



2018 ANNUAL REPORT

TABLE OF CONTENTS

Message from the Mayor	4
City Council	5
From the CAO	6
Sustainable Service Assessment Tool	8
Building Inspection and Bylaw Services	10
Corporate Services	12
Development and Engineering Department	14
Finance Department	16
Emergency Services / Fire Department	20
Outside works	22
Capital Projects	24
Property Tax Exemptions	26
Appendix A: 2018 Financial Statements	





MESSAGE FROM THE MAYOR

The 2018 election brought change around the Council table for the City of Grand Forks, with two members continuing terms from the previous Council, three members with prior Council experience, and two first-timers. There was little time to get settled, as plenty of work was already underway so Council had to hit the ground running.

In any year, plans have to be flexible and adapt to change, but the flooding in May 2018 forced City Council, Staff, and residents to make significant changes to plans for 2018.

Disaster response and recovery became the primary focus for the rest of the year, and although things didn't always seem to happen as quickly as people would like, a huge effort was put forward by Council and Staff in engaging with representatives from Provincial and Federal agencies to secure as much support funding as possible.

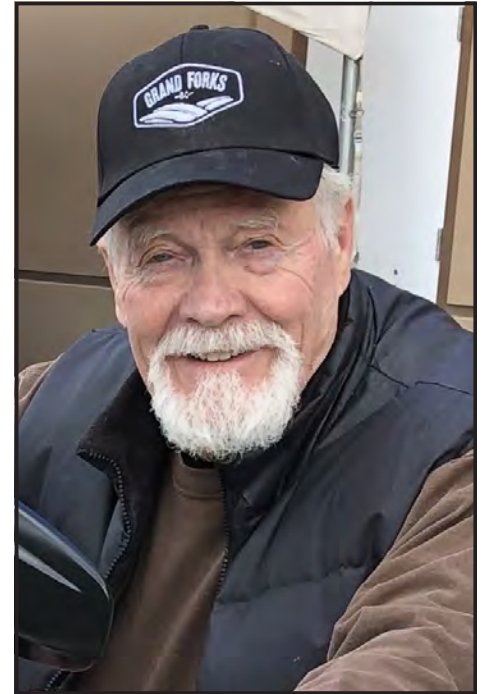
Although some early summer events like the GFI were cancelled in the wake of the flooding, by late summer things were starting to come back to normal and Cannafest went off without a hitch.

Some projects scheduled for 2018 were deferred until 2019 to allow departments to prioritize flood-related projects, but even with these changes some big projects like the 22nd Street upgrades were completed successfully.

This annual report shows the teamwork of the Mayor and Council, Staff, and the Community.

Brian Taylor

Mayor



CITY COUNCIL



From left to right: Councillors Neil Krog, Chris Moslin, Cathy Korolek, Mayor Brian Taylor, Councillors Christine Thompson, Rod Zielinski, Zak Eburne-Stoodley

FROM THE CAO



2018 will be remembered as a milestone in the history of Grand Forks, as every resident was directly or indirectly impacted by the floods.

City departments put together annual work plans to guide projects throughout the year, and the plans for 2018 were shaken up a bit when the riverbanks were crested in May. Managers and staff were immediately re-assigned to jobs in the Emergency Operations Centre and to flood response, and later recovery.

Despite this, other than a few brief periods when utility infrastructure was directly impeded by floodwaters, essential services like power and water remained functioning thanks to the dedicated work of our employees. Many of the projects scheduled for the year were completed despite the additional flood-related work added to the to-do list.

Our team went above and beyond both during the flood and in the weeks and months following, keeping the City running while taking on many new tasks in response to the disaster. Several staff spent their Christmas break in the office finalizing grant applications which had an early January deadline.

Amid flood recovery efforts, another significant project took a prominent spot on our calendars: the 2018 Municipal Election. With a combination of new and returning Council members, we have a governance team dedicated to keeping things moving forward for the community.

The successes achieved in 2018 show that the City of Grand Forks is a strong organization, and one I'm very proud to lead.
























Diane Heinrich,
CAO




SUSTAINABLE SERVICE ASSESSMENT TOOL

In 2017 the City along with Urban Systems began a project to Measure the Performance of the Municipality. The Sustainable Service Assessment Tool (SSAT) was the outcome of this project for which the City and Urban Systems received the ACEC-BC Award of Merit. The SSAT was completed in the spring of 2018 and departmental staff, the Chief Financial Officer, and Council independently scored the Service Delivery, Finance, and Governance sections for each of the 8 services measured.


The overall results for 2018 are below.

		CURRENT PERFORMANCE	PREPAREDNESS FOR THE FUTURE	OVERALL SUSTAINABILITY	TREND
	Water	61%	52%		
	Wastewater	52%	54%		
	Drainage and Flood Protection	29%	27%		
	Parks and Recreation	55%	41%		
	Civic Facilities	56%	41%		
	Transportation	39%	46%		
	Fire Protection	63%	48%		
	Solid Waste	57%	44%		


A more in depth look into the scoring of each service for Service Delivery (completed by the individual departments), Finance (completed by the Chief Financial Officer), and Governance (completed by Council).




Water	Current Performance	Preparedness For The Future
Service Delivery	67%	57%
+ Finance	50%	33%
+ Governance	67%	67%
	61%	52%




Parks & Recreation	Current Performance	Preparedness For The Future
Service Delivery	58%	33%
+ Finance	50%	33%
+ Governance	56%	56%
	55%	41%




Wastewater	Current Performance	Preparedness For The Future
Service Delivery	39%	52%
+ Finance	50%	67%
+ Governance	67%	44%
	52%	54%




Civic Facilities	Current Performance	Preparedness For The Future
Service Delivery	62%	13%
+ Finance	50%	67%
+ Governance	56%	44%
	56%	41%




Drainage and Flood Protection	Current Performance	Preparedness For The Future
Service Delivery	21%	38%
+ Finance	0%	0%
+ Governance	67%	44%
	29%	27%



Transportation	Current Performance	Preparedness For The Future
Service Delivery	33%	38%
+ Finance	50%	67%
+ Governance	33%	33%
	39%	46%



Fire Protection	Current Performance	Preparedness For The Future
Service Delivery	67%	67%
+ Finance	67%	33%
+ Governance	56%	44%
	63%	48%



Solid Waste	Current Performance	Preparedness For The Future
Service Delivery	83%	56%
+ Finance	33%	33%
+ Governance	56%	44%
	57%	44%

BUILDING INSPECTION AND BYLAW SERVICES

Building Inspection

The department is responsible for the full range of tasks associated with the City of Grand Forks Building Bylaw. Issuing building and plumbing permits, and performing the associated inspections, is the primary focus. Additionally, assisting developers and property owners with their construction concepts, and working closely with all other municipal departments to ensure all other city interests are observed, plays a large role. As we saw in 2018, the nature of the tasks can be diverse. A record number of permits were issued primarily due to the May flood event. While the department has clearly defined processes and procedures, sometimes flexibility needs to be demonstrated to problem solve situations which one has never encountered before. Around 100 homes were severally damaged, the occupants displaced, and it was very clear that a housing shortage was on the horizon. Forward thinking initiatives, such as waiving permit fees, taking care of the paperwork and encouraging the affected residences to repair as best they could definitely contributed to the disaster relief efforts. The building department is often looked at as the building police, and to a certain extent that is correct, however the department also works very closely with all residents, in good times and bad, to ensure a built environment which is both healthy and safe, and a legacy.

Bylaw Services

Bylaw Services is a function which is focused towards understanding the reason for City bylaws. Essentially, we investigate complaints from citizens, City departments, Council and other government agencies with respect to alleged infractions of the City's regulatory bylaws and we undertake appropriate action to gain compliance by negotiation, Council or Court. We interpret, report and provide advice on a variety of bylaw matters, develop solutions to difficult issues, work cooperatively in joint problem solving with community agencies and use persuasive diplomacy when recommending, clarifying or negotiating issues. We prefer a proactive approach towards bylaw appreciation and compliance.

It is important to note that most of the communication this department has with residents is not related to bylaw infractions, rather they centre around perceived security concerns or are just simply civil matters. The City does not have bylaws related to drug use and behavior, vandalism or the fear of theft, or the perceived difficulties that the transient population can pose. So, to that end, in late 2018 we took a different approach, that was to retain a private security service. The function was to deal with any security issue that the police were unable to assist with, usually due to the magnitude of the issue.

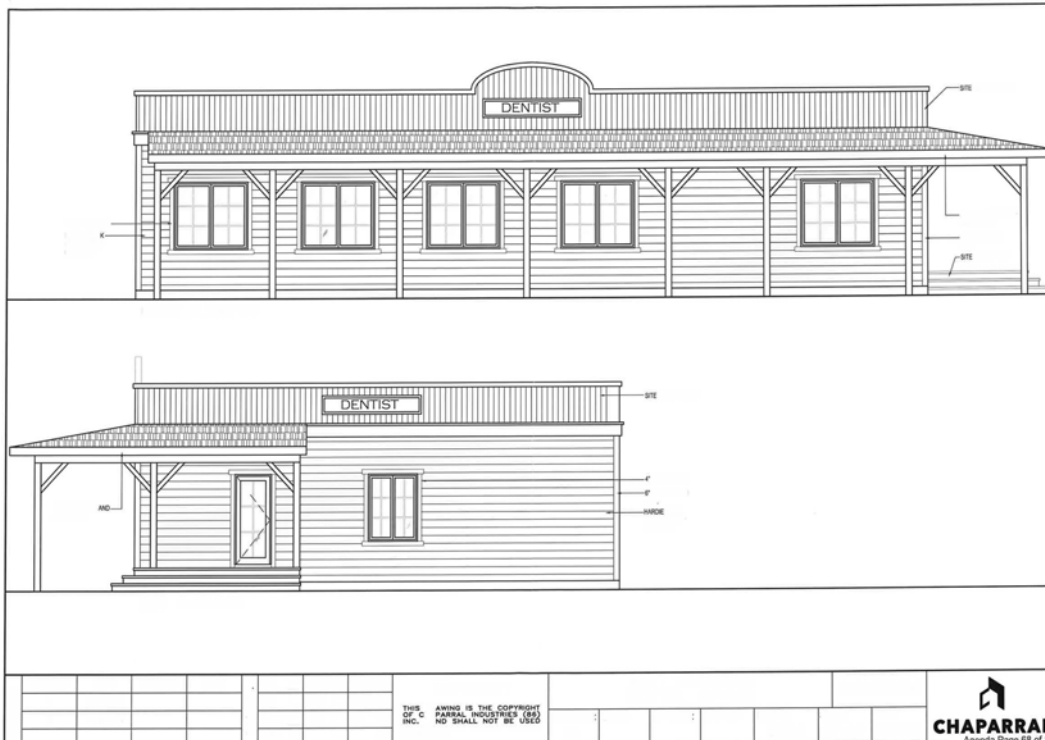
Goals

- Develop new Building Bylaw, based on our insurer's recommendations
- Revisit the permit fee structure
- Continue with enhanced private security services to offset bylaw service demands
- Proactively inform residents of bylaw concerns through the local media and other formats

