

Financial Statements of

THE CORPORATION OF THE CITY OF GRAND FORKS

December 31, 2012

THE CORPORATION OF THE CITY OF GRAND FORKS
Index to Financial Statements
December 31, 2012

Responsibility for Financial Reporting	- Page 1
Consolidated Financial Statements	
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
Notes to Consolidated Financial Statements	- Pages 8 - 18
Other Financial Information	
Schedule - Segmented Information	- Page 19
Schedule - Consolidated Schedule of Tangible Capital Assets	- Page 20

May 10, 2013

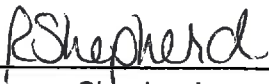
Grand Forks, B.C.

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 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, 2012, 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.

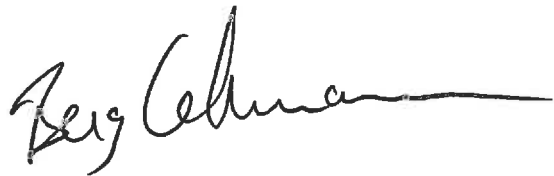
Berg
Lehmann

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, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector accounting standards.



Chartered Accountants

May 10, 2013

Nelson, B.C.

Chartered Accountants
& Business Advisors

513 Victoria Street
Nelson BC
V1L 4K7

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

THE CORPORATION OF THE CITY OF GRAND FORKS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At December 31, 2012

	2012	2011
FINANCIAL ASSETS		
Cash (note 2)	\$ 8,484,269	\$ 7,340,891
Accounts receivable	1,722,076	1,653,464
MFA deposit (note 3)	9,801	9,513
Inventories for resale	49,310	26,811
Lease receivable (note 4)	192,017	209,285
	10,457,473	9,239,964
LIABILITIES		
Accounts payable and accrued liabilities	1,255,863	1,142,032
Employee future benefits (note 5)	646,802	820,299
Deferred gas tax grants (note 11)	1,238,599	1,011,546
Deferred revenues - grants and other (note 8)	82,439	89,253
Deferred revenues - prepaid taxes	271,324	237,709
Temporary loan (note 9)	1,537,426	1,537,426
Development cost charges (note 10)	486,379	377,805
Long-term debt (note 6)	765,495	914,274
	6,284,327	6,130,344
NET FINANCIAL ASSETS	4,173,146	3,109,620
NON-FINANCIAL ASSETS		
Prepaid expenses	48,946	38,446
Inventory of supplies	253,127	281,762
Tangible capital assets (note 7)	26,063,779	26,713,397
	26,365,852	27,033,605
ACCUMULATED SURPLUS	\$ 30,538,998	\$ 30,143,225
Represented by:		
Operating funds equity (note 12)	\$ 1,835,528	\$ 1,387,863
Reserve funds (note 13)	3,405,187	2,956,239
Equity in tangible capital assets (note 14)	25,298,283	25,799,123
	\$ 30,538,998	\$ 30,143,225
COMMITMENTS AND CONTINGENT LIABILITIES (note 21)		



Chief Financial Officer

THE CORPORATION OF THE CITY OF GRAND FORKS
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2012

	2012 Budget	2012 Actual	2011 Actual
REVENUE			
Taxes	\$ 2,835,100	\$ 2,828,294	\$ 2,619,503
Sales of goods and services (note 16)	6,272,800	6,245,184	5,855,689
Other revenues	323,000	581,582	508,388
Senior government grants - operating	545,000	721,201	738,769
Senior government grants - capital	-	33,998	280,837
Interest income	21,000	102,187	97,748
Investment income on sinking fund	-	8,542	6,157
	9,996,900	10,520,988	10,107,091
EXPENDITURES			
General government	957,600	853,061	928,814
Public real estate	302,600	275,672	348,006
Protective service	483,700	472,304	428,665
Transportation services	1,330,100	1,225,906	1,069,466
Environmental health services	172,400	178,277	165,149
Public health and welfare	121,500	89,658	105,494
Environmental development	329,000	241,235	256,489
Recreation and cultural services	717,700	601,411	631,273
Utility services			
Electrical	3,404,500	3,399,709	3,246,720
Water	810,400	694,067	659,989
Sewer	745,100	685,043	648,198
Debt interest	91,800	35,110	37,432
Amortization	1,345,400	1,373,762	1,258,734
Gain on disposition	-	-	(305,994)
	10,811,800	10,125,215	9,478,435
ANNUAL SURPLUS (DEFICIT)	(814,900)	395,773	628,656
ACCUMULATED SURPLUS, BEGINNING OF YEAR	30,143,225	30,143,225	29,514,569
ACCUMULATED SURPLUS, END OF YEAR	\$ 29,328,325	\$ 30,538,998	\$ 30,143,225
RECONCILIATION TO BUDGET (note 20)			



