				
					Reserve fund	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60</u>
						<u>\$ 20,752</u>	<u>\$ 5,556</u>	<u>\$ (5,802)</u>	<u>\$ 20,506</u>

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

13. Accumulated surplus (Continued)

(b) Reserves for capital purposes

	Balance at December 31, 2016	Interest income and contributions	Transfers to operations and capital	Balance at December 31, 2017
Statutory reserves				
Tax sale property fund	\$ 9,430	\$ 147	\$ (650)	\$ 8,927
Local improvement fund	1,328	108	-	1,436
Debt retirement fund	175	2	-	177
Parking facility reserve	1,946	275	(1,277)	944
Land sale reserve fund	3,302	4,289	(1,034)	6,557
Equipment replacement fund	21,145	5,495	(3,600)	23,040
	<u>37,326</u>	<u>10,316</u>	<u>(6,561)</u>	<u>41,081</u>
Non-statutory reserves				
General fund	8,328	6,194	(7,104)	7,418
Community Works fund	6,588	3,944	(4,328)	6,204
Water fund	9,687	1,850	(3,416)	8,121
Sewer fund	7,033	486	(4,728)	2,791
	<u>31,636</u>	<u>12,474</u>	<u>(19,576)</u>	<u>24,534</u>
Airport capital fund	<u>3,784</u>	<u>3,896</u>	<u>(3,061)</u>	<u>4,619</u>
	<u>\$ 72,746</u>	<u>\$ 26,686</u>	<u>\$ (29,198)</u>	<u>\$ 70,234</u>

(c) Current Funds

	2017	2016
General fund		
Balance beginning of year	\$ 9,650	\$ 8,294
Operating surplus for the year	4,754	1,359
	<u>14,404</u>	<u>9,653</u>
Water fund		
Balance beginning of year	3,907	3,156
Operating surplus for the year	2,440	751
	<u>6,347</u>	<u>3,907</u>
Sewer fund		
Balance beginning of year	5,568	8,338
Operating surplus for the year	799	(2,770)
	<u>6,367</u>	<u>5,568</u>
Kamloops Airport Authority Society		
Balance beginning of year	100	100
Operating surplus for the year	-	-
	<u>100</u>	<u>100</u>
Venture Kamloops Business Improvement Society		
Balance beginning of year	34	32
Operating surplus for the year	83	2
	<u>117</u>	<u>34</u>
	<u>\$ 27,335</u>	<u>\$ 19,262</u>

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

13. Accumulated surplus (Continued)

(d) Capital equity

Total Accumulated Surplus

	2017	2016		2017	2016
General fund					
Balance beginning of year	\$ 815,379	\$ 789,585	General fund	\$ 894,621	\$ 860,416
Net capital equity addition for the year	<u>30,994</u>	<u>25,794</u>	Water fund	<u>112,958</u>	104,612
	846,373	815,379	Sewer fund	91,347	87,727
Water fund			Statutory reserves	41,081	37,326
Balance beginning of year	90,851	89,327	Kamloops Airport Authority Society	59,832	58,114
Net capital equity addition for the year	<u>7,472</u>	<u>1,524</u>	Venture Kamloops Business Development Society	184	104
	98,323	90,851			
Sewer fund				<u>\$ 1,200,023</u>	<u>\$ 1,148,299</u>
Balance beginning of year	75,069	72,136			
Net capital equity addition for the year	<u>7,063</u>	<u>2,933</u>			
	82,132	75,069			
Kamloops Airport Authority Society					
Balance beginning of year	54,230	52,943			
Net capital equity addition for the year	<u>883</u>	<u>1,287</u>			
	55,113	54,230			
Venture Kamloops Business Improvement Society					
Balance beginning of year	10	9			
Net capital equity addition for the year	<u>(3)</u>	<u>1</u>			
	7	10			
Capital equity	<u>\$ 1,081,948</u>	<u>\$ 1,035,539</u>			