Stats

210 BUILDING PERMIT APPLICATIONS \$9,339,982 TOTAL CONSTRUCTION VALUE

- 5 Single Family Dwellings (On-site Constructed)
- 3 Single Family Homes (Pre-manufactured)
- 4 New Residential Suites/Apartments
- 33 Residential Renovations/Additions
- 9 Residential Accessory Buildings
- 3 New Commercial Buildings
- 19 Commercial Renovations/Additions
- 0 New Industrial Buildings
- 1 Industrial Renovations/Additions
- 1 New Institutional Buildings
- 2 Institutional Renovations/Additions
- 17 Demolition Permits (15 Flood Related)
.....and.....
- 113 Permits issued to repair flood damage.



CORPORATE SERVICES

Chief Administrative Officer – Diane Heinrich

Corporate Officer – Daniel Drexler

Deputy Corporate Officer – Kevin McKinnon

Corporate Administrative Assistant – Daphne Popoff

Corporate Administration's main function is to ensure that the corporation is meeting its legislative obligations. The Corporate primary functions include records management and retention of documents, responsibility for preparation of agendas and minutes of Council, provides administrative support for Mayor and Council, assists the public with Freedom of Information requests, and assists in the development of policies, bylaws and contracts.

The Community Services Department was established in 2013 and is overseen by the Deputy Corporate Officer. The department focuses on agreements with local non-profit organizations and acts as a liaison for events. Corporate Services also oversees all Information Technology activity for the organization.

2018 Highlights

- Records Management program underway
- Election 2018
- City Communications for various events
- Information Technology - Vadim Finance System conversion to Cloud-Based

Goals for 2019

Corporate & Legislative Services

Records management changes – continued – multi-year program
Continued relationship development with the provincial and federal governments
Policy and Bylaw review and updates (ongoing)
Continued Education and Training of departmental staff (Organizational needs)

Community Services

Review of Funding Agreements with community partners
Review of event process, policy and procedures

Communications

Update website and marketing material (incl. Economic Profile)
Maintain social media presence, processes and outreach
Ongoing Communications development training
Communications related to Economic Recovery & SIIP projects

Economic Development

RDF Economic Development Program and Partnerships
Update Bylaws, policies, economic profile to entice Economic Development
Participate in the Regional Economic Development Steering groups
Engage with, and continue to foster relationships with, local non-profit partners
Implement Economic Recovery Initiative per Council Resolution R013/19/01/14



DEVELOPMENT & ENGINEERING DEPARTMENT

The department provides integrated planning and support services to enable environmental, social and economic well-being and sustainability in the community. Our functions include current and long-range planning, building and bylaw services, asset management and infrastructure planning, and environmental protection and enhancement. We also develop and implement plans, policies and programs to advance sustainable planning and to guide development and investment by the private and public sectors. Regulatory roles and customer services related to planning and land development.

2018 Highlights

- Completed Official Community Plan amendments and Zoning Bylaw update – focus on affordable housing and environment
- Continued Wastewater Treatment Plant upgrades project
- Completed Sewer Phasing Plan project
- Initiated floodplain mapping and risk assessment projects
- Continued asset management and GIS software integration project
- Completed Sensitive Ecosystem Inventory
- Completed critical path/survey for cannabis regulations and implemented changes to the Zoning Bylaw
- Substantially completed 22nd Street upgrades
- Substantially completed 72nd Avenue shoulder extension
- Reviewed biosolids land application options
- Staffed Emergency Operations Centre during and after flooding
- Planning and policy support for flood recovery initiatives



Goals for 2019

- Economic Recovery initiatives
- Cannabis related business processes
- Sign Bylaw preparation
- Establish Board of Variance
- West side development plan
- OCP review and update to include active transportation policies & plans, development permit area updates
- Economic development action planning and implementation
- Airport master plan update
- Capital projects as per budget process
- Facilitation of developments



FINANCE DEPARTMENT

The Finance Department has six staff members that include the Chief Financial Officer, an Accountant/Comptroller, a Payments Clerk, a Revenue Clerk, an Accounting Clerk, and an Administrative Assistant.

The May flood event of 2018 had a significant impact on the finance department's activities for the year. As part of the City's contribution towards alleviating the financial burden of the disaster on impacted households, staff focussed resources towards active management of utility accounts, including suspension of billing, issuance of credits, and reactivating accounts as homes were reoccupied later in the year. Staff also provided verification of homeowner grant status to Disaster Financial Assistance to expedite assistance payments to homeowners and facilitated Emergency Operations Centre and insurance claims for reimbursement.

Financial Services

- Legislative and Internal Financial Reporting
- Financial Plan and Budget Preparation
- Financial Policy and Bylaw Development
- Revenue Billing and Collection
- Property Tax Administration
- Cemetery Administration
- Business Licence Administration
- Accounts Payable
- Payroll
- Reception Services

2018 Activities

- Developed Utility Billing Bylaw
- Revised Utility Regulations Bylaws
- Implemented mock billing for residential water accounts
- Analysed water use with respect to sewer rate setting
- Implemented procurement activity reporting

Operating expenditures

Operating expenditures included

- \$1,137,070 in general government services
- \$881,668 in protective services - fire rescue, victim services , building inspection and bylaw enforcement.
- \$1,308,015 in transportation services – roads and fleet
- \$906,579 in recreation and culture – parks maintenance and contributions to Gallery 2, Boundary Museum, Chamber of Commerce and Boundary District Arts Council
- \$238,414 in public real estate and facilities
- \$245,383 in environmental health services – solid waste management
- \$45,435 in public health services – cemetery
- \$327,647 in planning and development services
- \$5,626,203 operating expenditures for the electrical, water and sewer utilities

Goals for 2019

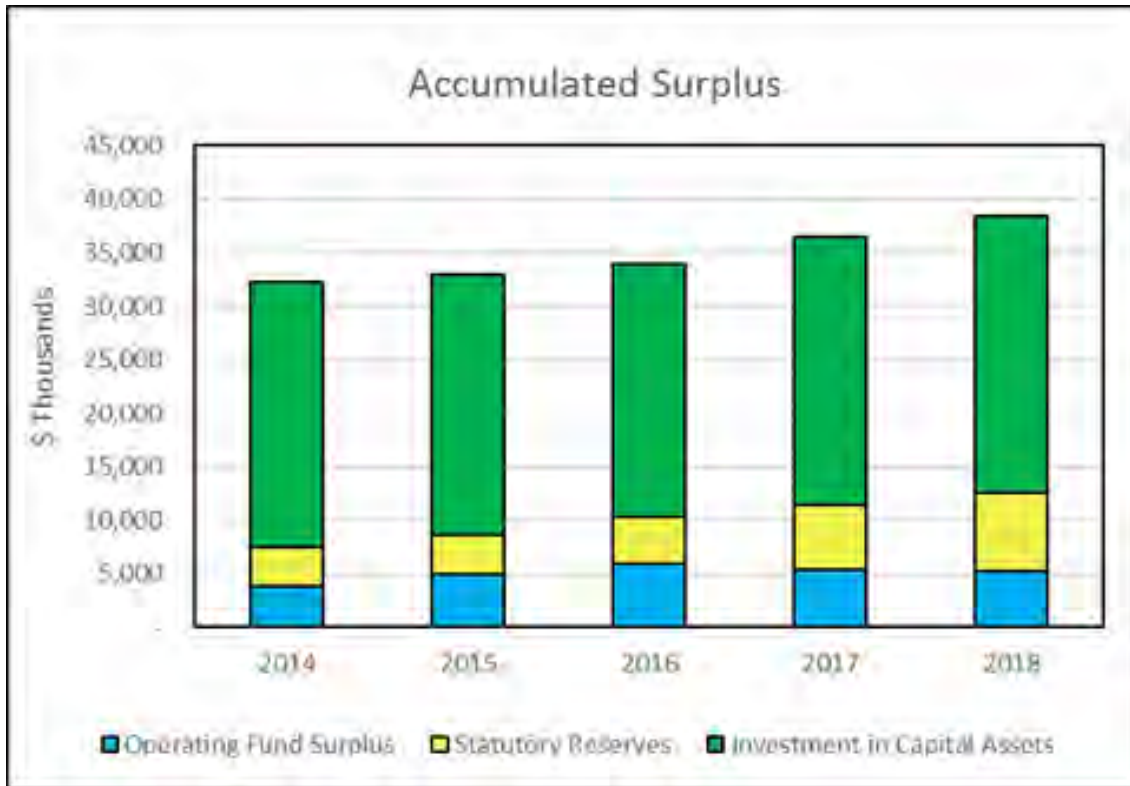
- Adopt new Utility Billing Bylaw
- Commence usage based billing for residential water accounts
- Analyze sewer account data and revise rate structure to eliminate charges related to water used for irrigation
- Review internal and external equipment charge-out rates
- Revise Tangible Capital Asset and Purchasing Policies
- Adopt new Permissive Tax Exemption and Investment Policies and Consolidated Reserve Fund Bylaw
- Investigate and implement new database reporting software for use with Vadim iCity
- Continue with review of payroll system setup and processing



