

City of Kamloops

Consolidated Financial Statements

For the year ended December 31, 2018

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Consolidated Financial Statements
For the year ended December 31, 2018

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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.

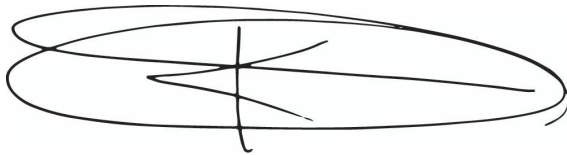
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management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

Independent Auditor's Report

To the Members of Council, inhabitants and ratepayers of the City of Kamloops

Opinion

We have audited the consolidated financial statements of the City of Kamloops and its controlled entities (the "Consolidated Entity"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of operations, the consolidated statement of change in net financial assets and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Consolidated Entity as at December 31, 2018, and its consolidated results of operations, its consolidated change in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Consolidated Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Consolidated Entity's financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Kamloops, British Columbia

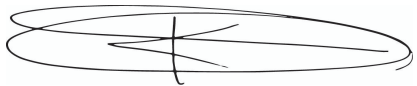
April 16, 2019

City of Kamloops

Consolidated Statement of Financial Position as at December 31, 2018 (in thousands of dollars)

	2018	2017
Assets		
Cash & cash equivalents (Note 3)	35,148	32,676
Short term investments (Note 3)	137,206	131,226
Accounts receivable (Note 4)	23,376	25,189
Long-term investments (Note 5)	1,987	1,966
	197,717	191,057
Liabilities		
Accounts payable & accrued liabilities (Note 6)	18,145	20,190
Payroll benefits payable	4,465	4,388
Post-employment benefits payable (Note 7)	7,747	7,973
Landfill post-closure costs (Note 8)	4,288	3,336
Restricted deposits	8,324	8,030
Deferred revenue (Note 10)	36,497	29,904
Long-term debt (Note 11)	105,714	115,989
	185,180	189,810
Net Financial Assets	12,537	1,247
Non-Financial Assets		
Inventory	1,727	1,362
Prepaid expenses	1,537	1,781
Tangible capital assets (Note 12)	1,216,087	1,195,633
	1,219,351	1,198,776
Accumulated Surplus (Note 13)	1,231,888	1,200,023

See commitments and contingencies (Note 21)



Ken Christian
Mayor



Kathy Humphrey, CPA, CA
Corporate Services Director

Consolidated Statement of Operations for the year ended December 31, 2018 (in thousands of dollars)

	Financial Plan 2018 (Note 23)	2018	2017
Revenue (Note 14)			
Taxation (Note 17)	111,876	110,629	108,211
Developer contributed assets	96	21,075	31,657
Fees, rates and sales of service	64,394	67,700	66,323
Government transfers (Note 18)	18,219	23,236	24,609
Investment income	4,649	5,877	5,340
Gain (Loss) on disposal of tangible capital assets	125	(146)	3,820
	\$ 199,359	\$ 228,371	\$ 239,960
Expenses (Note 15)			
Cemetery	651	\$ 710	\$ 678
Civic operations	32,935	29,331	24,316
Community services	42,952	38,513	36,878
Corporate administration	15,850	13,771	12,794
Development, engineering, sustainability	1,890	6,333	6,904
Protective services-Bylaws	3,313	3,407	3,276
Protective services-Fire	20,126	19,677	20,165
Protective services-Police	30,641	28,818	27,421
Public transit	17,095	17,416	17,068
Utilities-Sewer	10,630	9,738	11,220
Utilities-Solid waste	13,696	11,125	10,055
Utilities-Water	15,173	14,748	14,590
Kamloops Airport Authority Society	2,200	2,244	2,231
Venture Kamloops Business Development Society	616	675	639
	207,768	196,506	188,235
Annual Surplus	(8,409)	31,865	51,725
Accumulated Surplus, beginning of year		1,200,023	1,148,298
Accumulated Surplus, end of year		\$ 1,231,888	\$ 1,200,023

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 ended December 31, 2018 (in thousands of dollars)

	Financial Plan 2018 (Note 23)	2018	2017
Annual surplus	\$ (8,409)	\$ 31,865	\$ 51,725
Acquisition of tangible capital assets (Note 12)	-	(50,572)	(67,109)
Amortization of tangible capital assets (Note 12)	-	30,119	29,202
Net book value of tangible capital assets disposed (Note 12)	-	-	836
Decr (Incr) in prepaid expenses	-	244	(592)
Decr (Incr) in inventory	-	(366)	(11)
Change in net financial assets (debt)	(8,409)	11,290	14,051
Net financial assets, beginning of year	1,247	1,247	(12,804)
Net financial assets, end of year	\$ (7,162)	12,537	1,247

