

*Financial Statements of*

**THE CORPORATION OF THE CITY OF GRAND FORKS**

*December 31, 2015*

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**Index to Financial Statements**  
**December 31, 2015**

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**May 9, 2016**

**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 Professional 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 Professional Accountants, follows and outlines the scope of their examination and their opinion on the consolidated financial statements.



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Roxanne Shepherd  
Chief Financial Officer

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## INDEPENDENT AUDITORS' REPORT

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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, 2015, 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  
Professional Accountants  
& Business Advisors

513 Victoria Street  
Nelson BC  
V1L 4K7

phone 250.352.3165  
fax 250.352.7166  
advice@BergLehmann.ca  
www.BergLehmann.ca

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## INDEPENDENT AUDITORS' REPORT (continued)

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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, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector accounting standards.



**Chartered Professional Accountants**

May 9, 2016

Nelson, B.C.

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As At December 31, 2015

|   | 2015                 | 2014                 |
|---|----------------------|----------------------|
| <b>FINANCIAL ASSETS</b>                               |                      |                      |
| Cash (note 2)   | \$ 8,213,970         | \$ 6,634,971         |
| Temporary investment                                  | -                    | 549,366              |
| Deposit   | -                    | 399,277              |
| Accounts receivable                                   | 2,545,851            | 3,084,382            |
| MFA deposit (note 3)                                  | 29,837               | 29,092               |
| Inventories for resale                                | 41,771               | 33,437               |
| Lease receivable (note 4)                             | 135,243              | 155,034              |
|   | <b>10,966,672</b>    | <b>10,885,559</b>    |
| <b>LIABILITIES</b>                                    |                      |                      |
| Accounts payable and accrued liabilities              | 1,471,405            | 2,401,955            |
| Employee future benefits (note 5)                     | 393,011              | 464,415              |
| Deferred revenues - grants and other (note 6)         | 56,238               | 95,524               |
| Deferred revenues - prepaid taxes                     | 277,549              | 288,797              |
| Temporary loan (note 7)                               | 1,246,589            | 263,159              |
| Development cost charges (note 8)                     | 510,146              | 504,470              |
| Long-term debt and capital lease obligations (note 9) | 1,969,149            | 2,148,072            |
|   | <b>5,924,087</b>     | <b>6,166,392</b>     |
| <b>NET FINANCIAL ASSETS</b>                           | <b>5,042,585</b>     | <b>4,719,167</b>     |
| <b>NON-FINANCIAL ASSETS</b>                           |                      |                      |
| Prepaid expenses                                      | 164,656              | 128,973              |
| Inventory of supplies                                 | 180,422              | 294,827              |
| Tangible capital assets (note 10)                     | 27,621,130           | 27,150,860           |
|   | <b>27,966,208</b>    | <b>27,574,660</b>    |
| <b>ACCUMULATED SURPLUS</b>                            | <b>\$ 33,008,793</b> | <b>\$ 32,293,827</b> |
| Represented by:                                       |                      |                      |
| Operating funds equity (note 11)                      | \$ 4,977,636         | \$ 3,898,255         |
| Reserve funds (note 12)                               | 3,625,765            | 3,655,944            |
| Equity in tangible capital assets (note 13)           | 24,405,392           | 24,739,628           |
|   | <b>\$ 33,008,793</b> | <b>\$ 32,293,827</b> |
| <b>CONTINGENT LIABILITIES</b> (note 20)               |                      |                      |
| <b>COMMITMENT</b> (note 21)                           |                      |                      |