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, 2012

	2012	2011
ANNUAL SURPLUS	\$ 395,773	\$ 628,656
Acquisition of tangible capital assets	(709,460)	(998,475)
Amortization of tangible capital assets	1,373,762	1,258,734
Gain on sale of capital assets	-	(305,994)
Proceeds from sale of capital assets	-	322,743
Net change in prepaid expenses and supplies inventory	18,135	(13,284)
PST adjustment on assets under capital lease	(14,684)	-
INCREASE IN NET DEBT	1,063,526	892,380
NET FINANCIAL ASSETS, BEGINNING OF YEAR	3,109,620	2,217,240
NET FINANCIAL ASSETS, END OF YEAR	\$ 4,173,146	\$ 3,109,620

R. Shepherd

Chief Financial Officer

THE CORPORATION OF THE CITY OF GRAND FORKS
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012

	2012	2011
OPERATING TRANSACTIONS		
Annual surplus	\$ 395,773	\$ 628,656
Non-cash items		
Amortization	1,373,762	1,258,734
Gain on sale of tangible capital assets	-	(305,994)
PST adjustment on assets under capital lease	(14,684)	-
Change in prepaid expenses and supplies inventory	18,135	(13,284)
Change in Net Financial Assets/Liabilities		
Change in accounts receivable	(68,612)	655,390
Change in MFA debt deposits	(288)	(314)
Change in inventories for resale	(22,499)	19,899
Change in loan receivable	17,268	16,501
Change in accounts payable and accrued liabilities	113,831	(192,300)
Change in due to trust	(173,497)	(1,677)
Change in deferred revenues	220,239	208,871
Change in development cost charges	108,574	42,826
Change in restricted revenues	33,615	(99,165)
Cash Provided by Operating Transactions	2,001,617	2,218,143
CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(709,460)	(998,475)
Proceeds from sale of tangible capital assets	-	322,743
Cash Applied to Capital Transactions	(709,460)	(675,732)
FINANCING TRANSACTIONS		
Debt issued	14,683	46,556
Repayment of long-term debt	(154,919)	(192,806)
Actuarial adjustment	(8,543)	(15,960)
Cash Received from Financing Transactions	(148,779)	(162,210)
INCREASE IN CASH	1,143,378	1,380,201
CASH, BEGINNING OF YEAR	7,340,891	5,960,690
CASH, END OF YEAR	\$ 8,484,269	\$ 7,340,891

A Shepherd

Chief Financial Officer

THE CORPORATION OF THE CITY OF GRAND FORKS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As At December 31, 2012

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.

Basis of Accounting

The City's consolidated financial statements are prepared using the accrual basis of accounting.

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.

Grant revenues are recorded when the funding becomes receivable. Unearned revenue in the current period is recorded as deferred revenue.

Deferred Revenue

Deferred revenue relates to restricted grants received but not yet spent.

THE CORPORATION OF THE CITY OF GRAND FORKS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2012

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

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.

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 budgeted figures are based on the adopted Five-Year Financial Plan for the year 2012 approved by council under bylaw 1928 on April 16, 2012 and are not subject to audit.

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, 2012

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Transfers

Government transfers are recognized as revenue in the period that the transfer is authorized, eligibility criteria, if any, have been met, and a reasonable estimate of the amount to be received can be made.

