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**CORPORATION OF THE CITY OF GRAND FORKS
For the year ended December 31, 2014**

STATEMENT OF FINANCIAL INFORMATION

Financial Statements of

THE CORPORATION OF THE CITY OF GRAND FORKS

December 31, 2014

THE CORPORATION OF THE CITY OF GRAND FORKS
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December 31, 2014

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May 7, 2015

Nelson, B.C.

Responsibility For Financial Reporting

Management is responsible for the preparation of the accompanying consolidated financial statements. The financial statements have been prepared in accordance with the accounting principles disclosed in note 1 to the consolidated financial statements and include amounts that are based on estimates and judgments. Management believes that the financial statements fairly present The Corporation of the City of Grand Forks consolidated financial position and results of operations. The integrity of the information presented in the financial statements, including estimates and judgments relating to matters not concluded by fiscal year-end, is the responsibility of management. The financial statements have been approved by Council.

Management has established and maintained appropriate systems of internal control including policies and procedures, which are designed to provide reasonable assurance that The Corporation of the City of Grand Forks assets are safeguarded and that reliable financial records are maintained to form a proper basis for preparation of the financial statements.

The independent external auditors, Berg Lehmann, Chartered Accountants, have been appointed by Council to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, The Corporation of the City of Grand Forks financial position, results of operations, and changes in financial position in conformity with the accounting principles disclosed in note 1 to the consolidated financial statements. The report of Berg Lehmann, Chartered Accountants, follows and outlines the scope of their examination and their opinion on the consolidated financial statements.



Roxanne Shepherd
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The Corporation of the City of Grand Forks, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statement of operations, consolidated statement of changes in net financial assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Berg
Lehmann

Chartered Accountants
& Business Advisors

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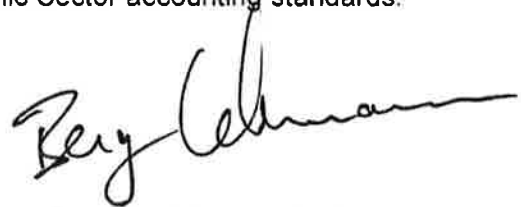
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INDEPENDENT AUDITORS' REPORT (continued)

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the City of Grand Forks as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector accounting standards.



Chartered Accountants

May 7, 2015

Nelson, B.C.

THE CORPORATION OF THE CITY OF GRAND FORKS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At December 31, 2014

	2014	2013
FINANCIAL ASSETS		
Cash (note 2)	\$ 6,634,971	\$ 8,225,809
Temporary investment (note 3)	549,366	-
Deposit (note 4)	399,277	-
Accounts receivable	3,084,382	2,215,389
MFA deposit (note 5)	29,092	28,272
Inventories for resale	33,437	47,978
Lease receivable (note 6)	155,034	173,946
	10,885,559	10,691,394
LIABILITIES		
Accounts payable and accrued liabilities	2,401,955	1,645,047
Employee future benefits (note 7)	464,415	421,437
Deferred gas tax grants (note 13)	-	1,447,251
Deferred revenues - grants and other (note 10)	95,524	99,667
Deferred revenues - prepaid taxes	288,797	288,494
Temporary loan (note 11)	263,159	-
Development cost charges (note 12)	504,470	497,711
Long-term debt and capital lease obligations (note 8)	2,148,072	2,362,336
	6,166,392	6,761,943
NET FINANCIAL ASSETS	4,719,167	3,929,451
NON-FINANCIAL ASSETS		
Prepaid expenses	128,973	62,280
Inventory of supplies	294,827	268,293
Tangible capital assets (note 9)	27,150,860	26,509,345
	27,574,660	26,839,918
ACCUMULATED SURPLUS	\$ 32,293,827	\$ 30,769,369
Represented by:		
Operating funds equity (note 14)	\$ 3,898,255	\$ 3,896,535
Reserve funds (note 15)	3,655,944	2,725,826
Equity in tangible capital assets (note 16)	24,739,628	24,147,008
	\$ 32,293,827	\$ 30,769,369
CONTINGENT LIABILITIES (note 23)		


 Chief Financial Officer

THE CORPORATION OF THE CITY OF GRAND FORKS
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2014

	2014 Budget	2014 Actual	2013 Actual
REVENUE			
Taxes	\$ 2,942,062	\$ 3,099,939	\$ 3,046,473
Sales of services (note 18)	6,676,239	6,607,317	6,420,873
Other revenues	494,913	558,516	489,947
Senior government grants - operating	317,286	1,377,914	372,573
Senior government grants - capital	3,080,334	714,351	136,714
Interest income	-	101,155	107,277
Investment income on sinking fund	-	12,795	6,281
Insurance proceeds for operating expenditures	-	1,724,787	125,000
Gain on disposition of assets	-	68,072	14,324
	13,510,834	14,264,846	10,719,462
EXPENDITURES			
General government	1,443,249	2,846,512	1,129,036
Public real estate	325,289	276,514	288,331
Protective service	579,426	534,199	446,331
Transportation services	1,206,440	1,206,865	1,183,377
Environmental health services	187,528	179,064	167,366
Public health and welfare	118,730	80,873	74,904
Planning and development	209,489	268,220	227,896
Recreation and cultural services	823,852	749,248	761,922
Utility services			
Electrical	3,873,670	3,585,547	3,454,043
Water	747,933	709,950	739,841
Sewer	688,046	642,306	624,622
Debt interest	100,961	97,780	51,136
Amortization	1,539,874	1,563,310	1,537,772
	11,844,487	12,740,388	10,686,577
ANNUAL SURPLUS	1,666,347	1,524,458	32,885
ACCUMULATED SURPLUS, BEGINNING OF YEAR	30,769,369	30,769,369	30,736,484
ACCUMULATED SURPLUS, END OF YEAR	\$ 32,435,716	\$ 32,293,827	\$ 30,769,369