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

14. Operating revenues by segment

(a) 2017

	Taxation	Fees, rates and sales of service	Development levies utilized	Government transfers	Investment income	Private contributions	Total
Cemetery	\$ -	\$ 478	\$ -	\$ -	\$ 46	\$ -	\$ 524
Community Development	1,002	3,693	-	-	-	-	4,695
Corporate Administration	6,898	2,989	-	6,703	2,905	-	19,495
Environmental Services	299	-	-	-	-	-	299
Fire Services	19,282	1,383	-	-	-	15	20,680
Infrastructure	12,060	13	-	1	-	-	12,074
Legislative & Enforcement	3,274	2,383	-	-	-	-	5,657
Parks, Recreation & Cultural Services	21,645	6,747	-	896	73	61	29,422
Police Services	22,780	229	-	3,512	-	-	26,521
Public Transit	5,507	4,518	-	7,024	-	-	17,049
Solid Waste Utility	-	12,468	-	-	-	-	12,468
Water Utility	-	11,538	-	-	96	-	11,634
Sewer Utility	-	7,668	-	-	60	-	7,728
Kamloops Airport	-	2,346	-	1,189	165	-	3,700
Venture Kamloops	-	6	-	33	-	-	39
Non-operating	15,464	9,864	4,281	5,251	1,995	27,300	64,155
	\$ 108,211	\$ 66,323	\$ 4,281	\$ 24,609	\$ 5,340	\$ 27,376	\$ 236,140

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

14. Operating revenues by segment (Continued)

(b) 2016	Taxation	Fees, rates and sales of service	Development levies utilized	Government transfers	Investment income	Private contributions	Total
Cemetery	\$ 86	\$ 356	\$ -	\$ -	\$ 44	\$ -	\$ 486
Community Development	1,718	3,121	-	3	-	3	4,845
Corporate Administration	8,189	2,451	-	6,557	2,396	-	19,593
Environmental Services	260	-	-	-	-	-	260
Fire Services	16,940	1,459	-	1	-	15	18,415
Infrastructure	11,536	18	-	-	-	-	11,554
Legislative & Enforcement	3,524	2,476	-	-	-	-	6,000
Parks, Recreation & Cultural Services	21,497	6,782	-	655	72	66	29,072
Police Services	21,717	222	-	3,182	-	-	25,121
Public Transit	5,545	4,442	-	7,329	-	-	17,316
Solid Waste Utility	174	10,913	-	-	-	-	11,087
Water Utility	-	11,447	-	-	46	-	11,493
Sewer Utility	-	9,851	-	-	65	-	9,916
Kamloops Airport	-	2,394	-	1,421	129	-	3,944
Venture Kamloops	-	5	-	50	-	-	55
Non-operating	13,251	5,331	2,667	933	1,907	22,297	46,386
	\$ 104,437	\$ 61,268	\$ 2,667	\$ 20,131	\$ 4,659	\$ 22,381	\$ 215,543

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

14. Operating revenues by segment (Continued)

(c) Fiscal Plan	Taxation	Fees, rates and sales of service	Development levies utilized	Government transfers	Investment income	Private contributions	Total
	\$ 13	\$ 471	\$ -	\$ -	\$ 69	\$ -	\$ 553
Community Development	2,229	2,903	-	-	-	-	5,132
Corporate Administration	25,206	2,166	-	6,595	2,008	-	35,975
Environmental Services	253	-	-	-	-	-	253
Fire Services	16,735	1,412	-	-	-	15	18,162
Infrastructure	11,323	15	-	1	-	-	11,339
Legislative & Enforcement	3,343	2,328	-	-	-	-	5,671
Parks, Recreation & Cultural Services	20,313	6,802	-	986	71	73	28,245
Police Services	23,177	186	-	3,816	-	-	27,179
Public Transit	6,101	4,410	-	7,089	-	-	17,600
Solid Waste Utility	-	10,811	-	-	-	-	10,811
Water Utility	-	15,960	-	-	99	-	16,059
Sewer Utility	-	11,262	-	-	105	-	11,367
Kamloops Airport	-	2,347	-	1,293	60	-	3,700
Venture Kamloops	-	-	-	4	-	-	4
Non-operating	19	(328)	-	-	2,332	-	2,023
	\$ 108,712	\$ 60,745	\$ -	\$ 19,784	\$ 4,744	\$ 88	\$ 194,073