Consolidated Statement of Cash Flows for the year ending December 31, 2018 (in thousands of dollars)

	2018	2017
Cash provided by (used for)		
Operating transactions		
Annual surplus	31,865	51,725
Non-cash items included in annual surplus		
Amortization expense	30,119	29,202
Incr (decr) in post-employment benefits payable	(226)	314
Incr (decr) in landfill post-closure costs	949	360
Loss (gain) on disposal of tangible capital assets	(143)	(3,819)
Developer contributions	(18,889)	(25,588)
Changes in non-cash operating items:		
Decr (incr) in accounts receivable	1,813	(2,615)
Decr (incr) in inventory	(365)	(12)
Decr (incr) in prepaid expenses	244	(592)
Incr (decr) in accounts payable	(2,045)	(1,091)
Incr (decr) in payroll benefits payable	77	(180)
Incr (decr) in restricted deposits	294	859
Incr (decr) in deferred income	6,593	1,866
	<u>50,286</u>	<u>50,429</u>
Capital transactions		
Acquisition of tangible capital assets	(31,683)	(41,521)
Proceeds from disposal of tangible capital assets	143	4,655
	<u>(31,540)</u>	<u>(36,866)</u>
Investing transactions		
Decr (incr) in short-term investments	(5,980)	(20,316)
Decr (incr) in long-term investments	(21)	(18)
	<u>(6,001)</u>	<u>(20,334)</u>
Financing transactions		
Proceeds from issuance of long-term debt	-	-
Principal repayments on long-term debt	(10,273)	(10,350)
	<u>(10,273)</u>	<u>(10,350)</u>
Increase (decrease) in cash & cash equivalents	2,472	(17,121)
Cash & cash equivalents, beginning of year	32,676	49,797
Cash & cash equivalents, end of year	<u>35,148</u>	<u>32,676</u>

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, 2018

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; civic operations; community services; corporate administration; development, engineering and sustainability; protective services-bylaws, protective services-fire; protective services-police; public transit; utilities-sewer; utilities-solid waste; and utilities-water. 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.

Fees, rates and sales of services are 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, such as developer contributed assets, 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 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 consolidated statement of operations as the stipulation liabilities are settled.

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2018

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
Vehicles, machinery and equipment	5 to 10 years
Buildings and building improvements	15 to 50 years
Roads and linear assets	10 to 75 years
Water infrastructure	10 to 75 years
Sewer infrastructure	10 to 75 years
Assets under construction	No amortization taken

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, 2018

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) Civic operations

This segment includes all of the operating activities of the Civic operations department that involve the repair and maintenance of the City's infrastructure assets including the road network, the storm water (drainage) network, buildings, parks and the City's vehicle fleet. Costs related to the maintaining recreational buildings are allocated to the Community services department.

(c) Community 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. Recreational facilities are maintained by the Civic operations department with costs allocated to the Community services department.

(d) Corporate administration

This segment includes all of the internal support service functions of the corporation. This includes Human Resources, Information Technology, Finance, Legislative services, safety, communications and the Chief Administration Officer's department.

(e) Development, engineering, sustainability

This segment includes many of the activities of the Development, engineering, sustainability department including building permits, business licenses, zoning, development applications, engineering services, real estate and sustainability initiatives and programs.

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2018

2. Segmented information (continued)

(f) Protective services - Bylaws

This segment includes the functions related to and encompasses the revenue and expenses for bylaw enforcement, parking and animal control.

(g) Protective services - Fire

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

(h) Protective services - Police

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.

(i) Public transit

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

(j) Utilities - Sewer

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

(k) Utilities - Solid waste

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

(l) Utilities - Water

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

(m) 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.