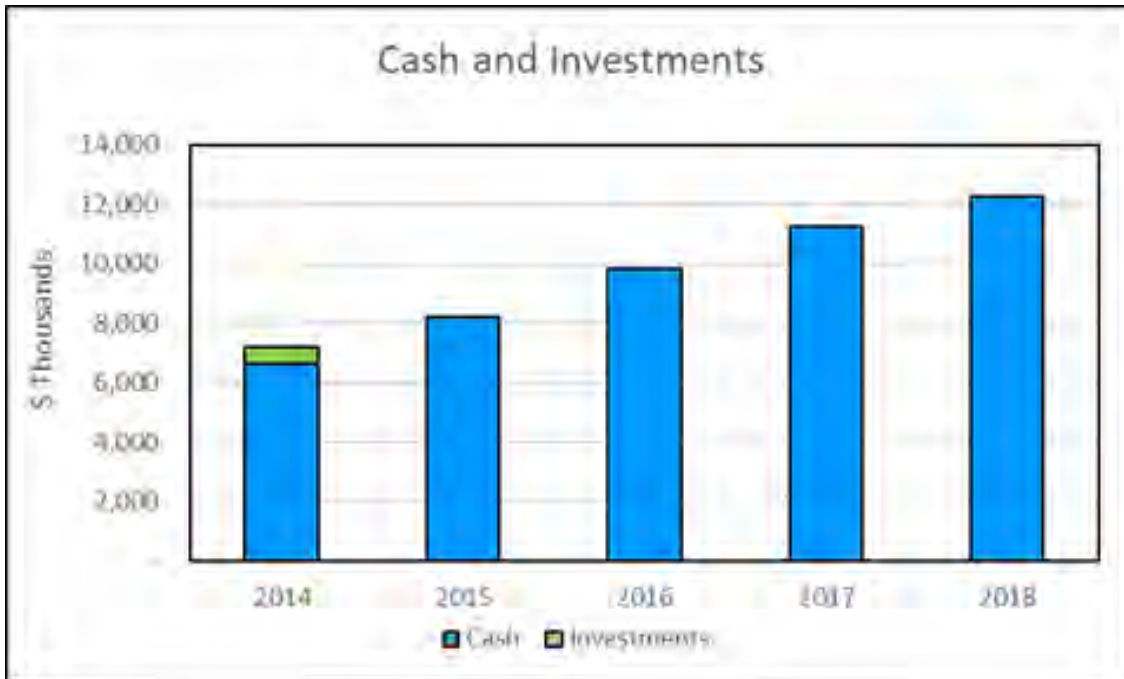
Financial Highlights

Annual surplus for 2018 was \$1,935,379

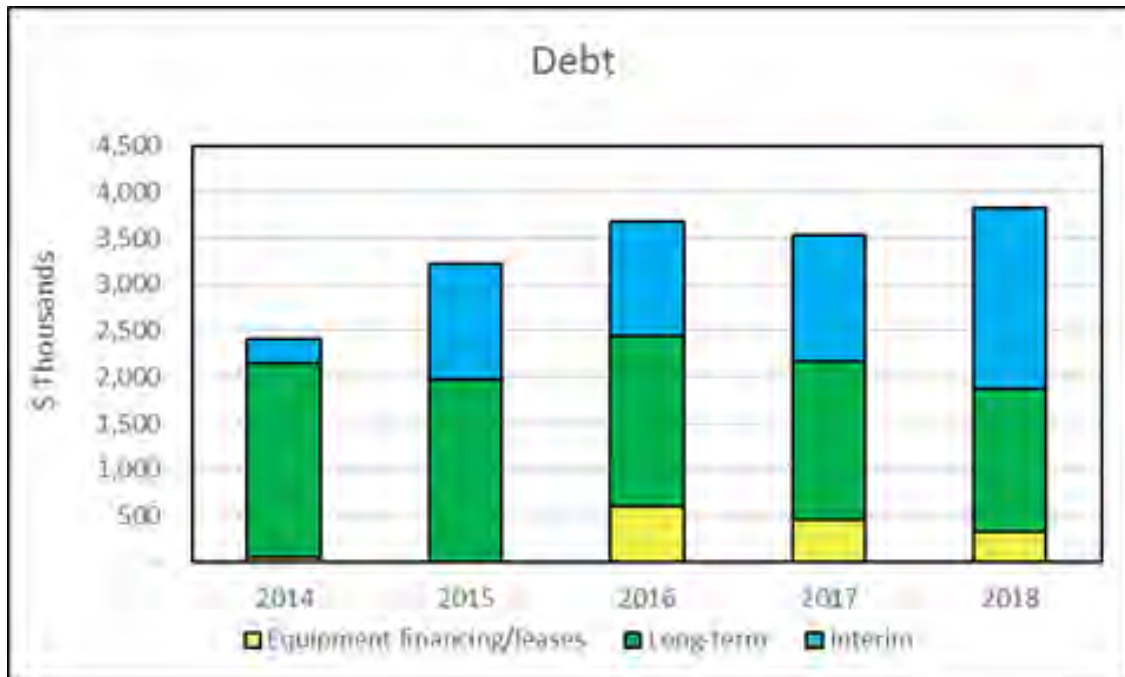
Accumulated surplus increased from \$36,453,982 in 2017 to \$38,389,361 at the end of 2018



Net financial assets increased from \$7,637,726 in 2017 to \$8,421,671 at the end of 2018
 Reserve funds increased from \$6,141,950 at the end of 2017 to \$7,360,575 at the end of 2018
 Cash increased by \$1,017,722 to \$12,250,656 over the year



Of the total \$2,965,985 capital expenditures for 2018, \$643,739 was funded by debt, \$715,968 through grants, and \$1,606,278 from reserves and operating funds.



EMERGENCY SERVICES / FIRE DEPARTMENT

The Emergency Services department provides fire and emergency protective services to the City of Grand Forks, and the Regional District of Kootenay Boundary (Area "D") under contract.

The Chief and two Deputy Chiefs supervise a group of over 50 volunteers who provide firefighting, medical and hazardous material response, and road, high-angle rope, confined space, and swift water rescue services.

2018 Highlights

- Completed NFPA 1001 level 2 certification for six firefighters.
- Seven firefighters completed NFPA 1041 Fire Service Instructor Certification.
- Certified two live fire instructors to provide education and safety at fire training ground.
- Certified two Medical First Responder Instructors.
- Completed RFP process and awarded bid for replacement of RDKB fire engine.
- Migrated dispatch services from Trail Regional Fire Service to Kelowna Dispatch.
- Completed planning process and added additional repeater to Rhoderick Dhu mountain top to enhance communication clarity and distance in fire service area.
- Hired a Deputy Fire Chief of Prevention and Life Safety.
- Four recruit firefighters joined the fire department.



Goals for 2019

- Complete NFPA 1001 level 2 certification for five firefighters.
- Complete College of the Rockies evaluator certifications for five firefighters.
- Initiate Fire Officer 1 program for fire department officers.
- 150 Fire Prevention Inspections projected for 2019.
- Numerous Life Safety education programs and presentations to be delivered to the community and schools throughout 2019.
- Develop bylaws and policies to align with the new Fire Safety Act.
- Oversee construction of two bay addition to Carson fire hall.
- Replace fluorescent lighting with LED lighting in fire hall lower level to reduce energy consumption.



OUTSIDE WORKS

The City of Grand Forks Outside Works Department employs 17 unionized employees and two management personnel. Committed to deliver superior and economically feasible levels of service to the residents of Grand Forks, the Public Works crew manages and maintains:

- The Grand Forks Airport,
- 50 km of roads,
- 20 km of sidewalks,
- 43 km of water mains,
- 36 km of sanitary sewer mains,
- 11 km of storm sewer mains,
- 9 public parks,
- 3 km of trails,
- 22 publicly owned buildings, and
- 75 pieces of various equipment including the Fire Department fleet.

The City of Grand Forks is one of five municipalities in the province that operates its own electrical utility committed to delivering fair and equitable rates to the residents of Grand Forks.



2018 Highlights

- Adopted Urban Forest Management policy
- Supported community events
- Upgraded Dick Bartlett Park Diamond 2
- Reviewed and improved BC One Call procedure
- Educated public about water conservation and performed irrigation audits
- Designed water main rehabilitation at the airport
- Replaced one wastewater pump with a higher efficiency design
- Continued the inspection chamber program
- Hired new Power Line Technicians
- Reviewed and updated water fees and charges
- Repaired the campground after the flood
- Improved turf management practices by reviewing aeration and soil amendment programs
- Managed extensive infrastructure repairs after the flood
- Supported the Boundary Flood Recovery

2019 Goals

All departments

- Maintain or improve service levels
- Asset Management

Public Works

- Increase the protection of parks infrastructure
- Plant thirty trees downtown and twenty in the cemetery
- Continue to upgrade Dick Bartlett Park
- Ensure compliance with MIA
- Review airport management and master plan
- Reduce carbon footprint
- Improve irrigation and turf management practices
- Continue to promote airport development
- Finish upgrades to the campground

Water

- Continue to audit the well production against the metered quantity
- Educate residents about water conservation
- Improve water supply to airport and the west end
- Improve energy efficiency of well operations
- Streamline service requests
- Review water supply strategy

Waste Water

- Standardize more pumps to gain efficiency
- Continue inspection chamber program
- Continue repairing system in areas with frequent issues
- Legislated safety training and additional certification training
- Commission waste water treatment plant upgrades and UV treatment facility
- Renew old mains with relining
- Streamline service requests

Electrical

- Complete electrical distribution system condition assessment and master plan
- Install LED street lights
- Start to rebuild the Valley Heights electrical lines
- Replace end of life poles and crossarms
- Standardize poly phase electrical meters

