

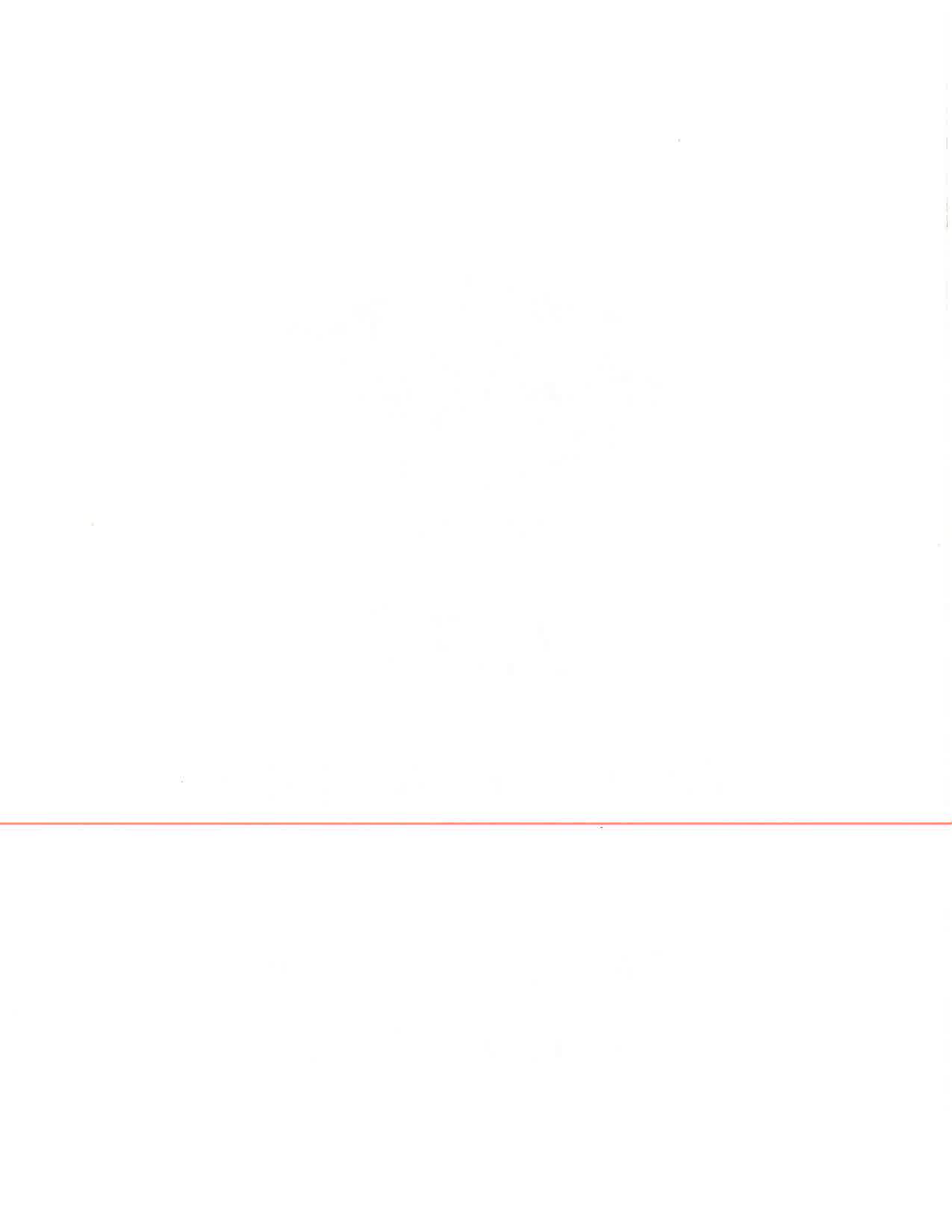


**Settle down.**

**2012**

**CITY OF GRAND FORKS**

**STATEMENT OF FINANCIAL  
INFORMATION**



*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**

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**May 10, 2013**

**Grand Forks, B.C.**

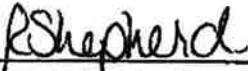
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### **Responsibility For Financial Reporting**

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, 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.

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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, 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.