  
Chief Financial Officer

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the Year Ended December 31, 2015

|   | 2015<br>Budget<br>Unaudited | 2015<br>Actual       | 2014<br>Actual       |
|---|-----------------------------|----------------------|----------------------|
| <b>REVENUE</b>                                |                             |                      |                      |
| Taxes   | \$ 3,250,610                | \$ 3,236,924         | \$ 3,099,939         |
| Sales of services (note 15)                   | 6,785,381                   | 6,655,370            | 6,607,317            |
| Other revenues                                | 534,180                     | 626,162              | 558,516              |
| Government and other grants - operating       | 527,658                     | 605,567              | 1,377,914            |
| Government and other grants - capital         | 2,544,993                   | 723,565              | 714,351              |
| Interest income                               | 69,300                      | 94,542               | 101,155              |
| Investment income on sinking fund             | -                           | 17,794               | 12,795               |
| Insurance proceeds for operating expenditures | -                           | 220,250              | 1,724,787            |
| Gain on disposition of assets                 | -                           | 76,352               | 68,072               |
|   | <b>13,712,122</b>           | <b>12,256,526</b>    | <b>14,264,846</b>    |
| <b>EXPENDITURES</b>                           |                             |                      |                      |
| General government                            | 1,207,593                   | 1,290,364            | 2,846,512            |
| Public real estate                            | 278,734                     | 291,072              | 276,514              |
| Protective service                            | 620,724                     | 614,252              | 534,199              |
| Transportation services                       | 1,369,526                   | 942,340              | 1,206,865            |
| Environmental health services                 | 186,000                     | 186,294              | 179,064              |
| Public health and welfare                     | 110,054                     | 77,883               | 80,873               |
| Planning and development                      | 417,360                     | 475,696              | 268,220              |
| Recreation and cultural services              | 829,846                     | 754,272              | 749,248              |
| Utility services                              |                             |                      |                      |
| Electrical                                    | 3,955,000                   | 3,801,465            | 3,585,547            |
| Water   | 797,000                     | 700,509              | 709,950              |
| Sewer   | 672,200                     | 668,733              | 642,306              |
| Debt interest                                 | 95,537                      | 110,377              | 97,780               |
| Amortization                                  | 1,607,204                   | 1,628,303            | 1,563,310            |
|   | <b>12,146,778</b>           | <b>11,541,560</b>    | <b>12,740,388</b>    |
| <b>ANNUAL SURPLUS</b>                         | <b>1,565,344</b>            | <b>714,966</b>       | <b>1,524,458</b>     |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b> | <b>32,293,827</b>           | <b>32,293,827</b>    | <b>30,769,369</b>    |
| <b>ACCUMULATED SURPLUS, END OF YEAR</b>       | <b>\$ 33,859,171</b>        | <b>\$ 33,008,793</b> | <b>\$ 32,293,827</b> |

**RECONCILIATION TO BUDGET (note 18)**

  
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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, 2015**

|   | 2015                | 2014                |
|---|---------------------|---------------------|
| <b>ANNUAL SURPLUS</b>                                 | <b>\$ 714,966</b>   | <b>\$ 1,524,458</b> |
| Acquisition of tangible capital assets                | ( 2,189,133)        | ( 2,214,126)        |
| Amortization of tangible capital assets               | 1,628,303           | 1,563,310           |
| Gain on sale of assets                                | ( 76,352)           | ( 68,072)           |
| Proceeds from sale of assets                          | 166,912             | 77,373              |
| Net change in prepaid expenses and supplies inventory | 78,722              | ( 93,227)           |
| <b>INCREASE IN NET FINANCIAL ASSETS</b>               | <b>323,418</b>      | <b>789,716</b>      |
| <b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>        | <b>4,719,167</b>    | <b>3,929,451</b>    |
| <b>NET FINANCIAL ASSETS, END OF YEAR</b>              | <b>\$ 5,042,585</b> | <b>\$ 4,719,167</b> |