(n) 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, 2018

3. Cash and Short-Term Investments

	2018	2017
Consolidated cash & cash equivalents	\$ 35,148	\$ 32,676
Consolidated short-term investments	137,206	131,226
	<u>\$ 172,354</u>	<u>\$ 163,902</u>
Restricted cash and short term investments:		
Statutory reserves (Note 13b)	\$ 39,115	\$ 41,079
Development cost charges (Note 10)	15,690	9,446
Kamloops Airport Authority Society	4,330	4,359
Venture Kamloops Business Development Society	222	232
Total restricted cash, cash equivalents and short term investments	<u>59,357</u>	<u>55,116</u>
Unrestricted cash, cash equivalents and short term investments	112,997	108,786
	<u><u>\$ 172,354</u></u>	<u><u>\$ 163,902</u></u>

The maturity dates of the short-term investments held directly by the City range from January 8, 2019 to December 12, 2029. The interest rates earned on these investments range from 1.50% to 5.75%. The market value of short-term investments is \$140 million (2017 - \$131 million).

4. Accounts Receivable

	2018	2017
General fund		
Taxes	\$ 3,270	\$ 3,692
Utilities	1,886	1,916
Trade	8,638	7,298
Accrued interest	1,058	909
Province of British Columbia	871	869
Government of Canada	498	694
	<u>\$ 16,221</u>	<u>\$ 15,378</u>
Water fund		
Trade	\$ 3,471	\$ 3,471
Province of British Columbia	449	2,952
	<u>\$ 3,920</u>	<u>\$ 6,423</u>
Sewer fund		
Trade	\$ 2,970	\$ 2,885
Kamloops Airport Authority Society		
Trade	\$ 260	\$ 382
Government of Canada	-	119
	<u>\$ 260</u>	<u>\$ 501</u>
Venture Kamloops Business Development Society		
Accounts receivable	\$ 5	\$ 2
	<u><u>\$ 23,376</u></u>	<u><u>\$ 25,189</u></u>

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.

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2018

5. Long-term Investments (continued)

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 and Accrued Liabilities

	<u>2018</u>	<u>2017</u>
General fund		
Trade	\$ 9,181	\$ 12,247
Payroll and benefits	1,976	1,351
Province of British Columbia	1	5
Government of Canada	6,521	6,165
	<u>\$ 17,679</u>	<u>\$ 19,768</u>
Kamloops Airport Authority Society		
Accounts payable	<u>\$ 388</u>	<u>\$ 360</u>
Venture Kamloops Business Development Society		
Accounts payable	<u>\$ 78</u>	<u>\$ 62</u>
	<u><u>\$ 18,145</u></u>	<u><u>\$ 20,190</u></u>

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 \$659 thousand (2017 - \$483 thousand). The plan does not require any contribution from employees. The retirement benefit liability at December 31, 2018 includes the following components:

	<u>2018</u>	<u>2017</u>
Accrued benefit obligation, beginning of year	\$ 7,973	\$ 7,659
Current service cost	663	618
Interest cost	236	270
Benefits paid	(659)	(483)
Actuarial gain (loss) - current	<u>(466)</u>	<u>(91)</u>
Accrued benefit obligation, end of year	<u>\$ 7,747</u>	<u>\$ 7,973</u>

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 2018 is based on amounts included in the 2017 valuation.

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2018

7. Post-employment benefits (continued)

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% (2017 - 3.25%). The discount rate used to determine the accrued benefit obligation is 3.10% (2017 - 2.90%).

The retirement benefit expense is included in the consolidated 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 independent assessments conducted in 2014 for the Mission Flats and Barnhartvale sites, and in 2017 for the Kamloops Resource Recovery Centre. 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 (2018) dollars. The aggregate liability for closure and post-closure costs for the three landfills is \$4.288 million (2017 - \$3.336 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 3.29 million cubic meters, which is 76% 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 \$4.63 million has been spent on progressive closure costs.

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 56,491 cubic meters, which is approximately 10% of the site's total capacity.

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 remaining capacity of the landfill site is estimated at 803,925 cubic meters, which is 98% of the site's total capacity. The closure costs are estimated at \$4.60 million.

The estimated total expenses for closure and post-closure care, in current (2018) dollars, is \$21.942 million (2017 - \$20.687 million) with \$15.277 million (2017 - \$15.088 million) remaining to be recognized as a liability. The 2017 amounts did 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, 2018. 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.