RECONCILIATION TO BUDGET (note 22)



Chief Financial Officer

THE CORPORATION OF THE CITY OF GRAND FORKS
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2014

	2014	2013
ANNUAL SURPLUS	\$ 1,524,458	\$ 32,885
Acquisition of tangible capital assets	(2,214,126)	(2,091,114)
Amortization of tangible capital assets	1,563,310	1,537,772
Gain on sale of assets	(68,072)	(14,324)
Proceeds from sale of assets	77,373	122,100
Net change in prepaid expenses and supplies inventory	(93,227)	(28,500)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	789,716	(441,181)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	3,929,451	4,370,632
NET FINANCIAL ASSETS, END OF YEAR	\$ 4,719,167	\$ 3,929,451



 Chief Financial Officer

THE CORPORATION OF THE CITY OF GRAND FORKS
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

	2014	2013
OPERATING TRANSACTIONS		
Annual surplus	\$ 1,524,458	\$ 32,885
Non-cash items		
Amortization	1,563,310	1,537,772
Gain on sale of tangible capital assets	(68,072)	(14,324)
Actuarial adjustment	(12,795)	(6,281)
Change in prepaid expenses and supplies inventory	(93,227)	(28,500)
Change in Net Financial Assets/Liabilities		
Change in accounts receivable	(868,993)	(295,827)
Change in MFA debt deposits	(820)	(18,471)
Change in inventories for resale	14,541	1,332
Change in lease receivable	18,912	18,071
Change in accounts payable and accrued liabilities	756,908	389,184
Change in employee future benefits	42,978	(225,365)
Change in deferred revenues	(1,451,091)	243,050
Change in temporary loan	263,159	(1,537,426)
Change in development cost charges	6,759	11,332
Change in deposit	(399,277)	-
Cash Provided by Operating Transactions	1,296,750	107,432
CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(2,214,126)	(2,091,114)
Proceeds from sale of tangible capital assets	77,373	122,100
Cash Applied to Capital Transactions	(2,136,753)	(1,969,014)
INVESTING TRANSACTIONS		
Increase in investments	(549,366)	-
FINANCING TRANSACTIONS		
Debt issued	-	1,756,920
Repayment of long-term debt	(201,469)	(153,798)
Cash Received from (Applied to) Financing Transactions	(201,469)	1,603,122
DECREASE IN CASH	(1,590,838)	(258,460)
CASH, BEGINNING OF YEAR	8,225,809	8,484,269
CASH, END OF YEAR	\$ 6,634,971	\$ 8,225,809



Chief Financial Officer

THE CORPORATION OF THE CITY OF GRAND FORKS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As At December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of The Corporation of the City of Grand Forks:

Basis of Presentation

It is the City's policy to follow the accounting principles generally accepted for municipalities in the Province of British Columbia, and to apply such principles consistently. The consolidated financial statements include the accounts of all funds for the City. All interfund transfers have been eliminated. They have been prepared using guidelines issued by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

Basis of Accounting

The resources and operations of the City are segregated into various funds for accounting and financial reporting purposes, each being treated as a separate entity with responsibility for the stewardship of the assets allocated to it. The City has the following funds:

- i) **Operating Funds:** These funds include the General, Electrical, Water and Sewer operations of the City. They are used to record the operating costs of the services provided by the City.
- ii) **Capital Funds:** These funds include the General, Electrical, Water and Sewer Capital funds. They are used to record the acquisition and disposal of property and equipment and their related financing.
- iii) **Reserve Funds:** Under the Community Charter, City Council may, by bylaw, establish reserve funds for specified purposes. Money in a reserve fund, and interest earned thereon, must be expended by bylaw only for the purpose for which the fund was established. If the amount in a reserve fund is greater than required, City Council may, by bylaw, transfer all or part of the balance to another reserve fund.

Inventories

Inventories are recorded at the lower of cost or net realizable value.

Revenue Recognition

The City records revenue on the accrual basis and includes revenue in the period in which the transactions or events that give rise to the revenues occur. Taxation revenues are recognized at the time of the issuing of the property tax notices for the fiscal year. Sale of services and utility fee revenues are recognized when the service or product is rendered by the City.

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

Contributions from other sources are deferred when restrictions are in place and recognized as revenue when used for the specific purpose.