  
 \_\_\_\_\_  
 Chief Financial Officer



**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2015

|  | 2015                | 2014                |
|--|---------------------|---------------------|
| <b>OPERATING TRANSACTIONS</b>                      |                     |                     |
| Annual surplus                                     | \$ 714,966          | \$ 1,524,458        |
| Non-cash items                                     |                     |                     |
| Amortization                                       | 1,628,303           | 1,563,310           |
| Gain on sale of tangible capital assets            | ( 76,352)           | ( 68,072)           |
| Actuarial adjustment                               | ( 17,794)           | ( 12,795)           |
| Change in prepaid expenses and supplies inventory  | 78,722              | ( 93,227)           |
| Change in Net Financial Assets/Liabilities         |                     |                     |
| Change in accounts receivable                      | 538,531             | ( 868,993)          |
| Change in MFA debt deposits                        | ( 745)              | ( 820)              |
| Change in inventories for resale                   | ( 8,334)            | 14,541              |
| Change in lease receivable                         | 19,791              | 18,912              |
| Change in accounts payable and accrued liabilities | ( 930,550)          | 756,908             |
| Change in employee future benefits                 | ( 71,404)           | 42,978              |
| Change in deferred revenues                        | ( 39,286)           | ( 1,451,091)        |
| Change in development cost charges                 | 5,676               | 6,759               |
| Change in deposit                                  | 388,029             | ( 399,277)          |
| <b>Cash Provided by Operating Transactions</b>     | <b>2,229,553</b>    | <b>1,033,591</b>    |
| <b>CAPITAL TRANSACTIONS</b>                        |                     |                     |
| Purchase of tangible capital assets                | ( 2,189,133)        | ( 2,214,126)        |
| Proceeds from sale of tangible capital assets      | 166,912             | 77,373              |
| <b>Cash Applied to Capital Transactions</b>        | <b>( 2,022,221)</b> | <b>( 2,136,753)</b> |
| <b>INVESTING TRANSACTIONS</b>                      |                     |                     |
| Decrease (increase in investments)                 | 549,366             | ( 549,366)          |
| <b>FINANCING TRANSACTIONS</b>                      |                     |                     |
| Temporary loan                                     | 983,430             | 263,159             |
| Repayment of long-term debt                        | ( 161,129)          | ( 201,469)          |
| <b>Cash Received from Financing Transactions</b>   | <b>822,301</b>      | <b>61,690</b>       |
| <b>INCREASE (DECREASE) IN CASH</b>                 | <b>1,578,999</b>    | <b>( 1,590,838)</b> |
| <b>CASH, BEGINNING OF YEAR</b>                     | <b>6,634,971</b>    | <b>8,225,809</b>    |
| <b>CASH, END OF YEAR</b>                           | <b>\$ 8,213,970</b> | <b>\$ 6,634,971</b> |

  
\_\_\_\_\_  
Chief Financial Officer

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**As At December 31, 2015**

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**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 Professional 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, 2015**

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**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 2015 approved by council under bylaw 2008 on April 7, 2015.

**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.

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**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2015**

**2. CASH**

|                                   | 2015                       | 2014                       |
|-----------------------------------|----------------------------|----------------------------|
| Restricted cash                   |                            |                            |
| Reserves                          | \$ 3,564,582               | \$ 3,729,136               |
| Deferred development cost funds   | <u>510,146</u>             | <u>504,470</u>             |
|                                   | <b>4,074,728</b>           | 4,233,606                  |
| Unrestricted cash and investments | <u>4,139,242</u>           | <u>2,401,365</u>           |
|                                   | <b><u>\$ 8,213,970</u></b> | <b><u>\$ 6,634,971</u></b> |

**3. 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, 2015 the total of the Debt Reserve Fund was:

|              | Demand Notes            | Cash Deposits           | Balance                  |
|--------------|-------------------------|-------------------------|--------------------------|
| Sewer fund   | \$ 52,185               | \$ 22,872               | \$ 75,057                |
| General fund | <u>28,501</u>           | <u>6,965</u>            | <u>35,466</u>            |
|              | <b><u>\$ 80,686</u></b> | <b><u>\$ 29,837</u></b> | <b><u>\$ 110,523</u></b> |

