



2011

CITY OF GRAND FORKS

**STATEMENT OF FINANCIAL
INFORMATION**

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

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 - 17
Other Financial Information	
Schedule - Segmented Information	- Page 18

May 15, 2012

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.



~~Lynne Burch~~ *C. ARNOTI*
~~Chief Administrative Officer~~ *CHIEF FINANCIAL OFFICER*

INDEPENDENT AUDITORS' REPORT

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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BERG NAQVI LEHMANN

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

BNL.CA
"A Commitment To Excellence"

M.D. Berg, FCA, CA * CIRP * +
A. Naqvi, B.Comm., FCA *
Craig Berg, B.Comm., CA *
Stefan Lehmann, B.Math, CA, CFP *
John McMillan, B.Sc., CA * +

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

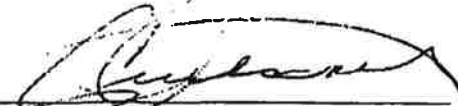
Berg Naqvi Lehmann
Chartered Accountants

May 15, 2012

Nelson, B.C.

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

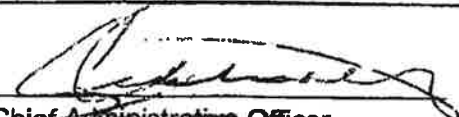
	2011	2010
FINANCIAL ASSETS		
Cash (note 2)	\$ 7,340,791	\$ 5,960,590
Investment	100	100
Accounts receivable	1,653,059	2,308,449
MFA deposit (note 3)	9,513	9,199
Inventories for resale	26,811	46,710
Loan receivable (note 4)	209,285	225,786
Due from Trust	405	-
	9,239,964	8,550,834
LIABILITIES		
Accounts 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
	6,130,344	6,333,595
NET FINANCIAL ASSETS	3,109,620	2,217,239
NON-FINANCIAL ASSETS		
Prepaid expenses	38,446	37,248
Inventory of supplies	281,762	269,676
Tangible capital assets (note 7)	26,713,397	26,990,406
	27,033,605	27,297,330
ACCUMULATED SURPLUS	\$30,143,225	\$29,514,569
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
	\$30,143,225	\$29,514,569
COMMITMENTS AND CONTINGENT LIABILITIES (note 18)		



Chief Administrative Officer
FINANCIAL

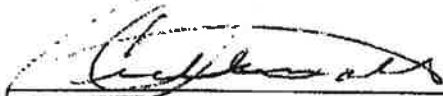
THE CORPORATION OF THE CITY OF GRAND FORKS
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2011

REVENUE	2011 Budget	2011 Actual	2010 Actual
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
	<u>9,846,000</u>	<u>10,109,564</u>	<u>11,756,301</u>
Transfer to Library Maintenance	-	(2,473)	-
	<u>9,846,000</u>	<u>10,107,091</u>	<u>11,756,301</u>
EXPENDITURES			
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)
	<u>11,197,350</u>	<u>9,478,435</u>	<u>9,199,181</u>
ANNUAL SURPLUS (DEFICIT)	(1,351,350)	628,656	2,557,120
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	29,514,569	26,957,449
ACCUMULATED SURPLUS (DEFICIT), END OF YEAR	\$(1,351,350)	\$30,143,225	\$29,514,569
RECONCILIATION TO BUDGET (note 17)			


Chief Administrative Officer
FINANCIAL

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
ANNUAL SURPLUS	\$ 628,656	\$ 2,557,120
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
(INCREASE) DECREASE IN NET DEBT	892,380	(537,770)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,217,240	2,755,010
NET FINANCIAL ASSETS, END OF YEAR	\$ 3,109,620	\$ 2,217,240

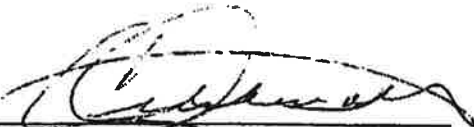


Chief Administrative Officer
FINANCIAL

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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
OPERATING TRANSACTIONS		
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)
Cash Provided by Operating Transactions	2,218,143	4,458,780
CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(998,475)	(4,797,666)
Proceeds from sale of tangible capital assets	322,743	295,248
Cash Applied to Capital Transactions	(675,732)	(4,502,418)
INVESTING TRANSACTIONS		
Increase in investments	-	(100)
FINANCING TRANSACTIONS		
Debt issued	46,556	266,775
Repayment of long-term debt	(192,806)	(145,914)
Actuarial adjustment	(15,960)	(5,963)
Cash Received from Financing Transactions	(162,210)	114,898
INCREASE IN CASH	1,380,201	71,160
CASH, BEGINNING OF YEAR	5,960,590	5,889,430
CASH, END OF YEAR	\$ 7,340,791	\$ 5,960,590



Chief Administrative Officer
FINANCIAL

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

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.