THE CORPORATION OF THE CITY OF GRAND FORKS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Amortization is recorded on a straight-line basis over the estimated useful life commencing in the year the asset is put into service. Donated tangible capital assets are reported at the fair value at the time of donation. The estimated useful lives are as follows:

Building	40 - 75 years
Building improvements	10 - 40 years
Fixtures, furniture, equipment and vehicles	5 - 20 years
IT infrastructure	4 - 10 years
Land improvements	10 - 50 years
Parks infrastructure	15 - 50 years
Paving and roads	10 - 100 years
Sewer infrastructure	10 - 100 years
Water infrastructure	10 - 100 years

Financial Instruments

The City's financial instruments consist of cash, deposits, temporary investments, accounts receivable, accounts payable, capital lease obligations and long-term debt. It is management's opinion that the City is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

Budget Figures

The budgeted figures are based on the adopted Five-Year Financial Plan for the year 2014 approved by council under bylaw 1996 on April 28, 2014.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Significant areas requiring estimates include the useful lives of tangible capital assets for amortization, the determination of payroll and employee future benefit accruals and the provision for contingencies. Actual results could differ from management's best estimates as additional information becomes available in the future.

THE CORPORATION OF THE CITY OF GRAND FORKS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2014

2. CASH

	2014	2013
Restricted cash		
Reserves	\$ 2,698,744	\$ 2,317,108
Community works gas tax	1,030,392	1,447,251
Deferred development cost funds	504,470	497,711
	4,233,606	4,262,070
Unrestricted cash and investments	2,401,365	3,963,739
	\$ 6,634,971	\$ 8,225,809

3. TEMPORARY INVESTMENT

The City holds a foreign exchange forward contract with FIRMA Foreign Exchange Corporation purchased at foreign exchange rates between 1.1120 and 1.1205. At December 31, 2014, the investment is translated into Canadian dollars at an exchange rate of 1.1160.

4. DEPOSIT

The City has a deposit with Rocky Mountain Phoenix at December 31, 2014 for the purchase of a fire truck. The fire truck is to be delivered in 2015 with a total purchase price of \$875,341 USD plus taxes.

5. DEBT RESERVE FUNDS - MUNICIPAL FINANCE AUTHORITY

The Municipal Finance Authority of British Columbia provides capital financing for regional districts and their member municipalities. The Authority is required to establish a Debt Reserve Fund. Each regional district through its member municipalities who share in the proceeds of the debt issue is required to pay into the Debt Reserve Fund certain amounts set out in the debt agreements. The interest earned by the Fund less administrative expenses becomes an obligation to the regional districts. If at any time a regional district has insufficient funds to meet payments on its obligations, it must then use the monies to its credit within the Debt Reserve Fund. Upon maturity of a debt issue, the unused portion of the Debt Reserve Fund established for that issue will be discharged to the Municipality. The proceeds from these discharges will be credited to income in the year they are received. As at December 31, 2014 the total of the Debt Reserve Fund was:

	Demand Notes	Cash Deposits	Balance
Sewer fund	\$ 52,185	\$ 22,302	\$ 74,487
General fund	28,502	6,790	35,292
	\$ 80,687	\$ 29,092	\$ 109,779

Only the cash portion of MFA deposits is included as a financial asset.

THE CORPORATION OF THE CITY OF GRAND FORKS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2014

6. 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. Annual payments are \$27,000 including interest at 4.65%. Interest of \$8,088 (2013 - \$8,929) was received during the year.

7. EMPLOYEE FUTURE BENEFITS

The City provides a benefit to its unionized employees upon retirement. Those eligible employees who retire from service shall receive an amount equal to their accumulated sick leave credits, up to, but not exceeding, 150 days. Employees absent for medical reasons have wages charged against, and deducted from the sick leave accumulated. Upon retirement, any unionized employee having accumulated sick leave is eligible to receive a cash gratuity payment. The payment amount is a percentage of accumulated sick leave based on years of service. The City has committed to fully funding this future benefit over the years of the employees' current service.

8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

	Balance, beginning of year	Additions	Payment of Principal	Actuarial Adjustment	Balance, end of year
General #1863	\$ 323,155	\$ -	\$(41,646)	\$(7,074)	\$ 274,435
General #1887	59,087	-	(3,496)	(436)	55,155
Sewer #1498	79,174	-	(6,495)	(5,285)	67,394
Sewer #1873	1,756,920	-	(59,000)	-	1,697,920
Total MFA debt	2,218,336	-	(110,637)	(12,795)	2,094,904
MFA general capital lease obligations	144,000	-	(90,832)	-	53,168
Total	<u>\$ 2,362,336</u>	<u>\$ -</u>	<u>\$(201,469)</u>	<u>\$(12,795)</u>	<u>\$ 2,148,072</u>

THE CORPORATION OF THE CITY OF GRAND FORKS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2014

8. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (continued)

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

	General Capital	Sewer Capital	Total Capital
2015	\$ 45,141	\$ 65,496	\$ 110,637
2016	\$ 45,141	\$ 65,496	\$ 110,637
2017	\$ 45,141	\$ 65,496	\$ 110,637
2018	\$ 45,141	\$ 65,496	\$ 110,637
2019	\$ 45,141	\$ 65,496	\$ 110,637

The requirements for future repayments of principal on existing capital lease obligations for the next two years are estimated as follows:

2015	\$ 54,763
2016	<u>2,697</u>
Total minimum lease payments	57,460
Less amount representing interest	<u>4,292</u>
	<u>\$ 53,168</u>

9. TANGIBLE CAPITAL ASSETS

	2014			2013 Net Book Value
	Cost	Accumulated Amortization	Net Book Value	
General Capital Fund				
Land	\$ 1,690,090	\$ -	\$ 1,690,090	\$ 1,690,091
Land improvements	19,775	-	19,775	-
Buildings	6,003,737	2,652,441	3,351,296	3,502,033
Engineering structures	20,352,553	10,231,220	10,121,333	9,900,542
Machinery and equipment	2,117,505	1,029,141	1,088,364	961,912
Equipment fleet - emergency	1,081,066	683,084	397,982	441,020
Equipment fleet - public works	<u>2,924,055</u>	<u>2,059,015</u>	<u>865,040</u>	<u>1,000,595</u>
	<u>34,188,781</u>	<u>16,654,901</u>	<u>17,533,880</u>	17,496,193
Assets under capital lease	<u>441,674</u>	<u>103,620</u>	<u>338,054</u>	<u>362,619</u>
	<u>34,630,455</u>	<u>16,758,521</u>	<u>17,871,934</u>	17,858,812
Waterworks Utility Capital Fund	8,336,310	4,294,246	4,042,064	3,338,771
Electrical Utility Capital Fund	2,578,924	1,598,863	980,061	937,193
Sewer Utility Capital Fund	<u>7,844,455</u>	<u>3,587,654</u>	<u>4,256,801</u>	<u>4,374,569</u>
Total Tangible Capital Assets	<u>\$ 53,390,144</u>	<u>\$ 26,239,284</u>	<u>\$ 27,150,860</u>	<u>\$ 26,509,345</u>

THE CORPORATION OF THE CITY OF GRAND FORKS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2014

10. DEFERRED REVENUE - GRANTS AND OTHER

	Balance, Beginning of Year	Contributions Received	Eligible Expenditures	Balance, End of Year
Library maintenance contract	\$ 68,442	\$ 15,000	\$ 39,063	\$ 44,379
Unexpended conditional grants	10,470	16,440	1,152	25,758
Victim assistance	14,681	37,060	32,693	19,048
Miscellaneous deposits	6,074	6,304	6,039	6,339
	<u>\$ 99,667</u>	<u>\$ 74,804</u>	<u>\$ 78,947</u>	<u>\$ 95,524</u>

11. TEMPORARY LOAN

Bylaw 1998 and Bylaw 1950 authorize the City to temporary borrowing of an amount or amounts not exceeding the sum of \$5,500,000 as required. The temporary loan bears daily interest at 1.78% with interest only payments paid monthly.

12. DEVELOPMENT COST CHARGES

Development cost charges represent funds received from developers for capital costs in accordance with Bylaw 1425. Development cost charges are deferred and recognized as revenues when the related costs are incurred.

	2014	2012
Development cost charges - water	\$ 178,751	\$ 176,356
Development cost charges - sewer	323,332	318,999
Development cost charges - parkland reserve	2,387	2,356
	<u>\$ 504,470</u>	<u>\$ 497,711</u>

THE CORPORATION OF THE CITY OF GRAND FORKS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2014

13. FEDERAL GAS TAX GRANT

Gas Tax funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the City and the Union of British Columbia Municipalities ("UBCM"). Gas Tax funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements. During the year, the City and the UBCM signed a new agreement which removed some of the stipulations included in the previous agreement. The funds previously deferred and the unspent funds received in the current year are no longer considered to be liabilities under section PSAB 3410 Government Transfers, and have been recognized as revenue in the current year and transferred into the City's Community Works Gas Tax Reserve Fund.

14. OPERATING FUNDS EQUITY

	2014	2013
General operating fund	\$ 1,097,329	\$ 1,579,342
Electrical utility operating fund	1,563,271	1,274,917
Sewer utility operating fund	1,054,530	1,029,349
Water utility operating fund	<u>183,125</u>	<u>12,927</u>
Operating fund equity at year end	<u>\$ 3,898,255</u>	<u>\$ 3,896,535</u>

15. RESERVE FUNDS CONTINUITY

	Balance Beginning of Year	Transfers from other Funds	Transfers to other Funds	Interest Earned	Balance End of Year
Capital reserve	\$ 375,464	\$ -	\$ 276,678	\$ 2,448	\$ 101,234
Cash in lieu of parking	17,125	65	13,245	233	4,178
Climate action reserve	-	22,504	-	125	22,629
Community works gas tax	-	1,660,670	714,351	20,140	966,459
Equipment replacement	587,266	-	20,169	6,351	573,448
Land sale	488,858	70,496	-	6,936	566,290
Tax sale land	61,693	-	-	838	62,531
Slag sale	1,195,420	399,475	254,908	19,188	1,359,175
	<u>\$ 2,725,826</u>	<u>\$ 2,153,210</u>	<u>\$ 1,279,351</u>	<u>\$ 56,259</u>	<u>\$ 3,655,944</u>