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, 2015**

**4. 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 \$7,209 (2014 - \$8,088) was received during the year.

**5. 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.

**6. DEFERRED REVENUE - GRANTS AND OTHER**

|                               | Balance,<br>Beginning<br>of Year | Contributions Eligible<br>Received | Expenditures     | Balance,<br>End of Year |
|-------------------------------|----------------------------------|------------------------------------|------------------|-------------------------|
| Library maintenance contract  | \$ 44,379                        | \$ 10,000                          | \$ 28,279        | \$ 26,100               |
| Unexpended conditional grants | 25,758                           | 1,650                              | 5,288            | 22,120                  |
| Victim assistance             | 19,048                           | 35,844                             | 53,649           | 1,243                   |
| Miscellaneous deposits        | 6,339                            | 6,575                              | 6,139            | 6,775                   |
|                               | <u>\$ 95,524</u>                 | <u>\$ 54,069</u>                   | <u>\$ 93,355</u> | <u>\$ 56,238</u>        |

**7. 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.

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
As At December 31, 2015

**8. 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.

|   | <b>2015</b>       | <b>2014</b>       |
|---|-------------------|-------------------|
| Development cost charges - water            | \$ 180,762        | \$ 178,751        |
| Development cost charges - sewer            | 326,970           | 323,332           |
| Development cost charges - parkland reserve | 2,414             | 2,387             |
|   | <b>\$ 510,146</b> | <b>\$ 504,470</b> |

**9. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS**

|                                       | Balance,<br>beginning<br>of year | Additions | Payment of<br>Principal | Actuarial<br>Adjustment | Balance,<br>end of year |
|---------------------------------------|----------------------------------|-----------|-------------------------|-------------------------|-------------------------|
| General #1863                         | \$ 274,435                       | \$ -      | \$( 41,646)             | \$( 9,023)              | \$ 223,766              |
| General #1887                         | 55,155                           | -         | ( 3,496)                | ( 594)                  | 51,065                  |
| Sewer #1498                           | 67,394                           | -         | ( 6,495)                | ( 5,817)                | 55,082                  |
| Sewer #1873                           | 1,697,920                        | -         | ( 59,000)               | ( 2,360)                | 1,636,560               |
|                                       | <b>2,094,904</b>                 | -         | ( 110,637)              | ( 17,794)               | <b>1,966,473</b>        |
| Total MFA debt                        |                                  |           |                         |                         |                         |
| MFA general capital lease obligations | 53,168                           | -         | ( 50,492)               | -                       | 2,676                   |
|                                       | <b>\$ 2,148,072</b>              | \$ -      | \$( 161,129)            | \$( 17,794)             | <b>\$ 1,969,149</b>     |

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

|      | General<br>Capital | Sewer<br>Capital | Total<br>Capital |
|------|--------------------|------------------|------------------|
| 2016 | \$ 56,947          | \$ 76,685        | \$ 133,632       |
| 2017 | \$ 59,226          | \$ 79,820        | \$ 139,046       |
| 2018 | \$ 61,594          | \$ 83,084        | \$ 144,678       |
| 2019 | \$ 64,058          | \$ 86,481        | \$ 150,539       |
| 2020 | \$ 4,976           | \$ 74,654        | \$ 79,630        |

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
As At December 31, 2015

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

The requirements for future repayments of principal on existing capital lease obligations for the next year is estimated as follows:

|                                   |           |                     |
|-----------------------------------|-----------|---------------------|
| 2016                              | <b>\$</b> | <b><u>2,697</u></b> |
| Total minimum lease payments      | <b>\$</b> | <b>2,697</b>        |
| Less amount representing interest |           | <b><u>21</u></b>    |
|                                   | <b>\$</b> | <b><u>2,676</u></b> |