2. CASH

	2012	2011
Restricted cash		
Statutory Reserves	\$ 3,227,077	\$ 2,871,602
Deferred Gas Tax Grant funds	1,238,599	1,011,546
Deferred development cost funds	<u>486,379</u>	<u>375,857</u>
	4,952,055	4,259,005
Unrestricted cash and investments	<u>3,532,214</u>	<u>3,081,886</u>
	<u>\$ 8,484,269</u>	<u>\$ 7,340,891</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, 2012 the total of the Debt Reserve Fund was:

	Demand Notes	Cash Deposits	Balance
Sewer fund	\$ 6,433	\$ 3,508	\$ 9,941
General fund	<u>28,501</u>	<u>6,293</u>	<u>34,794</u>
	<u>\$ 34,934</u>	<u>\$ 9,801</u>	<u>\$ 44,735</u>

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, 2012

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 \$9,731 (2011 - \$10,499) 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 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, 2012, \$480,315 (2011 - \$488,516) 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, 2012, \$166,487 (2011 - \$331,783) 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	\$ 414,310	\$ -	\$(41,645)	\$(3,824)	\$ 368,841
General #1887	66,471	-	(3,496)	(140)	62,835
Sewer #1556	98,732	-	(6,495)	(4,579)	87,658
Total MFA debt	579,513	-	(51,636)	(8,543)	519,334
General capital lease obligations	334,761	14,683	(103,283)	-	246,161
Total long-term debt	<u>\$ 914,274</u>	<u>\$ 14,683</u>	<u>\$(154,919)</u>	<u>\$(8,543)</u>	<u>\$ 765,495</u>

THE CORPORATION OF THE CITY OF GRAND FORKS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2012

6. 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
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
2017	\$ 45,140	\$ 6,495	\$ 51,635

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

2013	\$ 105,226
2014	94,291
2015	50,263
2016	<u>2,549</u>
Total minimum lease payments	252,329
Less amount representing interest	<u>6,168</u>
	<u>\$ 246,161</u>

7. TANGIBLE CAPITAL ASSETS

	2012			2011 Net Book Value
	Cost	Accumulated Amortization	Net Book Value	
General Capital Fund				
Land	\$ 1,571,759	\$ -	\$ 1,571,759	\$ 1,552,254
Buildings	5,884,456	2,351,587	3,532,869	3,617,233
Engineering structures	18,700,365	9,012,004	9,688,361	10,749,039
Machinery and equipment	1,973,719	1,003,885	969,834	540,853
Equipment fleet - emergency	1,081,066	597,008	484,058	529,268
Equipment fleet - public works	<u>3,437,961</u>	<u>2,023,711</u>	<u>1,414,250</u>	<u>1,592,154</u>
	32,649,326	14,988,195	17,661,131	18,580,801
Waterworks Utility Capital Fund	7,085,793	3,911,598	3,174,195	3,222,895
Electrical Utility Capital Fund	2,309,657	1,518,530	791,127	736,642
Sewer Utility Capital Fund	<u>7,698,999</u>	<u>3,261,673</u>	<u>4,437,326</u>	<u>4,173,059</u>
Total tangible capital assets	<u>\$ 49,743,775</u>	<u>\$ 23,679,996</u>	<u>\$ 26,063,779</u>	<u>\$ 26,713,397</u>

THE CORPORATION OF THE CITY OF GRAND FORKS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2012

8. DEFERRED REVENUE - GRANTS AND OTHER

These funds are externally restricted for the purposes for which they were collected.

	Balance, Beginning of Year	Contributions Received	Eligible Expenditures	Balance, End of Year
Library maintenance contract	\$ 53,252	\$ 15,000	\$ 6,831	\$ 61,421
Miscellaneous revenue	1,464	7,541	1,464	7,541
Victim assistance	10,355	35,560	32,698	13,217
Miscellaneous deposits	24,182	60	23,982	260
	<u>\$ 89,253</u>	<u>\$ 58,161</u>	<u>\$ 64,975</u>	<u>\$ 82,439</u>

9. TEMPORARY LOAN

Bylaw 1931 authorizes the City to temporary borrowing of an amount or amounts not exceeding the sum of \$2,000,000 as required. The temporary loan bears daily interest at 1.73% with interest only payments paid monthly.

10. 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.

	2012	2011
Development cost charges - water	\$ 171,630	\$ 117,280
Development cost charges - sewer	312,425	258,232
Development cost charges - parkland reserve	2,324	2,293
	<u>\$ 486,379</u>	<u>\$ 377,805</u>

THE CORPORATION OF THE CITY OF GRAND FORKS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2012

11. 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.