THE CORPORATION OF THE CITY OF GRAND FORKS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2014

16. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in Tangible Capital Assets (TCA) represents the net book value of total capital assets less long-term obligations assumed to acquire those assets. The change in consolidated equity in tangible capital assets is as follows:

	2014	2013
Equity in TCA, beginning of year	\$ 24,147,008	\$ 25,298,283
Add:		
Capital acquisitions	2,214,126	2,091,114
Debt principal repayments	201,469	153,798
Actuarial adjustment	12,795	6,281
Gain on dispositions of assets	68,072	14,324
Less:		
Proceeds from issue of temporary and long-term debt	(263,159)	(1,756,920)
Proceeds on sale	(77,373)	(122,100)
Amortization	(1,563,310)	(1,537,772)
Equity in TCA, end of year	<u>\$ 24,739,628</u>	<u>\$ 24,147,008</u>
Represented by:		
General capital fund	\$ 17,442,946	\$ 17,332,568
Electrical utility capital fund	980,061	937,194
Sewer utility capital fund	2,483,366	2,538,475
Water utility capital fund	<u>3,833,255</u>	<u>3,338,771</u>
Capital fund equity at year end	<u>\$ 24,739,628</u>	<u>\$ 24,147,008</u>

17. MUNICIPAL PENSION PLAN

The City and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusted pension plan. The Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Pension Plan, including investment of the assets and administration of benefits. The Pension Plan is a multi-employer contributory Pension Plan. Basic pension benefits provided are defined. The Plan has about 179,000 active members and approximately 71,000 retired members.

The most recent valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. 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 with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

The Corporation of the City of Grand Forks paid \$265,984 (2013 - \$271,258) for employer contributions to the Plan in fiscal 2014.

THE CORPORATION OF THE CITY OF GRAND FORKS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2014

18. SALE OF SERVICES

	2014	2013
Garbage collection and landfill contract	\$ 209,134	\$ 200,109
Cemetery	28,684	28,912
Airport (net of cost of fuel sold)	22,303	19,106
Transportation custom work orders	8,287	8,554
Environmental development	10,500	5,000
Campground	46,055	40,865
Sundry	4,890	11,356
Slag	235,063	247,284
Electrical utility user and connection fees	4,377,623	4,287,692
Sewer utility user and connection fees	817,363	782,864
Waterworks utility user and connection fees	847,415	789,131
	<u>\$ 6,607,317</u>	<u>\$ 6,420,873</u>

19. EXPENDITURES BY OBJECT

	2014	2013
Goods and services	\$ 7,002,084	\$ 5,552,756
Interest and finance charges	97,780	51,136
Salaries, wages and benefits	4,077,214	3,544,913
Amortization	1,563,310	1,537,772
	<u>\$ 12,740,388</u>	<u>\$ 10,686,577</u>

20. COLLECTION FOR OTHER GOVERNMENTS

The City collected and remitted the following taxes on behalf of other Governments. These are not included in the City's financial statements.

	2014	2013
Provincial Government - School Taxes	\$ 1,583,046	\$ 1,610,542
Provincial Government - Police Tax Levy	211,395	208,138
British Columbia Assessment Authority	46,847	48,016
Regional Hospital Districts	180,527	219,994
Regional District of Kootenay Boundary	1,380,318	1,375,291
	<u>\$ 3,402,133</u>	<u>\$ 3,461,981</u>

THE CORPORATION OF THE CITY OF GRAND FORKS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2014

21. TRUST FUNDS

Funds held in trust and administered by the City are as follows:

	2014	2013
Assets		
Cash	\$ 158,365	\$ 151,939
Due from (to) the General Operating Fund	<u>46</u>	<u>(979)</u>
	<u>\$ 158,411</u>	<u>\$ 150,960</u>
 Trust Fund Balances		
Cemetery care	\$ 145,519	\$ 140,009
Employee assistance program	<u>12,892</u>	<u>10,951</u>
	<u>\$ 158,411</u>	<u>\$ 150,960</u>

Trust funds are not included in the City's financial statements.

22. RECONCILIATION TO BUDGET

The following reconciles the budgeted surplus as shown on the consolidated statement of operations to the budget as presented in bylaw 1996 adopted on April 28, 2014.

	2014
Annual budgeted surplus per consolidated statement of operations	\$ 1,666,347
Debt principal repayments	(197,886)
Purchase of tangible capital assets other than by debt	(8,921,179)
Budgeted transfer from reserve/accumulated surplus	2,360,866
Non-cash item - amortization	1,539,874
Debt proceeds	<u>3,551,978</u>
	<u>\$ -</u>

23. CONTINGENT LIABILITIES

The City, as a member of the Regional District of Kootenay Boundary, is jointly and severally liable for the future capital liabilities of the Regional District.

The loan agreements with the Municipal Finance Authority provide that if the Authority does not have sufficient funds to meet its payments and obligations, it shall make payments from the debt reserve fund which is in turn established by a similar debt reserve fund of the City and all other borrowing participants. If the debt reserve fund is deficient, the Authority's obligations become a liability of the Regional District, and may become a liability of the participating municipalities.