**10. TANGIBLE CAPITAL ASSETS**

|  | 2015                        |                             |                             | 2014<br>Net<br>Book Value   |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|  | Cost                        | Accumulated<br>Amortization | Net<br>Book Value           |                             |
| <b>General Capital Fund</b>            |                             |                             |                             |                             |
| Land                                   | \$ 1,671,262                | \$ -                        | \$ 1,671,262                | \$ 1,690,090                |
| Land improvements                      | 19,775                      | 396                         | 19,379                      | 19,775                      |
| Buildings                              | 6,003,737                   | 2,801,504                   | 3,202,233                   | 3,351,296                   |
| Engineering structures                 | 20,664,602                  | 10,866,555                  | 9,798,047                   | 10,121,333                  |
| Machinery and equipment                | 2,234,920                   | 1,224,764                   | 1,010,156                   | 1,088,364                   |
| Equipment fleet - emergency            | 1,838,561                   | 447,604                     | 1,390,957                   | 397,982                     |
| Equipment fleet - public works         | <u>3,327,835</u>            | <u>2,319,790</u>            | <u>1,008,045</u>            | <u>1,027,502</u>            |
|  | <b>35,760,692</b>           | <b>17,660,613</b>           | <b>18,100,079</b>           | <b>17,696,342</b>           |
| Assets under capital lease             | <u>38,153</u>               | <u>23,814</u>               | <u>14,339</u>               | <u>175,592</u>              |
|  | <b>35,798,845</b>           | <b>17,684,427</b>           | <b>18,114,418</b>           | <b>17,871,934</b>           |
| <b>Waterworks Utility Capital Fund</b> | 8,666,399                   | 4,485,896                   | 4,180,503                   | 4,042,064                   |
| <b>Electrical Utility Capital Fund</b> | 2,736,250                   | 1,640,010                   | 1,096,240                   | 980,061                     |
| <b>Sewer Utility Capital Fund</b>      | <u>7,980,034</u>            | <u>3,750,065</u>            | <u>4,229,969</u>            | <u>4,256,801</u>            |
| <b>Total Tangible Capital Assets</b>   | <b><u>\$ 55,181,528</u></b> | <b><u>\$ 27,560,398</u></b> | <b><u>\$ 27,621,130</u></b> | <b><u>\$ 27,150,860</u></b> |

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
As At December 31, 2015

**11. OPERATING FUNDS SURPLUS**

|                                     | 2015                | 2014                |
|-------------------------------------|---------------------|---------------------|
| Unrestricted surplus:               |                     |                     |
| General operating fund              | \$ 1,592,696        | \$ 1,014,909        |
| Electrical utility operating fund   | 1,628,194           | 1,606,081           |
| Sewer utility operating fund        | 1,146,584           | 1,054,530           |
| Water utility operating fund        | <u>573,008</u>      | <u>222,735</u>      |
| Total unrestricted surplus          | <u>4,940,482</u>    | <u>3,898,255</u>    |
| Internally restricted surplus:      |                     |                     |
| Future elections funding            | 5,000               | -                   |
| EOC Fire Department                 | <u>32,154</u>       | <u>-</u>            |
| Total internally restricted surplus | <u>37,154</u>       | <u>-</u>            |
| Total operating funds surplus       | <u>\$ 4,977,636</u> | <u>\$ 3,898,255</u> |

During the year, the City set aside \$5,000 for future elections funding as well as net income from the EOC Fire Department for use in future years.

**12. RESERVE FUNDS CONTINUITY**

|                         | Balance<br>Beginning<br>of Year | Transfers<br>from other<br>Funds | Transfers<br>to other<br>Funds | Interest<br>Earned | Balance<br>End of<br>Year |
|-------------------------|---------------------------------|----------------------------------|--------------------------------|--------------------|---------------------------|
| Capital reserve         | \$ 101,234                      | \$ 233,000                       | \$ 179,967                     | \$ 1,553           | \$ 155,820                |
| Cash in lieu of parking | 4,178                           | -                                | 130                            | 54                 | 4,102                     |
| Climate action reserve  | 22,629                          | 6,764                            | -                              | 181                | 29,574                    |
| Community works gas tax | 966,459                         | 213,419                          | 291,491                        | 11,263             | 899,650                   |
| Equipment replacement   | 573,448                         | -                                | 52,656                         | 6,369              | 527,161                   |
| Land sale               | 566,290                         | 119,590                          | 190,763                        | 6,295              | 501,412                   |
| Tax sale land           | 62,531                          | -                                | -                              | 704                | 63,235                    |
| Slag sale               | <u>1,359,175</u>                | <u>246,721</u>                   | <u>177,374</u>                 | <u>16,289</u>      | <u>1,444,811</u>          |
|                         | <u>\$ 3,655,944</u>             | <u>\$ 819,494</u>                | <u>\$ 892,381</u>              | <u>\$ 42,708</u>   | <u>\$ 3,625,765</u>       |