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

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.

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>
Unrestricted cash and investments	4,259,005	4,054,725
	<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
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
Total long-term debt	\$1,076,484	\$ 46,556	\$(192,806)	\$(15,960)	\$ 914,274

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
	<u>\$ 225,700</u>	<u>\$ 32,475</u>	<u>\$ 258,175</u>

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>2,617</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	
General Capital Fund				
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>1,643,621</u>	<u>1,592,154</u>	<u>1,689,188</u>
	32,526,030	13,945,229	18,580,801	18,796,488
Waterworks Utility Capital Fund	6,949,812	3,726,917	3,222,895	3,347,225
Electrical Utility Capital Fund	2,221,015	1,484,373	736,642	769,811
Sewer Utility Capital Fund	<u>7,337,812</u>	<u>3,164,753</u>	<u>4,173,059</u>	<u>4,078,883</u>
Total tangible capital assets	<u>\$49,034,669</u>	<u>\$22,321,272</u>	<u>\$26,713,397</u>	<u>\$26,990,407</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		
Amount received in the year	\$ 799,719	\$ 581,597
Interest earned	212,698	212,717
Less amount spent on eligible projects	11,237	5,405
	<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	\$ 165,275	\$ 494,717
Electrical utility operating fund	1,235,212	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>\$ 48,866</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	\$25,913,921	\$22,904,365
Add:		
Capital acquisitions	998,475	4,797,666
Debt principal repayments	192,806	145,914
Actuarial adjustment	15,960	5,963
Less:		
Disposition of Capital Asset at NBV	(16,749)	(239,675)
Assets purchased funded by debt	(46,556)	(266,775)
Amortization	(1,258,734)	(1,433,537)
Equity in TCA, end of year	<u>\$25,799,123</u>	<u>\$25,913,921</u>
Represented by:		
General capital fund	\$17,765,259	\$17,829,314
Electrical utility capital fund	736,642	769,811
Sewer utility capital fund	4,074,327	3,967,571
Water utility capital fund	<u>3,222,895</u>	<u>3,347,225</u>
Capital fund equity at year end	<u>\$25,799,123</u>	<u>\$25,913,921</u>

12. MUNICIPAL PENSION PLAN

The City and its employees contribute to the Municipal Pension Plan (the plan), a jointly trusteed 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
	<u>\$ 5,855,689</u>	<u>\$ 5,344,020</u>

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)
	<u>\$ 9,478,435</u>	<u>\$ 9,199,181</u>

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
	<u>\$ 3,220,495</u>	<u>\$ 2,987,534</u>

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

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	1,470,000	1,750,000
	<u>\$ -</u>	<u>\$ -</u>

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.

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

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.

19. 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, 2011

REVENUE	General and Reserve	Electrical Utility	Water Utility	Sewer Utility	Total 2011	Total 2010
Property taxes	\$ 2,613,462	-	-	\$ 6,041	\$ 2,619,503	\$ 2,464,571
User fees and charges	-	-	-	719,424	5,276,403	4,769,229
Other revenue	1,187,382	-	722,601	-	1,911,579	1,132,206
Grants - operating	728,769	-	10,000	-	738,769	569,823
Grants - capital	280,837	-	-	-	280,837	2,820,472
	4,810,450	3,834,378	732,601	729,662	10,107,091	11,756,301
EXPENSES						
Salaries and benefits	2,020,166	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)
	4,532,050	3,279,889	877,645	788,851	9,478,435	9,199,181
ANNUAL SURPLUS (DEFICIT)	\$ 278,400	\$ 554,489	\$(145,044)	\$(59,189)	\$ 628,656	\$ 2,557,120

The Corporation of the City of Grand Forks
Long Term Debt
for the year ended December 31, 2011

