

**RECEIVED**

**MAY 18 2012**

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

May 16, 2012

The Corporation of the City of Grand Forks  
420 Market Avenue  
Grand Forks, BC V0H 1H0

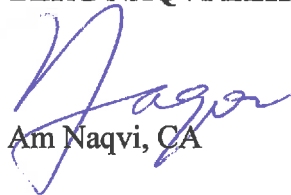
Dear Ms. Arnott:

**Re: The Corporation of the City of Grand Forks December 31, 2011 Financial Statement**

Please find attached seven revised pages to the financial statement as discussed. Please sign and replace accordingly.

Yours truly,

**BERG NAQVI LEHMANN**



Am Naqvi, CA

AN/gb  
Enclosures

**FILE CODE**

*89 - REVISED PAGES TO FINANCIAL STATEMENT.*

*Financial Statements of*

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

*December 31, 2011*

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**Index to Financial Statements**  
**December 31, 2011**

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<b>Responsibility for Financial Reporting</b>	- Page 1
<b>Consolidated Financial Statements</b>	
Independent Auditors' Report	- Page 2 - 3
Consolidated Statement of Financial Position	- Page 4
Consolidated Statement of Operations	- Page 5
Consolidated Statement of Change in Net Financial Assets	- Page 6
Consolidated Statement of Cash Flows	- Page 7
<b>Notes to Consolidated Financial Statements</b>	- Pages 8 - 17
<b>Other Financial Information</b>	
Schedule - Segmented Information	- Page 18

**May 15, 2012**

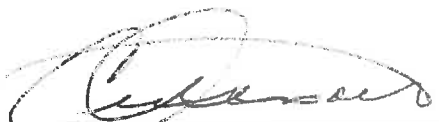
**Grand Forks, B.C.**

## **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 and policies 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 Fork's 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 Naqvi 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 and policies disclosed in note 1 to the consolidated financial statements. The report of Berg Naqvi Lehmann, Chartered Accountants, follows and outlines the scope of their examination and their opinion on the consolidated financial statements.



Cecile Arnett  
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 consolidated statement of financial position of The Corporation of the City of Grand Forks as at December 31, 2011 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. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and in accordance with Section 167 of the Community Charter of BC, 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.

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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, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



**Chartered Accountants**

May 15, 2012

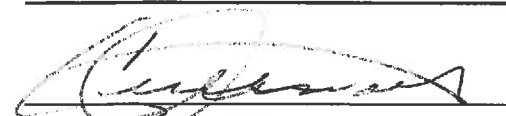
**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As At December 31, 2011

	2011	2010
<b>FINANCIAL ASSETS</b>		
Cash (note 2)	\$ 7,340,791	\$ 5,960,590
Investment	100	100
Accounts receivable	1,653,059	2,308,449
MFA deposit (note 3)	9,513	9,199
Inventories for resale	26,811	46,710
Loan receivable (note 4)	209,285	225,786
Due from Trust	405	-
	<b>9,239,964</b>	<b>8,550,834</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (note 5)	1,962,331	2,154,632
Due to Trust	-	1,272
Deferred gas tax grants (note 8)	1,011,546	799,719
Deferred revenues	316,497	319,453
Temporary loan	1,537,426	1,537,426
Development cost charges	377,805	334,979
Restricted revenues	10,465	109,630
Long-term debt (note 6)	914,274	1,076,484
	<b>6,130,344</b>	<b>6,333,595</b>
<b>NET FINANCIAL ASSETS</b>	<b>3,109,620</b>	<b>2,217,239</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	38,446	37,248
Inventory of supplies	281,762	269,676
Tangible capital assets (note 7)	26,713,397	26,990,406
	<b>27,033,605</b>	<b>27,297,330</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$30,143,225</b>	<b>\$29,514,569</b>
Represented by:		
Operating funds equity (note 9)	\$ 1,387,863	\$ 1,316,307
Reserve funds (note 10)	2,956,239	2,284,340
Equity in tangible capital assets (note 11)	25,799,123	25,913,922
	<b>\$30,143,225</b>	<b>\$29,514,569</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES (note 18)</b>		