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

15. Operating expenses by segment

(a) 2017

	Salaries and wages	Personnel expenses	Supplies and other services	Contract services	Cross functional services	Costs allocated to capital	Debt servicing cost	Amortization	Loss (gain) capital asset disposal	Total
Cemetery	\$ 278	\$ -	\$ 197	\$ 26	\$ 109	\$ -	\$ -	\$ 68	\$ -	\$ 678
Community development	5,300	90	2,071	261	(6)	(1,174)	-	50	(3,525)	3,067
Corporate administration	8,876	404	1,157	2,755	(3,304)	-	18	727	-	10,633
Environmental services	187	7	98	24	(17)	-	-	13	-	312
Fire services	18,118	118	845	393	262	-	251	177	(1)	20,163
Infrastructure	10,515	150	7,221	3,279	(9,341)	(1,208)	803	12,897	(44)	24,272
Legislative and enforcement	3,351	108	1,028	485	326	-	81	58	-	5,437
Parks, recreation and cultural services	13,698	157	8,360	3,565	4,039	(50)	1,163	5,946	-	36,878
Police services	4,025	48	175	22,975	123	-	-	75	-	27,421
Public transit	98	1	1	16,744	205	-	-	19	-	17,068
Solid waste utility	2,327	13	596	3,600	3,078	-	193	248	-	10,055
Water utility	2,727	37	3,872	392	2,016	-	911	4,635	-	14,590
Sewer utility	1,805	31	3,341	735	2,032	-	807	2,469	-	11,220
Kamloops Airport	-	-	-	54	-	-	366	1,811	(248)	1,983
Venture Kamloops	-	-	632	-	-	-	-	7	-	639
	\$ 71,305	\$ 1,164	\$ 29,594	\$ 55,288	\$ (478)	\$ (2,432)	\$ 4,593	\$ 29,200	\$ (3,818)	\$ 184,416

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

15. Operating expenses by segment (Continued)

(b) 2016

	Salaries and wages	Personnel expenses	Supplies and other services	Contract services	Cross functional services	Costs allocated to capital	Debt servicing cost	Amortization	Loss (gain) capital asset disposal	Total
Cemetery	\$ 285	\$ -	\$ 183	\$ 18	\$ 116	\$ -	\$ -	\$ 75	\$ -	\$ 677
Community development	5,354	74	690	234	(14)	(1,229)	-	64	7	5,180
Corporate administration	8,520	371	1,583	3,255	(3,346)	-	18	671	-	11,072
Environmental services	201	4	340	50	(16)	-	-	16	-	595
Fire services	15,791	152	728	393	257	-	251	182	-	17,754
Infrastructure	10,385	121	8,550	3,052	(9,048)	(1,056)	614	12,425	(275)	24,768
Legislative and enforcement	3,441	130	1,072	545	370	-	48	134	-	5,740
Parks, recreation and cultural services	13,530	138	7,959	3,727	3,479	(48)	1,879	5,459	6	36,129
Police services	3,984	50	99	20,477	117	-	-	63	-	24,790
Public transit	18	-	-	17,070	228	-	-	15	-	17,331
Solid waste utility	2,284	8	776	4,240	2,874	-	-	123	234	10,539
Water utility	2,951	40	3,567	565	2,329	-	1,115	4,600	2	15,169
Sewer utility	1,710	37	2,582	456	2,176	-	816	2,364	-	10,141
Kamloops Airport	-	-	-	66	-	-	367	1,808	(2)	2,239
Venture Kamloops	-	-	642	-	-	-	-	8	-	650
	\$ 68,454	\$ 1,125	\$ 28,771	\$ 54,148	\$ (478)	\$ (2,333)	\$ 5,108	\$ 28,007	\$ (28)	\$ 182,774

