

*Financial Statements of*

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

*December 31, 2013*

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**Index to Financial Statements**  
**December 31, 2013**

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**April 28, 2014**

**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.

  
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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, 2013, and the consolidated statement of operations, consolidated statement of changes in net financial assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

Berg  
Lehmann

Chartered Accountants  
& Business Advisors

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## 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, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector accounting standards.



**Chartered Accountants**

April 28, 2014

Nelson, B.C.

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2013**

	2013	2012 (Restated - Note 21)
<b>FINANCIAL ASSETS</b>		
Cash (note 2)	\$ 8,225,809	\$ 8,484,269
Accounts receivable	2,215,389	1,919,562
MFA deposit (note 3)	28,272	9,801
Inventories for resale	47,978	49,310
Lease receivable (note 4)	173,946	192,017
	<b>10,691,394</b>	<b>10,654,959</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,645,047	1,255,863
Employee future benefits (note 5)	421,437	646,802
Deferred gas tax grants (note 10)	1,447,251	1,238,599
Deferred revenues - grants and other (note 8)	99,667	82,439
Deferred revenues - prepaid taxes	288,494	271,324
Temporary loan	-	1,537,426
Development cost charges (note 9)	497,711	486,379
Long-term debt and capital lease obligations (note 6)	2,362,336	765,495
	<b>6,761,943</b>	<b>6,284,327</b>
<b>NET FINANCIAL ASSETS</b>	<b>3,929,451</b>	<b>4,370,632</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	62,280	48,946
Inventory of supplies	268,293	253,127
Tangible capital assets (note 7)	26,509,345	26,063,779
	<b>26,839,918</b>	<b>26,365,852</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 30,769,369</b>	<b>\$ 30,736,484</b>
Represented by:		
Operating funds equity (note 11)	\$ 3,896,535	\$ 2,033,014
Reserve funds (note 12)	2,725,826	3,405,187
Equity in tangible capital assets (note 13)	24,147,008	25,298,283
	<b>\$ 30,769,369</b>	<b>\$ 30,736,484</b>
<b>CONTINGENT LIABILITIES (note 20)</b>		
<b>SUBSEQUENT EVENT (note 23)</b>		

  
 Chief Financial Officer

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the Year Ended December 31, 2013

	2013	2013	2012
	Budget	Actual	(Restated - Note 21) Actual
<b>REVENUE</b>			
Taxes	\$ 2,954,364	\$ 3,046,473	\$ 2,828,294
Sales of goods and services (note 15)	6,290,550	6,420,873	6,442,670
Other revenues	510,099	489,947	581,582
Senior government grants - operating	352,846	372,573	721,201
Senior government grants - capital	1,760,532	136,714	33,998
Interest income	46,500	107,277	102,187
Investment income on sinking fund	-	6,281	8,542
Insurance proceeds for operating expenditures	-	125,000	-
Gain on disposition of assets	-	14,324	-
	<b>11,914,891</b>	<b>10,719,462</b>	<b>10,718,474</b>
<b>EXPENDITURES</b>			
General government	1,263,626	1,058,156	853,061
Public real estate	322,389	288,331	275,672
Protective service	486,150	445,404	472,304
Transportation services	1,184,516	1,255,184	1,224,965
Environmental health services	182,934	167,366	178,277
Public health and welfare	124,950	74,904	89,658
Environmental development	211,950	227,896	241,235
Recreation and cultural services	745,226	761,922	601,411
Utility services			
Electrical	3,716,800	3,454,043	3,399,709
Water	817,949	739,841	695,008
Sewer	727,362	624,622	685,043
Debt interest	140,168	51,136	35,110
Amortization	1,355,668	1,537,772	1,373,762
	<b>11,279,688</b>	<b>10,686,577</b>	<b>10,125,215</b>
<b>ANNUAL SURPLUS</b>	<b>635,203</b>	<b>32,885</b>	<b>593,259</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>30,736,484</b>	<b>30,736,484</b>	<b>30,143,225</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$ 31,371,687</b>	<b>\$ 30,769,369</b>	<b>\$ 30,736,484</b>