	2012	2011
Opening balance	\$ 1,011,546	\$ 799,719
Amount received in the year	212,698	212,698
Interest earned	14,355	11,237
Less amount spent on eligible projects	<u>-</u>	<u>(12,108)</u>
Closing balance of unspent funds	<u>\$ 1,238,599</u>	<u>\$ 1,011,546</u>

12. OPERATING FUND EQUITY

	2012	2011
General operating fund	\$ 1,174,465	\$ 550,175
Electrical utility operating fund	1,087,167	850,312
Sewer utility operating fund	(756,166)	(422,224)
Water utility operating fund	<u>330,062</u>	<u>409,600</u>
Operating fund equity at year end	<u>\$ 1,835,528</u>	<u>\$ 1,387,863</u>

13. RESERVE FUND CONTINUITY

	Balance Beginning of Year	Transfers (to) from Other Funds	Sales	Interest Earned	Balance End of Year
Capital reserve	\$ 282,512	\$ -	\$ -	\$ 3,872	\$ 286,384
Equipment replacement	559,817	148,784	-	7,580	716,181
Land sale	719,538	-	-	9,678	729,216
Tax sale land	60,047	-	-	823	60,870
Cash in lieu of parking	16,668	-	-	229	16,897
Slag sale	1,317,657	-	258,585	19,397	1,595,639
	<u>\$ 2,956,239</u>	<u>\$ 148,784</u>	<u>\$ 258,585</u>	<u>\$ 41,579</u>	<u>\$ 3,405,187</u>

THE CORPORATION OF THE CITY OF GRAND FORKS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2012

14. 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:

	2012	2011
Equity in TCA, beginning of year	\$ 25,799,123	\$ 25,913,921
Add:		
Capital acquisitions	709,460	998,475
Debt principal repayments	154,919	192,806
Actuarial adjustment	8,543	15,960
Less:		
Disposition of Capital Asset at NBV	-	(16,749)
Assets purchased funded by debt	-	(46,556)
Amortization	<u>(1,373,762)</u>	<u>(1,258,734)</u>
Equity in TCA, end of year	<u>\$ 25,298,283</u>	<u>\$ 25,799,123</u>
Represented by:		
General capital fund	\$ 16,983,294	\$ 17,765,259
Electrical utility capital fund	791,127	736,642
Sewer utility capital fund	4,349,667	4,074,327
Water utility capital fund	<u>3,174,195</u>	<u>3,222,895</u>
Capital fund equity at year end	<u>\$ 25,298,283</u>	<u>\$ 25,799,123</u>

15. 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 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 \$266,919 (2011 - \$243,909).

THE CORPORATION OF THE CITY OF GRAND FORKS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2012

16. SALE OF SERVICES

	2012	2011
Garbage collection and RDKB landfill contract	\$ 176,332	\$ 168,227
Cemetery	33,585	37,903
Airport (net of cost of fuel sold)	21,619	19,837
Transportation custom work orders	79,483	39,764
Environmental development	10,981	11,654
Campground	34,558	29,737
Sundry	5,013	2,224
Slag	258,585	269,940
Electrical utility user and connection fees	4,130,107	3,834,378
Sewer utility user and connection fees	734,860	719,424
Waterworks utility user and connection fees	760,061	722,601
	\$ 6,245,184	\$ 5,855,689

17. EXPENDITURES BY OBJECT

	2012	2011
Goods and services	\$ 5,447,087	\$ 5,211,618
Interest and finance charges	35,110	37,432
Salaries, wages and benefits	3,269,256	3,276,645
Amortization	1,373,762	1,258,734
Gain on disposal	-	(305,994)
	\$ 10,125,215	\$ 9,478,435

18. 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.

	2012	2011
Provincial Government - School Taxes	\$ 1,589,318	\$ 1,561,547
Provincial Government - Police Tax Levy	191,737	189,760
British Columbia Assessment Authority	47,595	46,666
Regional Hospital Districts	149,764	170,542
Municipal Finance Authority	120	124
Regional District of Kootenay Boundary	1,318,019	1,251,856
	\$ 3,296,553	\$ 3,220,495

THE CORPORATION OF THE CITY OF GRAND FORKS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2012

19. TRUST FUNDS

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

	2012	2011
Assets		
Cash	\$ 146,069	\$ 140,682
Due from (to) the General Operating Fund	<u>445</u>	<u>(405)</u>
	<u>\$ 146,514</u>	<u>\$ 140,277</u>
 Trust Fund Balances		
Cemetery care	\$ 135,562	\$ 130,595
Employee assistance program	<u>10,952</u>	<u>9,682</u>
	<u>\$ 146,514</u>	<u>\$ 140,277</u>

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

20. RECONCILIATION TO BUDGET

The following reconciles the budgeted surplus as shown on the consolidated statement of operations to the budget as presented in bylaw 1928 adopted on April 16, 2012.

