



## **CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004, with comparatives for 2003**

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## Auditors' Report

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To the Mayor and Council of the City of Kamloops

We have audited the consolidated statement of financial position of the City of Kamloops as at December 31, 2004 and the consolidated statements of financial activities and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the city as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**BDO Dunwoody LLP**  
**Chartered Accountants**

Kamloops, British Columbia  
April 12, 2005



## **Management's Responsibility for Financial Reporting**

The accompanying financial statements of the City of Kamloops 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 financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgements. 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 Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Audit Committee reviews the City's financial statements and recommend 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 auditors' 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 consider the engagement of the external auditors.

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

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Mayor

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Finance and Information Technology Director

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2004, with comparatives for 2003

	2004	2003
<b>Financial assets</b>		
Cash and short-term investments (note 2)	\$ 46,561,938	\$ 60,704,944
Accounts receivable (note 3)	10,032,844	13,858,378
Long-term investments	238,841	228,539
	<u>56,833,623</u>	<u>74,791,861</u>
<b>Liabilities</b>		
Accounts payable (note 4)	17,553,631	14,886,803
Payroll benefits payable	2,929,263	2,914,592
Post-employment benefits payable (note 5)	4,930,000	4,242,223
Landfill post-closure costs (note 6)	1,259,858	1,206,572
Deferred revenue (note 7)	18,221,021	16,303,023
Long-term debt (note 8)	37,434,328	49,390,361
Obligation under capital lease (note 9)	477,784	541,877
	<u>82,805,885</u>	<u>89,485,451</u>
<b>Net financial liabilities</b>	<u>(25,972,262)</u>	<u>(14,693,590)</u>
<b>Non-financial assets</b>		
Inventory	990,073	1,024,016
Prepaid expenses	901,918	363,268
Capital assets (note 10)	626,647,521	582,145,195
	<u>628,539,512</u>	<u>583,532,479</u>
<b>Net Position</b>	<u>602,567,250</u>	<u>568,838,889</u>
<b>Reserves, Surplus and Equity</b>		
Reserves for operating purposes (note 11)	7,651,259	6,716,650
Reserves for capital purposes (note 12)	25,780,694	21,357,656
Surplus from operations (note 13)	12,190,215	11,257,664
Total financial equity	<u>45,622,168</u>	<u>39,331,970</u>
Total capital equity	556,945,082	529,506,919
	<u>602,567,250</u>	<u>568,838,889</u>
	<u>\$ -</u>	<u>\$ -</u>

Commitments and contingencies - Note 18

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

### YEAR ENDED DECEMBER 31, 2004, with comparatives for 2003

	<u>2004 Budget</u> (unaudited)	<u>2004</u>	<u>2003</u>
<b>Revenue</b>			
Taxation (note 14)	\$ 66,641,484	\$ 65,263,955	\$ 62,372,695
Development levies utilized	6,009,152	1,109,370	3,707,532
Fees, rates and sales of service (note 15)	31,801,053	32,531,804	31,367,457
Grants (note 16)	17,489,725	17,194,463	20,127,718
Investment income	2,849,410	3,050,761	5,261,077
Private contributions	982,203	472,509	1,222,480
Sale of capital assets	1,088,500	453,178	138,111
	<u>126,861,527</u>	<u>120,076,040</u>	<u>124,197,070</u>
<b>Expenditures (note 17)</b>			
Cemetery	448,766	518,097	479,979
Community development	3,482,459	3,339,351	3,117,961
Corporate administration	5,737,044	5,492,815	6,210,313
Environmental services	146,217	86,696	-
Fire services	9,448,175	9,517,372	8,883,109
Infrastructure maintenance	5,211,714	5,554,614	4,792,338
Legislative and enforcement	3,569,966	3,559,273	3,024,053
Parks, recreation and leisure services	16,844,984	16,531,390	16,096,199
Police services	15,816,207	15,929,348	14,320,718
Public Transit	7,633,820	8,195,598	7,337,081
Solid waste	3,458,258	3,519,254	3,240,530
Water utility	5,011,949	4,594,334	4,644,132
Sewer utility	4,462,957	4,035,629	3,928,543
Kamloops Airport Authority Society	-	215,299	21,505
Debt servicing costs	5,043,262	3,797,190	4,397,284
Capital expenditures	83,025,092	45,963,745	47,250,256
	<u>169,340,870</u>	<u>130,850,005</u>	<u>127,744,001</u>
Net operating activity	(42,479,343)	(10,773,965)	(3,546,931)
Reduction of long-term debt	(4,065,001)	(3,660,004)	(4,612,317)
Repayment of obligations under capital lease	-	(64,093)	(57,914)
Capital assets acquired pending debenture issue	41,906,661	20,788,261	14,359,421
Increase (decrease) in financial equity	<u>\$ (4,637,683)</u>	<u>\$ 6,290,199</u>	<u>\$ 6,142,259</u>

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENT OF EQUITY**  
**YEAR ENDED DECEMBER 31, 2004 with comparatives for 2003**

	<u>2004</u>	<u>2003</u>
Opening Balance	\$ <u>568,838,890</u>	\$ <u>526,813,389</u>
Financial Equity:		
Change in reserves for operating purposes	934,609	1,473,371
Change in reserves for capital purposes	4,423,038	2,946,881
Operating surplus (deficit) for the year	932,551	1,722,008
Net change in financial equity	<u>6,290,198</u>	<u>6,142,260</u>
Capital Equity:		
Capital expenditures	45,963,745	47,250,256
Cost of assets disposed	(1,461,419)	(1,677,825)
Principal payments on long-term debt	2,712,678	2,850,726
Actuarial adjustments on long-term debt	947,326	1,761,591
Repayment of obligation under capital lease	64,093	57,914
Debenture debt pending	(20,788,261)	(14,359,421)
Net change in capital equity	<u>27,438,162</u>	<u>35,883,241</u>
Ending balance	\$ <u><u>602,567,250</u></u>	\$ <u><u>568,838,890</u></u>

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

### YEAR ENDED DECEMBER 31, 2004, with comparatives for 2003

	<u>2004</u>	<u>2003</u>
<b>Cash provided by (used for):</b>		
<b>Operating</b>		
Net operating activity	\$ (10,773,965)	\$ (3,546,931)
Changes in non-cash operating items:		
Decrease (increase) in accounts receivable	3,825,534	(2,732,892)
Decrease (increase) in inventory	33,943	(232,141)
Decrease (increase) in prepaid expenses	(538,650)	(98,329)
Decrease (increase) in investments	(10,302)	(9,609)
Increase (decrease) in accounts payable	2,666,828	4,910,010
Increase (decrease) in payroll benefits payable	14,671	(2,709,803)
Increase (decrease) in post-employment benefits payable	687,777	4,010,366
Increase (decrease) in landfill post-closure costs	53,286	53,286
Increase (decrease) in deferred revenue	1,917,998	(1,570,464)
	<u>(2,122,880)</u>	<u>(1,926,507)</u>
<b>Financing:</b>		
Proceeds from issuance of long-term debt	-	22,209,450
Principal repayments on long-term debt	(3,660,004)	(4,612,317)
Decrease of interim financing	(8,296,029)	-
Repayment of obligations under capital lease	(64,093)	(57,913)
	<u>(12,020,126)</u>	<u>17,539,220</u>
Increase (decrease) in cash for the year	(14,143,006)	15,612,713
Cash, beginning of the year	60,704,944	45,092,231
Cash, end of the year	<u>\$ 46,561,938</u>	<u>\$ 60,704,944</u>

See accompanying notes to consolidated financial statements.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

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

### 1 . Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements of the City have been prepared, in all material respects, in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

(b) Fund accounting

The resources and operations of the City are comprised of the funds listed below. Supporting schedules to the consolidated financial statements are included to show the financial activities and balance of each fund for supplementary information.