THE CORPORATION OF THE CITY OF GRAND FORKS
SCHEDULE - SEGMENTED INFORMATION
For the Year Ended December 31, 2014

	General and Reserve	Electrical Utility	Water Utility	Sewer Utility	Total 2014	Total 2013
REVENUE						
Property taxes	\$ 3,093,898	\$ -	\$ -	\$ 6,041	\$ 3,099,939	\$ 3,046,473
User fees and charges	-	4,377,623	847,415	817,363	6,042,401	5,859,687
Other revenue	2,956,256	-	-	5,913	2,962,169	1,289,691
Grants - operating	1,376,914	-	1,000	-	1,377,914	372,573
Grants - capital	-	-	714,351	-	714,351	136,714
Gain on disposal	68,072	-	-	-	68,072	14,324
	7,495,140	4,377,623	1,562,766	829,317	14,264,846	10,719,462
EXPENSES						
Salaries and benefits	2,624,788	563,937	463,900	424,589	4,077,214	3,544,913
Goods and services	3,514,930	137,223	247,794	217,750	4,117,697	2,751,801
Purchased services	-	2,884,387	-	-	2,884,387	2,800,955
Debt interest	44,213	-	-	53,567	97,780	51,136
Amortization	1,172,726	40,854	186,392	163,338	1,563,310	1,537,772
Interfund transfers	(420,000)	420,000	-	-	-	-
	6,936,657	4,046,401	898,086	859,244	12,740,388	10,686,577
ANNUAL SURPLUS (DEFICIT)	\$ 558,483	\$ 331,222	\$ 664,680	\$(29,927)	\$ 1,524,458	\$ 32,885

**THE CORPORATION OF THE CITY OF GRAND FORKS
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
As At December 31, 2014**

	Land	Land Improvements	Buildings	Machinery and Equipment	Engineering Structures	Infrastructure			Leased Assets	2014	2013
						Electrical Utility	Waterworks Utility	Sewer Utility			
Opening balance	\$ 1,690,090		\$ 6,005,410	\$ 5,890,942	\$ 19,511,965	\$ 2,495,202	\$ 7,446,626	\$ 7,798,885	\$ 441,674	\$ 51,280,794	\$ 49,743,773
Additions		19,775		334,787	840,588	83,722	889,684	45,570		2,214,126	2,091,114
Disposals and write downs			(1,573)	(103,103)						(104,775)	(554,093)
Closing balance, Dec. 31	\$ 1,690,090	\$ 19,775	\$ 6,003,737	\$ 6,122,626	\$ 20,352,553	\$ 2,578,924	\$ 8,336,310	\$ 7,844,455	\$ 441,674	\$ 53,390,144	\$ 51,280,794
Accumulated Amortization:											
Opening balance	\$ -		\$ 2,503,378	\$ 3,487,414	\$ 9,611,424	\$ 1,558,009	\$ 4,107,854	\$ 3,424,316	\$ 79,054	\$ 24,771,449	\$ 23,679,996
Amortization Expense			149,063	379,301	619,796	40,854	186,392	163,338	24,566	1,563,310	1,537,771
Effect of disposals and write downs				(95,475)						(95,475)	(446,318)
Closing balance, Dec. 31	\$ -		\$ 2,652,441	\$ 3,771,240	\$ 10,231,220	\$ 1,598,863	\$ 4,294,246	\$ 3,587,654	\$ 103,620	\$ 26,239,284	\$ 24,771,449
Net Book Value for Year Ended December 31, 2014	\$ 1,690,090	\$ 19,775	\$ 3,351,296	\$ 2,351,386	\$ 10,121,333	\$ 980,061	\$ 4,042,064	\$ 4,256,801	\$ 338,054	\$ 27,150,860	\$ 26,509,345

The Corporation of the City of Grand Forks
Consolidated Statement of Changes in Capital Fund Balances
for the year ended December 31, 2014
Financial Information Regulation - Section 3 (4)

	Actual 2014	Actual 2013
Revenue		
Donations from groups and individuals	\$ -	\$ -
Senior government grants - Capital	714,351	136,714
	<u>714,351</u>	<u>136,714</u>
Transfer from Development Cost Charges		-
Transfer from Other Restricted Revenues		-
	<u>714,351</u>	<u>136,714</u>
Expenditures		
General government	1,217,318	1,444,849
Utility services	996,808	646,265
	<u>2,214,126</u>	<u>2,091,114</u>
Change in Financial Assets	(1,499,775)	(1,954,400)
Capital Funding from Reserves	<u>(714,351)</u>	
Expenditures funded by Debt or Operating Surplus	(2,214,126)	(1,954,400)
Capital loan debt incurred	-	1,756,920
Transfers from (to) Surplus	-	197,480
Increase (Decrease) in Capital Fund Balances	<u>-</u>	<u>-</u>
Capital Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>
Capital Fund Balances (Due to Operating Funds) - End of Year	<u>\$ -</u>	<u>\$ -</u>

The Corporation of the City of Grand Forks
Long Term Debt
for the year ended December 31, 2014
Financial Information Regulation Schedule 1 (4)