Schedule 2

Date of Issue	Bylaw	Purpose	Maturity Dates	Original Debt	Debt		Interest paid in 2011	Principal Retirements 2011	Actuarial Adjustments 2011	Long Term Debt December 31, 2011	Interest Rates
					Outstanding end of 2010	Advanced during 2011					
A. DEBENTURES											
October 13, 2009	1863	Road System Improvements	2009 - 2019	\$ 500,000	\$ 457,994	\$ -	\$ 25,119	\$ 41,645	\$ 2,039	\$ 414,310	4.13%
June 28, 2010	1887	Subdivision	2010 - 2025	70,000	70,000	-	3,228	3,496	33	66,471	3.73%
March 24, 1999	1556	Ruckle Sewer Extension	1999 - 2019	195,844	109,312	-	6,080	6,495	4,085	98,731	4.53%
Total Debtenture Debt				785,844	637,306	-	35,025	51,637	6,187	579,512	
B. CAPITAL LEASES AND CONDITIONAL SALES AGREEMENT TO FUND EQUIPMENT ACQUISITIONS											
General Capital Fund											
October 2, 2009	n/a	OM Photocopiers	2009 - 2014	26,348	20,347	-	362	5,077	(97)	15,367	1.25%
June 9, 2009	n/a	IBM DS3300 Storage Array Dual	2009 - 2014	23,983	16,944	-	298	4,653	(76)	12,368	1.25%
October 1, 2009	n/a	544K Loader	2009 - 2014	178,145	134,646	-	2,388	34,384	(511)	100,773	1.25%
April 19, 2007	n/a	CartCADD Plotter/Printer/Copier	2007 - 2012	29,975	8,738	-	88	6,700	1,276	762	5.25%
May 19, 2007	n/a	2007 Sterling with Elgin Sweeper	2007 - 2012	186,715	57,712	-	611	41,672	8,103	7,937	5.00%
September 19, 2007	n/a	Pilney Bowes Folder inserter	2007 - 2012	18,775	7,137	-	83	4,194	1,049	1,894	5.25%
November 25, 2010	n/a	2011 HR42 Terex Electrical Line Truck	2010 - 2015	196,775	193,654	-	3,526	37,863	58	155,733	2.00%
February 24, 2011	n/a	2010 Dodge Caravan	2011 - 2016	21,200	-	21,200	331	3,385	-	17,815	2.00%
April 28, 2011	n/a	IBM APPV Server	2011 - 2016	15,346	-	15,346	189	1,963	-	13,383	2.00%
April 28, 2011	n/a	IBM Backup Server	2011 - 2016	10,010	-	10,010	123	1,281	-	8,729	2.00%
Total Capital Lease and Conditional Sales Agreement Debt				707,273	439,178	46,556	8,000	141,170	9,803	334,761	
Total Long Term Debt				\$ 1,473,217	\$ 1,076,484	\$ 46,556	\$ 43,025	\$ 192,807	\$ 15,980	\$ 914,274	

The Corporation of the City of Grand Forks
Schedule showing the remuneration and expenses paid to or on behalf of each employee
for the year ended December 31, 2011
Financial Information Regulation (Sections 1(1)e, 6(2)a to 6((6))