**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2015**

**13. 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:

|   | <b>2015</b>                     | <b>2014</b>              |
|---|---------------------------------|--------------------------|
| Equity in TCA, beginning of year                    | <b>\$ 24,739,628</b>            | \$ 24,147,008            |
| Add:  |                                 |                          |
| Capital acquisitions                                | <b>2,189,133</b>                | 2,214,126                |
| Debt principal repayments                           | <b>161,129</b>                  | 201,469                  |
| Actuarial adjustment                                | <b>17,794</b>                   | 12,795                   |
| Gain on dispositions of assets                      | <b>76,352</b>                   | 68,072                   |
| Less:   |                                 |                          |
| Proceeds from issue of temporary and long-term debt | <b>( 983,430)</b>               | ( 263,159)               |
| Proceeds on sale                                    | <b>( 166,911)</b>               | ( 77,373)                |
| Amortization  | <b>( 1,628,303)</b>             | ( 1,563,310)             |
| <br>Equity in TCA, end of year                      | <br><b><u>\$ 24,405,392</u></b> | <br><u>\$ 24,739,628</u> |
| <br>Represented by:                                 |                                 |                          |
| General capital fund                                | <b>\$ 17,188,766</b>            | \$ 17,442,946            |
| Electrical utility capital fund                     | <b>1,096,240</b>                | 980,061                  |
| Sewer utility capital fund                          | <b>2,424,466</b>                | 2,483,366                |
| Water utility capital fund                          | <b><u>3,695,920</u></b>         | <u>3,833,255</u>         |
| <br>Equity in TCA, end of year                      | <br><b><u>\$ 24,405,392</u></b> | <br><u>\$ 24,739,628</u> |

**14. 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 based on a formula. The Plan has about 182,000 active members and approximately 75,000 retired members. Active members include approximately 36,000 contributors from local governments.

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 \$285,161 (2014 - \$265,984) for employer contributions to the Plan in fiscal 2015.

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2015**

**15. SALE OF SERVICES**

|   | 2015                | 2014                |
|---|---------------------|---------------------|
| Garbage collection and landfill contract    | \$ 197,023          | \$ 209,134          |
| Cemetery                                    | 17,737              | 28,684              |
| Airport (net of cost of fuel sold)          | 47,032              | 22,303              |
| Transportation custom work orders           | -                   | 8,287               |
| Planning and development                    | 2,250               | 10,500              |
| Campground                                  | 48,571              | 46,055              |
| Sundry                                      | 5,817               | 4,890               |
| Slag  | 246,721             | 235,063             |
| Electrical utility user and connection fees | 4,442,886           | 4,377,623           |
| Sewer utility user and connection fees      | 805,701             | 817,363             |
| Waterworks utility user and connection fees | 841,632             | 847,415             |
|   | <u>\$ 6,655,370</u> | <u>\$ 6,607,317</u> |

**16. 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.

|   | 2015                | 2014                |
|---|---------------------|---------------------|
| Provincial Government - School Taxes    | \$ 1,558,723        | \$ 1,583,046        |
| Provincial Government - Police Tax Levy | 215,036             | 211,395             |
| British Columbia Assessment Authority   | 44,823              | 46,847              |
| Regional Hospital Districts             | 173,372             | 180,527             |
| Municipal Finance Authority             | 123                 | -                   |
| Regional District of Kootenay Boundary  | 1,367,804           | 1,380,316           |
|   | <u>\$ 3,359,881</u> | <u>\$ 3,402,131</u> |