2018 Carry Forward Projects

Silver Kettle Sidewalk
Public Works Fuel Tanks
Public Works - 22nd Street
Wayfaring Signs
Airport AWOS Upgrade
Expo Sign changes
Library HRV
Flood Plain Mapping & Risk Assessment
City Park Campground Upgrade
Data Collection Equipment
LED Street Lighting
Public Works Upgrades
Facilities Review
Annual Facility upgrades and replacement plan
Renewable energy program
Central Ave Sidewalk Replacement
7th Street Storm Sewer
SolarNow Solar Panel Installation
City Hall HVAC
Flood Plain Risk Management & Protection
Dike Reconstruction
Annual Low Impact Storm water Program
Annual Emergency Facility Fund
Fleet replacement
Electric Mower
Service Truck Replacement
Electrical Engineering
Annual Electrical System Upgrade Programs
Fuse Coordination Study and implementation
Electrical Master Plan
5th Street Watermain Replacement
West Side Fire Protection
Water Supply & Conservation
Granby Water Crossing / Yale Bridge water main
Interfor Property Isolation
Well 5 VFD
Shared Property (strata, trailers) Water Meters
Water service upgrade - City Park, 7th St., etc...
136 Sagamore/Airport Water Line Extension
Airport Water Main Looping
Water Main Airport
Sewer Main Relining
Granby River Force Main Crossing
MWR Discharge Requirements
Wastewater Treatment Plant UV
3rd Street Sewer Main Repair
Wastewater Treatment Plant Upgrades
Bio-Solids Land Application Plan



PROJECTS

2019 New Projects

- Library Roof Repairs
- Library Feasibility Study
- Facility Security Systems
- Printers and IT Equipment
- Construction Fencing
- Downtown Sidewalk Drops
- Storm Water Management Plan
- Bridge Repairs
- Command Vehicle 2 Replacement
- Recloser for FDR 5
- Electrical System Upgrades
- Valley Heights - Transformers
- Pole Changes - FDR 3 & 5
- Three Phase Meter Change
- Galvanized Main Replacement
- Inflow & Infiltration Study
- Industrial Lift Station Rebuild
- Inspection Chamber Installations
- City Park Pump Replacement
- Flood Alert Sewer Monitoring
- Emergency Repair Funds
- Emergency Gaps Funding
- SIIP Capital and Planning
- National Disaster Mitigation Plan
- Disaster Mitigation & Adaptation



PROPERTY TAX

In accordance with Division 7 of Part 7 of the Community Charter, permissive property tax exemptions by Council in 2018.

Athletic, Charitable or Philanthropic Organizations

Legal Description	Civic Address	Organization	Value of Permissive Exemption
Lot 1, Plan KAP54909, DL 380, S.D.Y.D.	7230 21st Street	Grand Forks Curling Club	\$11,752
Lot 5, Block 10, Plan KAP23, DL 108, S.D.Y.D.	366 Market Avenue	Grand Forks Masonic Building Society	\$494
Lot A, Plan KAP38294, DL 108, S.D.Y.D.	978 72nd Avenue	Sunshine Valley Child Care Society	\$2,064
Lot 8, Block 25, Plan KAP23, DL 108, S.D.Y.D.	686 72nd Avenue	Grand Forks Slavonic Senior Citizens Society	\$688
Parcel A, Plan KAP6691, DL 108, S.D.Y.D.	7239 2nd Street	Grand Forks Auxiliary to the Boundary Hospital Society	\$2,416
Lots 23, 24, 25, 26, Block 29, Plan KAP121, DL 108, S.D.Y.D.	7353 6th Street	Royal Canadian Legion Branch 59	\$3,480
Lots 10 & 17, Block 18, Plan KAP86, DL 108, S.D.Y.D.	565 71st Avenue	Grand Forks Senior Citizens Centre	\$4,097
Parcel B, Block 45, Plan KAP72, DL 108, S.D.Y.D.	876 72nd Avenue	Phoenix Manor Society	\$3,269
Lot A, Plan KAP29781, DL 108, S.D.Y.D.	7130 9th Street	Grand Forks & District Housing Society	\$1,271
Lot 1, Plan KAP59893, DL 520, S.D.Y.D.	8120 Donaldson Drive	Kootenay Boundary Animal Control	\$3,698

EXEMPTIONS

the following properties in the City of Grand Forks were provided

Hospital and Public Worship Organizations

Legal Description	Civic Address	Organization	Value of Permissive Exemption
Parcel D, Block 24, Plan KAP23, DL 108, S.D.Y.D.	7252 7th Street	Synod of the Diocese of Kootenay	\$271
Lot 1, Plan KAP45199, DL 108, S.D.Y.D.	7525 4th Street	Grand Forks Christian Centre Society	\$40
Lots 1 & 2, Block 36, Plan KAP72, DL 108, S.D.Y.D.	920 Central Avenue	Trustees of the Congregation of United Church of Canada	\$178
Lots 30, 31, 32, Block 36, Plan KAP72, DL 108, S.D.Y.D.	7249 9th Street	Roman Catholic Bishop of Nelson	\$218
Parcel A, Block 16, Plan KAP35, DL 380, S.D.Y.D.	7328 19th Street	Christ Lutheran Church of Grand Forks	\$102
Lot G, Plan KAP56079, DL 380, S.D.Y.D.	7048 Donaldson Drive	BC Conference of Mennonite Brethren Churches	\$121
Lot 2, Plan KAP53800, DL 520, S.D.Y.D.	7680 Donaldson Drive	Jehovah's Witnesses Church	\$114
Lot 1, Plan KAP8653, DL520, S.D.Y.D.	2826 75th Avenue	Pentecostal Assemblies of Canada	\$86
Lot 1, Plan KAP27903, DL 585, S.D.Y.D.	7850 2nd Street	Grand Forks Baptist Church	\$626

Declaration of disqualified council members

There were no disqualified Council members in 2018

Financial Statements of

THE CORPORATION OF THE CITY OF GRAND FORKS

For the Year Ended December 31, 2018

THE CORPORATION OF THE CITY OF GRAND FORKS
Index to Financial Statements
For the Year Ended December 31, 2018

	Page
Management Report	2
Independent Auditor's Report	3-4
Financial Statements	
Statement of Financial Position	5
Statement of Operations and Accumulated Surplus	6
Statement of Changes in Net Financial Assets	7
Statement of Cash Flow	8
Notes to the Financial Statements	9-24
Other Financial Information	
1. Schedule of Segmented Information	25
2. Schedule of Tangible Capital Assets	26


THE CORPORATION OF THE CITY OF GRAND FORKS

Management Report

Management is responsible for the preparation of the accompanying financial statements. The financial statements have been prepared in accordance with the accounting principles disclosed in note 2 to the financial statements, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management has established and maintained a system of internal accounting controls which are designed to provide reasonable assurance that assets are safeguarded, transactions are authorized and recorded properly, and reliable financial information is produced.

The independent external auditors, KH Burch Kientz Inc., have conducted an independent examination in accordance with Canadian auditing standards and expressed their opinion in the accompanying report.



Juliette Rhodes

Chief Financial Officer



KH BURCH KIENTZ INC.

Chartered Professional Accountants

J.R. (Jim) Burch, FCPA, FCGA
Sylvia Burch, CPA, CGA
K. Sarah Kientz, BBA(App), CPA, CGA

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STRENGTH IN NUMBERS

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of The Corporation of the City of Grand Forks

Report on the Financial Statements

Opinion

We have audited the financial statements of The Corporation of the City of Grand Forks (the City), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2018, and the results of its operations and its 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 Financial Statements section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statement

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 City'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 City'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 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 City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

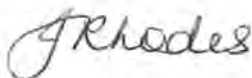
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grand Forks, British Columbia
May 10, 2019

KH Burch Kientz Inc.
CHARTERED PROFESSIONAL ACCOUNTANTS

THE CORPORATION OF THE CITY OF GRAND FORKS
Statement of Financial Position

As at December 31	2018	2017
Financial Assets		
Cash (note 3)	\$ 12,250,656	\$ 11,232,934
Accounts receivable (note 5)	3,914,251	2,581,974
Municipal Finance Authority deposit (note 6)	31,950	31,269
Inventories for resale	41,321	16,127
Land held for resale	211,036	211,036
Lease receivable (note 7)	70,175	92,858
	16,519,389	14,166,198
Liabilities		
Accounts payable and accrued liabilities (note 8)	2,712,519	1,682,291
Employee future benefits (note 9)	329,159	320,381
Deferred revenues (note 10)	686,018	468,036
Temporary loan (note 11)	1,944,280	1,372,794
Development cost charges (note 12)	552,362	526,437
Long-term debt (note 13)	1,873,380	2,158,533
	8,097,718	6,528,472
Net financial assets	8,421,671	7,637,726
Non-financial assets		
Prepaid expenses	264,586	193,428
Inventory of parts and supplies	131,295	112,164
Tangible capital assets (note 14)	29,571,809	28,510,664
	29,967,690	28,816,256
Accumulated surplus (note 15)	\$ 38,389,361	\$ 36,453,982



Juliette Rhodes, CPA, CGA
 Chief Financial Officer



Brian Taylor
 Mayor, City of Grand Forks

The accompanying notes are an integral part of these financial statements.