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2018

10. Deferred Revenue

	Balance at December 31, 2017	Collected	Interest	Recognized	Balance at December 31, 2018
General fund					
Taxes	\$ 18,727	\$ 31,949	\$ -	\$ (31,408)	\$ 19,268
Leases	30	-	-	(1)	29
Business	1,065	1,089	-	(1,065)	1,089
Licenses					
Other	636	422	-	(636)	422
	<u>\$ 20,458</u>	<u>\$ 33,460</u>	<u>\$ -</u>	<u>\$ (33,110)</u>	<u>\$ 20,808</u>
Development cost charges					
	<u>\$ 9,446</u>	<u>\$ 7,104</u>	<u>\$ 273</u>	<u>\$ (1,134)</u>	<u>\$ 15,689</u>
	<u><u>\$ 29,904</u></u>	<u><u>\$ 40,564</u></u>	<u><u>\$ 273</u></u>	<u><u>\$ (34,244)</u></u>	<u><u>\$ 36,497</u></u>

11. Long-term Debt

(a) Long-term debt outstanding:

	General fund	Water fund	Sewer fund	Total
Balance at December 31, 2017	\$ 69,228	\$ 16,142	\$ 30,619	\$ 115,989
Principal repayments	(4,056)	(1,865)	(2,089)	(8,010)
Actuarial adjustments	(1,394)	(655)	(216)	(2,265)
Debt acquired	-	-	-	-
Balance at December 31, 2018	<u>\$ 63,777</u>	<u>\$ 13,622</u>	<u>\$ 28,315</u>	<u>\$ 105,714</u>

Kamloops Airport Authority Society debt is included in the General Fund balance. The amount outstanding on December 31, 2018 was \$5.194 million (2017 - \$5.874 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:				
2019	\$ 3,777	\$ 1,644	\$ 1,981	\$ 7,402
2020	3,764	1,659	1,981	7,404
2021	3,751	1,461	1,948	7,160
2022	3,751	1,097	1,948	6,796
2023	3,550	1,043	1,948	6,541
Thereafter:	18,315	3,770	8,271	30,356
	<u>36,908</u>	<u>10,674</u>	<u>18,077</u>	<u>65,659</u>
Sinking fund	<u>26,869</u>	<u>2,948</u>	<u>10,238</u>	<u>40,055</u>
	<u><u>\$ 63,777</u></u>	<u><u>\$ 13,622</u></u>	<u><u>\$ 28,315</u></u>	<u><u>\$ 105,714</u></u>

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 2018 was 2.39% (2017 - 2.70%). Consolidated interest expense on long-term debt was \$3.784 million (2017 - \$4.613 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.

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2018

11. Long-term debt (continued)

(c) Un-issued debt:

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

	Balance at December 31, 2017	Capital assets purchased pending debt	Debt acquired	Balance at December 31, 2018
General fund	5,770	219	-	5,989
Water fund	47	70	-	117
Sewer fund	911	-	-	911
	<u>6,728</u>	<u>289</u>	<u>-</u>	<u>7,017</u>

(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
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12. Tangible Capital Assets

(a) 2018	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	\$ 103,577	\$ 78,409	\$ 211,178	\$ 79,980	\$ 879,882	\$ 177,413	\$ 98,919	\$ 35,921	\$ 1,665,279
Additions	734	727	6,753	6,934	20,335	3,445	2,283	9,361	50,572
Disposals	-	-	-	(1,134)	-	-	-	-	(1,134)
End of year	104,311	79,136	217,931	85,780	900,217	180,858	101,202	45,282	1,714,717
Accumulated amortization									
Beginning of year	-	(45,469)	(95,921)	(52,005)	(179,515)	(68,828)	(27,907)	-	(469,645)
Amortization	-	(3,484)	(6,339)	(5,691)	(9,104)	(3,840)	(1,661)	-	(30,119)
Disposals	-	-	-	1,134	-	-	-	-	1,134
End of year	-	(48,953)	(102,260)	(56,562)	(188,619)	(72,668)	(29,568)	-	(498,630)
Net carrying amount, end of year	\$ 104,311	\$ 30,183	\$ 115,671	\$ 29,218	\$ 711,598	\$ 108,190	\$ 71,634	\$ 45,282	\$ 1,216,087

During the year the City received \$18.889 million (2017 - \$25.588 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.

(b) 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	\$ 76,696	\$ 857,656	\$ 173,841	\$ 95,375	\$ 13,751	\$ 1,599,772
Additions	1,519	4,674	5,353	4,052	22,225	3,572	3,544	22,170	67,109
Disposals	(835)	-	-	(768)	-	-	-	-	(1,603)
End of year	103,577	78,408	211,179	79,980	879,881	177,413	98,919	35,921	1,665,278
Accumulated amortization									
Beginning of year	-	(42,006)	(89,763)	(47,336)	(170,784)	(65,042)	(26,279)	-	(441,210)
Amortization	-	(3,463)	(6,158)	(5,437)	(8,731)	(3,785)	(1,628)	-	(29,202)
Disposals	-	-	-	767	-	-	-	-	767
End of year	-	(45,469)	(95,921)	(52,006)	(179,515)	(68,827)	(27,907)	-	(469,645)
Net carrying amount, end of year	\$ 103,577	\$ 32,939	\$ 115,258	\$ 27,974	\$ 700,366	\$ 108,586	\$ 71,012	\$ 35,921	\$ 1,195,633