General Fund:

Accounts for operating and capital revenues and expenditures for the all activities of the City except those included in the water and sewer funds and holds all property required for these purposes and related long term debt.

Water Fund:

Accounts for operating and capital revenues and expenditures for the water utility and holds all property required for this purposes and related long term debt.

Sewer Fund:

Accounts for operating and capital revenues and expenditures for the sewer utility and holds all property required for this purposes and related long term debt.

(c) Basis of consolidation:

The consolidated financial statements include the accounts of the General, Water, and Sewer funds as well as the Kamloops Airport Authority Society. Separate audited financial statements have been prepared for the Society. Inter-fund balances and transactions have been eliminated.





## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

### 1 . Significant accounting policies (continued):

(d) Revenue recognition

Revenues are recorded in the period in which the transactions or events that gave rise to the revenues occur. Amounts that have been received in advance of services being rendered are recorded as deferred revenue until the City discharges the obligations that led to the collection of funds.

(e) Inventory:

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

(f) Investments:

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

(g) Capital assets:

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

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

(h) Long-term debt:

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

(i) Reserves:

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



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

### 1 . Significant accounting policies (continued):

(j) Use of estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 expenditures during the year. Actual results could be different from those estimates.

(j) Financial instruments:

Unless otherwise noted, it is management's opinion that the City is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of its financial instruments reported in the financial statements approximate their carrying values, unless otherwise noted.

### 2 . Cash and short-term investments:

	<u>2004</u>	<u>2003</u>
Restricted cash and short-term investments:		
Statutory reserves	\$ 11,097,354	\$ 10,565,585
Development cost charges	8,666,362	7,326,680
Cemetery Perpetual Care Trust Fund	919,919	790,419
Kamloops Airport Authority	334,454	439,708
	<u>21,018,089</u>	<u>19,122,392</u>
Unrestricted cash and short-term investments	<b>25,543,849</b>	41,582,552
	<u>\$ 46,561,938</u>	<u>\$ 60,704,944</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

### 3 . Accounts Receivable:

	<u>2004</u>	<u>2003</u>
<b>General fund:</b>		
Taxes	\$ 2,542,114	\$ 3,046,470
Utilities	1,008,593	1,210,132
Trade	2,911,777	3,789,554
Accrued interest	336,722	543,113
Province of British Columbia	41,713	37,699
Government of Canada	839,957	868,749
	<u>7,680,876</u>	<u>9,495,717</u>
<b>Water Fund:</b>		
Trade	687,128	621,617
Province of British Columbia	1,495,565	3,583,020
	<u>2,182,693</u>	<u>4,204,637</u>
<b>Cemetery Trust:</b>		
Accrued interest	<u>7,479</u>	1,034
<b>Kamloops Airport Authority:</b>		
Trade	<u>161,796</u>	156,990
	<u>\$ 10,032,844</u>	<u>\$ 13,858,378</u>

### 4 . Accounts payable

	<u>2004</u>	<u>2003</u>
<b>General fund:</b>		
Trade	\$ 12,998,356	\$ 9,900,325
Payroll and benefits	266,106	184,973
Province of British Columbia	1,178,303	1,614,057
Government of Canada	3,028,567	2,818,679
	<u>17,471,332</u>	<u>14,518,034</u>
<b>Kamloops Airport Authority:</b>		
Trade	<u>82,299</u>	368,769
	<u>\$ 17,553,631</u>	<u>\$ 14,886,803</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### YEAR ENDED DECEMBER 31, 2004

#### 5 . 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 931 employees; and an early retirement incentive payment for Management employees.

Total benefit payments paid during the year were \$449,260. The plan is unfunded and requires no contribution from employees. The retirement benefit liability at December, 31, 2004 includes the following components:

	<u>2004</u>	<u>2003</u>
Accrued benefit obligation	\$ 5,301,000	\$ 4,787,000
Unamortized actuarial loss	(371,000)	-
Funding shortfall	-	(544,777)
Post-employment benefit liability	<u>\$ 4,930,000</u>	<u>\$ 4,242,223</u>

Actuarial valuations for accounting purposes are performed using the projected benefit method prorated on services. The most recent actuarial report was prepared at July 9, 2003 and projected back to January 1, 2003. The accrued benefit obligation shown for 2004 is based on an extrapolation of that 2003 valuation. There is a net unamortized actuarial loss to be amortized on a straight-line basis over the expected average remaining service life of the related employee groups (14-16 years).

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 3.5%. The discount rate used to determine the accrued benefit obligation is 4.75%.

The total expenditures related to retirement benefits other than pensions include the following components:

	<u>2004</u>	<u>2003</u>
Current period benefit cost	\$ 409,921	\$ 345,480
Prior period cost of plan amendment	567,296	1,234,748
Retirement benefit expenditure	(449,260)	(347,520)
Retirement benefit interest expenditure	159,820	235,320
Total expenditures related to retirement benefits	<u>\$ 687,777</u>	<u>\$ 1,468,028</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

### 5 . Post-employment benefits payable (continued):

The retirement benefit expenditure is included in the statement of revenues and expenditures as a component of program expenditures. The retirement benefit interest expenditure is included in the public debt interest expenditure. The prior period cost of plan amendment is included in the current expenditures for the year indicated.

On January 28, 2005, a plan amendment was made to the plan increasing the rate at which retirement benefits accrue. The amendment relates to both future and past service. The benefit accrual of \$371,000 is based on an actuarial valuation of the increase in the accrued benefit obligation due to past service.

### 6 . Landfill post-closure costs

The City of Kamloops operates two 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 aggregate discounted future cash flows for closure and post-closure costs for the two landfills is \$1,259,858 (2003 - \$1,206,572). This liability and annual expenditure is calculated based on the ratio of current usage to total capacity of the site and the discounted estimated future cash flows associated with closure and post-closure activities.

The main landfill at the Mission Flats site is expected to serve until 2066 with 25 years needed for post-closure care based on an independent assessment conducted in 2000. The remaining capacity of the landfill site is estimated at 5.44 million cubic meters, which is 73% 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 expenditures when they are incurred.

The second landfill at the Barnhartvale site is expected to serve until 2017 with 25 years needed for post-closure care based on an independent assessment conducted in 1997. The remaining capacity of the landfill site is estimated at .215 million cubic meters, which is 44% of the site's total capacity.