CORPORATION OF THE CITY OF GRAND FORKS
Statement of Operations and Accumulated Surplus

<i>For the year ended December 31</i>	2018 Budget	2018 Actual	2017 Actual
Revenue			
Property taxation (note 16)	\$ 4,082,792	\$ 4,083,308	\$ 3,974,380
Sales of services (note 17)	7,528,719	7,965,414	7,524,444
Other revenues (note 18)	671,671	1,565,493	428,981
Government transfers (note 19)	5,967,142	2,418,618	2,477,260
Contributions from others	34,000	22,707	159,700
Interest income	171,000	222,628	149,373
Investment income on sinking fund	-	35,676	29,978
Gain on disposal of tangible capital assets	-	59,315	7,200
	<u>18,455,324</u>	<u>16,373,159</u>	<u>14,751,316</u>
Expenses			
General government	1,296,871	1,137,070	1,138,176
Protective services	926,782	881,668	845,992
Disaster response and recovery	-	1,862,326	100,078
Environmental health services	236,145	245,383	218,292
Public health and welfare	84,823	45,435	79,663
Planning and development	445,400	327,647	388,270
Transportation services	1,256,315	1,308,015	1,017,610
Recreation and cultural services	1,075,235	906,579	829,352
Public real estate	315,705	238,414	257,406
Electrical services	4,132,082	4,259,503	4,085,016
Water services	822,067	663,709	720,476
Wastewater services	700,468	702,991	717,674
Debt interest	132,727	134,259	122,894
Amortization	1,867,611	1,724,781	1,775,155
	<u>13,292,231</u>	<u>14,437,780</u>	<u>12,296,054</u>
Annual Surplus	5,163,093	1,935,379	2,455,262
Accumulated surplus, beginning of year	<u>36,453,982</u>	<u>36,453,982</u>	<u>33,998,720</u>
Accumulated surplus, end of year	<u>\$ 41,617,075</u>	<u>\$ 38,389,361</u>	<u>\$ 36,453,982</u>

The accompanying notes are an integral part of these financial statements.

CORPORATION OF THE CITY OF GRAND FORKS
Statement of Changes in Net Financial Assets

<i>For the year ended December 31</i>	2018 Budget	2018 Actual	2017 Actual
Annual Surplus	\$ 5,163,093	\$ 1,935,379	\$ 2,455,262
Acquisition of tangible capital assets	(11,197,382)	(2,965,985)	(2,982,952)
Amortization of tangible capital assets	1,867,611	1,724,781	1,775,155
Gain on sale of assets	-	(59,315)	(7,200)
Proceeds from sale of assets	-	239,374	10,700
Net change in prepaid expenses and supplies inventory	-	(90,289)	73,063
Increase in Net Financial Assets	(4,166,678)	783,945	1,324,028
Net Financial Assets, beginning of year	7,637,726	7,637,726	6,313,698
Net Financial Assets, end of year	\$ 3,471,048	\$ 8,421,671	\$ 7,637,726

The accompanying notes are an integral part of these financial statements.

CORPORATION OF THE CITY OF GRAND FORKS
Statement of Cash Flow

<i>For the year ended December 31</i>	2018	2017
Operating transactions		
Annual surplus	\$ 1,935,379	\$ 2,455,262
Adjustment for non-cash items		
Amortization	1,724,781	1,775,155
Gain on disposal of tangible capital assets	(59,315)	(7,200)
(Increase) decrease in prepaid expenses	(71,158)	35,362
(Increase) decrease in supplies inventory	(19,131)	37,701
(Increase) decrease in assets		
Accounts receivable	(1,332,277)	(282,404)
Lease receivable	22,683	21,674
MFA deposits	(681)	(598)
Inventories for resale	(25,194)	24,309
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	1,030,227	364,652
Deferred revenue	217,982	134,692
Employee future benefits	8,778	(18,123)
Deferred development cost charges	25,925	11,037
	<u>3,457,999</u>	<u>4,551,519</u>
Capital transactions		
Acquisition of tangible capital assets	(2,965,985)	(2,982,952)
Proceeds on disposal of tangible capital assets	239,374	10,700
	<u>(2,726,611)</u>	<u>(2,972,252)</u>
Financing transactions		
Proceeds from borrowing	643,739	188,534
Repayment of short-term debt	(72,253)	(62,329)
Repayment of long-term debt	(251,111)	(251,630)
Actuarial adjustments on long term debt	(34,041)	(28,408)
	<u>286,334</u>	<u>(153,833)</u>
Net increase in cash	1,017,722	1,425,434
Cash, beginning of year	<u>11,232,934</u>	<u>9,807,500</u>
Cash, end of year	<u>\$ 12,250,656</u>	<u>\$ 11,232,934</u>

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE CITY OF GRAND FORKS

Notes to the Financial Statements

For the year ended December 31, 2018

The notes to the financial statements are an integral part of these statements. They explain the significant accounting and reporting policies and the principles that form the basis of these financial statements, as well as providing supplementary information and explanations which cannot be conveniently integrated into the statements.

1. Nature of Entity

The Corporation of the City of Grand Forks ("the City") was incorporated in 1897 under the Municipal Act (now a combination of the Community Charter and the Local Government Act), a statute of the Province of British Columbia. Its principal activities include the provision of local government services to the residents of the incorporated area. These services include protective, community planning, transportation, recreational, solid waste collection, water, wastewater and electrical services.

2. Significant Accounting Policies

Basis of Presentation

The financial statements are the responsibility of and are prepared by management in accordance with Canadian Public Sector Accounting Standards and prescribed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

The City's operations and resources are segregated into various funds for accounting and financial reporting purposes, with each fund treated as a separate entity with responsibility for the assets allocated to it. Inter-fund transactions and balances have been eliminated in the preparation of these financial statements.

The City's funds are classified as follows:

i) Operating Funds

These funds include the general, electrical, water, and wastewater operations of the City, and are used to record the operating costs associated with providing those services.

ii) Capital Funds

The capital funds record the acquisition costs of various capital assets and financing related to these assets. They include the general, electrical, water, and wastewater capital funds.

iii) Reserve Funds

Under the Community Charter, City Council may, by bylaw, establish reserve funds for specific purposes. Money in a reserve fund and the interest earned thereon must be used only for the purpose for which the fund was established. If the amount in a reserve fund exceeds the amount required, City Council may, by bylaw, transfer all or part of the balance to another reserve.

iv) Trust Funds

These funds hold cash assets that must be used for specific purposes and/or beneficiaries according to agreements or legislated requirements. The City administers trust funds for its Employee Assistance Program, Slag Remediation, and Cemetery Care Fund. In accordance with public sector accounting standards, trust funds administered by the City are not included in the City's financial statements, other than as disclosed in Note 21.

Budget Figures

The budget figures are from the 5-Year Financial Plan Bylaw, No. 2045 which was adopted on April 9, 2018. Subsequent budget amendments adopted by Council have not been included in these financial statements.

THE CORPORATION OF THE CITY OF GRAND FORKS

Notes to the Financial Statements

For the year ended December 31, 2018

Revenue Recognition

Taxation revenues are recorded upon issuance of the annual property tax notices in May. Revenues from the sale of services and user fees are recognized when the service or product is provided by the City. Franchise and other revenues are recorded as they are earned and measurable. Amounts that have been received in advance of services being rendered are recorded as deferred revenue until the City fulfills its obligations related to the provision of those services.

Transfers from other governments are recognized as revenue in the period that the transfer is authorized, eligibility criteria have been met, and a reasonable estimate of the amount can be made. If transfer agreements contain stipulations that would give rise to obligations which meet the definition of a liability, revenue is deferred and recognized as the stipulations are met.

Insurance proceeds are recognized when the amount of recovery is determinable and there is a high degree of certainty with respect to the receipt of funds.

Investment income is recorded on the accrual basis and recognized when earned.

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue. The associated revenue is recognized in the year in which it is used for the specified purpose.

Expenses

Expenses are generally recognized as they are incurred based upon receipt of the goods and services and/or a legal obligation to pay is established.

Financial Instruments

The City's financial instruments consist of cash, deposits, accounts receivable, accounts payable and accrued liabilities, and short and long-term debt.

Inventories for Resale

Inventories for resale consist of aviation fuel which is held at the lower of historical and replacement cost, using a weighted average basis.

Land Held For Resale

Land held for resale is recorded at cost, including transaction fees directly attributable to the acquisition and improvements to prepare the land for sale. Donated land for resale has been recorded at a nominal value where its historical value is unknown.

Lease Receivable

Leases receivable are initially recorded at cost. Valuation allowances are made when collection is in doubt. Interest revenue in relation to the lease is recorded at the time it is received.

Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

THE CORPORATION OF THE CITY OF GRAND FORKS
Notes to the Financial Statements

For the year ended December 31, 2018

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the City is directly responsible or accepts responsibility, and a reasonable estimate of the amount can be made.

The liability includes costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring.

Inventory of Parts and Supplies

Inventories held for consumption include materials and repair parts held for use by the electrical utility, fuel for consumption and other items used in operations, and are valued at the lower of cost or net realizable value.

Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset, but excluding interest. The cost of tangible capital assets is amortized on a straight-line basis over the estimated useful life of the asset as follows:

General Capital Fund	Estimated Useful Life
Land	Not amortized
Land Improvements	20 - 50 years
Buildings	40 - 50 years
Engineering Structures	10 - 50 years
Machinery & Equipment	3 - 25 years
Vehicles	8 - 40 years
Electrical System Capital Fund	
Electrical infrastructure	5 - 40 years
Water System Capital Fund	
Water infrastructure	10 - 50 years
Wastewater System Capital Fund	
Wastewater infrastructure	10 - 50 years

Donated tangible capital assets are recorded at their fair value at the date of receipt.

Work in progress, which represents capital projects under construction but not yet completed, is not amortized until construction is complete and the asset is available for productive use.

Tangible capital assets that are demolished or destroyed are written off.

Long-Term Debt

Outstanding long-term debt is reported net of applicable sinking fund balances.

Debt Charges

Interest on debt is charged to current operations. Interest charges are accrued for the period from the date of the latest interest payment to the end of the year.

THE CORPORATION OF THE CITY OF GRAND FORKS
Notes to the Financial Statements

For the year ended December 31, 2018

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the financial reporting period. Significant areas requiring the use of estimates include the determination of accrued payroll liabilities and employee future benefits, tangible capital asset useful lives and amortization expense, amounts receivable from insurance, and provisions for contingencies. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. Cash

Cash is comprised of unrestricted cash for operations and restricted cash for reserve funds and deferred development cost charges which are held in segregated accounts.

	2018	2017
Restricted cash		
Statutory Reserves	\$ 6,295,814	\$ 6,637,989
Restricted Revenues (see Note 12)	552,362	526,437
	6,848,176	7,164,426
Unrestricted cash	5,402,480	4,068,508
Total cash	\$ 12,250,656	\$ 11,232,934

4. Operating Line of Credit

The City has an operating line of credit with Grand Forks Credit Union for an authorized amount of \$2,000,000, bearing interest at the base lending rate less 0.5%. At December 31, 2018, the balance outstanding on the operating line of credit was nil (2017 - nil).