	2012	2011
Annual budgeted surplus per consolidated statement of operations	\$(814,900)	\$(1,351,350)
Debt principal repayments	(236,200)	(251,900)
Purchase of tangible capital assets other than by debt	(2,958,000)	(2,653,500)
Budgeted transfer from (to) reserve/accumulated surplus	962,700	1,286,750
Non-cash item - amortization	1,345,400	1,500,000
Debt proceeds	<u>1,701,000</u>	<u>1,470,000</u>
	<u>\$ -</u>	<u>\$ -</u>

21. 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.

22. 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.

23. COMPARATIVE FIGURES

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

THE CORPORATION OF THE CITY OF GRAND FORKS
SCHEDULE - SEGMENTED INFORMATION
For the Year Ended December 31, 2012

	General and Reserve	Electrical Utility	Water Utility	Sewer Utility	Total 2012	Total 2011
REVENUE						
Property taxes	\$ 2,822,253	\$ -	\$ -	\$ 6,041	\$ 2,828,294	\$ 2,619,503
User fees and charges	-	4,130,107	760,061	734,860	5,625,028	5,276,403
Other revenue	1,307,786	-	-	4,681	1,312,467	1,191,579
Grants - operating	721,201	-	-	-	721,201	738,769
Grants - capital	33,998	-	-	-	33,998	280,837
	4,885,238	4,130,107	760,061	745,582	10,520,988	10,107,091
EXPENSES						
Salaries and benefits	1,952,564	470,145	433,796	412,751	3,269,256	3,276,645
Goods and services	1,968,930	107,753	269,821	278,772	2,625,276	2,473,979
Purchased services	-	2,821,811	-	-	2,821,811	2,737,639
Debt interest	28,938	-	-	6,172	35,110	37,432
Amortization	1,048,438	34,157	184,681	106,486	1,373,762	1,258,734
Gain on disposal	-	-	-	-	-	(305,994)
Interfund transfers	(404,900)	404,900	-	-	-	-
	4,593,970	3,838,766	888,298	804,181	10,125,215	9,478,435
ANNUAL SURPLUS (DEFICIT)	\$ 291,268	\$ 291,341	\$(128,237)	\$(58,599)	\$ 395,773	\$ 628,656

**THE CORPORATION OF THE CITY OF GRAND FORKS
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
As At December 31, 2012**

	Land	Buildings	Machinery and Equipment	Engineering Structures	Infrastructure			2012	2011
					Electrical Utility	Waterworks Utility	Sewer Utility		
Historical Cost:									
Opening balance	\$ 1,552,254	\$ 5,824,633	\$ 5,970,426	\$ 19,178,716	\$ 2,221,015	\$ 6,949,812	\$ 7,337,812	\$ 48,245,125	
Additions	19,505	65,293	522,320	(478,351)	88,642	135,981	370,753	999,474	
Disposals and write downs		(5,470)					(9,566)	(208,931)	
Closing balance, Dec. 31	\$ 1,571,759	\$ 5,884,456	\$ 6,492,747	\$ 18,700,366	\$ 2,309,657	\$ 7,085,793	\$ 7,698,999	\$ 49,034,668	
Accumulated Amortization:									
Opening balance	\$ -	\$ 2,207,400	\$ 3,308,151	\$ 8,429,678	\$ 1,484,373	\$ 3,726,917	\$ 3,164,753	\$ 21,254,720	
Amortization Expense	-	149,657	316,454	582,327	34,157	184,881	106,486	1,260,167	
Effect of disposals and write downs	-	(5,470)					(9,566)		
Closing balance, Dec. 31	\$ -	\$ 2,351,587	\$ 3,624,605	\$ 9,012,004	\$ 1,518,530	\$ 3,911,598	\$ 3,261,673	\$ 22,321,271	
Net Book Value for Year Ended December 31, 2012	\$ 1,571,759	\$ 3,532,869	\$ 2,868,142	\$ 9,688,361	\$ 791,127	\$ 3,174,195	\$ 4,437,325	\$ 26,713,397	