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2018

13. Accumulated Surplus

(a) General fund

	Balance at December 31, 2017	Interest income and contributions	Transfers to operations and capital	Balance at December 31, 2018
Affordable Housing	\$ 1,440	\$ 132	\$ (188)	\$ 1,384
Arts Gallery	464	-	-	464
Arts Legacy	235	2	-	237
Bi-centennial Legacy	400	15	-	415
Canada Games Legacy	568	-	-	568
Climate Action	1,066	133	-	1,199
Community Arts	8	-	-	8
Downtown Parking	277	251	(183)	345
Deferred Operating	1,743	-	(312)	1,431
Environmental Grant	30	-	-	30
General Building	130	1	-	131
Heritage Foundation	270	40	-	310
Insurance	650	12	(5)	657
Oak Hills Dyke	13	-	-	13
Police Contract	3,722	281	(1,515)	2,488
Return to Work	237	-	-	237
Health Benefits Premium	517	-	-	517
Solid Waste	6,620	4,962	(2,869)	8,713
Sports Legacy	197	2	-	199
Working Capital	1,531	-	-	1,531
Youth Legacy	4	-	-	4
2006 BC Summer Games	100	1	-	101
	<u>\$ 20,222</u>	<u>\$ 5,832</u>	<u>\$ (5,072)</u>	<u>\$ 20,982</u>
Water fund				
Deferred operating	\$ 167	\$ -	\$ (167)	\$ -
Sewer fund				
Deferred operating	\$ 57	\$ -	\$ (57)	\$ -
Venture Kamloops Business Development Society				
Reserve fund	\$ 60	\$ 2	\$ -	\$ 62
	<u>\$ 20,506</u>	<u>\$ 5,834</u>	<u>\$ (5,296)</u>	<u>\$ 21,044</u>

(b) Reserves for capital purposes

	Balance at December 31, 2017	Interest income and contributions	Transfers to operations and capital	Balance at December 31, 2018
Statutory reserves				
Tax sale property fund	\$ 8,927	\$ 225	\$ (683)	\$ 8,469
Local improvement fund	1,436	110	(302)	1,244
Debt retirement fund	177	4	-	181
Parking facility reserve	943	40	(511)	472
Land sale reserve fund	6,556	66	(1,943)	4,679
Equipment replacement fund	23,040	9,140	(8,109)	24,071
	<u>41,079</u>	<u>9,585</u>	<u>(11,548)</u>	<u>39,116</u>
Non-statutory reserves				
General fund	7,418	5,522	(7,435)	5,505
Community Works fund	6,204	2,500	(1,305)	7,399
Water fund	8,121	2,943	(4,046)	7,018
Sewer fund	2,791	2,223	(2,597)	2,417
	<u>24,534</u>	<u>13,188</u>	<u>(15,383)</u>	<u>22,339</u>
Airport capital fund	<u>4,619</u>	<u>-</u>	<u>(176)</u>	<u>4,443</u>
	<u>\$ 70,232</u>	<u>\$ 22,773</u>	<u>\$ (27,107)</u>	<u>\$ 65,898</u>

City of Kamloops
Notes to the Consolidated Financial Statements
December 31, 2018

13. Accumulated surplus (continued)

(c) Current Funds

	2018	2017
General fund		
Balance beginning of year	\$ 14,406	\$ 9,650
Operating surplus for the year	1,057	4,756
	<u>15,463</u>	14,406
Water fund		
Balance beginning of year	6,346	3,907
Operating surplus for the year	2,376	2,440
	<u>8,722</u>	6,347
Sewer fund		
Balance beginning of year	6,367	5,568
Operating surplus for the year	3,998	799
	<u>10,365</u>	6,367
Kamloops Airport Authority Society		
Balance beginning of year	100	100
Operating surplus for the year	-	-
	<u>100</u>	100
Venture Kamloops Business Improvement Society		
Balance beginning of year	117	34
Operating surplus for the year	(17)	83
	<u>100</u>	117
	<u>\$ 34,750</u>	<u>\$ 27,337</u>