The estimated total expenditures for closure and post-closure care of the two landfills is \$3,699,575 with \$2,439,717 remaining to be recognized as a liability. The City has not provided a reserve to fund future landfill capital expenditures as at December 31, 2004. The funding required is funded through current operations.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### YEAR ENDED DECEMBER 31, 2004

#### 7 . Deferred revenue

	Balance at December 31, 2003	Collected	Interest	Recognized	Balance at December 31, 2004
<b>General fund:</b>					
Taxes	\$ 7,829,668	\$ 14,702,850	\$ 61,989	\$ (14,399,397)	\$ 8,195,110
Leases	144,389	-	-	(12,215)	132,174
Business licenses	819,917	840,885	-	(819,917)	840,885
Other	182,369	480,645	-	(276,524)	386,490
	<u>8,976,343</u>	<u>16,024,380</u>	<u>61,989</u>	<u>(15,508,053)</u>	<u>9,554,659</u>
Development cost charges	7,326,680	2,165,069	283,983	(1,109,370)	8,666,362
	<u>\$ 16,303,023</u>	<u>\$ 18,189,449</u>	<u>\$ 345,972</u>	<u>\$ (16,617,423)</u>	<u>\$ 18,221,021</u>

#### 8 . Long-term debt

( a ) Long-term debt outstanding:

	General fund	Water fund	Sewer fund	Total
Balance at December 31, 2003	\$ 13,796,587	\$ 25,227,370	\$ 10,366,404	\$ 49,390,361
Principal repayments	(1,076,346)	(912,484)	(723,847)	(2,712,677)
Actuarial adjustments	(471,472)	(213,195)	(262,660)	(947,327)
Debt acquired	-	-	-	-
Interim financing transactions	-	(8,296,029)	-	(8,296,029)
Balance at December 31, 2004	<u>\$ 12,248,769</u>	<u>\$ 15,805,662</u>	<u>\$ 9,379,897</u>	<u>\$ 37,434,328</u>

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

	General fund	Water fund	Sewer fund	Total
2005	\$ 1,076,347	\$ 912,484	\$ 723,847	\$ 2,712,678
2006	1,076,347	912,484	723,847	2,712,678
2007	646,221	900,528	654,334	2,201,083
2008	621,952	868,088	587,137	2,077,177
2009	562,939	813,633	507,429	1,884,001
Thereafter	3,464,759	4,719,357	2,471,826	10,655,942

The weighted average interest rate on long-term debt in 2004 was 6.23%. (2003 - 6.68%).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### YEAR ENDED DECEMBER 31, 2004

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

	Balance at December 31, 2003	Capital assets purchased pending debt	Debt acquired	Adjustments	Balance at December 31, 2004
General fund	\$ 419,378	\$ 4,049,438	\$ -	\$ -	\$ 4,468,816
Water fund	9,155,555	16,371,829		9,583,020	35,110,404
Sewer Fund	290,515	366,994			657,509
	<u>\$ 9,865,448</u>	<u>\$ 20,788,261</u>	<u>\$ -</u>	<u>\$ 9,583,020</u>	<u>\$ 40,236,729</u>

#### 9 . Obligation under capital lease:

The City has entered into a capital lease agreement with the Municipal Finance Authority to finance the acquisition of a certain capital asset. The required minimum lease payment over the next three years and the net obligation under capital lease is as follows:

	2004	2003
2004	-	78,728
2005	78,362	78,728
2006	78,362	78,728
2007	<u>355,226</u>	<u>362,086</u>
Net minimum lease payments	511,950	598,270
Less amount representing interest at approximately 3.75%	<u>(34,166)</u>	<u>(56,393)</u>
Present value of capital lease payments	477,784	541,877
Less current portion	78,362	78,729
	<u>\$ 399,422</u>	<u>\$ 463,148</u>

Interest of \$14,544 (2003 - \$20,815) relating to capital lease obligations has been included in interest expense.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

### 10 . Capital Assets

	<u>2004</u>	<u>2003</u>
<b>General fund:</b>		
Engineered structures	\$ 192,420,400	\$ 181,811,526
Buildings	70,351,693	68,303,842
Machinery and equipment	61,242,927	58,206,120
Land	18,512,193	18,018,764
	<u>342,527,213</u>	<u>326,340,252</u>
<b>Water Fund:</b>		
Engineered structures	142,945,311	116,094,434
Buildings	662,101	662,101
Machinery and equipment	3,744,859	3,456,799
Land	152,785	152,785
	<u>147,505,056</u>	<u>120,366,119</u>
<b>Sewer Fund:</b>		
Engineered structures	83,407,472	82,420,777
Buildings	298,555	298,555
Machinery and equipment	3,665,760	3,566,754
Land	250,790	250,790
	<u>87,622,577</u>	<u>86,536,876</u>
<b>Kamloops Airport Authority:</b>		
Capital assets	<u>48,992,675</u>	<u>48,901,948</u>
	<u>\$ 626,647,521</u>	<u>\$ 582,145,195</u>

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





## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

### 11 . Reserves for operating purposes

	Balance at December 31, 2003	Interest income and contributions	Transfers to operations and capital	Balance at December 31, 2004
<b>General fund:</b>				
Affordable Housing	\$ 50,000	\$ 50,000	\$ -	\$ 100,000
Art Gallery	464,069	18,149	(18,149)	464,069
Arts Legacy	211,231	5,750	-	216,981
Bi-centennial Legacy	228,539	10,302	-	238,841
Canada Games Legacy	572,552		(609)	571,943
Community Arts	7,999	-		7,999
Deferred Operating	608,157	1,238,960	(425,984)	1,421,133
DFO Grant	138,000		(44,190)	93,810
General Building	7,464	12,215		19,679
Heritage Foundation	10,000	20,000		30,000
Insurance	882,468	117,532		1,000,000
Oak Hills Dyke	12,932	-	-	12,932
Police Contract	762,103	159,455	(228,682)	692,876
Return to Work	-	55,816		55,816
Sports Legacy	179,443	1,755	-	181,198
Stream Stewardship	5,000	-	-	5,000
Working Capital	1,760,909	434,000	(587,656)	1,607,253
Youth Legacy	4,331	-	-	4,331
	<u>5,905,197</u>	<u>2,123,934</u>	<u>(1,305,270)</u>	<u>6,723,861</u>
<b>Water:</b>				
Deferred Operating	10,000	-	(10,000)	-
<b>Sewer:</b>				
Deferred Operating	10,000	-	(10,000)	-
<b>Cemetery:</b>				
Cemetery Care Trust Fund	791,453	183,153	(47,208)	927,398
	<u>\$ 6,716,650</u>	<u>\$ 2,307,087</u>	<u>\$ (1,372,478)</u>	<u>\$ 7,651,259</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### YEAR ENDED DECEMBER 31, 2004