  
Chief Financial Officer

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the Year Ended December 31, 2011

	2011 Budget	2011 Actual	2010 Actual
<b>REVENUE</b>			
Taxes	\$ 2,800,700	\$ 2,619,503	\$ 2,464,571
Sales of goods and services (note 13)	5,574,000	5,855,689	5,344,020
Other revenues	481,000	510,861	492,570
Senior government grants - operating	540,300	738,769	569,823
Senior government grants - capital	440,000	280,837	2,820,472
Other restricted income - operations library	-	-	6,990
Interest income	10,000	97,748	51,892
Investment income on sinking fund	-	6,157	5,963
	<b>9,846,000</b>	<b>10,109,564</b>	<b>11,756,301</b>
Transfer to Library Maintenance	-	( 2,473)	-
	<b>9,846,000</b>	<b>10,107,091</b>	<b>11,756,301</b>
<b>EXPENDITURES</b>			
General government	1,044,800	928,814	895,095
Public real estate	244,600	348,006	284,579
Protective service	420,700	428,665	402,569
Transportation services	1,240,650	1,069,466	903,835
Environmental health services	169,400	165,149	157,868
Public health and welfare	96,300	105,494	154,771
Environmental development	170,700	256,489	196,554
Recreation and cultural services	801,800	631,273	674,312
Utility services			
Electrical	3,471,600	3,246,720	2,850,198
Water	965,200	659,989	671,228
Sewer	799,800	648,198	595,075
Debt interest	271,800	37,432	35,133
Amortization	1,500,000	1,258,734	1,433,537
Gain on disposition	-	( 305,994)	( 55,573)
	<b>11,197,350</b>	<b>9,478,435</b>	<b>9,199,181</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>( 1,351,350)</b>	<b>628,656</b>	<b>2,557,120</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>-</b>	<b>29,514,569</b>	<b>26,957,449</b>
<b>ACCUMULATED SURPLUS (DEFICIT), END OF YEAR</b>	<b>\$ (1,351,350)</b>	<b>\$30,143,225</b>	<b>\$29,514,569</b>
<b>RECONCILIATION TO BUDGET (note 17)</b>			

  
Chief Financial Officer



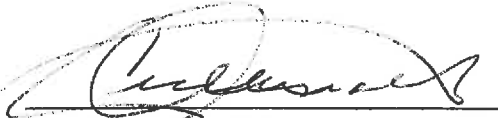
**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**For the Year Ended December 31, 2011**

	2011	2010
<b>ANNUAL SURPLUS</b>	<b>\$ 628,656</b>	<b>\$ 2,557,120</b>
Acquisition of tangible capital assets	( 998,475)	( 4,797,666)
Amortization of tangible capital assets	1,258,734	1,433,537
Gain on sale of capital assets	( 305,994)	( 55,573)
Proceeds from sale of capital assets	322,743	295,248
Net change in prepaid expenses and supplies inventory	( 13,284)	29,564
<b>(INCREASE) DECREASE IN NET DEBT</b>	<b>892,380</b>	<b>( 537,770)</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>2,217,240</b>	<b>2,755,010</b>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ 3,109,620</b>	<b>\$ 2,217,240</b>

  
 Chief Financial Officer

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**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2011**