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

15. Operating expenses by segment (Continued)

(c) Fiscal Plan

	Salaries and wages	Personnel expenses	Supplies and other services	Contract services	Cross functional services	Costs allocated to capital	Debt servicing cost	Amortization	Loss (gain) capital asset disposal	Total
Cemetery	\$ 274	\$ -	\$ 61	\$ 17	\$ 127	\$ -	\$ -	\$ 189	\$ -	\$ 668
Community development	5,940	100	236	204	-	(1,350)	-	1,747	-	6,877
Corporate administration	8,142	468	2,455	3,096	(3,110)	567	3,802	1,018	-	16,438
Environmental services	213	8	201	44	(13)	-	-	13	-	466
Fire services	15,736	158	633	431	273	-	-	275	-	17,506
Infrastructure	10,939	151	5,698	2,999	(8,666)	(2,035)	-	7,471	(125)	16,432
Legislative and enforcement	3,241	166	1,022	460	357	-	-	109	-	5,355
Parks, recreation and cultural services	14,234	161	6,298	4,020	3,504	(140)	-	8,027	-	36,104
Police services	4,377	87	174	24,563	118	-	-	96	-	29,415
Public transit	164	1	1	17,219	214	-	-	19	-	17,618
Solid waste utility	2,350	12	643	4,134	2,893	-	-	248	-	10,280
Water utility	2,701	53	3,023	551	2,748	-	1,277	4,635	-	14,988
Sewer utility	2,230	41	1,758	787	2,108	-	802	2,469	-	10,195
Kamloops Airport	-	-	-	74	-	-	361	1,700	-	2,135
Venture Kamloops	-	-	607	-	-	-	-	-	-	607
	\$ 70,541	\$ 1,406	\$ 22,810	\$ 58,599	\$ 553	\$ (2,958)	\$ 6,242	\$ 28,016	\$ (125)	\$ 185,084

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

16. Operating transfers by segment

(a) 2017	Transfer to (from) reserves	Transfer to (from) other funds	Transfer to (from) current funds	Transfer to (from) capital equity	Total
Cemetery	\$ -	\$ -	\$ -	\$ (154)	\$ (154)
Community development	15	4,250	-	(2,637)	1,628
Corporate administration	7,896	2,004	-	(1,038)	8,862
Environmental services	-	-	-	(13)	(13)
Fire services	-	792	-	(275)	517
Infrastructure	-	2,378	-	(14,576)	(12,198)
Legislative & enforcement	-	329	-	(109)	220
Parks, recreation & cultural services	296	275	-	(8,027)	(7,456)
Police services	(863)	60	-	(96)	(899)
Public transit	-	-	-	(19)	(19)
Solid waste	2,305	-	-	108	2,413
Water utility	1,846	864	-	(5,667)	(2,957)
Sewer utility	326	9	-	(3,827)	(3,492)
Kamloops Airport	835	-	-	882	1,717
Venture Kamloops	86	(680)	-	(7)	(601)
Non-operating	(14,916)	(642)	(2,908)	82,622	64,156
	\$ (2,174)	\$ 9,639	\$ (2,908)	\$ 47,167	\$ 51,724

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

16. Operating transfers by segment (Continued)

(b) 2016	Transfer to (from) reserves	Transfer to (from) other funds	Transfer to (from) current funds	Transfer to (from) capital equity	Total
Cemetery	\$ -	\$ -	\$ -	\$ (190)	\$ (190)
Community development	326	-	-	(663)	(337)
Corporate administration	7,268	1,953	-	(699)	8,522
Environmental services	(317)	-	-	(18)	(335)
Fire services	140	792	-	(271)	661
Infrastructure	-	2,378	-	(15,593)	(13,215)
Legislative & enforcement	135	327	-	(202)	260
Parks, recreation & cultural services	202	275	-	(7,534)	(7,057)
Police services	388	60	-	(118)	330
Public transit	-	-	-	(15)	(15)
Solid waste utility	997	-	-	(450)	547
Water utility	777	875	-	(5,327)	(3,675)
Sewer utility	3,047	10	-	(3,283)	(226)
Kamloops Airport	419	-	-	1,287	1,706
Venture Kamloops	40	(627)	-	(8)	(595)
Non-operating	(11,639)	(1,810)	(573)	60,410	46,388
	<u>\$ 1,783</u>	<u>\$ 4,233</u>	<u>\$ (573)</u>	<u>\$ 27,326</u>	<u>\$ 32,769</u>