A. DEBENTURES	Date of Issue	Bylaw	Purpose	Maturity Dates	Debt		Interest paid in 2014	Principal Retirements 2014	Actuarial Adjustments 2014	Long Term Debt December 31, 2014
					Original Debenture Debt	Outstanding end of 2013				
	June 10, 2013	1873	Sewer		\$ 1,756,920	\$ 1,756,920	\$ -	\$ 59,000	\$ -	\$ 1,697,920
	October 13, 2009	1863	Road System Improvements	2009 - 2019	\$ 500,000	\$ 323,154	\$ 20,650	\$ 41,645	\$ 7,074	\$ 274,435
	June 28, 2010	1887	Subdivision	2010 - 2025	70,000	59,087	2,611	3,496	437	55,155
	March 24, 1999	1556	Ruckle Sewer Extension	1999 - 2019	195,944	79,174	72,785	6,495	5,284	67,394
	Total Debenture Debt				2,522,864	2,218,335	96,046	110,637	12,795	2,094,904
B. CAPITAL LEASES AND CONDITIONAL SALES AGREEMENT TO FUND EQUIPMENT ACQUISITIONS										
General Capital Fund										
	November 25, 2010	n/a	2011 HR42 Terex Electrical Line Truck	2010 - 2015	196,775	83,261	1,186	43,099	-	40,162
	February 24, 2011	n/a	2010 Dodge Caravan	2011 - 2016	21,200	10,128	150	4,622	-	5,506
	April 28, 2011	n/a	IBM APPV Server	2011 - 2016	15,346	7,875	119	3,335	-	4,540
	April 28, 2011	n/a	IBM Backup Server	2011 - 2016	10,010	5,136	77	2,176	-	2,960
	Total Capital Lease and Conditional Sales Agreement Debt				707,273	144,000	1,864	90,832	-	53,168
	Total Long Term Debt				\$ 3,230,137	\$ 2,362,335	\$ 97,910	\$ 201,469	\$ 12,795	\$ 2,148,072

The Corporation of the City of Grand Forks
Schedule showing the remuneration and expenses paid to or on behalf of each employee
for the year ended December 31, 2014
Financial Information Regulation (Sections 1(1)e, 6(2)a to 6((6))

1. Elected Officials

<u>Name</u>	<u>Position</u>	<u>Remuneration</u>	<u>Expenses</u>	<u>Total</u>
BUTLER, JULIA	COUNCIL	633.49	-	633.49
HAMMETT, CHRIS	COUNCIL	633.49	-	633.49
KENDEL, ROBERT	COUNCIL	16,557.75	3,357.69	19,915.44
KONRAD, FRANK	MAYOR	844.65	-	844.65
KROG, NEIL	COUNCIL	16,470.74	3,285.21	19,755.95
ODOHERTY, PATRICK	COUNCIL	15,837.25	3,463.01	19,300.26
ROSS, COLLEEN	COUNCIL	633.49	-	633.49
SMITH, GARY	COUNCIL	15,837.25	5,421.67	21,258.92
TAYLOR, BRIAN	MAYOR	21,116.26	4,218.27	25,334.53
THOMPSON, CHRISTENE	COUNCIL	633.49	-	633.49
WIRISCHAGIN, MICHAEL	COUNCIL	16,503.74	5,649.25	22,152.99
WYERS, CHERYLE	COUNCIL	15,846.14	4,530.44	20,376.58
Total: Elected Officials		121,547.74	29,925.54	151,473.28

2. Other Employees

<u>Name</u>	<u>Position</u>	<u>Remuneration</u>	<u>Expenses</u>	<u>Total</u>
ALLIN, DOUG	CHIEF ADMINISTRATIVE OFFICER	149,849.40	13,315.16	163,164.56
BIRD, SASHA	MANAGER OF TECHNICAL SERVICES	104,737.55	3,273.97	108,011.52
CHAMBERS, STEVE	ELECTRICAL LINEMAN	101,398.38	190.48	101,588.86
CHAPMAN, DEAN	S/W COORDINATOR	84,219.85	173.75	84,393.60
FEDERICO, LEN	S/W UTILITIES OP LEVEL 2	86,056.87	2,352.93	88,409.80
HEINRICH, DIANE	CORPORATE OFFICER	103,095.20	2,016.92	105,112.12
HERIOT, DALE	FIRE CHIEF	96,996.88	3,860.35	100,857.23
HUSTON, ROGER	MANAGER OF OPERATIONS	84,760.91	6,597.47	91,358.38
KOPAN, WAYNE	MANAGER OF ENVIRONMENT & BUILDING CONSTRUCTION	102,612.19	265.00	102,877.19
MCKINNON, KEVIN	DEPUTY FIRE CHIEF	72,708.73	3,279.83	75,988.56
NOSEWORTHY, MIKE	FACILITIES COORDINATOR	73,777.08	2,263.75	76,040.83
REID, DAVID	ROADS, AIRPORT & EQUIPMENT COORDINATOR	78,179.89	3,082.62	81,262.51
SHEPHERD, ROXANNE	CHIEF FINANCIAL OFFICER	99,770.85	3,644.04	103,414.89
SORENSEN, BENJACK	UTILITIES OPERATOR	76,505.61	260.48	76,766.09
TRAYNOR, JAMES	PARKS COORDINATOR	75,520.87	190.48	75,711.35
WEBER, RICK	ELECTRICAL LINEMAN	101,479.31	167.96	101,647.27
WINTON, SARAH	DEPUTY CORPORATE OFFICER	76,907.29	6,353.65	83,260.94
ZIELINSKI, ROD	ELECTRICAL DISTRIBUTION COORDINATOR	109,006.33	3,069.36	112,075.69
Other 38 employees (Under \$75,000)		1,589,594.19	8,806.58	1,598,400.77
Total: Other Employees		3,267,177.38	63,164.78	3,330,342.16