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2015**

**17. TRUST FUNDS**

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

|  | 2015              | 2014              |
|--|-------------------|-------------------|
| <b>Assets</b>                            |                   |                   |
| Cash                                     | \$ 160,890        | \$ 158,365        |
| Due from (to) the General Operating Fund | <u>( 1,773)</u>   | <u>46</u>         |
|  | <u>\$ 159,117</u> | <u>\$ 158,411</u> |
| <br><b>Trust Fund Balances</b>           |                   |                   |
| Cemetery care                            | \$ 148,799        | \$ 145,519        |
| Employee assistance program              | <u>10,318</u>     | <u>12,892</u>     |
|  | <u>\$ 159,117</u> | <u>\$ 158,411</u> |

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

**18. RECONCILIATION TO BUDGET**

The following reconciles the budgeted surplus as shown on the consolidated statement of operations to the budget as presented in bylaw 2008 adopted on April 7, 2015.

|  | 2015             |
|--|------------------|
| Annual budgeted surplus per consolidated statement of operations | \$ 1,565,344     |
| Debt principal repayments  | ( 154,556)       |
| Purchase of tangible capital assets other than by debt           | ( 5,188,208)     |
| Budgeted transfer from reserve/accumulated surplus               | 1,123,160        |
| Non-cash item - amortization                                     | 1,607,204        |
| Debt proceeds  | <u>1,047,056</u> |
|  | <u>\$ -</u>      |

**19. ACCOUNTING CHANGES: LIABILITY FOR CONTAMINATED SITES**

On January 1, 2015 the City of Grand Forks adopted the new Public Sector Accounting Board's standard for liability for contaminated sites. This section establishes standards on how to account for and report a liability associated with the remediation of contaminated sites. The only contaminated sites referred to in this standard relate to sites that are either no longer in active use or resulted from unexpected environmental events (such as toxic spills or natural disasters). As defined, contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard.

The adoption of this new standard has not resulted in any changes to the measurement and recognition of liabilities in the 2015 financial statements of the City.

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2015**

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**20. 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.

In the normal course of a year, the City may be faced with claims of a diverse nature. The outcome of these claims cannot be reasonably determined at this time.

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**21. COMMITMENT**

Subsequent to year end, the City entered into an equipment financing agreement with the Municipal Finance Authority to partially fund the 2015 purchase of the Cobra Platform firetruck. The total amount financed was \$722,519 to be paid out over a five year term.

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**22. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current year's presentation.

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**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**SCHEDULE - SEGMENTED INFORMATION**  
For the Year Ended December 31, 2015

|                                 | General<br>and Reserve | Electrical<br>Utility | Water<br>Utility    | Sewer<br>Utility    | Total<br>2015     | Total<br>2014       |
|---------------------------------|------------------------|-----------------------|---------------------|---------------------|-------------------|---------------------|
| <b>REVENUE</b>                  |                        |                       |                     |                     |                   |                     |
| Property taxes                  | \$ 3,230,883           | \$ -                  | \$ -                | \$ 6,041            | \$ 3,236,924      | \$ 3,099,939        |
| User fees and charges           | -                      | 4,442,886             | 841,632             | 805,701             | 6,090,219         | 6,042,401           |
| Other revenue                   | 1,515,150              | -                     | -                   | 8,749               | 1,523,899         | 2,962,169           |
| Grants - operating              | 605,567                | -                     | -                   | -                   | 605,567           | 1,377,914           |
| Grants - capital                | 720,833                | -                     | -                   | 2,732               | 723,565           | 714,351             |
| Gain on disposal                | 76,352                 | -                     | -                   | -                   | 76,352            | 68,072              |
|                                 | <b>6,148,785</b>       | <b>4,442,886</b>      | <b>841,632</b>      | <b>823,223</b>      | <b>12,256,526</b> | <b>14,264,846</b>   |
| <b>EXPENSES</b>                 |                        |                       |                     |                     |                   |                     |
| Salaries and benefits           | 2,265,797              | 629,377               | 457,189             | 445,499             | 3,797,862         | 4,077,214           |
| Goods and services              | 2,340,393              | 239,680               | 260,065             | 232,472             | 3,072,610         | 4,117,697           |
| Purchased services              | -                      | 2,932,408             | -                   | -                   | 2,932,408         | 2,884,387           |
| Debt interest                   | 31,248                 | -                     | 6,055               | 73,074              | 110,377           | 97,780              |
| Amortization                    | 1,233,095              | 41,147                | 191,650             | 162,411             | 1,628,303         | 1,563,310           |
| Interfund transfers             | ( 433,000)             | 433,000               | -                   | -                   | -                 | -                   |
|                                 | <b>5,437,533</b>       | <b>4,275,612</b>      | <b>914,959</b>      | <b>913,456</b>      | <b>11,541,560</b> | <b>12,740,388</b>   |
| <b>ANNUAL SURPLUS (DEFICIT)</b> | <b>\$ 711,252</b>      | <b>\$ 167,274</b>     | <b>\$ ( 73,327)</b> | <b>\$ ( 90,233)</b> | <b>\$ 714,966</b> | <b>\$ 1,524,458</b> |