#### 12 . Reserves for capital purposes

	Balance at December 31, 2003	Interest income and contributions	Transfers to operations and capital	Balance at December 31, 2004
Statutory reserves:				
Tax sale property fund	\$ 3,868,837	\$ 355,662	\$ (46,881)	\$ 4,177,618
Local improvement fund	889,136	51,383	-	940,519
Debt retirement fund	16,698	653	-	17,351
Parking facility reserve	641,308	126,572	(51,255)	716,625
Land sale reserve fund	332,587	389,247	(266,256)	455,578
Equipment replacement fund	4,817,019	2,987,096	(3,014,452)	4,789,663
	<u>10,565,585</u>	<u>3,910,613</u>	<u>(3,378,844)</u>	<u>11,097,354</u>
Non-statutory reserves:				
General fund	\$ 5,091,661	\$ 4,830,971	\$ (2,829,443)	\$ 7,093,189
Water fund	3,737,845	1,157,402	(149,824)	4,745,423
Sewer fund	1,795,817	939,250	(241,847)	2,493,220
	<u>10,625,323</u>	<u>6,927,623</u>	<u>(3,221,114)</u>	<u>14,331,832</u>
Airport capital fund	<u>166,748</u>	<u>379,051</u>	<u>(194,291)</u>	<u>351,508</u>
	<u>\$ 21,357,656</u>	<u>\$ 11,217,287</u>	<u>\$ (6,794,249)</u>	<u>\$ 25,780,694</u>

#### 13 . Surplus from operations

	2004	2003
General fund:		
Balance, beginning of year	\$ 4,287,871	\$ 4,287,871
Operating Surplus for the year	(489,632)	
	<u>3,798,239</u>	<u>4,287,871</u>
Water fund:		
Balance, beginning of year	4,249,809	3,148,802
Operating Surplus for the year	1,154,130	1,101,007
	<u>5,403,939</u>	<u>4,249,809</u>
Sewer fund:		
Balance, beginning of year	2,658,803	2,075,117
Operating Surplus for the year	266,791	583,686
	<u>2,925,594</u>	<u>2,658,803</u>
Kamloops Airport Authority Society:		
Balance, beginning of year	61,181	23,866
Operating Surplus for the year	1,262	37,315
	<u>62,443</u>	<u>61,181</u>
	<u>\$ 12,190,215</u>	<u>\$ 11,257,664</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### YEAR ENDED DECEMBER 31, 2004

#### 14 . Taxation

	2004 Budget (unaudited)		2004		2003
<b>General fund:</b>					
Real property	\$ 60,735,160	\$	<b>60,664,150</b>	\$	57,390,834
Special assessments	2,836,764		<b>1,367,855</b>		1,810,457
Utilities	1,164,210		<b>1,135,404</b>		1,153,385
Grants in lieu of taxes	1,905,350		<b>2,096,546</b>		2,018,019
	<u>\$ 66,641,484</u>	<u>\$</u>	<u><b>65,263,955</b></u>	<u>\$</u>	<u>62,372,695</u>

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

	2004		2003
Province of British Columbia - school taxes	\$ 29,763,638	\$	29,423,230
Thompson-Nicola Regional Hospital District	<b>2,359,021</b>		2,273,464
Thompson-Nicola Regional District	<b>3,715,536</b>		3,501,664
British Columbia Assessment Authority	<b>765,393</b>		810,065
	<u>\$ 36,603,588</u>	<u>\$</u>	<u>36,008,423</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

### 15 . Fees, Rates and Sales of Service by Function and Object

	2004 Budget (unaudited)	2004	2003
<b>Cemetery:</b>			
Sale of service	\$ 362,150	\$ 349,618	\$ 343,223
	<u>362,150</u>	<u>349,618</u>	<u>343,223</u>
<b>Community development:</b>			
Sale of service	97,900	264,830	146,071
Licences and permits	1,472,500	1,641,854	1,573,998
Concessions and franchises	91,715	117,391	96,533
Miscellaneous	16,917	13,542	12,898
	<u>1,679,032</u>	<u>2,037,617</u>	<u>1,829,500</u>
<b>Corporate administration:</b>			
Sale of service	\$ 121,100	\$ 161,868	\$ 141,448
Concessions and franchises	1,259,400	1,204,983	1,172,877
Fines and fees	5,000	8,835	6,345
Rentals	126,000	118,279	126,562
Penalties and interest	522,000	535,991	547,359
Miscellaneous	38,355	184,820	38,705
	<u>2,071,855</u>	<u>2,214,776</u>	<u>2,033,296</u>
<b>Fire services:</b>			
Sale of service	395,668	509,121	417,124
Miscellaneous	-	-	698,559
	<u>395,668</u>	<u>509,121</u>	<u>1,115,683</u>
<b>Infrastructure maintenance</b>			
Sale of service	1,500	1,387	3,476
Miscellaneous	3,317	64,051	32,415
	<u>4,817</u>	<u>65,438</u>	<u>35,891</u>
<b>Legislative and enforcement</b>			
Sale of service	835,077	808,590	823,340
Licences and permits	100,000	97,950	92,909
Fines and fees	215,600	300,737	257,528
Miscellaneous	7,400	4,317	5,769
	<u>1,158,077</u>	<u>1,211,594</u>	<u>1,179,546</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### YEAR ENDED DECEMBER 31, 2004

#### 15 . Fees, Rates and Sales of Service by Function and Object (continued):

	2004 Budget (unaudited)	2004	2003
<b>Parks, recreation and leisure services:</b>			
Sale of service	4,026,195	<b>3,680,707</b>	3,820,806
Rentals	-	<b>4,673</b>	-
Miscellaneous	1,800	<b>2,482</b>	2,899
	<u>4,027,995</u>	<u><b>3,687,862</b></u>	<u>3,823,705</u>
<b>Police services:</b>			
Sale of service	101,200	<b>124,045</b>	128,349
Rentals	70,000	<b>65,424</b>	70,000
	<u>171,200</u>	<u><b>189,469</b></u>	<u>198,349</u>
<b>Public transit:</b>			
Sale of service	\$ 2,653,731	\$ <b>2,954,044</b>	\$ 2,528,516
	<u>2,653,731</u>	<u><b>2,954,044</b></u>	<u>2,528,516</u>
<b>Solid waste:</b>			
Sale of service	1,482,000	<b>1,083,432</b>	1,208,079
Miscellaneous	-	<b>2,140</b>	3,114
	<u>1,482,000</u>	<u><b>1,085,572</b></u>	<u>1,211,193</u>
<b>Water utility:</b>			
Sale of service	10,883,428	<b>10,974,065</b>	9,936,608
Miscellaneous	-	<b>622</b>	200
	<u>10,883,428</u>	<u><b>10,974,687</b></u>	<u>9,936,808</u>
<b>Sewer utility:</b>			
Sale of service	6,887,100	<b>6,865,592</b>	6,932,750
Miscellaneous	24,000	<b>67,841</b>	40,145
	<u>6,911,100</u>	<u><b>6,933,433</b></u>	<u>6,972,895</u>
<b>Kamloops Airport Authority Society</b>			
Sale of service	-	<b>318,573</b>	158,852
	<u>-</u>	<u><b>318,573</b></u>	<u>158,852</u>
	<u>\$ 31,801,053</u>	<u>\$ <b>32,531,804</b></u>	<u>\$ 31,367,457</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### YEAR ENDED DECEMBER 31, 2004