(d) Capital equity

	2018	2017
General fund		
Balance beginning of year	\$ 846,373	\$ 815,379
Net capital equity addition for the year	19,836	30,994
	<u>866,209</u>	846,373
Water fund		
Balance beginning of year	98,323	90,851
Net capital equity addition for the year	4,313	7,472
	<u>102,636</u>	98,323
Sewer fund		
Balance beginning of year	82,132	75,069
Net capital equity addition for the year	3,451	7,063
	<u>85,583</u>	82,132
Kamloops Airport Authority Society		
Balance beginning of year	55,113	54,230
Net capital equity addition for the year	647	883
	<u>55,760</u>	55,113
Venture Kamloops Business Improvement Society		
Balance beginning of year	7	10
Net capital equity addition for the year	1	(3)
	<u>8</u>	7
	<u>\$ 1,110,196</u>	<u>\$ 1,081,948</u>

Total Accumulated Surplus

	2018	2017
General fund	\$ 915,558	\$ 894,623
Water fund	118,376	112,958
Sewer fund	98,365	91,347
Statutory reserves	39,116	41,079
Kamloops Airport Authority Society	60,303	59,832
Venture Kamloops Business Development Society	170	184
	<u>\$ 1,231,888</u>	<u>\$ 1,200,023</u>

City of Kamloops
Notes to the Consolidated Financial Statements
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14. Operating Revenues by Segment

2018 actual revenue with 2018 fiscal plan revenue and 2017 actual revenue comparibles

	Taxation	Fees, rates and sales of service	Developer contributed assets	Government transfers	Investment income	Gain (Loss) capital asset disposal	2018 total revenue	2018 Fiscal Plan revenue	2017 total revenue	
Cemetery	\$ 192	\$ 485	\$ -	\$ -	\$ 39	\$ -	\$ 716	\$ 569	\$ 524	
Civic operations	14,546	18	-	-	-	(148)	14,416	11,946	12,118	
Community services	22,372	6,233	68	1,183	83	-	29,939	27,824	29,422	
Corporate administration	8,382	2,931	-	6,695	3,214	-	21,222	38,747	21,656	
Development, engineering, sustainability	1,771	3,940	-	-	-	-	5,711	5,483	8,518	
Protective services-Bylaws	1,074	2,417	-	-	-	-	3,491	3,541	3,496	
Protective services-Fire	18,485	1,562	15	13	-	-	20,075	19,921	20,682	
Protective services-Police	24,246	220	-	3,616	-	-	28,082	28,454	26,521	
Public transit	5,260	4,919	-	7,215	-	-	17,394	17,073	17,049	
Utilities-Sewer	-	-	6,746	-	-	92	-	6,838	13,749	7,700
Utilities-Solid waste	-	-	12,880	-	-	-	-	12,880	10,847	12,400
Utilities-Water	-	-	10,078	-	-	110	-	10,188	16,059	11,600
Kamloops Airport	-	-	2,425	-	17	269	5	2,716	2,435	3,900
Venture Kamloops	-	-	4	-	2	-	-	6	621	-
Non-operating	14,301	-	-	12,842	-	-	20,992	-	4,495	2,000
	\$ 110,629			\$ 67,700			\$ 21,075	\$ 23,236	\$ 5,800	
2018 Fiscal Plan revenue	111,876			64,113				817	18,134	4,800
2017 total revenue	108,211			66,323			31,657		24,609	5,300

City of Kamloops
Notes to the Consolidated Financial Statements
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15. Operating Expenses by Segment

2018 actual expenses with 2018 fiscal plan expenses and 2017 actual expense comparables