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

17. Taxation

	Fiscal Plan	2017	2016
Real property	\$ 104,108	\$ 103,560	\$ 99,808
Special assessments	824	811	823
Utilities	1,463	1,463	1,463
Government transfers in lieu of taxes	2,317	2,377	2,343
	<u>\$ 108,712</u>	<u>\$ 108,211</u>	<u>\$ 104,437</u>
Collections for other taxing authorities			
Province of British Columbia - school taxes	\$ 40,067	\$ 38,220	\$ 39,779
Thompson Regional Hospital District	7,903	9,162	7,902
Thompson-Nicola Regional District	6,171	6,280	6,170
British Columbia Assessment Authority	1,036	917	1,036
	<u>55,177</u>	<u>54,579</u>	<u>54,887</u>
Other taxing authorities	<u>(55,177)</u>	<u>(54,579)</u>	<u>(54,887)</u>
	<u>\$ 108,712</u>	<u>\$ 108,211</u>	<u>\$ 104,437</u>

18. Government transfers

	Fiscal Plan	2017	2016
General fund			
Federal government			
Policing	\$ 2,448	\$ 2,306	\$ 1,827
Community Works Fund	3,667	3,717	3,667
Provincial government			
Transit	7,089	7,024	7,329
Gaming revenue	2,700	2,763	2,662
Victims assistance	74	75	72
Traffic fines	1,114	972	1,092
Capital infrastructure	-	637	280
Other	1,395	1,279	1,079
	<u>18,487</u>	<u>18,773</u>	<u>18,008</u>
Water fund			
Federal government			
Capital infrastructure	-	4,324	652
Sewer fund			
Capital infrastructure	-	290	-
Kamloops Airport Authority Society			
Federal government			
Government transfers	1,293	1,189	1,421
Venture Kamloops Business Development Society			
Provincial government			
Government transfers	4	33	50
	<u>\$ 19,784</u>	<u>\$ 24,609</u>	<u>\$ 20,131</u>

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

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.
- (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 responsible for 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, 2016, the plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 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 may be adjusted for the amortization of any unfunded actuarial liability.

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. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The City of Kamloops paid \$6.009 million (2016 - \$5.558 million) for employer contributions while employees contributed \$5.069 million (2016 - \$4.814 million) to the plan in fiscal 2017.

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, 2017

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	2017	2016
General fund	\$ 1,185	\$ 2,588	\$ 3,773	\$ 3,813
Water utility fund	535	1,237	1,772	1,933
Sewer utility fund	352	1,113	1,465	1,513
Kamloops Airport Authority	-	-	-	445
	<u>\$ 2,072</u>	<u>\$ 4,938</u>	<u>\$ 7,010</u>	<u>\$ 7,704</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 PSAS guidelines, the Cemetery Perpetual Care Trust Fund is excluded from the City's consolidated financial statements.

	2017	2016
Financial assets		
Cash and short-term investments	\$ 1,918	\$ 1,829
Accounts receivable	11	11
	<u>\$ 1,929</u>	<u>\$ 1,840</u>
Accumulated surplus		
Balance, beginning of the year	\$ 1,840	\$ 1,767
Care fund contributions	89	73
Interest earned	46	44
Contribution to cemetery operations	(46)	(44)
	<u>\$ 1,929</u>	<u>\$ 1,840</u>
Balance, end of the year	<u>\$ 1,929</u>	<u>\$ 1,840</u>