**RECONCILIATION TO BUDGET (note 19)**



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, 2013

	2013	2012 (Restated - Note 21)
<b>ANNUAL SURPLUS</b>	<b>\$ 32,885</b>	<b>\$ 593,259</b>
Acquisition of tangible capital assets	( 2,091,114)	( 724,144)
Amortization of tangible capital assets	1,537,772	1,373,762
Gain on sale of assets	( 14,324)	-
Proceeds from sale of assets	122,100	-
Net change in prepaid expenses and supplies inventory	( 28,500)	18,135
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	<b>( 441,181)</b>	<b>1,261,012</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>4,370,632</b>	<b>3,109,620</b>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ 3,929,451</b>	<b>\$ 4,370,632</b>

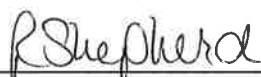


Chief Financial Officer



**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2013

	2013	2012 (Restated - Note 21)
<b>OPERATING TRANSACTIONS</b>		
Annual surplus	\$ 32,885	\$ 593,259
Non-cash items		
Amortization	1,537,772	1,373,762
Gain on sale of tangible capital assets	( 14,324)	-
Actuarial adjustment	( 6,281)	( 8,543)
Change in prepaid expenses and supplies inventory	( 28,500)	18,135
Change in Net Financial Assets/Liabilities		
Change in accounts receivable	( 295,827)	( 266,098)
Change in MFA debt deposits	( 18,471)	( 288)
Change in inventories for resale	1,332	( 22,499)
Change in loan receivable	18,071	17,268
Change in accounts payable and accrued liabilities	389,184	113,831
Change in employee future benefits	( 225,365)	( 173,497)
Change in deferred revenues	243,050	253,854
Change in temporary loan	( 1,537,426)	-
Change in development cost charges	11,332	108,574
<b>Cash Provided by Operating Transactions</b>	<b>107,432</b>	<b>2,007,758</b>
<b>CAPITAL TRANSACTIONS</b>		
Purchase of tangible capital assets	( 2,091,114)	( 724,144)
Proceeds from sale of tangible capital assets	122,100	-
<b>Cash Applied to Capital Transactions</b>	<b>( 1,969,014)</b>	<b>( 724,144)</b>
<b>FINANCING TRANSACTIONS</b>		
Debt issued	1,756,920	14,683
Repayment of long-term debt	( 153,798)	( 154,919)
<b>Cash Received from Financing Transactions</b>	<b>1,603,122</b>	<b>( 140,236)</b>
<b>INCREASE IN CASH</b>	<b>( 258,460)</b>	<b>1,143,378</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>8,484,269</b>	<b>7,340,891</b>
<b>CASH, END OF YEAR</b>	<b>\$ 8,225,809</b>	<b>\$ 8,484,269</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 Consolidated 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.

### **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.

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, 2013**

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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**

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 2013 approved by council under bylaw 1948 on May 6, 2013.

**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, 2013**

**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**

	<b>2013</b>	<b>2012</b>
Restricted cash		
Statutory Reserves	\$ 2,317,108	\$ 3,227,077
Deferred Gas Tax Grant funds	1,447,251	1,238,599
Deferred development cost funds	<u>497,711</u>	<u>486,379</u>
	<b>4,262,070</b>	<b>4,952,055</b>
Unrestricted cash and investments	<u>3,963,739</u>	<u>3,532,214</u>
	<b>\$ 8,225,809</b>	<b>\$ 8,484,269</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, 2013 the total of the Debt Reserve Fund was:

	<b>Demand Notes</b>	<b>Cash Deposits</b>	<b>Balance</b>
Sewer fund	\$ 52,184	\$ 21,672	\$ 73,856
General fund	<u>28,501</u>	<u>6,600</u>	<u>35,101</u>
	<b>\$ 80,685</b>	<b>\$ 28,272</b>	<b>\$ 108,957</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, 2013**

**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 \$8,929 (2012 - \$9,731) 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. As at December 31, 2013, \$401,524 (2012 - \$480,315) 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 181 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, 2013, \$nil (2012 - \$166,487) 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	\$ 368,841	\$ -	\$( 41,646)	\$( 4,040)	\$ 323,155
General #1887	62,835	-	( 3,496)	( 252)	59,087
Sewer #1498	87,658	-	( 6,495)	( 1,989)	79,174
Sewer #1873	-	1,756,920	-	-	1,756,920
Total MFA debt	519,334	1,756,920	( 51,637)	( 6,281)	2,218,336
MFA general capital lease obligations	246,161	-	( 102,161)	-	144,000
Total	<b>\$ 765,495</b>	<b>\$1,756,920</b>	<b>\$( 153,798)</b>	<b>\$( 6,281)</b>	<b>\$ 2,362,336</b>