1. Elected Officials				
<u>Name</u>	<u>Position</u>	<u>Remuneration</u>	<u>Expenses</u>	<u>Total</u>
Joy Davies	Councillor	15,176	5,343	20,519
Robert Kendel	Councillor	607	334	941
Neil Krog	Councillor	607	-	607
Chris Moslin	Councillor	15,176	5,151	20,328
Patrick O'Doherty	Councillor	607	334	941
Gene Robert	Councillor	15,176	3,425	18,602
Gary Smith	Councillor	607	-	607
Brian Taylor	Mayor	21,044	5,515	26,560
Christine Thompson	Councillor	15,176	5,357	20,533
Michael Wirischagin	Councillor	15,783	3,400	19,183
Cheryle Wyers	Councillor	15,783	3,230	19,014
Total: Elected Officials		115,744	32,089	147,833
2. Other Employees				
<u>Name</u>	<u>Position</u>	<u>Remuneration</u>	<u>Expenses</u>	<u>Total</u>
Cecile Arnott	Deputy CAO / Chief Financial Officer	103,683	10,002	113,685
Sasha Bird	Manager of Technical Services	88,282	1,382	89,664
Lynne Burch	Chief Administrative Officer / Approving Officer	114,063	4,898	118,961
Dean Chapman	Sewer & Water Utility Coordinator	78,037	975	79,012
Len Federico	Utility Operator Level 2	78,376	2,279	80,656
William Harp	Electrical Lineman	96,197	-	96,197
Diane Heinrich	Corporate Officer	80,574	3,583	84,157
Dale Herlot	Deputy Fire Chief	84,374	2,346	86,720
Wayne Kopan	Manager of Environment and Building Construction	89,773	83	89,855
Blair MacGregor	Fire Chief	93,194	1,553	94,747
Kenneth Makortoff	Sewer & Water Utility Operator Level 2	75,029	217	75,246
Gary Onions	Electrical Coordinator	97,654	179	97,833
Earl Salamandyk	Utility Operator Level 2	77,106	2,254	79,360
Rick Weber	Electrical Lineman	95,926	312	96,237
Other 32 employees (Under \$75,000)		1,313,824	8,847	1,322,670
Total: Other Employees		2,566,091	38,908	2,604,999
Subtotal: All Remuneration		2,681,835		
3 Reconciliation				
Total Remuneration		2,681,835		
Reconciling Items: (Employer paid benefits and timing of accruals)				
Wages and employee benefits - Note 14 Financial Statements		629,857	19%	
Wages and employee benefits - Capital	3,276,645			
	35,047			
Total Remuneration	3,311,692	3,311,692		

The Corporation of the City of Grand Forks
Schedule of suppliers of goods and services
for the year ended December 31, 2011
Financial Information Regulation (Section 1 (1) f & 7)

1. Alphabetical list of suppliers who received aggregate payments exceeding \$25,000		
Supplier name		
As Attached		\$9,567,122
2. Consolidated total paid to suppliers who received aggregate payments of \$25,000 or less		1,318,431
3. Payments to suppliers for grants and contributions exceeding \$25,000		0
Subtotal: All payments for goods, services, grants and contributions		10,885,553
Reconciling Items	Taxes collected and amounts paid to other Governments	- 2,135,567
	Debt payments	- 248,265
	Payments made to authorities for employee benefits and deductions	- 1,416,048
	Accruals	- 157,245
	GST / HST included in payments to suppliers	- 653,116
	Capital Expenditures net of HST rebate	- 998,474
	Wages and Benefits Capitalized & Included above	35,047
	Employee expenses (removed from supplier payments)	78,149
	Tax and utility billing refunds	- 45,406
	Other	- 132,409
		5,673,935
Net payments for goods, services, grants and contributions		5,211,618
Total Operations Expenditures in year for operations (Note 14 of Audited Financial Statements)		5,211,618
Variance		\$ 0

The Corporation of the City of Grand Forks
Alphabetical list of suppliers who received aggregate payments exceeding \$25,000
for the year ended December 31, 2011
Financial Information Regulation (Section 1 (1) f & 7)