#### 16 . Grants

	2004 Budget (unaudited)	2004	2003
<b>General fund:</b>			
Federal Government:			
Policing	\$ 1,545,607	\$ 2,413,286	\$ 1,473,685
Other	5,800	-	90,500
Provincial Government:			
Transit	3,205,000	3,443,907	3,201,058
Gaming revenue	1,500,000	1,885,373	1,780,539
Victims assistance	60,000	60,000	60,000
Community development	10,000	-	10,000
Other	15,650	15,977	836
Other Governments			
School District #73	-	106,345	-
	<u>6,342,057</u>	<u>7,924,888</u>	<u>6,616,618</u>
<b>Water fund:</b>			
Federal Government:			
Capital infrastructure	5,573,834	4,434,948	6,626,166
Provincial Government:			
Revenue sharing	-	232,679	258,768
Capital infrastructure	5,573,834	4,434,948	6,626,166
	<u>11,147,668</u>	<u>9,102,575</u>	<u>13,511,100</u>
<b>Kamloops Airport Authority Society</b>			
Federal Government:			
Capital infrastructure	-	167,000	-
	<u>-</u>	<u>167,000</u>	<u>-</u>
	<u>\$ 17,489,725</u>	<u>\$ 17,194,463</u>	<u>\$ 20,127,718</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### YEAR ENDED DECEMBER 31, 2004

#### 17 . Expenditures by function and object

	2004 Budget (unaudited)	2004	2003
<b>Cemetery:</b>			
Salaries, wages and benefits	\$ 270,643	\$ 306,413	\$ 283,948
Personnel expenses	2,500	2,970	1,033
Contractual services	10,500	12,885	10,647
Supplies and other expenses	42,762	60,348	55,549
Transfers from other functions	122,361	135,481	128,802
Total operating expenditures	448,766	518,097	479,979
Capital expenditures	122,500	115,740	127,638
	571,266	633,837	607,617
<b>Community development:</b>			
Salaries, wages and benefits	3,565,816	3,556,634	3,021,850
Personnel expenses	59,545	42,554	34,257
Contractual services	228,900	155,308	199,877
Supplies and other expenses	510,336	463,149	423,308
Transfers from other functions	815,717	818,484	1,122,014
Transfers to other functions	(1,220,800)	(1,220,800)	(1,233,700)
Cost allocated to capital	(477,055)	(475,978)	(449,645)
Total operating expenditures	3,482,459	3,339,351	3,117,961
Capital expenditures	187,422	554,259	294,155
	3,669,881	3,893,610	3,412,116
<b>Corporate administration:</b>			
Salaries, wages and benefits	4,537,023	4,969,069	4,330,720
Personnel expenses	323,006	256,608	237,711
Contractual services	2,317,828	1,926,016	2,211,771
Supplies and other expenses	737,351	511,562	1,623,487
Transfers from other functions	1,155,845	1,120,441	1,125,676
Transfers to other functions	(3,334,009)	(3,289,929)	(3,319,052)
Cost allocated to capital	-	(952)	-
Total operating expenditures	5,737,044	5,492,815	6,210,313
Capital expenditures	4,954,082	1,238,781	755,567
	10,691,126	6,731,596	6,965,880



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

### 17 . Expenditures by function and object (continued):

	2004 Budget (unaudited)		2004		2003
<b>Environmental services:</b>					
Salaries, wages and benefits	\$ 63,217	\$	41,122	\$	-
Contractual services	35,000		30,143		-
Supplies and other expenses	48,000		14,048		-
Transfers from other functions	-		1,383		-
Total operating expenditures	146,217		86,696		-
Capital expenditures	-		-		-
	146,217		86,696		-
<b>Fire services:</b>					
Salaries, wages and benefits	\$ 8,469,889	\$	8,559,335	\$	8,009,599
Personnel expenses	77,750		68,665		54,035
Contractual services	175,350		157,879		135,152
Supplies and other expenses	306,650		310,892		264,199
Transfers from other functions	418,536		529,734		510,298
Transfers to other functions	-		(109,133)		(90,174)
Total operating expenditures	9,448,175		9,517,372		8,883,109
Capital expenditures	250,790		225,452		177,659
	9,698,965		9,742,824		9,060,768
<b>Infrastructure maintenance:</b>					
Salaries, wages and benefits	5,469,392		5,665,937		5,652,222
Personnel expenses	34,470		34,726		38,755
Contractual services	1,290,482		1,271,265		1,288,586
Supplies and other expenses	3,526,579		3,616,173		3,508,705
Transfers from other functions	3,528,522		4,105,739		4,077,620
Transfers to other functions	(8,065,140)		(8,734,510)		(9,575,353)
Cost allocated to capital	(572,591)		(404,716)		(198,197)
Total operating expenditures	5,211,714		5,554,614		4,792,338
Capital expenditures	12,413,058		7,351,520		7,683,669
	17,624,772		12,906,134		12,476,007





## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

### 17 . Expenditures by function and object (continued):

	2004 Budget (unaudited)	2004	2003
<b>Legislative and enforcement:</b>			
Salaries, wages and benefits	1,947,051	<b>2,027,111</b>	1,514,826
Personnel expenses	111,950	<b>89,299</b>	71,288
Contractual services	154,423	<b>182,343</b>	147,306
Supplies and other expenses	914,552	<b>844,501</b>	881,757
Transfers from other functions	512,490	<b>501,519</b>	479,376
Transfers to other functions	(70,500)	<b>(85,500)</b>	(70,500)
Total operating expenditures	<u>3,569,966</u>	<u><b>3,559,273</b></u>	<u>3,024,053</u>
Capital expenditures	375,326	<b>108,550</b>	326,497
	<u>3,945,292</u>	<u><b>3,667,823</b></u>	<u>3,350,550</u>
<b>Parks, recreation and leisure services:</b>			
Salaries, wages and benefits	\$ 7,409,207	\$ <b>7,362,201</b>	\$ 7,033,883
Personnel expenses	139,200	<b>162,638</b>	120,786
Contractual services	2,290,145	<b>2,429,407</b>	2,403,822
Supplies and other expenses	4,575,067	<b>4,087,653</b>	3,858,135
Transfers from other functions	2,999,006	<b>3,056,919</b>	3,141,271
Transfers to other functions	(461,698)	<b>(461,698)</b>	(461,698)
Cost allocated to capital	(105,943)	<b>(105,730)</b>	-
Total operating expenditures	<u>16,844,984</u>	<u><b>16,531,390</b></u>	<u>16,096,199</u>
Capital expenditures	15,570,574	<b>7,706,843</b>	3,863,312
	<u>32,415,558</u>	<u><b>24,238,233</b></u>	<u>19,959,511</u>
<b>Police services:</b>			
Salaries, wages and benefits	2,492,390	<b>2,459,098</b>	2,336,025
Personnel expenses	48,230	<b>32,416</b>	37,684
Contractual services	12,468,585	<b>12,645,891</b>	11,144,783
Supplies and other expenses	57,285	<b>43,591</b>	51,754
Transfers from other functions	749,717	<b>748,352</b>	750,472
Total operating expenditures	<u>15,816,207</u>	<u><b>15,929,348</b></u>	<u>14,320,718</u>
Capital expenditures	26,200	<b>41,105</b>	25,709
	<u>15,842,407</u>	<u><b>15,970,453</b></u>	<u>14,346,427</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