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2013**

**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
2014	\$ 45,140	\$ 68,580	\$ 113,720
2015	\$ 45,140	\$ 68,580	\$ 113,720
2016	\$ 45,140	\$ 68,580	\$ 113,720
2017	\$ 45,140	\$ 68,580	\$ 113,720
2018	\$ 45,140	\$ 68,580	\$ 113,720

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

2014	\$ 93,870
2015	49,595
2016	<u>2,513</u>
Total minimum lease payments	145,978
Less amount representing interest	<u>1,978</u>
	<u>\$ 144,000</u>

**7. TANGIBLE CAPITAL ASSETS**

	2013			2012 Net Book Value
	Cost	Accumulated Amortization	Net Book Value	
<b>General Capital Fund</b>				
Land	\$ 1,690,091	\$ -	\$ 1,690,091	\$ 1,571,759
Buildings	6,005,411	2,503,378	3,502,033	3,532,869
Engineering structures	19,511,965	9,611,423	9,900,542	9,688,361
Machinery and equipment	1,852,339	890,427	961,912	956,144
Equipment fleet - emergency	1,081,066	640,046	441,020	484,058
Equipment fleet - public works	<u>2,957,536</u>	<u>1,956,941</u>	<u>1,000,595</u>	<u>1,036,981</u>
	33,098,408	15,602,215	17,496,193	17,270,172
Assets under capital lease	<u>441,674</u>	<u>79,055</u>	<u>362,619</u>	<u>390,959</u>
	<u>33,540,082</u>	<u>15,681,270</u>	<u>17,858,812</u>	17,661,131
<b>Waterworks Utility Capital Fund</b>	7,446,626	4,107,855	3,338,771	3,174,195
<b>Electrical Utility Capital Fund</b>	2,495,202	1,558,009	937,193	791,127
<b>Sewer Utility Capital Fund</b>	<u>7,798,885</u>	<u>3,424,316</u>	<u>4,374,569</u>	<u>4,437,326</u>
<b>Total tangible capital assets</b>	<u>\$ 51,280,795</u>	<u>\$ 24,771,450</u>	<u>\$ 26,509,345</u>	<u>\$ 26,063,779</u>

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2013**

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

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

	<b>Balance, Beginning of Year</b>	<b>Contributions Received</b>	<b>Eligible Expenditures</b>	<b>Balance, End of Year</b>
Library maintenance contract	\$ 61,421	\$ 15,000	\$ 7,979	\$ 68,442
Miscellaneous revenue	7,541	10,470	7,541	10,470
Victim assistance	13,217	35,560	34,096	14,681
Miscellaneous deposits	260	6,039	225	6,074
	<u>\$ 82,439</u>	<u>\$ 67,069</u>	<u>\$ 49,841</u>	<u>\$ 99,667</u>

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**9. 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>2013</b>	<b>2012</b>
Development cost charges - water	\$ 176,356	\$ 171,630
Development cost charges - sewer	318,999	312,425
Development cost charges - parkland reserve	<u>2,356</u>	<u>2,324</u>
	<u>\$ 497,711</u>	<u>\$ 486,379</u>

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**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2013**

**10. 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.

	<b>2013</b>	<b>2012</b>
Opening balance	\$ 1,238,599	\$ 1,011,546
Amount received in the year	212,622	212,698
Interest earned	17,221	14,355
Less amount spent on eligible projects	<u>( 21,191)</u>	<u>-</u>
Closing balance of unspent funds	<u>\$ 1,447,251</u>	<u>\$ 1,238,599</u>

**11. OPERATING FUND EQUITY**

	<b>2013</b>	<b>2012</b>
General operating fund	\$ 1,579,342	\$ 1,174,465
Electrical utility operating fund	1,274,917	1,284,653
Sewer utility operating fund	1,029,349	( 756,166)
Water utility operating fund	<u>12,927</u>	<u>330,062</u>
Operating fund equity at year end	<u>\$ 3,896,535</u>	<u>\$ 2,033,014</u>

**12. RESERVE FUND CONTINUITY**

	Balance Beginning of Year	Transfers (to) from Other Funds	Sales	Interest Earned	Balance End of Year
Capital reserve	\$ 286,384	\$ 85,213	\$ -	\$ 3,867	\$ 375,464
Equipment replacement	716,181	( 136,560)	-	7,644	587,265
Land sale	729,216	( 249,999)	-	9,641	488,858
Tax sale land	60,870	-	-	823	61,693
Cash in lieu of parking	16,897	-	-	229	17,126
Slag sale	1,595,639	( 670,176)	247,284	22,673	1,195,420
	<u>\$ 3,405,187</u>	<u>\$( 971,522)</u>	<u>\$ 247,284</u>	<u>\$ 44,877</u>	<u>\$ 2,725,826</u>