	2011	2010
<b>OPERATING TRANSACTIONS</b>		
Annual surplus	\$ 628,656	\$ 2,557,120
Non cash items		
Amortization	1,258,734	1,433,537
Gain on sale of tangible capital assets	( 305,994)	( 55,573)
Change in prepaid expenses and supplies inventory	( 13,284)	29,564
Change in Net Financial Assets/Liabilities		
Change in accounts receivable	655,390	( 101,563)
Change in MFA debt deposits	( 314)	( 974)
Change in inventories for resale	19,899	( 16,505)
Change in loan receivable	16,501	( 225,786)
Change in accounts payable and accrued liabilities	( 192,300)	50,405
Change in due to trust	( 1,677)	( 3,934)
Change in deferred revenues	208,871	262,787
Change in temporary loan	-	1,537,426
Change in development cost charges	42,826	17,334
Change in restricted revenues	( 99,165)	( 1,025,058)
<b>Cash Provided by Operating Transactions</b>	<b>2,218,143</b>	<b>4,458,780</b>
<b>CAPITAL TRANSACTIONS</b>		
Purchase of tangible capital assets	( 998,475)	( 4,797,666)
Proceeds from sale of tangible capital assets	322,743	295,248
<b>Cash Applied to Capital Transactions</b>	<b>( 675,732)</b>	<b>( 4,502,418)</b>
<b>INVESTING TRANSACTIONS</b>		
Increase in investments	-	( 100)
<b>FINANCING TRANSACTIONS</b>		
Debt issued	46,556	266,775
Repayment of long-term debt	( 192,806)	( 145,914)
Actuarial adjustment	( 15,960)	( 5,963)
<b>Cash Received from Financing Transactions</b>	<b>( 162,210)</b>	<b>114,898</b>
<b>INCREASE IN CASH</b>	<b>1,380,201</b>	<b>71,160</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>5,960,590</b>	<b>5,889,430</b>
<b>CASH, END OF YEAR</b>	<b>\$ 7,340,791</b>	<b>\$ 5,960,590</b>

  
 Chief Financial Officer

## **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**

The Consolidated Financial Statements of the City, which are the representation of management, are prepared in accordance with Canadian generally accepted accounting principles for governments as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The Consolidate Financial Statements reflect the combined results and activities of the reporting entity which is comprised of the Operating, Capital and Reserve funds. Inter-fund transactions have been eliminated on consolidation.

- 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.

### **Revenue Recognition**

The City's 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 and utility fee revenues are recognized in the fiscal period to which they relate. Sale of services and user fees are recognized when the service or product is rendered by the City. Grant revenues are recorded when the funding becomes receivable. Unearned revenue in the current period is recorded as deferred revenue.

### **Deferred Charges**

The City's records payments for operating expenditures pertaining to future years as deferred charges. They are recorded as expenditures when the economic benefit is realized.

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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
Parks infrastructure	15 - 50 years
Paving and roads	10 - 100 years
Sewer infrastructure	10 - 100 years
Water infrastructure	10 - 100 years

**Restricted Revenues and Deferred Revenues**

Receipts which are restricted by the legislation of senior governments or by agreements with external parties are deferred and reported as restricted revenues. When qualifying expenditures are incurred restricted revenues are brought into revenue at equal amounts.

Revenues received in advance of expenditures which will be incurred in a later period are deferred until they are earned by being matched against those expenditures.

**Financial Instruments**

The City's financial instruments consist of cash, 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 budget figures are based on the adopted Five-Year Financial Plan for the year 2011.

**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, 2011**

**2. CASH**

	2011	2010
Restricted cash		
Statutory Reserves	\$ 2,871,602	\$ 2,904,598
Deferred Gas Tax Grant funds	1,011,546	816,128
Deferred development cost funds	<u>375,857</u>	<u>333,999</u>
	4,259,005	4,054,725
Unrestricted cash and investments	<u>3,081,786</u>	<u>1,905,865</u>
	<u>\$ 7,340,791</u>	<u>\$ 5,960,590</u>

**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, 2011 the total of the Debt Reserve Fund was:

	Demand Notes	Cash Deposits	Balance
Sewer fund	\$ 6,433	\$ 3,404	\$ 9,837
General fund	<u>28,501</u>	<u>6,109</u>	<u>34,610</u>
	<u>\$ 34,934</u>	<u>\$ 9,513</u>	<u>\$ 44,447</u>

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

**4. LOAN RECEIVABLE**

The City has entered into a long term capital lease agreement with the Regional District of Kootenay Boundary in consideration of the sale of a building and lands. The term of the agreement is 12 years commencing August 1, 2010. Annual blended payments are \$27,000.

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2011**

**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 one and one half of 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 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. As at December 31, 2011, \$488,516 (2010 - \$450,785) has been accrued by the City to cover this obligation.