### 17 . Expenditures by function and object (continued):

	2004 Budget (unaudited)	2004	2003
<b>Public transit:</b>			
Salaries, wages and benefits	-	-	82,292
Personnel expenses	-	-	970
Contractual services	7,611,760	<b>8,173,078</b>	7,216,614
Supplies and other expenses	-	<b>29</b>	71
Transfers from other functions	22,060	<b>22,491</b>	37,134
Total operating expenditures	7,633,820	<b>8,195,598</b>	7,337,081
Capital expenditures	30,000	-	690,230
	7,663,820	<b>8,195,598</b>	8,027,311
<b>Solid waste:</b>			
Salaries, wages and benefits	\$ 1,091,030	\$ <b>1,099,164</b>	\$ 996,562
Personnel expenses	8,200	<b>7,855</b>	5,647
Contractual services	1,495,300	<b>1,505,550</b>	1,341,959
Supplies and other expenses	29,010	<b>79,953</b>	71,707
Transfers from other functions	892,787	<b>884,801</b>	882,724
Transfers to other functions	(58,069)	<b>(58,069)</b>	(58,069)
Total operating expenditures	3,458,258	<b>3,519,254</b>	3,240,530
Capital expenditures	622,588	<b>306,130</b>	422,461
	4,080,846	<b>3,825,384</b>	3,662,991
<b>Water utility:</b>			
Salaries, wages and benefits	1,669,605	<b>1,666,319</b>	1,498,732
Personnel expenses	12,050	<b>12,639</b>	10,379
Contractual services	413,765	<b>375,503</b>	410,219
Supplies and other expenses	1,909,175	<b>1,527,506</b>	1,636,468
Transfers from other functions	1,345,676	<b>1,300,689</b>	1,376,656
Transfers to other functions	(288,322)	<b>(288,322)</b>	(288,322)
Cost allocated to capital	(50,000)	-	-
Total operating expenditures	5,011,949	<b>4,594,334</b>	4,644,132
Capital expenditures	44,351,582	<b>27,138,937</b>	28,264,657
	49,363,531	<b>31,733,271</b>	32,908,789



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

### 17 . Expenditures by function and object (continued):

	2004 Budget (unaudited)	2004	2003
<b>Sewer utility:</b>			
Salaries, wages and benefits	1,288,012	<b>1,289,442</b>	1,167,055
Personnel expenses	14,596	<b>17,569</b>	11,079
Contractual services	940,869	<b>583,058</b>	571,245
Supplies and other expenses	1,283,131	<b>1,123,632</b>	1,155,436
Transfers from other functions	1,009,525	<b>1,063,104</b>	1,064,904
Transfers to other functions	(41,176)	<b>(41,176)</b>	(41,176)
Cost allocated to capital	(32,000)	-	-
Total operating expenditures	<u>4,462,957</u>	<u><b>4,035,629</b></u>	<u>3,928,543</u>
Capital expenditures	4,120,970	<b>1,085,701</b>	4,187,476
	<u>8,583,927</u>	<u><b>5,121,330</b></u>	<u>8,116,019</u>
<b>Kamloops Airport Authority Society</b>			
Contractual services	\$ -	<b>\$ 213,127</b>	\$ 14,611
Supplies and other expenses	-	<b>2,172</b>	6,894
Total operating expenditures	<u>-</u>	<u><b>215,299</b></u>	<u>21,505</u>
Capital expenditures	-	<b>90,727</b>	431,226
	<u>-</u>	<u><b>306,026</b></u>	<u>452,731</u>
<b>Debt servicing costs</b>	<u>5,043,262</u>	<u><b>3,797,190</b></u>	<u>4,397,284</u>
	<u>\$ 169,340,870</u>	<u><b>\$ 130,850,005</b></u>	<u>\$ 127,744,001</u>

### 18 . 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004

### 18 . Commitments and contingencies (cont.):

- (d) The City of Kamloops and its employees contribute to the Municipal Pension Plan ("the plan"), a jointly trusteesd pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 130,000 active members and approximately 45,000 retired members. Active members include approximately 29,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2003 indicated an unfunded liability of \$789 million for basic pension benefits. The next valuation will be as at December 31, 2006 with results available in 2007. The actuary does not attribute portions of the unfunded liability to individual employers. The City of Kamloops paid \$2,538,622 for employer contributions to the plan in fiscal 2004.

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

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

	Cash Deposits	Contingent Demand Notes	2004 Total	2003 Total
General fund	\$ 454,479	\$ 1,187,790	\$ 1,642,269	\$ 1,620,680
Water utility fund	295,529	896,108	1,191,637	1,306,665
Sewer utility fund	273,137	763,413	1,036,550	1,506,480
	<u>\$ 1,023,145</u>	<u>\$ 2,847,311</u>	<u>\$ 3,870,456</u>	<u>\$ 4,433,825</u>



## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2004**

### **19 . Budget figures:**

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

### **20 . Trust funds:**

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

### **21 . Correction of Prior Period Error**

During the year it was discovered that the 2003 consolidation entry to record the Kamloops Airport Authority into the City of Kamloops incorrectly recorded capital assets. The capital assets of the Kamloops Airport Authority were consolidated net of accumulated amortization instead of at cost.

PSAB requires that consolidation of government not-for-profit organizations are recorded using the accounting principles of the government reporting entity.

This prior period error has been corrected through a retroactive restatement of prior year figures. The effect of this correction on the 2003 comparative figures is an increase to capital assets of \$8,216,844 and an increase in total capital equity of \$8,216,844.

**GENERAL FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2004, with comparatives for 2003**

	<u>2004</u>	<u>2003</u>
<b>Financial assets</b>		
Cash and short-term investments (note 2)	\$ 39,731,746	\$ 35,659,685
Accounts receivable (note 3)	7,680,876	9,495,717
Long-term investments	238,841	228,539
	<u>47,651,463</u>	<u>45,383,941</u>
<b>Liabilities</b>		
Accounts payable (note 4)	17,471,332	14,518,034
Payroll benefits payable	2,691,939	2,682,293
Post-employment benefits payable (note 5)	4,930,000	4,242,223
Landfill post-closure costs (note 6)	1,259,858	1,206,572
Deferred revenue (note 7)	9,554,659	8,976,343
Long-term debt (note 8)	12,248,769	13,796,587
Obligation under capital lease (note 9)	477,784	541,877
	<u>48,634,341</u>	<u>45,963,929</u>
<b>Net financial assets</b>	<u>(982,878)</u>	<u>(579,988)</u>
<b>Non-financial assets</b>		
Inventory	718,254	738,987
Prepaid expenses	901,918	363,268
Capital assets (note 10)	342,527,213	326,340,252
	<u>344,147,385</u>	<u>327,442,507</u>
<b>Net position</b>	<u>343,164,507</u>	<u>326,862,519</u>
<b>Reserves, Surplus and Equity</b>		
Reserves for operating purposes (note 11)	6,723,861	5,905,197
Reserves for capital purposes (note 12)	7,093,189	5,091,661
Surplus from operations (note 13)	3,798,239	4,287,871
Total financial equity	<u>17,615,289</u>	<u>15,284,729</u>
Total capital equity	<u>325,549,218</u>	<u>311,577,790</u>
	<u>343,164,507</u>	<u>326,862,519</u>
	\$ -	\$ -

Commitments and contingencies - Note 18

See accompanying notes to consolidated financial statements.