**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2013**

**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:

	2013	2012
Equity in TCA, beginning of year	<b>\$ 25,304,424</b>	\$ 25,799,123
Add:		
Capital acquisitions	2,091,114	724,144
Debt principal repayments	149,236	154,919
Actuarial adjustment	-	-
Gain on dispositions of assets	14,324	-
Less:		
Proceeds from issue of debt	( 1,756,920)	-
Proceeds on sale	( 122,100)	-
Amortization	<u>( 1,537,772)</u>	<u>( 1,373,762)</u>
Equity in TCA, end of year	<b><u>\$ 24,142,306</u></b>	<b><u>\$ 25,304,424</u></b>
Represented by:		
General capital fund	\$ 17,332,568	\$ 16,983,294
Electrical utility capital fund	937,194	791,127
Sewer utility capital fund	2,538,475	4,349,667
Water utility capital fund	<u>3,338,771</u>	<u>3,174,195</u>
Capital fund equity at year end	<b><u>\$ 24,147,008</u></b>	<b><u>\$ 25,298,283</u></b>

**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 defined. The Plan has about 179,000 active members and approximately 71,000 retired members.

The most recent valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

The Corporation of the City of Grand Forks paid \$271,258 (2012 - \$266,919) for employer contributions to the Plan in fiscal 2013.

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2013**

**15. SALE OF SERVICES**

	2013	2012
Garbage collection and RDKB landfill contract	\$ 200,109	\$ 176,332
Cemetery	28,912	33,585
Airport (net of cost of fuel sold)	25,988	24,044
Transportation custom work orders	8,554	79,483
Environmental development	5,000	10,981
Campground	40,865	34,558
Sundry	4,474	2,589
Slag	247,284	258,585
Electrical utility user and connection fees	4,287,692	4,327,593
Sewer utility user and connection fees	782,864	734,859
Waterworks utility user and connection fees	789,131	760,061
	<b>\$ 6,420,873</b>	<b>\$ 6,442,670</b>

**16. EXPENDITURES BY OBJECT**

	2013	2012
Goods and services	\$ 6,570,674	\$ 5,447,087
Interest and finance charges	51,136	35,110
Salaries, wages and benefits	2,526,995	3,269,256
Amortization	1,537,772	1,373,762
	<b>\$ 10,686,577</b>	<b>\$ 10,125,215</b>

**17. 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.

	2013	2012
Provincial Government - School Taxes	\$ 1,610,542	\$ 1,589,318
Provincial Government - Police Tax Levy	208,138	191,737
British Columbia Assessment Authority	48,016	47,715
Regional Hospital Districts	219,994	149,764
Regional District of Kootenay Boundary	1,375,293	1,318,018
	<b>\$ 3,461,983</b>	<b>\$ 3,296,552</b>

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2013**

**18. TRUST FUNDS**

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

	2013	2012
<b>Assets</b>		
Cash	\$ 151,939	\$ 146,069
Due from (to) the General Operating Fund	<u>( 979)</u>	<u>445</u>
	<b><u>\$ 150,960</u></b>	<b><u>\$ 146,514</u></b>
 <b>Trust Fund Balances</b>		
Cemetery care	\$ 140,009	\$ 135,562
Employee assistance program	<u>10,951</u>	<u>10,952</u>
	<b><u>\$ 150,960</u></b>	<b><u>\$ 146,514</u></b>

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

**19. RECONCILIATION TO BUDGET**

The following reconciles the budgeted surplus as shown on the consolidated statement of operations to the budget as presented in bylaw 1948 adopted on May 6, 2013.

	2013	2012
Annual budgeted surplus per consolidated statement of operations	\$ 635,203	\$( 814,900)
Debt principal repayments	( 180,568)	( 236,200)
Purchase of tangible capital assets other than by debt	( 6,735,127)	( 2,958,000)
Budgeted transfer from reserve/accumulated surplus	1,651,797	962,700
Non-cash item - amortization	1,355,668	1,345,400
Debt proceeds	<u>3,273,027</u>	<u>1,701,000</u>
	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

**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.

**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2013**

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**20. 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.