THE CORPORATION OF THE CITY OF GRAND FORKS  
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS  
As At December 31, 2015

|                                     | Infrastructure      |                   |                     |                         |                        |                     |                     |                     |                  |                      |                      |
|-------------------------------------|---------------------|-------------------|---------------------|-------------------------|------------------------|---------------------|---------------------|---------------------|------------------|----------------------|----------------------|
|                                     | Land                | Land Improvements | Buildings           | Machinery and Equipment | Engineering Structures | Electrical Utility  | Waterworks Utility  | Sewer Utility       | Leased Assets    | 2015                 | 2014                 |
| <b>Historical Cost:</b>             |                     |                   |                     |                         |                        |                     |                     |                     |                  |                      |                      |
| Opening balance                     | \$ 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        |
| Additions                           | 2,299               |                   |                     | 1,241,790               | 322,049                | 157,326             | 330,089             | 135,579             |                  | 2,189,132            | 2,214,126            |
| Transfer from leased assets         |                     |                   |                     | 403,521                 |                        |                     |                     |                     | (403,521)        |                      |                      |
| Disposals and write downs           | (21,127)            |                   |                     | (366,621)               | (10,000)               |                     |                     |                     |                  | (397,748)            | (104,776)            |
| Closing balance, Dec. 31            | \$ 1,671,262        | 19,775            | \$ 6,003,737        | \$ 7,401,316            | \$ 20,664,602          | \$ 2,736,250        | \$ 8,666,399        | \$ 7,980,034        | \$ 38,153        | \$ 55,181,528        | \$ 53,390,144        |
| <b>Accumulated Amortization:</b>    |                     |                   |                     |                         |                        |                     |                     |                     |                  |                      |                      |
| Opening balance                     | \$ -                |                   | \$ 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        |
| Amortization Expense                | -                   | 396               | 149,063             | 436,347                 | 642,395                | 41,147              | 191,650             | 162,411             | 4,894            | 1,628,303            | 1,563,310            |
| Transfer from leased assets         |                     |                   |                     | 84,700                  |                        |                     |                     |                     | (94,700)         |                      |                      |
| Effect of disposals and write downs | -                   |                   |                     | (300,129)               | (7,060)                |                     |                     |                     |                  | (307,189)            | (95,475)             |
| Closing balance, Dec. 31            | \$ -                | 396               | \$ 2,801,504        | \$ 3,992,158            | \$ 10,866,555          | \$ 1,640,010        | \$ 4,485,896        | \$ 3,750,065        | \$ 23,814        | \$ 27,560,398        | \$ 26,239,284        |
| <b>Net Book Value, end of year</b>  | <b>\$ 1,671,262</b> | <b>19,379</b>     | <b>\$ 3,202,233</b> | <b>\$ 3,409,158</b>     | <b>\$ 9,798,047</b>    | <b>\$ 1,096,240</b> | <b>\$ 4,180,503</b> | <b>\$ 4,229,969</b> | <b>\$ 14,339</b> | <b>\$ 27,621,130</b> | <b>\$ 27,150,860</b> |