	Salaries and wages	Personnel expenses	Supplies, contracts and other services	Cross functional services	Debt servicing and capital costs	Amortization	2018 total expenses	2018 Fiscal Plan expenses	2017 total expenses
Cemetery	\$ 390	\$ -	\$ 106	\$ 146	\$ -	\$ 68	\$ 710	\$ 651	\$ 678
Civic operations	10,886	140	14,444	(9,182)	(511)	13,554	29,331	32,935	24,316
Community services	14,570	139	12,568	4,335	789	6,112	38,513	42,952	36,878
Corporate administration	10,698	593	4,841	(3,115)	98	656	13,771	15,850	12,794
Development, engineering, sustainability	5,760	116	1,892	(187)	(1,315)	67	6,333	1,890	6,904
Protective services-Bylaws	2,188	24	858	200	80	57	3,407	3,313	3,276
Protective services-Fire	17,415	190	1,394	251	248	179	19,677	20,126	20,165
Protective services-Police	4,130	49	24,425	119	-	95	28,818	30,641	27,421
Public transit	93	1	17,101	202	-	19	17,416	17,095	17,068
Utilities-Sewer	1,707	36	2,544	2,206	731	2,514	9,738	10,630	11,220
Utilities-Solid waste	2,508	13	5,679	2,542	130	253	11,125	13,696	10,055
Utilities-Water	2,735	43	4,444	2,063	761	4,702	14,748	15,173	14,590
Kamloops Airport	-	-	40	(1)	366	1,839	2,244	2,200	2,231
Venture Kamloops	-	-	671	-	-	4	675	616	639
	\$ 73,080	\$ 1,344	\$ 91,007	\$ (421)	\$ 1,377	\$ 30,119	\$ 196,506	\$ 207,768	\$ 188,235
2018 Fiscal Plan expenses	74,008	1,562	81,417	(20)	(949)	1,765			
2017 total expenses	71,309	1,162	85,021	(617)	2,160	29,199			

City of Kamloops
Notes to the Consolidated Financial Statements
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16. Operating Transfers by Segment

2018 actual transfers with 2017 actual transfer comparables

	Transfer to (from) reserves	Transfer to (from) other funds	Transfer to (from) current funds	Transfer to (from) capital equity	2018 total transfers	2017 total transfers
Cemetery	\$ -	\$ 73	\$ -	\$ (68)	\$ 5	\$ (154)
Civic operations	(5)	2,138	-	(17,048)	(14,915)	(12,198)
Community services	(264)	275	-	(8,586)	(8,575)	(7,456)
Corporate administration	6,258	1,892	-	(699)	7,451	8,862
Development, engineering, sustainability	228	-	-	(850)	(622)	1,614
Protective services-Bylaws	80	75	-	(72)	83	220
Protective services-Fire	-	792	-	(394)	398	517
Protective services-Police	(666)	60	-	(130)	(736)	(900)
Public transit	-	-	-	(22)	(22)	(19)
Utilities-Sewer	39	7	-	(2,946)	(2,900)	(3,492)
Utilities-Solid waste	2,308	-	-	(553)	1,755	2,413
Utilities-Water	85	865	-	(5,510)	(4,560)	(2,956)
Kamloops Airport	(176)	-	-	647	471	1,717
Venture Kamloops	(10)	(656)	-	(4)	(670)	(601)
Non-operating	(9,651)	(1,004)	925	64,430	54,700	64,155
2017 total transfers	\$ (1,774)	\$ 4,517	\$ 925	\$ 28,195	\$ 31,863	\$ 51,722
	(2,172)	9,640	(2,908)	47,164		

City of Kamloops
Notes to the Consolidated Financial Statements
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17. Taxation

	Fiscal Plan	2018	2017
Real property	\$ 107,256	\$ 105,857	\$ 103,560
Special assessments	840	784	811
Utilities	1,463	1,466	1,463
Government transfers in lieu of taxes	2,317	2,522	2,377
	<u>\$ 111,876</u>	<u>\$ 110,629</u>	<u>\$ 108,211</u>
Collections for other taxing authorities			
Province of British Columbia - school taxes	\$ 40,222	\$ 38,236	\$ 38,220
Thompson Regional Hospital District	7,968	9,229	9,162
Thompson-Nicola Regional District	6,233	6,393	6,280
British Columbia Assessment Authority	1,046	910	917
	<u>55,469</u>	<u>54,768</u>	<u>54,579</u>
Other taxing authorities	<u>(55,469)</u>	<u>(54,768)</u>	<u>(54,579)</u>
	<u>\$ 111,876</u>	<u>\$ 110,629</u>	<u>\$ 108,211</u>

18. Government transfers

	Fiscal Plan	2018	2017
General fund			
Federal government			
Policing	\$ 2,500	\$ 2,417	\$ 2,306
Community Works Fund	3,667	3,841	3,717
Provincial government			
Transit	7,003	7,215	7,024
Gaming revenue	2,700	2,615	2,763
Victims assistance	75	90	75
Traffic fines	800	990	972
Capital infrastructure	-	3,227	637
Other	1,363	1,555	1,279
	<u>18,108</u>	<u>21,950</u>	<u>18,773</u>
Water fund			
Federal government			
Capital infrastructure	-	1,088	4,324
Sewer fund			
Provincial government			
Capital infrastructure	-	179	290
Kamloops Airport Authority Society			
Federal government			
Government transfers	111	17	1,189
Venture Kamloops Business Development Society			
Provincial government			
Government transfers	-	2	33
	<u>\$ 18,219</u>	<u>\$ 23,236</u>	<u>\$ 24,609</u>

City of Kamloops
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19. Municipal Pension Plan

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, 2018, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 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 \$6.100 million (2017 - \$6.009 million) for employer contributions while employees contributed \$5.129 million (2017 - \$5.069 million) to the plan in fiscal 2018.