Contracts between the City and members of its management team establish a sick leave bank of 1086 days for managers which provides full pay for any management employee from onset of illness until coverage commences under long term disability insurance. As at December 31, 2011, \$331,782 (2010 - \$322,119) has been accrued by the City to cover this obligation.

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

	Balance, beginning of year	Additions	Payment of Principal	Actuarial Adjustment	Balance, end of year
General #1863	\$ 457,994	\$ -	\$( 41,645)	\$( 2,039)	\$ 414,310
General #1887	70,000	-	( 3,496)	( 33)	66,471
Sewer #1556	109,312	-	( 6,495)	( 4,085)	98,732
	<hr/>				<hr/>
Total MFA debt	637,306	-	( 51,636)	( 6,157)	579,513
General capital lease obligations	439,178	46,556	( 141,170)	( 9,803)	334,761
	<hr/>				<hr/>
Total long-term debt	<b>\$1,076,484</b>	<b>\$ 46,556</b>	<b>\$( 192,806)</b>	<b>\$( 15,960)</b>	<b>\$ 914,274</b>

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
2012	\$ 45,140	\$ 6,495	\$ 51,635
2013	45,140	6,495	51,635
2014	45,140	6,495	51,635
2015	45,140	6,495	51,635
2016	45,140	6,495	51,635
	<hr/>	<hr/>	<hr/>
	<b>\$ 225,700</b>	<b>\$ 32,475</b>	<b>\$ 258,175</b>

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
As At December 31, 2011

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

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

2012	\$ 108,970
2013	98,343
2014	89,113
2015	47,673
2016	<u>2,517</u>
Total minimum lease payments	346,616
Less amount representing interest	<u>11,855</u>
	 <u>\$ 334,761</u>

**7. TANGIBLE CAPITAL ASSETS**

	2011			2010 Net Book Value
	Cost	Accumulated Amortization	Net Book Value	
<b>General Capital Fund</b>				
Land - infrastructure	\$ 1,368,648	\$ -	\$ 1,368,648	\$ 1,374,638
Land - for resale	183,607	-	183,607	183,607
Buildings	5,824,633	2,207,400	3,617,233	3,675,029
Engineering structures	19,178,716	8,429,678	10,749,038	10,808,658
Machinery and equipment	1,453,585	912,732	540,853	490,890
Equipment fleet - emergency	1,081,066	551,798	529,268	574,478
Equipment fleet - public works	<u>3,435,775</u>	<u>1,843,621</u>	<u>1,592,154</u>	<u>1,689,188</u>
	<b>32,526,030</b>	<b>13,945,229</b>	<b>18,580,801</b>	<b>18,796,488</b>
<b>Waterworks Utility Capital Fund</b>	<b>6,949,812</b>	<b>3,726,917</b>	<b>3,222,895</b>	<b>3,347,225</b>
<b>Electrical Utility Capital Fund</b>	<b>2,221,015</b>	<b>1,484,373</b>	<b>736,642</b>	<b>769,811</b>
<b>Sewer Utility Capital Fund</b>	<u><b>7,337,812</b></u>	<u><b>3,164,753</b></u>	<u><b>4,173,059</b></u>	<u><b>4,076,883</b></u>
<b>Total tangible capital assets</b>	<u><b>\$49,034,669</b></u>	<u><b>\$22,321,272</b></u>	<u><b>\$26,713,397</b></u>	<u><b>\$26,990,407</b></u>

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2011**

**8. 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. 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.

	2011	2010
Opening balance	\$ 799,719	\$ 581,597
Amount received in the year	212,698	212,717
Interest earned	11,237	5,405
Less amount spent on eligible projects	<u>( 12,108)</u>	<u>-</u>
Closing balance of unspent funds	<u>\$ 1,011,546</u>	<u>\$ 799,719</u>

**9. OPERATING FUND EQUITY**

	2011	2010
General operating fund	\$ 550,175	\$ 494,717
Electrical utility operating fund	850,312	647,553
Sewer utility operating fund	( 422,224)	( 256,278)
Water utility operating fund	<u>409,600</u>	<u>430,315</u>
Operating fund equity at year end	<u>\$ 1,387,863</u>	<u>\$ 1,316,307</u>