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2017

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	Kamloops Airport & Venture Kamloops	Fiscal Plan
Revenue				
Taxation	\$ 108,712	\$ -	\$ -	\$ 108,712
Development levies utilized	-	-	-	-
Fees, rates and sale of service	58,398	-	2,347	60,745
Government transfers	18,488	-	1,296	19,784
Investment income	4,684	-	60	4,744
Private contributions	88	-	-	88
	<u>190,370</u>	<u>-</u>	<u>3,703</u>	<u>194,073</u>
Expenses				
Cemetery	479	189	-	668
Community development	5,130	1,747	-	6,877
Corporate administration	14,811	1,018	609	16,438
Environmental services	453	13	-	466
Fire services	17,231	275	-	17,506
Infrastructure maintenance	8,961	7,471	-	16,432
Legislative and enforcement	5,246	109	-	5,355
Parks, recreation and culture	28,077	8,027	-	36,104
Police services	29,319	96	-	29,415
Public transit	17,599	19	-	17,618
Solid waste	10,032	248	-	10,280
Water utility	10,353	4,635	-	14,988
Sewer utility	7,726	2,469	-	10,195
Kamloops Airport Authority	-	-	2,135	2,135
Venture Kamloops	-	-	607	607
	<u>155,417</u>	<u>26,316</u>	<u>3,351</u>	<u>185,084</u>

	Financial Plan Bylaw	Amortization and expenses not capitalized	Kamloops Airport & Venture Kamloops	Fiscal Plan
Annual surplus	34,953	(26,316)	352	8,989
Debt principal repayment	(9,999)	-	-	(9,999)
Debt acquired	-	-	-	-
Transfer (to)/from reserves	(4,365)	-	-	(4,365)
Transfer (to)/from current funds	(5,236)	-	352	(4,884)
Transfer (to)/from capital equity	(15,379)	26,316	-	10,937
	<u>\$ (26)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 678</u>

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, 2017

	<u>2017</u>	<u>2016</u>
Financial Assets		
Cash	\$ 4,359	\$ 3,539
Accounts Receivable	501	770
	<u>4,860</u>	<u>4,309</u>
Liaibilities		
Accounts payable	360	679
Long-term debt	5,874	6,487
	<u>6,234</u>	<u>7,166</u>
Net Debt	<u>(1,374)</u>	<u>(2,857)</u>
Non-financial assets		
Prepaid expenses	97	97
Tangible capital assets	61,109	60,874
	<u>61,206</u>	<u>60,971</u>
Accumulated surplus	<u>\$ 59,832</u>	<u>\$ 58,114</u>

Consolidated Statement of Operations
For the year ended December 31, 2017

	Financial Plan 2017	<u>2017</u>	<u>2016</u>
Revenue			
Fees, rates & sales of service	\$ 2,347	\$ 2,346	\$ 2,394
Government transfers	1,293	1,189	1,421
Investment income	60	165	129
	<u>3,700</u>	<u>3,700</u>	<u>3,944</u>
Expenses			
Kamloops Airport Authority Society	2,135	2,231	2,241
Gain on disposal of capital assets	-	(248)	(2)
	<u>2,135</u>	<u>1,983</u>	<u>2,239</u>
Increase in accumulated surplus	<u>\$ 1,565</u>	<u>\$ 1,717</u>	<u>\$ 1,705</u>

City of Kamloops
Schedule 2:
Venture Kamloops Business Development Society

Statement of Financial Position
As at December 31, 2017

	<u>2017</u>	<u>2016</u>
Financial Assets		
Cash	\$ 232	\$ 139
Accounts receivable	<u>2</u>	<u>5</u>
	<u>234</u>	<u>144</u>
Liaibilities		
Accounts payable	62	51
Deferred revenue	<u>-</u>	<u>5</u>
	<u>62</u>	<u>56</u>
Net Debt	<u>172</u>	<u>88</u>
Non-financial assets		
Prepaid expenses	5	7
Tangible capital assets	<u>7</u>	<u>10</u>
	<u>12</u>	<u>17</u>
Accumulated surplus	<u>\$ 184</u>	<u>\$ 105</u>

Consolidated Statement of Operations
For the year ended December 31, 2017

	Financial Plan 2017	2017	2016
Revenue			
Fees, rates & sales of service	\$ -	\$ 6	\$ 5
Government transfers	4	33	50
Investment income	-	-	-
Transfer from other funds	<u>609</u>	<u>680</u>	<u>627</u>
	<u>613</u>	<u>719</u>	<u>682</u>
Expenses			
Venture Kamloops Business Development Society	607	639	650
	<u>607</u>	<u>639</u>	<u>650</u>
Increase in accumulated surplus	<u>\$ 6</u>	<u>\$ 80</u>	<u>\$ 32</u>