ABH CAR SALES LTD.	48,832
ALPINE (INTERIOR)	84,598
ARGOSY CONSTRUCTION GROUP INC.	470,698
B.C. ASSESSMENT AUTHORITY	46,826
BOUNDARY MUSEUM SOCIETY	75,060
BRITISH COLUMBIA LIFE & CASUALTY COMPANY	34,557
CANADA REVENUE AGENCY	33,684
CITY OF NELSON	37,823
CU CREDIT <i>co</i> CUETS	82,373
CUPE LOCAL 4728	32,267
DAK COMPUTER SERVICES	35,061
DAVE DALE INSURANCE LTD.	80,867
ELITE ROOFING LTD.	40,992
FORTIS BC	1,197,978
FORTIS BC INC	1,955,272
GRAND FORKS ART GALLERY	128,723
GRAND FORKS JANITORIAL SERVICES	44,675
GRAND FORKS VOLUNTEER FIREFIGHTERS ASSOCIATION	64,033
GUILLEVIN INTERNATIONAL INC.	50,423
INSURANCE CORP. OF B.C.	38,825
KOOTENAY BOUNDARY REGIONAL	29,829
MARTECH ELECTRICAL SYSTEMS	147,991
MINISTRY OF FINANCE REAL PROPERTY TAXATION BRANCH	632,268
MUNICIPAL FINANCE AUTH.	167,195
MUNICIPAL INSURANCE	33,052
MUNICIPAL PENSION PLAN	435,270
OAKCREEK GOLF & TURF INC.	29,059
PACIFIC APEX	45,133
PACIFIC BLUE CROSS	106,848
PHOENIX MARINE SERVICES INC.	52,192
PICA ENGINEERING	53,127
POWER PAVING LTD.	47,854
RECEIVER GENERAL CANADA	722,098
REDI ELECTRIC	25,099
REG.DIST. KOOTENAY BOUNDARY	1,533,676
REVENUE SERVICES OF BRITISH COLUMBIA	39,850
SCHOOL DISTRICT #51 (BOUNDARY)	85,543
SEQUOIA FUELS	52,720
SPRING FUEL DISTRIBUTORS INC	101,666
TELUS COMMUNICATIONS (B.C) INC.	30,770
URBAN SYSTEMS LTD.	267,397
VADIM COMPUTER MANAGEMENT GROUP LTD.	40,811
VIMAR EQUIPMENT LTD.	41,678
VODA COMPUTER SYSTEMS LTD	46,306
WEST KOOTENAY BOUNDARY REGIONAL HOSPITAL	141,105
WORKERS COMPENSATION BOARD	45,759
XEROX CANADA LTD.	29,262
	9,567,122

The Corporation of the City of Grand Forks
Consolidated Statement of Changes in Capital Fund Balances
for the year ended December 31, 2011
Financial Information Regulation (Section 3 (4))

	Actual 2011	Actual 2010
Revenue		
Donations from groups and individuals	\$ -	\$ 3,185
Senior government grants - Capital	277,638	2,820,572
	<u>277,638</u>	<u>2,823,757</u>
Transfer from Development Cost Charges	-	-
Transfer from Other Restricted Revenues	-	-
	<u>277,638</u>	<u>2,823,757</u>
Expenditures		
General government	963,337	3,795,224
Utility services	35,136	1,002,442
	<u>998,473</u>	<u>4,797,666</u>
Change in Financial Assets	(720,835)	(1,973,909)
Capital Funding from Reserves	58,486	715,959
Expenditures funded by Debt or Operating Surplus	(662,349)	(1,257,950)
Capital loan debt incurred	21,200	266,775
Transfers from (to) Surplus	641,149	991,175
Increase (Decrease) in Capital Fund Balances	<u>-</u>	<u>-</u>
Capital Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>
Capital Fund Balances (Due to Operating Funds) - End of Year	<u>\$ -</u>	<u>\$ -</u>

The Corporation of the City of Grand Forks

Statement of Severance Agreements

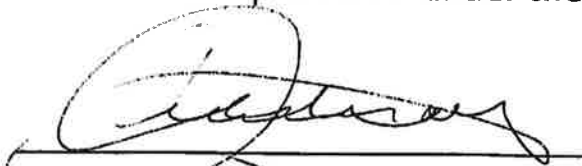
There were **no** severance agreements made between The Corporation of the City of Grand Forks and its non-unionized employees during the fiscal year 2011.

** Prepared under the Financial Information Regulation, Schedule 1, subsection 6(8)*

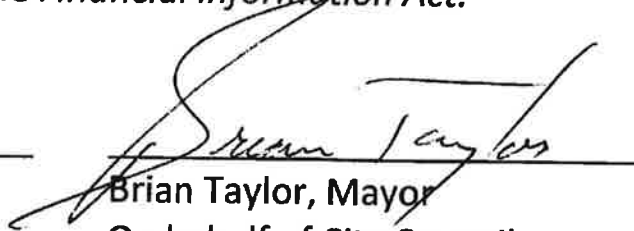
CORPORATION OF THE CITY OF GRAND FORKS

STATEMENT OF FINANCIAL INFORMATION APPROVAL

The undersigned, as authorized by the Financial Information Regulation, Schedule 1, subsection 9(2), approves all the statements and schedules included in this Statement of Financial Information, produced under the *Financial Information Act*.



M. I. Cecile Arnott, CGA
Chief Financial Officer
June 26, 2012



Brian Taylor, Mayor
On behalf of City Council
June 26, 2012