Subtotal: All Remuneration

3,388,725

3 Reconciliation

Total Remuneration & Benefits as per Note 19 to Financial Statements	4,077,214
Difference due to:	
Employer Paid Benefits	
Timing of payroll accruals	
Wages and employee benefits included in Capital Assets	

**The Corporation of the City of Grand Forks
Statement of Severance Agreements
Financial Information Regulation - Schedule 1, subsection 6(7)**

During the fiscal year ending December 31, 2014, the City of Grand Forks entered into one severance agreement.

The severance agreement represents twelve (12) equivalent months of compensation

The Corporation of the City of Grand Forks
Schedule of suppliers of goods and services
for the year ended December 31, 2014
Financial Information Regulation - Schedule 1(7)

1. Alphabetical list of suppliers who received aggregate payments exceeding \$25,000

Supplier name

As Attached 11,743,698 (A)

2. Consolidated total paid to suppliers who received aggregate payments of \$25,000 or less 1,407,562 (B)

3. Payments to suppliers for grants and contributions exceeding \$25,000 241,500 (C)

Net payments for goods, services, grants and contributions 13,392,759

Total per Statement of Revenue and Expenditure 12,740,388

Variance 652,371

Variance due to:

collections for other Governments
GST included in payments to suppliers
acquisition of capital assets
non cash expenses such as amortization
changes in accruals - cash payments versus accrual statements
Employee expenses not included

The Corporation of the City of Grand Forks
Alphabetical list of suppliers who received aggregate payments exceeding \$25,000
for the year ended December 31, 2014
Financial Information Regulation (Section 1 (1) f & 7)

AARDVARK PAVEMENT MARKING SERVICES 647354 BC LTD.	38,890.74
ARGOSY CONSTRUCTION GROUP INC.	850,202.08
B.C. ASSESSMENT AUTHORITY	47,085.49
BELFOR CANADA INC.	25,488.60
BERG NAQVI LEHMANN	39,375.00
BLACK PRESS	34,528.55
BOUNDARY ELECTRIC (1985) LTD.	66,934.10
BOUNDARY MUSEUM	20,000.00
CITY OF NELSON	64,232.63
CU CREDIT c/o CUETS	121,459.72
CUPE LOCAL 4728	38,695.25
DAVE DALE INSURANCE LTD.	99,704.00
DREXLER COMPUTER SYSTEMS LTD.	52,471.52
FORTIS BC	2,955,134.09
FORTIS BC INC	119,078.88
GRAND FORKS ART GALLERY SOCIETY	17,203.74
GRAND FORKS JANITORIAL SERVICES	43,399.60
GRAND FORKS VOLUNTEER FIREFIGHTERS ASSOCIATION	63,300.00
HATCH INTERIOR DESIGN INC.	32,601.29
HIL-TECH CONTRACTING LTD	1,139,355.52
INSURANCE CORP. OF B.C.	28,646.00
JAN ENNS COMMUNICATIONS	33,465.43
MAINSTREAM MECHANICAL LTD.	31,449.10
MEARLS MACHINE WORKS LTD.	37,570.40
MINISTRY OF FINANCE REAL PROPERTY TAXATION BRANCH	561,524.15
MUNICIPAL FINANCE AUTHORITY	120,036.72
MUNICIPAL INSURANCE ASSOCIATION	78,834.00
MUNICIPAL PENSION PLAN	491,858.73
NEPTUNE TECHNOLOGY GROUP	539,307.93
NORTHERN COMPUTER	25,674.88
PACIFIC BLUE CROSS	163,528.20
PETRO VALUE PRODUCTS CANADA INC.	36,942.39
RECEIVER GENERAL CANADA	961,289.85
REG.DIST. KOOTENAY BOUNDARY	1,788,686.68
REVENUE SERVICES OF BRITISH COLUMBIA	49,169.00
S&A FALCON - SMITH & ANDERSON FALCON	48,882.23
SCHOOL DISTRICT #51 (BOUNDARY)	96,487.97
SPRING FUEL DISTRIBUTORS INC	119,113.41
STELLA JONES CANADA INC.	26,118.40
TELUS COMMUNICATIONS (B.C) INC.	37,160.84
URBAN SYSTEMS LTD.	280,743.83
VADIM COMPUTER MANAGEMENT GROUP LTD.	57,524.80
WEST KOOTENAY BOUNDARY REGIONAL HOSPITAL	179,697.42
WORKERS COMPENSATION BOARD	48,462.99
YOUNG ANDERSON BARRISTERS & SOLICITORS	32,381.47

11,743,697.62