**GENERAL FUND**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2004, with comparatives for 2003**

	2004 Budget (unaudited)	2004	2003
<b>Revenue</b>			
Taxation (note 14)	\$ 66,641,484	\$ 65,263,955	\$ 62,372,695
Development levies utilized	516,768	824,478	552,901
Fees, rates and sales of service (note 15)	14,006,525	14,305,111	14,298,902
Grants (note 16)	6,342,057	7,924,888	6,616,618
Investment income	1,649,000	1,688,819	2,591,913
Private contributions	982,203	451,094	1,222,480
Sale of capital assets	1,088,500	453,178	93,170
Transfers from other funds	7,011,944	4,826,101	2,362,913
	<u>98,238,481</u>	<u>95,737,624</u>	<u>90,111,592</u>
<b>Expenditures (note 17)</b>			
Cemetery	448,766	518,097	479,979
Community development	3,482,459	3,339,351	3,117,961
Corporate administration	5,737,044	5,492,815	6,210,313
Environmental services	146,217	86,696	-
Fire services	9,448,175	9,517,372	8,883,109
Infrastructure maintenance	5,211,714	5,554,614	4,792,338
Legislative and enforcement	3,569,966	3,559,273	3,024,053
Parks, recreation and leisure services	16,844,984	16,531,390	16,096,199
Police services	15,816,207	15,929,348	14,320,718
Public Transit	7,633,820	8,195,598	7,337,081
Solid waste	3,458,258	3,519,254	3,240,530
Debt servicing costs	1,729,869	1,523,858	1,601,428
Capital expenditures	34,552,540	17,648,380	14,366,897
Transfers to other funds	4,888,729	4,428,543	4,841,146
	<u>112,968,748</u>	<u>95,844,589</u>	<u>88,311,752</u>
Net operating activity	(14,730,267)	(106,965)	1,799,840
Reduction of long-term debt	(1,550,848)	(1,547,819)	(1,359,136)
Repayment of obligations under capital lease	-	(64,093)	(57,914)
Capital assets acquired pending debenture issue	14,533,312	4,049,438	1,419,378
Increase (decrease) in financial equity	<u>\$ (1,747,803)</u>	<u>\$ 2,330,561</u>	<u>\$ 1,802,168</u>

**WATER FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2004, with comparatives for 2003**

	<u>2004</u>	<u>2003</u>
<b>Financial assets</b>		
Cash and short-term investments (note 2)	\$ (17,341,479)	\$ 3,361,176
Accounts receivable (note 3)	2,182,693	4,204,637
	<u>(15,158,786)</u>	<u>7,565,813</u>
<b>Liabilities</b>		
Payroll benefits payable	131,847	129,055
Long-term debt (note 8)	15,805,662	25,227,370
	<u>15,937,509</u>	<u>25,356,425</u>
<b>Net financial assets</b>	<u>(31,096,295)</u>	<u>(17,790,612)</u>
<b>Non-financial assets</b>		
Inventory	219,461	221,909
Capital assets (note 10)	147,505,056	120,366,119
	<u>147,724,517</u>	<u>120,588,028</u>
<b>Net Position</b>	<u>116,628,222</u>	<u>102,797,416</u>
<b>Reserves, Surplus and Equity</b>		
Reserves for operating purposes (note 11)	-	10,000
Reserves for capital purposes (note 12)	4,745,423	3,737,845
Surplus from operations (note 13)	5,403,939	4,249,809
Total financial equity	<u>10,149,362</u>	<u>7,997,654</u>
Total capital equity	106,478,860	94,799,762
	<u>116,628,222</u>	<u>102,797,416</u>
	<u>\$ -</u>	<u>\$ -</u>

Commitments and contingencies - Note 18

See accompanying notes to consolidated financial statements.



**WATER FUND****STATEMENT OF FINANCIAL ACTIVITIES****YEAR ENDED DECEMBER 31, 2004, with comparatives for 2003**

	<u>2004 Budget</u> (unaudited)	<u>2004</u>	<u>2003</u>
<b>Revenue</b>			
Development levies utilized	\$ 3,463,814	\$ 210,137	\$ 2,949,952
Fees, rates and sales of service (note 15)	10,883,428	<b>10,974,687</b>	9,936,808
Grants (note 16)	11,147,668	<b>9,102,575</b>	13,511,100
Investment income	270,243	<b>627,764</b>	1,206,447
Private contributions	-	<b>21,415</b>	-
Transfers from other funds	362,122	<b>220,845</b>	518,020
	<u>26,127,275</u>	<u><b>21,157,423</b></u>	<u>28,122,327</u>
<b>Expenditures (note 17)</b>			
Water utility	5,011,949	<b>4,594,334</b>	4,644,132
Debt servicing costs	1,989,901	<b>1,279,394</b>	1,598,700
Capital expenditures	44,351,582	<b>27,138,937</b>	28,264,657
Transfers to other funds	-	<b>1,239,200</b>	405,945
	<u>51,353,432</u>	<u><b>34,251,865</b></u>	<u>34,913,434</u>
Net operating activity	(25,226,157)	<b>(13,094,442)</b>	(6,791,107)
Reduction of long-term debt	(1,184,822)	<b>(1,125,679)</b>	(1,675,169)
Capital assets acquired pending debenture issue	26,732,259	<b>16,371,829</b>	10,410,455
Increase (decrease) in financial equity	<u>\$ 321,280</u>	<u><b>\$ 2,151,708</b></u>	<u>\$ 1,944,179</u>

**SEWER FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2004, with comparatives for 2003**

	<u>2004</u>	<u>2003</u>
<b>Financial assets</b>		
Cash and short-term investments (note 2)	\$ 3,153,582	\$ 2,561,691
	<u>3,153,582</u>	<u>2,561,691</u>
<b>Liabilities</b>		
Payroll benefits payable	105,477	103,244
Long-term debt (note 8)	9,379,897	10,366,404
	<u>9,485,374</u>	<u>10,469,648</u>
<b>Net financial assets</b>	<u>(6,331,792)</u>	<u>(7,907,957)</u>
<b>Non-financial assets</b>		
Inventory	52,358	63,120
Capital assets (note 10)	87,622,577	86,536,876
	<u>87,674,935</u>	<u>86,599,996</u>
<b>Net Position</b>	<u>81,343,143</u>	<u>78,692,039</u>
<b>Reserves, Surplus and Equity</b>		
Reserves for operating purposes (note 11)	-	10,000
Reserves for capital purposes (note 12)	2,493,220	1,795,817
Surplus from operations (note 13)	2,925,594	2,658,803
Total financial equity	<u>5,418,814</u>	<u>4,464,620</u>
Total capital equity	75,924,329	74,227,419
	<u>81,343,143</u>	<u>78,692,039</u>
	\$ -	\$ -

Commitments and contingencies - Note 18

See accompanying notes to consolidated financial statements.