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

	2012	2011
<b>FINANCIAL ASSETS</b>		
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
	<u>10,457,473</u>	<u>9,239,964</u>
<b>LIABILITIES</b>		
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
	<u>6,284,327</u>	<u>6,130,344</u>
<b>NET FINANCIAL ASSETS</b>	<u>4,173,146</u>	<u>3,109,620</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	48,946	38,446
Inventory of supplies	253,127	281,762
Tangible capital assets (note 7)	26,063,779	26,713,397
	<u>26,365,852</u>	<u>27,033,605</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 30,538,998</u>	<u>\$ 30,143,225</u>
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
	<u>\$ 30,538,998</u>	<u>\$ 30,143,225</u>
<b>COMMITMENTS AND CONTINGENT LIABILITIES (note 21)</b>		

R. Shepherd  
Chief Financial Officer



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

<b>REVENUE</b>	<b>2012 Budget</b>	<b>2012 Actual</b>	<b>2011 Actual</b>
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
	<b>9,996,900</b>	<b>10,520,888</b>	<b>10,107,091</b>
<b>EXPENDITURES</b>			
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	241,236	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	648,196
Debt interest	91,800	35,110	37,432
Amortization	1,345,400	1,373,762	1,258,734
Gain on disposition	-	-	( 305,994)
	<b>10,811,800</b>	<b>10,125,215</b>	<b>9,478,435</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>( 814,900)</b>	<b>396,773</b>	<b>628,656</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>30,143,225</b>	<b>30,143,225</b>	<b>29,514,569</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$ 29,328,325</b>	<b>\$ 30,538,998</b>	<b>\$ 30,143,225</b>
<b>RECONCILIATION TO BUDGET (note 20)</b>			

    P. Shepherd      
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
<b>ANNUAL SURPLUS</b>	<b>\$ 395,773</b>	<b>\$ 628,656</b>
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)	-
<b>INCREASE IN NET DEBT</b>	<b>1,063,526</b>	<b>892,380</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>3,109,620</b>	<b>2,217,240</b>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ 4,173,146</b>	<b>\$ 3,109,620</b>

RShepherd  
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
<b>OPERATING TRANSACTIONS</b>		
Annual surplus	\$ 395,773	\$ 628,656
Non-cash items		
Amortization	1,373,782	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)
<b>Cash Provided by Operating Transactions</b>	<b>2,001,617</b>	<b>2,218,143</b>
<b>CAPITAL TRANSACTIONS</b>		
Purchase of tangible capital assets	( 709,460)	( 998,475)
Proceeds from sale of tangible capital assets	-	322,743
<b>Cash Applied to Capital Transactions</b>	<b>( 709,460)</b>	<b>( 675,732)</b>
<b>FINANCING TRANSACTIONS</b>		
Debt issued	14,683	46,556
Repayment of long-term debt	( 154,919)	( 192,806)
Actuarial adjustment	( 8,543)	( 15,960)
<b>Cash Received from Financing Transactions</b>	<b>( 148,779)</b>	<b>( 162,210)</b>
<b>INCREASE IN CASH</b>	<b>1,143,378</b>	<b>1,380,201</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>7,340,891</b>	<b>5,960,690</b>
<b>CASH, END OF YEAR</b>	<b>\$ 8,484,269</b>	<b>\$ 7,340,891</b>

  
Chief Financial Officer

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

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the significant accounting policies of The Corporation of the City of Grand Forks:

**Basis of Presentation**

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.

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

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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 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.

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**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>28,601</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	-	( 3,498)	( 140)	62,836
Sewer #1556	98,732	-	( 6,495)	( 4,579)	87,658
<b>Total MFA debt</b>	<b>579,513</b>	<b>-</b>	<b>( 51,636)</b>	<b>( 8,543)</b>	<b>519,334</b>
<b>General capital lease obligations</b>	<b>334,761</b>	<b>14,683</b>	<b>( 103,283)</b>	<b>-</b>	<b>246,161</b>
<b>Total long-term debt</b>	<b>\$ 914,274</b>	<b>\$ 14,683</b>	<b>\$( 154,919)</b>	<b>\$( 8,543)</b>	<b>\$ 765,495</b>