5. Accounts Receivable

Accounts receivable are recorded net of allowances and comprise the following:

	2018	2017
Property taxes	\$ 736,149	\$ 844,956
Utility accounts receivable	1,538,534	1,373,347
Due from other governments	933,439	308,356
Trade and other receivables	706,129	55,315
	\$ 3,914,251	\$ 2,581,974

6. Municipal Finance Authority Debt Reserve Fund

The Municipal Finance Authority (MFA) provides capital funding for regional districts and their member municipalities through the issuance of debenture debt. The Debt Reserve Fund established by the Municipal Finance Authority is security held in trust to meet its obligations to debenture holders.

THE CORPORATION OF THE CITY OF GRAND FORKS
Notes to the Financial Statements

For the year ended December 31, 2018

Municipalities sharing in the proceeds of a debt issue are required to contribute certain amounts to the debt reserve fund in the form of cash withheld from the loan proceeds and a non-interest bearing demand note. Monies paid into the Debt Reserve Fund are obligations of the Municipal Finance Authority and are refunded, with interest, upon maturity of the debt.

Only the cash portion of MFA deposits is included as a financial asset. The demand notes are contingent in nature and not reflected in the financial statements.

The details of the cash deposits and demand notes at year end are as follows:

	Demand Notes	Cash Deposits	2018	2017
General Fund	\$ 28,501	\$ 7,458	\$ 35,959	\$ 35,800
Wastewater Fund	52,184	24,492	76,676	76,154
	<u>\$ 80,685</u>	<u>\$ 31,950</u>	<u>\$ 112,635</u>	<u>\$ 111,954</u>

7. Lease Receivable

The City has entered into a long-term capital lease agreement with the Regional District of Kootenay Boundary for the lease of a building and lands. The term of the agreement is 12 years commencing August 1, 2010, with annual payments of \$27,000 including interest at 4.65%. Interest of \$4,318 (2017 - \$5,326) was received during the year.

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities comprise the following:

	2018	2017
Wages and benefits	\$ 516,561	\$ 441,220
Trade payables	2,030,923	1,059,342
Other taxing authorities	154,089	169,149
Accrued interest	<u>10,946</u>	<u>12,580</u>
	<u>\$ 2,712,519</u>	<u>\$1,682,291</u>

9. Employee Future Benefits

The City provides sick leave and certain other benefits to its unionized employees upon retirement. The liabilities and expenses for post-employment sick leave benefits are recognized in the financial statements in the period in which they are earned, and as at the end of 2018 are fully accrued to the level of the employees' current accumulated entitlement. These amounts will require funding in future accounting periods as cash payments are made to employees retiring from service.

Expenses for management sick time are not accrued, but recognized at the time they are paid.

10. Deferred Revenues

The City records deferred revenue for funds received in advance of services being rendered. These amounts are shown as liabilities until the services are rendered or related costs are incurred.

THE CORPORATION OF THE CITY OF GRAND FORKS
Notes to the Financial Statements

For the year ended December 31, 2018

Deferred Revenues

	Balance, Beginning of Year	Contributions Received/ Returned	Revenue Earned	Balance, End of Year
Prepaid taxes	276,213	310,080	(276,213)	310,080
Prepaid utilities	45,427	52,334	(45,427)	52,334
Library maintenance contract	31,558	13,000	(8,667)	35,891
Grants	35,728	822,825	(575,180)	283,373
Deposits and other	79,110	(54,940)	(19,830)	4,340
	468,036	1,143,299	(925,317)	686,018

11. Temporary Loan

In 2012, the City completed the approval process for two long-term loans of up to \$1,300,000 and \$4,200,000 with the Municipal Finance Authority for the capital funding of emergency water supply for fire flow protection and renewal of road, water, and wastewater infrastructure.

The City passed temporary borrowing bylaws for these loans, authorizing interim financing with the Municipal Financing Authority up to the total amount of the loans. These interim loans are demand, non-revolving loans, bearing daily interest at a floating rate which is currently at approximately 2.48% per annum. As security, the City has issued promissory notes which require the repayment of principal by September 30, 2019, should the interim loans not be converted to long-term debt prior to that date.

	Authorized Amount	Balance, Beginning of Year	Principal Repayment	Additional Drawdown	Balance End of Year	Interest Payments	
						2018	2017
Bylaw 1950	\$ 1,300,000	352,183	(18,536)	70,390	404,037	7,740	5,726
Bylaw 1998	\$ 4,200,000	1,020,611	(53,717)	573,349	1,540,243	22,459	13,627
	\$ 5,500,000	1,372,794	(72,253)	643,739	1,944,280	30,199	19,353

12. Deferred Development Cost Charges (DCCs)

Pursuant to the provisions of the Local Government Act, development cost charges are held in separate reserve funds for the purpose for which the charges have been imposed. When the related costs are incurred, the DCCs are recognized as revenue. Due to the restrictive nature of these funds, they are shown as liabilities.

	2018	2017
Balance, beginning of year	\$ 526,437	\$ 515,399
Contributions from developers	15,708	4,812
Interest on investments	10,217	6,226
Balance, end of year	\$ 552,362	\$ 526,437

THE CORPORATION OF THE CITY OF GRAND FORKS
Notes to the Financial Statements

For the year ended December 31, 2018

The balance of deferred development cost charges comprises the following:

	2018	2017
Water development cost charges	\$ 198,952	\$ 187,277
Wastewater development cost charges	350,896	336,693
Parkland development cost charges	2,514	2,467
	\$ 552,362	\$526,437

13. Long-Term Debt

The City has financed certain capital expenditures by means of long-term debenture debt obtained from the Municipal Finance Authority through the Regional District of Kootenay Boundary. These loans range in term from ten to twenty years, with maturity dates from 2019 to 2033. The terms of the loan agreement require the City to provide security in the form of demand notes payable to the MFA and to deposit cash representing 1% of the gross proceeds into a debt reserve fund (see note 6).

The City has also funded the purchase of assets through the MFA's equipment financing program, which takes the place of the former MFA leasing program. This debt consists of a five-year loan payable in monthly installments at a variable interest rate based on the monthly Canadian Dealer Offered Rate. The City has signed a promissory note payable to the MFA as security for this loan.

	Current Interest Rate	Term	Maturity	Balance, Beginning of Year	Payments of Principal	Actuarial Adjustment	Balance, End of Year	2018 Interest
General capital fund								
Roads								
Bylaw 1863; MFA Issue #106	4.13%	10 yrs	2019	\$ 116,269	\$ 41,646	\$ 15,349	\$ 59,274	\$ 20,650
Roads - NW 79th Bylaw 1887; MFA Issue #112	3.73%	15 yrs	2025	42,389	3,496	\$ 1,105	37,788	\$ 2,611
Sewer capital Fund								
Ruckle Lift Station								
Bylaw 1498; MFA Issue #70	2.30%	20 yrs	2019	28,759	6,495	\$ 7,566	14,698	\$ 4,115
City Park Lift Station Bylaw 1873; MFA Issue #126	3.85%	20 yrs	2033	1,506,377	59,000	\$ 10,022	1,437,355	\$ 67,641
Long term loan financing				\$ 1,693,794	\$ 110,637	\$ 34,042	\$ 1,549,115	\$ 95,017
Equipment financing								
2015 Cobra Ladder Truck MFA Loan #0001-0								
	2.48%	5 yrs	2021	\$ 464,739	\$ 140,474	\$ -	\$ 324,265	\$ 9,043
Total Long Term Debt				\$ 2,158,533	\$ 251,111	\$ 34,042	\$ 1,873,380	\$ 104,060

THE CORPORATION OF THE CITY OF GRAND FORKS
Notes to the Financial Statements

For the year ended December 31, 2018

The estimated requirements for future repayments of principal on existing debt for the next five years are as follows:

	2019	2020	2021	2022	2022
General Fund	\$ 45,141	\$ 3,496	\$ 3,496	\$ 3,496	\$ 3,496
Sewer Fund	65,496	59,000	59,000	59,000	59,000
Equipment Financing	143,000	146,675	34,591	-	-
	<u>\$ 253,637</u>	<u>\$ 209,171</u>	<u>\$ 97,087</u>	<u>\$ 62,496</u>	<u>\$ 62,496</u>

14. Tangible Capital Assets

Tangible capital assets consist of the following:

	Net Book Value 2018	Net Book Value 2017
General Capital Fund		
Land	\$ 1,643,339	\$ 1,672,841
Land improvements	387,590	398,234
Buildings	2,680,522	2,908,463
Machinery and equipment	618,420	766,416
Engineering structures	8,378,989	8,221,448
Storm structures	14,280	15,172
Protective services vehicles	1,137,117	1,221,730
Public works vehicles	1,097,795	792,399
Assets under construction	462,706	552,886
	<u>16,420,758</u>	<u>16,549,589</u>
Water Utility		
Plant and equipment	4,701,436	4,152,066
Assets under construction	90,528	733,418
	<u>4,791,964</u>	<u>4,885,484</u>
Electrical Utility		
Plant and equipment	1,987,284	996,179
Assets under construction	167,509	651,375
	<u>2,154,793</u>	<u>1,647,554</u>
Wastewater Utility		
Plant and equipment	4,156,086	3,903,849
Assets under construction	2,048,208	1,524,188
	<u>6,204,294</u>	<u>5,428,037</u>
Total Tangible Capital Assets	<u><u>\$ 29,571,809</u></u>	<u><u>\$ 28,510,664</u></u>