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.

20. Contractual Rights

The City of Kamloops enters into various agreements with service providers that permit the utilization of real property owned by the City. Depending on the agreement, the service provider may add assets to the real property, such as buildings, that will return to the City once the agreement concludes. The disposal cost of these assets may end up as an expense to the City. Currently the City has 14 different agreements providing low-income and seniors housing, and tourism services. The agreements are for periods of between five to ninety-nine years. The total assessed value of the buildings on the City leased land totals \$30 million.

Each year the City undertakes an analysis of the viability of the service providers and, if needed, sets up a contingent liability to cover the expense associated with the future disposal. At this time the service providers appear to be viable, and so no contingent liability has been recognized.

21. Commitments and Contingencies

- (a) The City 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) 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.

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21. Commitments and Contingencies (continued)

(e) 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	2018	2017
General fund	\$ 1,128	\$ 2,402	\$ 3,530	\$ 3,773
Water utility fund	462	1,049	1,511	1,771
Sewer utility fund	322	1,027	1,349	1,465
Kamloops Airport	-	-	-	-
	<u>\$ 1,912</u>	<u>\$ 4,478</u>	<u>\$ 6,390</u>	<u>\$ 7,009</u>

(f) 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.

22. 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.

	2018	2016
Financial assets		
Cash and short-term investments	\$ 1,989	\$ 1,918
Accounts receivable	13	11
	<u>\$ 2,002</u>	<u>\$ 1,929</u>
Accumulated surplus		
Balance, beginning of the year	\$ 1,929	\$ 1,840
Care fund contributions	73	89
Interest earned	39	46
Contribution to cemetery operations	(39)	(46)
	<u>\$ 2,002</u>	<u>\$ 1,929</u>
Balance, end of the year	<u>\$ 2,002</u>	<u>\$ 1,929</u>

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23. 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		Financial Plan Bylaw	Amortization and expenses not capitalized	Kamloops Airport & Venture Kamloops	Fiscal Plan
Revenue					Annual surplus carry fwd	\$	\$ (46,172)	\$ 240	\$ (8,409)
Taxation	\$111,876	\$ -	\$ -	\$111,876	Debt principal repayment	(8,399)	-	-	(8,399)
Developer contributed assets	96	-	-	96	Debt acquired	-	-	-	-
Fees, rates and sales of service	61,479	-	2,915	64,394	Transf (to)/fr reserves	(2,098)	-	-	(2,098)
Government transfers	18,108	-	111	18,219	Transf (to)/fr current funds	(18,743)	-	240	(18,503)
Investment income	4,619	-	30	4,649	Transf (to)/fr capital equity	(10,305)	46,172	-	35,867
Gain (Loss) capital asset disposal	125	-	-	125					
	<u>196,303</u>	<u>-</u>	<u>3,056</u>	<u>199,359</u>		<u>\$ (2,022)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,542)</u>
Expenses									
Cemetery	495	156	-	651					
Civic operations	9,808	23,127	-	32,935					
Community services	28,309	14,643	-	42,952					
Corporate administration	13,385	2,465	-	15,850					
Development, engineering, sustainability	5,349	(3,459)	-	1,890					
Protective services-Bylaws	2,893	420	-	3,313					
Protective services-Fire	18,989	1,137	-	20,126					
Protective services-Police	30,449	192	-	30,641					
Public transit	17,073	22	-	17,095					
Utilities-Sewer	8,116	2,514	-	10,630					
Utilities-Solid waste	13,443	253	-	13,696					
Utilities-Water	10,471	4,702	-	15,173					
Kamloops Airport	-	-	2,200	2,200					
Venture Kamloops	-	-	616	616					
	<u>158,780</u>	<u>46,172</u>	<u>2,816</u>	<u>207,768</u>					
Annual surplus	\$ 37,523	\$ (46,172)	\$ 240	\$ (8,409)					

24. Comparative Figures

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