**10. RESERVE FUND CONTINUITY**

	Balance Beginning of Year	Purchases	Transfers (to) from Other Funds	Sales	Interest Earned	Balance End of Year
Capital reserve	\$ 278,788	\$ -	\$ -	\$ -	\$ 3,724	\$ 282,512
Equipment replacement	497,201	( 23,250)	59,044	20,550	6,272	559,817
Land sale	402,918	-	-	298,750	17,870	719,538
Tax sale land	59,251	-	-	-	796	60,047
Cash in lieu of parking	16,447	-	-	-	221	16,668
Slag sale	1,029,734	-	-	269,940	17,983	1,317,657
	<u>\$ 2,284,339</u>	<u>\$( 23,250)</u>	<u>\$ 59,044</u>	<u>\$ 589,240</u>	<u>\$ 46,866</u>	<u>\$ 2,956,239</u>



**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2011**

**11. 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:

	2011	2010
Equity in TCA, beginning of year	<b>\$25,913,921</b>	\$22,904,365
Add:		
Capital acquisitions	<b>998,475</b>	4,797,666
Debt principal repayments	<b>192,806</b>	145,914
Actuarial adjustment	<b>15,960</b>	5,963
Less:		
Disposition of Capital Asset at NBV	<b>( 16,749)</b>	( 239,675)
Assets purchased funded by debt	<b>( 46,556)</b>	( 266,775)
Amortization	<b>( 1,258,734)</b>	( 1,433,537)
Equity in TCA, end of year	<b><u>\$25,799,123</u></b>	<b><u>\$25,913,921</u></b>
Represented by:		
General capital fund	<b>\$17,765,259</b>	\$17,829,314
Electrical utility capital fund	<b>736,642</b>	769,811
Sewer utility capital fund	<b>4,074,327</b>	3,967,571
Water utility capital fund	<b><u>3,222,895</u></b>	<b><u>3,347,225</u></b>
Capital fund equity at year end	<b><u>\$25,799,123</u></b>	<b><u>\$25,913,921</u></b>

**12. MUNICIPAL PENSION PLAN**

The City and its employees contribute to the Municipal Pension Plan (the plan), a jointly trustee 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 173,000 active members and approximately 63,000 retired members. Active members include approximately 35,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation was as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the plan as the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan.

The City's employer contributions to the plan in the fiscal year were \$243,909 (2010 - \$216,276).

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2011**

**13. SALE OF SERVICES**

	2011	2010
Garbage collection and RDKB landfill contract	\$ 168,227	\$ 164,625
Cemetery	37,903	20,914
Airport (net of cost of fuel sold)	19,837	24,555
Transportation custom work orders	39,764	66,404
Environmental development	11,654	2,550
Campground	29,737	31,650
Sundry	2,224	2,900
Slag	269,940	261,193
Electrical utility user and connection fees	3,834,378	3,386,751
Sewer utility user and connection fees	719,424	685,626
Waterworks utility user and connection fees	722,601	696,852
	<b>\$ 5,855,689</b>	<b>\$ 5,344,020</b>

**14. EXPENDITURES BY OBJECT**

	2011	2010
Goods and services	\$ 5,211,618	\$ 4,724,866
Interest and finance charges	37,432	35,133
Salaries, wages and benefits	3,276,645	3,061,218
Amortization	1,258,734	1,433,537
Gain on disposal	( 305,994)	( 55,573)
	<b>\$ 9,478,435</b>	<b>\$ 9,199,181</b>

**15. 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.

	2011	2010
Provincial Government - School Taxes	\$ 1,561,547	\$ 1,522,908
Provincial Government - Police Tax Levy	189,760	175,387
British Columbia Assessment Authority	46,666	47,182
Regional Hospital Districts	170,542	115,655
Municipal Finance Authority	124	120
Regional District of Kootenay Boundary	1,251,856	1,126,282
	<b>\$ 3,220,495</b>	<b>\$ 2,987,534</b>