THE CORPORATION OF THE CITY OF GRAND FORKS
Notes to the Financial Statements

For the year ended December 31, 2018

15. Accumulated surplus comprises the following:

	2018	2017
Operating Fund	\$ 5,261,329	\$ 5,296,365
Statutory Reserves		
Capital	3,974,336	4,221,839
Community works gas tax	736,243	606,204
Slag sales	718,584	529,716
Equipment replacement	60,153	326,439
Land sales	469,740	250,698
Water capital	269,536	97,645
Electrical capital	1,050,990	50,011
Climate action	30,159	38,959
Wastewater capital	46,562	16,248
Cash in lieu of parking	4,272	4,191
	\$ 7,360,575	\$ 6,141,950
Non-Statutory Reserves		
Election reserve	-	25,000
Fire department - EOC reserve	13,308	11,330
	\$ 13,308	\$ 36,330
Investment in Non-Financial Assets		
Investment in capital assets	25,754,149	24,979,337
	\$ 38,389,361	\$ 36,453,982

16. Property Tax Revenues

Municipal taxation revenues comprise the following:

	2018	2017
Property taxes	\$ 3,805,740	\$ 3,693,713
Parcel and frontage taxes	161,047	161,484
1% utilities tax	99,895	102,534
Grants and payments in lieu of taxes	16,626	16,649
	\$ 4,083,308	\$ 3,974,380

THE CORPORATION OF THE CITY OF GRAND FORKS
Notes to the Financial Statements

For the year ended December 31, 2018

17. Sale of Services

	2018	2017
Electrical utility user fees	\$ 5,606,109	\$5,141,344
Water utility user fees	942,198	910,387
Wastewater utility user fees	897,740	887,342
Slag sales	199,426	215,208
Solid waste collection	230,116	233,845
Cemetery	23,461	36,196
Airport (net of cost of fuel sold)	41,167	28,778
Campground fees	6,717	59,107
Sundry and other	18,480	12,237
	<u>\$ 7,965,414</u>	<u>\$ 7,524,444</u>

18. Other Revenues

	2018	2017
Insurance recoveries	\$ 1,129,289	\$ -
Penalties and interest	104,165	111,765
Leases and rentals	104,907	105,919
Licences and permits	69,799	58,488
Donations and grants	57,165	58,464
Franchise fees	63,958	54,049
Other recoveries	14,483	29,847
Other revenues	21,727	10,449
	<u>\$ 1,565,493</u>	<u>\$ 428,981</u>

19. Government Transfers

In 2018 the City received and recorded the following transfers from other governments:

	2018	2017
Operating transfers		
Federal	\$ -	\$ 100,000
Provincial	1,202,301	707,615
Regional	282,875	226,179
	<u>\$ 1,485,176</u>	<u>\$ 1,033,794</u>
Capital transfers		
Federal	\$ 284,278	\$ 222,942
Provincial	649,164	1,220,524
	<u>\$ 933,442</u>	<u>\$ 1,443,466</u>
Total government transfers	<u>\$ 2,418,618</u>	<u>\$ 2,477,260</u>

THE CORPORATION OF THE CITY OF GRAND FORKS
Notes to the Financial Statements

For the year ended December 31, 2018

20. Reconciliation to Budget

The following reconciles the balanced statutory budget adopted by Council on April 9, 2018 with the budgeted surplus reported on the statement of operations and accumulated surplus:

Budget surplus as per the statement of operations and accumulated surplus	\$ 5,163,093
Add: Budgeted amortization expense	1,867,611
Budgeted transfer from reserves	3,005,929
Debt proceeds	1,484,854
Subtract: Debt principal repayments	(324,105)
Tangible capital asset expenditures	(11,197,382)
Surplus as per Financial Plan Bylaw No. 2045	<u>\$ -</u>

21. Trust Funds

Funds held in trust and administered by the City, which are not included in these consolidated financial statements, include the following:

Fund Balance	2018	2017
Cemetery Care Fund	\$ 167,472	\$ 160,722
Employee Assistance Program	8,879	8,115
Slag Remediation Trust	<u>20,569</u>	<u>20,185</u>
	<u>\$ 196,920</u>	<u>\$ 189,022</u>

22. Liability for Contaminated Sites

Management has prepared an inventory of sites that are no longer in productive use. These sites have been evaluated by management to be at low risk of contamination exceeding applicable environmental standards which would require remediation. Therefore, no liability has been recognized and included in these financial statements.

23. Contingent Liabilities

Regional District of Kootenay Boundary

Under the provisions of the *Local Government Act*, Regional District debt is a direct, joint and several liability of the Regional District and each member municipality including the City. The loan agreements with the Municipal Finance Authority provide that if at any time the scheduled payments provided for in the agreements are not sufficient to meet the Authority's obligation with respect to such borrowing, the resulting deficiency becomes the liability of the member municipalities.

Legal Actions

The City is currently engaged in certain legal actions, the outcome of which is not determinable at this time. Accordingly, no provision has been made in the accounts for these actions. The amount of loss, if any, arising from these actions will be recorded in the accounts in the period in which the loss is realized.

THE CORPORATION OF THE CITY OF GRAND FORKS

Notes to the Financial Statements

For the year ended December 31, 2018

Pension Liability

The City 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 assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2017, 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 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 actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent 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 paid \$294,123 (2017 - \$280,464) for employer contributions 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 fiscal 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 individual employers participating in the plan.

24. Commitments

The City has entered into an agreement with School District No. 51 for the latter to provide technical and operational support for the City's computer and telephone network systems. Under the terms of the agreement, the City has agreed to pay \$65,000 in 2019, and a further \$45,000 per year from 2020 to 2023 for these services.

25. Contingent Assets

The Local Government Act provides the City with the authority to recover outstanding property taxes through a public auction of properties which have three years of unpaid taxes. Properties which do not sell at auction will be transferred to the municipality if not redeemed within one year of the annual tax sale date. In September 2018, the City was declared the purchaser of a property with an assessed land value of \$44,800, which will transfer to the City if redemption is not made prior to October 2019.

The City is in the process of negotiating property rental agreements with two parties which it anticipates will be completed in early 2019. Under these agreements, annual revenues would be in the range of \$60,000 to \$79,000 for each of the next five years.

THE CORPORATION OF THE CITY OF GRAND FORKS
Notes to the Financial Statements

For the year ended December 31, 2018

26. Contractual Rights

The City has entered into property lease and utility franchise and pole agreements in terms ranging from two to twenty years, The City has contractual rights to receive the following estimated payments with respect to these agreements for the next five years:

2019	\$ 124,608
2020	124,428
2021	110,477
2022	110,477
2023	<u>106,427</u>
Total	\$576,417

On November 1, 2006, the City entered into a twenty-five year agreement to provide fire protection services for the Grand Forks Rural Fire Protection District. Under the terms of the agreement, the Fire Protection District will contribute towards a share of the City's operating costs for the municipal fire department. \$240,648 of revenue was recorded in 2018 for the portion of municipal operating costs shared with the district.

The City has entered into funding agreements with the Federal and Provincial governments with respect to various City infrastructure projects. To date, grant revenue of \$1,699.856 has been recognized based on eligible expenditures, leaving \$2,228,310 of revenue to be realized as the remaining expenditures are incurred over the next two years, as follows:

New Building Canada Fund	\$ 258,196
Clean Water and Wastewater Fund	1,745,692
Strategic Priorities Fund	172,628
Community Emergency Preparedness Fund	51,794

The City is also expected to receive approximately \$1,287,000 of grant funding from 2019 to 2023 under the Community Works stream of the Federal Gas Tax Fund Agreement.

27. Future Accounting Changes

PS 3400 - Revenues

This new Section establishes standards on how to account for and report on revenue, specifically with respect to differentiation between revenue arising from transactions that include performance obligations (exchange transactions) and those that do not have performance obligations (unilateral transactions). A performance obligation is an enforceable promise to provide specific goods or services to a specific payor, and can take many forms. This Section applies to fiscal years beginning on or after April 1, 2022, with earlier adoption permitted.

PS 3430 - Restructuring Transactions

This new section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. A restructuring transaction is defined as a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities without consideration based primarily on the fair value of the assets and liabilities being transferred. This Section applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.

THE CORPORATION OF THE CITY OF GRAND FORKS

Notes to the Financial Statements

For the year ended December 31, 2018

PS 2601 - Foreign Currency Translation

This section applies to transactions which are denominated in a currency other than its reporting currency, including those which arise when a government borrows or lends funds for which the amounts payable or receivable are denominated in a foreign currency, or when it becomes party to a contract involving foreign currencies. This section revised and replaces the existing section PS 2600 *Foreign Currency Translation* and applies to fiscal years beginning on or after April 1, 2019, with early adoption permitted.

PS 3450 - Financial Instruments

This section establishes standards for recognizing and measuring all types of financial instruments, including derivatives. Financial instruments include primary instruments, such as receivables, payables and equity instruments, as well as derivatives such as financial options, futures and forwards, interest rate swaps and currency swaps. This section applies to fiscal years beginning on or after April 1, 2019, with early adoption permitted.

PS 3041 - Portfolio Investments

This section establishes standards on accounting and reporting for portfolio investments, Portfolio investments are investments in organizations which do not form part of the government reporting entity, such as equity or debt instruments issued by the investee. This section revises and replaces section PS 3040 *Portfolio Investments* and section PS 3030 *Temporary Investments* and applies to fiscal years beginning on or after April 1, 2019, with early adoption permitted.

PS 1201 - Financial Statement Presentation

This section introduces a new statement of remeasurement gains and losses to report the accumulated and annual impact of:

- unrealized gains and losses for financial instruments in the fair value category unless subject to external restrictions and unrealized foreign currency gains and losses
- amounts reclassified to the statement of operations upon derecognition or settlement
- other comprehensive income from GBEs and GBPs consolidated using the modified equity method.

This new section revises and replaces the existing PS 1200 *Financial Statement Presentation*, and must be adopted at the same time as PS 2601, PS 3041, and PS 3450.

28. Impact of the Boundary Region Floods

On May 10/11, 2018 a major flood event occurred in the Kootenay Boundary Regional District, impacting more than two hundred and fifty properties within the municipal boundaries, and causing considerable damage to several City owned properties and municipal infrastructure.

The City incurred \$558,753 of flood emergency preparedness and response expenses, with \$461,207 of related revenue recoverable from Emergency Management BC. \$91,424 of this amount was received prior to December 31, 2018, with the remaining \$369,783 included in accounts receivable at year end.