**SEWER FUND****STATEMENT OF FINANCIAL ACTIVITIES****YEAR ENDED DECEMBER 31, 2004, with comparatives for 2003**

	<u>2004 Budget</u> (unaudited)	<u>2004</u>	<u>2003</u>
<b>Revenue</b>			
Development levies utilized	\$ 2,028,570	\$ 74,755	\$ 204,679
Fees, rates and sales of service (note 15)	6,911,100	<b>6,933,433</b>	6,972,895
Investment income	930,167	<b>727,703</b>	1,450,895
Transfers from other funds	541,849	<b>61,026</b>	741,524
	<u>10,411,686</u>	<u><b>7,796,917</b></u>	<u>9,369,993</u>
<b>Expenditures (note 17)</b>			
Sewer utility	4,462,957	<b>4,035,629</b>	3,928,543
Debt servicing costs	1,323,492	<b>993,938</b>	1,197,156
Capital expenditures	4,120,970	<b>1,085,701</b>	4,187,476
Transfers to other funds	-	<b>107,943</b>	395,343
	<u>9,907,419</u>	<u><b>6,223,211</b></u>	<u>9,708,518</u>
Net operating activity	504,267	<b>1,573,706</b>	(338,525)
Reduction of long-term debt	(1,329,331)	<b>(986,506)</b>	(1,578,012)
Capital assets acquired pending debenture issue	641,090	<b>366,994</b>	2,529,588
Increase (decrease) in financial equity	\$ <u>(183,974)</u>	\$ <u><b>954,194</b></u>	\$ <u>613,051</u>

**CEMETERY CARE TRUST FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2004, with comparatives for 2003**

	<u>2004</u>	<u>2003</u>
<b>Financial Assets</b>		
Cash and short-term investments (note 2)	\$ 919,919	\$ 790,419
Accounts receivable (note 3)	7,479	1,034
	<u>927,398</u>	<u>791,453</u>
<b>Reserves, Surplus and Equity</b>		
Reserves for operating purposes (note 11)		
Balance, beginning of the year	<u>791,453</u>	<u>730,033</u>
Add:		
Transfer from General Revenue Fund	135,945	61,420
Interest Earned	47,208	46,405
	<u>183,153</u>	<u>107,825</u>
Less:		
Transfer to General Revenue Fund	<u>(47,208)</u>	<u>(46,405)</u>
Balance, end of the year	<u>927,398</u>	<u>791,453</u>
	<u>\$ -</u>	<u>\$ -</u>

Commitments and contingencies - Note 18

See accompanying notes to consolidated financial statements.

**STATUTORY RESERVE FUNDS  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2004, with comparatives for 2003**

	<u>2004</u>	<u>2003</u>
<b>Financial Assets</b>		
Cash and short-term investments (note 2)	\$ 19,763,716	\$ 17,892,265
	<u>19,763,716</u>	<u>17,892,265</u>
<b>Liabilities</b>		
Deferred revenue (note 7)	8,666,362	7,326,680
	<u>8,666,362</u>	<u>7,326,680</u>
<b>Net financial assets</b>	<u>11,097,354</u>	<u>10,565,585</u>
<b>Reserves, Surplus and Equity</b>		
Reserves for capital purposes (note 12)		
Tax sale property fund	4,177,618	3,868,837
Local improvement fund	940,519	889,136
Debt retirement fund	17,351	16,698
Parking facility reserve	716,625	641,308
Land sale reserve fund	455,578	332,587
Equipment replacement fund	4,789,663	4,817,019
Total financial equity	<u>11,097,354</u>	<u>10,565,585</u>
	<u>\$ -</u>	<u>\$ -</u>

Commitments and contingencies - Note 18

See accompanying notes to consolidated financial statements.

**STATUTORY RESERVE FUNDS  
STATEMENT OF FINANCIAL ACTIVITIES  
YEAR ENDED DECEMBER 31, 2004, with comparatives for 2003**

	<u>2004 Budget</u> (unaudited)	<u>2004</u>	<u>2003</u>
<b>Revenue</b>			
Transfer to:			
Tax sale property	\$ 190,500	\$ 355,663	\$ 1,144,691
Local improvement	66,851	51,383	134,690
Debt retirement	10,000	653	12,822
Parking facility	125,107	126,572	136,134
Land Sale	1,022,800	389,247	76,894
Equipment replacement	2,601,500	2,987,096	2,939,243
Cemetery Trust	-	-	61,419
	<u>4,016,758</u>	<u>3,910,614</u>	<u>4,505,893</u>
<b>Expenditures</b>			
Transfer from:			
Tax sale property	435,899	46,881	68,450
Local improvement	165,000	-	855
Debt retirement	-	-	309,325
Parking facility	250,826	51,255	246,496
Land Sale	2,238,984	266,256	52,974
Equipment replacement	4,011,235	3,014,452	1,807,816
	<u>7,101,944</u>	<u>3,378,844</u>	<u>2,485,916</u>
Increase (decrease) in financial equity	\$ (3,085,186)	\$ 531,770	\$ 2,019,977

**KAMLOOPS AIRPORT AUTHORITY SOCIETY  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2004, with comparatives for 2003**

	<u>2004</u>	<u>2003</u>
<b>Financial assets</b>		
Cash and short-term investments (note 2)	\$ 334,454	\$ 439,708
Accounts receivable (note 3)	161,796	156,990
	<u>496,250</u>	<u>596,698</u>
<b>Liabilities</b>		
Accounts payable (note 4)	82,299	368,769
	<u>82,299</u>	<u>368,769</u>
<b>Net financial assets</b>	<u>413,951</u>	<u>227,929</u>
<b>Non-financial assets</b>		
Capital assets (note 10)	48,992,675	48,901,948
	<u>48,992,675</u>	<u>48,901,948</u>
<b>Net Position</b>	<u>49,406,626</u>	<u>49,129,877</u>
<b>Reserves, Surplus and Equity</b>		
Reserves for capital purposes (note 12)	351,508	166,748
Surplus from operations (note 13)	62,443	61,181
Total financial equity	<u>413,951</u>	<u>227,929</u>
Total capital equity	48,992,675	48,901,948
	<u>49,406,626</u>	<u>49,129,877</u>
	<u>\$ -</u>	<u>\$ -</u>

Commitments and contingencies - Note 18

See accompanying notes to consolidated financial statements.

**KAMLOOPS AIRPORT AUTHORITY SOCIETY  
STATEMENT OF FINANCIAL ACTIVITIES  
YEAR ENDED DECEMBER 31, 2004, with comparatives for 2003**

	2004 Budget (unaudited)	2004	2003
<b>Revenue</b>			
Fees, rates and sales of service (note 15)	\$ -	\$ 318,573	158,852
Grants (note 16)	-	167,000	-
Investment income	-	6,475	11,822
Sale of capital assets	-	-	44,941
	<u>-</u>	<u>492,048</u>	<u>215,615</u>
<b>Expenditures (note 17)</b>			
Kamloops Airport Authority Society	-	215,299	21,505
Capital expenditures	-	90,727	431,226
	<u>-</u>	<u>306,026</u>	<u>452,731</u>
Net operating activity	-	186,022	(237,116)
Increase (decrease) in financial equity	\$ -	\$ 186,022	(237,116)