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2011**

**16. TRUST FUNDS**

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

	2011	2010
<b>Assets</b>		
Cash	\$ 140,682	\$ 132,540
Due from (to) the General Operating Fund	<u>( 405)</u>	<u>1,272</u>
	<b><u>\$ 140,277</u></b>	<b><u>\$ 133,812</u></b>
 <b>Trust Fund Balances</b>		
Cemetery care	\$ 130,595	\$ 125,188
Employee assistance program	<u>9,682</u>	<u>8,624</u>
	<b><u>\$ 140,277</u></b>	<b><u>\$ 133,812</u></b>

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

**17. RECONCILIATION TO BUDGET**

	2011	2010
Annual surplus	\$( 1,351,350)	\$ 2,323,200
Debt principal repayments	( 251,900)	( 250,700)
Purchase of tangible capital assets other than by debt	( 2,653,500)	( 5,625,000)
Budgeted transfer from (to) reserve/accumulated surplus	1,286,750	490,000
Non-cash item - amortization	1,500,000	1,312,500
Debt proceeds	<u>1,470,000</u>	<u>1,750,000</u>
	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

**18. COMMITMENTS AND CONTINGENT LIABILITIES**

**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.

**18. COMMITMENTS AND CONTINGENT LIABILITIES (continued)**

Reciprocal Insurance Exchange Agreement

The City is a subscribed member of the Municipal Insurance Association of British Columbia (The "Exchange") as provided by Section 3.02 of the Insurance Act of the Province of British Columbia. The main purpose of the Exchange is to pool the risks of liability so as to lessen the impact upon any subscriber. Under the Reciprocal Insurance Exchange Agreement, the City is assessed a premium and specific deductible for its claims based on population. The obligation of the City with respect to the Exchange and/or contracts and obligations entered into by the Exchange on behalf of its subscribers in connection with the Exchange are in every case several, not joint and several. The City irrevocably and unconditionally undertakes and agrees to indemnify and save harmless the other subscribers against liability losses and costs which the other subscriber may suffer.

Contractual Obligations

The City has contracted with the Regional District of Kootenay Boundary to provide Building and Plumbing Inspection services. Under the contract the City is obliged to pay the Regional District a requisition based on various components calculated annually and the Regional District is obliged to remit all fees collected on behalf of the City.

Property Held for Redevelopment

The City holds real property which it intends to offer for sale in the future under terms compatible with its development plans.

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**19. 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, 2011

	General and Reserve	Electrical Utility	Water Utility	Sewer Utility	Total 2011	Total 2010
<b>REVENUE</b>						
Property taxes	\$ 2,613,462	\$ -	\$ -	\$ 6,041	\$ 2,619,503	\$ 2,464,571
User fees and charges	-	3,834,378	722,601	719,424	5,276,403	4,769,229
Other revenue	1,187,382	-	-	4,197	1,191,579	1,132,206
Grants - operating	728,769	-	10,000	-	738,769	569,823
Grants - capital	280,837	-	-	-	280,837	2,820,472
	<b>4,810,450</b>	<b>3,834,378</b>	<b>732,601</b>	<b>729,662</b>	<b>10,107,091</b>	<b>11,756,301</b>
<b>EXPENSES</b>						
Salaries and benefits	2,020,165	483,774	370,072	402,634	3,276,645	3,061,218
Goods and services	1,850,540	25,307	321,459	276,673	2,473,979	2,392,349
Purchased services	-	2,737,639	-	-	2,737,639	2,332,517
Debt interest	31,260	-	-	6,172	37,432	35,133
Amortization	936,079	33,169	186,114	103,372	1,258,734	1,433,537
Gain on disposal	( 305,994)	-	-	-	( 305,994)	( 55,573)
	<b>4,532,050</b>	<b>3,279,889</b>	<b>877,645</b>	<b>788,851</b>	<b>9,478,435</b>	<b>9,199,181</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ 278,400</b>	<b>\$ 554,489</b>	<b>\$( 145,044)</b>	<b>\$( 59,189)</b>	<b>\$ 628,656</b>	<b>\$ 2,557,120</b>