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**21. PRIOR PERIOD ADJUSTMENT**

The City has determined that the electrical receivable calculated in 2012 was understated. As a result, the accumulated surplus as at January 1, 2013 has been increased by \$197,486 and the 2012 financial statements have been restated. The revenue from sales of goods and services in the 2012 consolidated statement of operations has been increased by \$197,486 representing the understated electrical receivable and the annual surplus has increased by \$197,486. Accounts receivable as at December 31, 2012 has been increased by \$197,486.

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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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**23. SUBSEQUENT EVENT**

Subsequent to year end the City received \$377,499 in insurance proceeds for repair to fire damage at the City Hall. Management believes the City's insurance coverage is sufficient for all damages.

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**THE CORPORATION OF THE CITY OF GRAND FORKS**  
**SCHEDULE - SEGMENTED INFORMATION**  
For the Year Ended December 31, 2013

	General and Reserve	Electrical Utility	Water Utility	Sewer Utility	Total 2013	Total 2012
<b>REVENUE</b>						
Property taxes	\$ 3,040,432	\$ -	\$ -	\$ 6,041	\$ 3,046,473	\$ 2,828,294
User fees and charges	-	4,287,692	789,131	782,864	5,859,687	5,822,514
Other revenue	1,287,330	-	-	2,361	1,289,691	1,312,467
Grants - operating	372,573	-	-	-	372,573	721,201
Grants - capital	136,714	-	-	-	136,714	33,998
Gain on disposal	17,165	( 2,841)	-	-	14,324	-
	<b>4,854,214</b>	<b>4,284,851</b>	<b>789,131</b>	<b>791,266</b>	<b>10,719,462</b>	<b>10,718,474</b>
<b>EXPENSES</b>						
Salaries and benefits	1,581,872	314,893	340,246	289,984	2,526,995	3,269,256
Goods and services	2,686,129	147,084	405,186	340,209	3,578,608	2,625,276
Purchased services	-	2,992,066	-	-	2,992,066	2,821,811
Debt interest	27,026	-	-	24,110	51,136	35,110
Amortization	1,139,394	39,479	196,257	162,642	1,537,772	1,373,762
Interfund transfers	( 655,000)	655,000	-	-	-	-
	<b>4,779,421</b>	<b>4,148,522</b>	<b>941,689</b>	<b>816,945</b>	<b>10,686,577</b>	<b>10,125,215</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ 74,793</b>	<b>\$ 136,329</b>	<b>\$( 152,558)</b>	<b>\$( 25,679)</b>	<b>\$ 32,885</b>	<b>\$ 593,259</b>

**THE CORPORATION OF THE CITY OF GRAND FORKS  
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS  
As At December 31, 2013**

	Land	Buildings	Machinery and Equipment	Infrastructure			2013	2012
				Engineering Structures	Electrical Utility	Waterworks Utility		
<b>Historical Cost:</b>								
Opening balance	\$ 1,571,759	\$ 5,884,456	\$ 6,492,746	\$ 18,700,365	\$ 2,309,657	\$ 7,085,793	\$ 49,743,775	\$ 49,034,667
Additions	118,332	120,954	393,963	811,600	185,545	360,833	2,091,114	724,144
Disposals and write downs			(554,093)				(554,093)	(15,036)
Closing balance, Dec. 31	\$ 1,690,091	\$ 6,005,410	\$ 6,332,616	\$ 19,511,965	\$ 2,495,202	\$ 7,446,626	\$ 51,280,795	\$ 49,743,775
<b>Accumulated Amortization:</b>								
Opening balance	\$ -	\$ 2,351,587	\$ 3,624,604	\$ 9,012,004	\$ 1,518,530	\$ 3,911,598	\$ 23,679,996	\$ 22,321,271
Amortization Expense	-	151,791	388,183	599,419	39,479	196,257	1,537,771	1,373,761
Effect of disposals and write downs	-		(446,317)				(446,317)	(15,036)
Closing balance, Dec. 31	\$ -	\$ 2,503,378	\$ 3,566,470	\$ 9,611,423	\$ 1,558,009	\$ 4,107,855	\$ 24,771,450	\$ 23,679,996
<b>Net Book Value for Year Ended December 31, 2013</b>	<b>\$ 1,690,091</b>	<b>\$ 3,502,033</b>	<b>\$ 2,766,146</b>	<b>\$ 9,900,542</b>	<b>\$ 937,193</b>	<b>\$ 3,338,771</b>	<b>\$ 26,509,345</b>	<b>\$ 26,063,779</b>