During the year, the City completed a substantial amount of building and infrastructure repairs, most of which will be reimbursed by the City's insurance provider and the Government of British Columbia's Disaster Financial Assistance Program. \$1,199,558 of repair and remediation expenses were incurred to December 31, 2018, with \$1,183,855 of associated revenue recognized during the same period. The City received \$548,856 in insurance proceeds during the year.

THE CORPORATION OF THE CITY OF GRAND FORKS

Notes to the Financial Statements

For the year ended December 31, 2018

As a result of the flood, the City wrote off \$19,988 in capital assets and incurred a loss of \$125,719 in municipal utility and campground revenues. \$42,868 of this revenue amount is recoverable through insurance proceeds and therefore has been included in accounts receivable.

In July 2018, the City submitted an Expression of Interest to Infrastructure Canada for grant funding through the Disaster Mitigation and Adaptation Fund to finance flood protection and natural infrastructure projects in the flood impacted areas. Subsequent to year end, the City tendered a full application under this program for \$49.9 million in projects to be undertaken over the five year period from April 2019 to March 2024. As part of the application process, expenses of \$104,016 were incurred in 2018, to be funded by Emergency Management BC. The equivalent amount of revenue and accounts receivable have been included in the 2018 financial results.

29. Segmented Information

The City's operations and activities are organized into various funds and departments for management reporting. The costs related to the provision of services within a particular department or fund are disclosed in the segmented information presented below.

The General Fund includes services provided by the City such as general government services, protective services, development services, recreation and culture, transportation services and public works, and environmental health and public health services. The utility operations are comprised of the water, electrical and wastewater utilities, each accounting for its own operations and programs within their own funds.

Revenues within the General Fund have been allocated to the various activities where they are directly attributable to that department. Taxation and other revenues which are not directly related to a particular activity are reported under General Government Services and have not been apportioned to the other departments within the General Fund.

General Government Services

General government operations are primarily funded by property taxation. The expenses within the department include those for legislative, general administration, finance, and communications.

Protective Services

Protective services are comprised of fire protection services, building inspection, bylaw enforcement, and victim services. Grand Forks Fire/Rescue provides fire and emergency services to both the City and rural area through a contract for services with the Regional District of Kootenay Boundary.

Environmental and Public Health Services

Environmental Health services include solid and yard waste collection services contracted through agreement between the City and the Regional District Of Kootenay Boundary.

Public Health services relate to operation and maintenance of the cemetery.

THE CORPORATION OF THE CITY OF GRAND FORKS

Notes to the Financial Statements

For the year ended December 31, 2018

Planning and Development Services

The Planning and Development services department provides engineering services support to facilities, parks, roads, water, wastewater and electrical for infrastructure projects, as well as planning support for subdivisions and development, ensuring compliance with zoning and land use provisions of the community plan.

Transportation Services and Public Works

The transportation and Public Works segment includes costs for the maintenance of city streets and sidewalks, snow removal services, airport operations, maintenance and operation of the vehicle fleet, and general administrative costs for Public Works.

Recreation and Cultural Services

This segment includes costs related to the maintenance and repair of publicly owned buildings, in addition to costs for operation of parks and the City campground, and for community events support and fee for service agreements.

Electrical Utility

This segment includes all of the operating activities related to the provision of electrical services to the majority of properties within the City boundaries. Electricity is purchased from the FortisBC Inc. electrical utility for resale to the City's customers, while services are provided by the City's own electrical crews.

Water Utility

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

Wastewater Utility

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

30. Comparative Figures

Certain of the comparative figures have been restated to conform to the current year's presentation.

CORPORATION OF THE CITY OF GRAND FORKS
Schedule of Segmented Information

December 31, 2018

	General Fund						Electrical Utility	Water Utility	Wastewater Utility	2018 Total	2017 Total
	General Government Services	Protective Services	Environment and Public Health	Development Services	Public Works & Transportation Services	Recreation Culture & Public Real Estate					
Revenue											
Taxation	4,077,268							6,040		4,083,308	3,974,380
Sale of services	209,540		253,577		41,167	15,083	5,606,109	942,198	897,740	7,965,414	7,524,444
Other revenues	237,907		1,205			1,290,860	26,110	4,667	4,744	1,565,493	782,919
Government transfers	849,813	863,354			97,434				608,017	2,418,618	2,123,322
Contributions from others						22,707				22,707	159,700
Interest income	222,106								522	222,628	149,373
Investment income	16,991								18,685	35,676	29,978
Gain on disposal of assets					(145,682)	224,986	(10,388)		(9,601)	59,315	7,200
	5,613,625	863,354	254,782	-	(7,081)	1,553,636	5,621,831	946,865	1,526,147	16,373,159	14,751,316
Expenses											
Wages & benefits	1,121,985	780,317	32,644	241,100	936,791	406,506	331,371	218,050	238,108	4,306,872	3,877,281
General Services	135,823	70,067	43,678	18,836	41,024	103,311	28,362	13,538	6,910	461,549	397,173
Professional and Contract Services	173,369	311,784	202,130	34,521	234,920	1,253,894	67,616	42,084	48,104	2,368,422	1,186,589
Materials & Supplies	171,068	140,966	1,112	10,764	331,821	126,204	101,648	56,933	42,850	983,366	816,520
Telephone & Utilities	20,299	33,882	29	1,234	40,943	31,400	4,177	3,678	77,299	212,941	233,612
Insurance	11,443	14,074	67		70,086	30,925	6,509	11,474	12,354	156,932	129,912
Allocations	(496,917)	89,331	11,158	21,192	(347,570)	145,971	(18,483)	317,952	277,366	-	-
Purchased for resale							3,738,303			3,738,303	3,438,061
Grants & fee for service						350,355				350,355	318,857
Interest					47,603			11,226	75,430	134,259	122,894
Amortization		84,613			900,749	164,890	54,964	344,000	175,565	1,724,781	1,775,155
	1,137,070	1,525,034	290,818	327,647	2,256,367	2,613,456	4,314,467	1,018,935	953,986	14,437,780	12,296,054
Net surplus (deficit)	4,476,555	(661,680)	(36,036)	(327,647)	(2,263,448)	(1,059,820)	1,307,364	(72,070)	572,161	1,935,379	2,455,262

THE CORPORATION OF THE CITY OF GRAND FORKS
Schedule of Tangible Capital Assets

December 31, 2018

	Cost				Accumulated Amortization				Net Book Value 2018	Net Book Value 2017
	Opening Balance	Additions	Transfers/ Disposals	Closing Balance	Opening Balance	Amortization Expense	Disposals	Closing Balance		
General Capital Fund										
Land	\$ 1,672,841	\$ -	\$ (29,502)	\$ 1,643,339	\$ -	\$ -	\$ -	\$ -	\$ 1,643,339	\$ 1,672,841
Land improvements	422,513	9,789	-	432,302	24,279	20,433	-	44,712	387,590	398,234
Buildings	6,003,737	19,486	(119,281)	5,903,942	3,095,274	144,538	(16,392)	3,223,420	2,680,522	2,908,463
Machinery and equipment	2,400,060	13,899	(73,321)	2,340,638	1,633,644	140,815	(52,241)	1,722,218	618,420	766,416
Engineering structures	20,310,454	778,020	-	21,088,474	12,089,006	620,479	-	12,709,485	8,378,989	8,221,448
Storm structures	17,850	-	-	17,850	2,678	892	-	3,570	14,280	15,172
Protective services vehicles	1,838,560	-	-	1,838,560	616,830	84,613	-	701,443	1,137,117	1,221,730
Public works vehicles	3,301,461	450,477	\$ (138,289)	3,613,649	2,509,062	138,481	(131,689)	2,515,854	1,097,795	792,399
Assets under construction	552,886	(90,180)		462,706					462,706	552,886
	<u>36,520,362</u>	<u>1,181,491</u>	<u>(360,393)</u>	<u>37,341,460</u>	<u>19,970,773</u>	<u>1,150,251</u>	<u>(200,322)</u>	<u>20,920,702</u>	<u>16,420,758</u>	<u>16,549,589</u>
Water Utility										
Plant and equipment	9,181,651	893,370	-	10,075,021	5,029,585	344,000	-	5,373,585	4,701,436	4,152,066
Assets under construction	733,418	(642,890)		90,528					90,528	733,418
	<u>9,915,069</u>	<u>250,480</u>	<u>-</u>	<u>10,165,549</u>	<u>5,029,585</u>	<u>344,000</u>	<u>-</u>	<u>5,373,585</u>	<u>4,791,964</u>	<u>4,885,484</u>
Electrical Utility										
Plant and equipment	2,723,840	1,056,457	(20,214)	3,760,083	1,727,661	54,964	(9,826)	1,772,799	1,987,284	996,179
Assets under construction	651,375	(483,866)		167,509					167,509	651,375
	<u>3,375,215</u>	<u>572,591</u>	<u>(20,214)</u>	<u>3,927,592</u>	<u>1,727,661</u>	<u>54,964</u>	<u>(9,826)</u>	<u>1,772,799</u>	<u>2,154,793</u>	<u>1,647,554</u>
Wastewater Utility										
Plant and equipment	8,006,141	437,403	(9,931)	8,433,613	4,102,292	175,566	(331)	4,277,527	4,156,086	3,903,849
Assets under construction	1,524,188	524,020		2,048,208					2,048,208	1,524,188
	<u>9,530,329</u>	<u>961,423</u>	<u>(9,931)</u>	<u>10,481,821</u>	<u>4,102,292</u>	<u>175,566</u>	<u>(331)</u>	<u>4,277,527</u>	<u>6,204,294</u>	<u>5,428,037</u>
	<u>\$ 59,340,975</u>	<u>\$ 2,965,985</u>	<u>\$ (390,538)</u>	<u>\$ 61,916,422</u>	<u>\$ 30,830,311</u>	<u>\$ 1,724,781</u>	<u>\$ (210,479)</u>	<u>\$ 32,344,613</u>	<u>\$ 29,571,809</u>	<u>\$ 28,510,664</u>