**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	\$ 106,226
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	
<b>General Capital Fund</b>				
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>
	<b>32,649,326</b>	<b>14,988,195</b>	<b>17,661,131</b>	<b>18,580,801</b>
<b>Waterworks Utility Capital Fund</b>	<b>7,085,793</b>	<b>3,911,598</b>	<b>3,174,195</b>	<b>3,222,895</b>
<b>Electrical Utility Capital Fund</b>	<b>2,309,657</b>	<b>1,518,530</b>	<b>791,127</b>	<b>736,642</b>
<b>Sewer Utility Capital Fund</b>	<u>7,698,999</u>	<u>3,261,673</u>	<u>4,437,326</u>	<u>4,173,059</u>
<b>Total tangible capital assets</b>	<u><b>\$ 49,743,775</b></u>	<u><b>\$ 23,679,996</b></u>	<u><b>\$ 26,063,779</b></u>	<u><b>\$ 26,713,397</b></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	\$ 53,262	\$ 15,000	\$ 6,831	\$ 61,421
Miscellaneous revenue	1,464	7,641	1,464	7,641
Victim assistance	10,365	35,660	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	212,898	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	16,868	-	-	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>\$ 3,406,187</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	164,919	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	( 1,373,762)	( 1,258,734)
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)	21,819	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
	<u>\$ 6,245,184</u>	<u>\$ 5,855,689</u>

**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)
	<u>\$ 10,125,215</u>	<u>\$ 9,478,435</u>

**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	\$ 1,581,547
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
	<u>\$ 3,296,553</u>	<u>\$ 3,220,495</u>

**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
<b>Assets</b>		
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>
 <b>Trust Fund Balances</b>		
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.

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

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**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.

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**23. COMPARATIVE FIGURES**

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

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

	General and Reserve	Electrical Utility	Water Utility	Sewer Utility	Total 2012	Total 2011
<b>REVENUE</b>						
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
	<b>4,885,238</b>	<b>4,130,107</b>	<b>760,061</b>	<b>745,582</b>	<b>10,520,988</b>	<b>10,107,091</b>
<b>EXPENSES</b>						
Salaries and benefits	1,862,564	470,145	433,798	412,751	3,269,256	3,276,645
Goods and services	1,968,930	107,753	269,821	278,772	2,826,276	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	-	-	-	-
	<b>4,593,970</b>	<b>3,838,766</b>	<b>888,298</b>	<b>804,181</b>	<b>10,125,215</b>	<b>9,478,435</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ 291,268</b>	<b>\$ 291,341</b>	<b>\$( 128,237)</b>	<b>\$( 58,599)</b>	<b>\$ 395,773</b>	<b>\$ 628,656</b>

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

Historical Cost:	Land	Buildings	Machinery and Equipment	Engineering Structures	Infrastructure			2011	
					Electrical Utility	Waterworks Utility	Sewer Utility		
Opening balance	\$ 1,552,254	\$ 5,824,633	\$ 5,870,428	\$ 19,174,716	\$ 2,221,015	\$ 6,948,812	\$ 7,337,812	\$ 49,034,868	\$ 48,248,125
Additions	10,505	85,293	522,320	(478,351)	89,642	135,981	370,763	724,144	998,474
Disposals and write downs	-	(5,470)	-	-	-	-	(9,566)	(15,035)	(208,931)
Closing balance, Dec. 31	\$ 1,571,759	\$ 5,884,456	\$ 6,482,747	\$ 18,700,368	\$ 2,309,657	\$ 7,085,793	\$ 7,885,988	\$ 49,743,776	\$ 48,034,868
<b>Accumulated Amortization:</b>									
Opening balance	\$ -	\$ 2,207,400	\$ 3,308,151	\$ 8,428,676	\$ 1,464,373	\$ 3,728,917	\$ 3,184,753	\$ 22,321,271	\$ 21,254,720
Amortization Expense	-	149,657	318,454	582,327	34,157	184,881	106,488	1,373,782	1,280,167
Effect of disposals and write downs	-	(5,470)	-	-	-	-	(9,566)	(15,035)	(183,616)
Closing balance, Dec. 31	\$ -	\$ 2,351,587	\$ 3,624,805	\$ 9,012,004	\$ 1,518,530	\$ 3,911,598	\$ 3,281,673	\$ 23,879,988	\$ 22,321,271
<b>Net Book Value for Year Ended December 31, 2012</b>	\$ 1,571,759	\$ 3,532,869	\$ 2,858,142	\$ 9,688,361	\$ 791,127	\$ 3,174,195	\$ 4,604,315	\$ 26,063,779	\$ 25,713,397



The Corporation of the City of Grand Forks  
 Long Term Debt  
 for the year ended December 31, 2012

Date of Issue	Expiry	Purpose	Maturity Dates	Original Debeanture Debt	Debt		Interest paid in 2012	Principal Retirements 2012	Actuarial Adjustments 2012	Long Term Debt December 31, 2012	Interest Rates
					Outstanding end of 2011	Advanced during 2012					
<b>A. DEBENTURES</b>											
October 13, 2009	1863	Road System Improvements	2009 - 2019	\$ 500,000	\$ 414,310	\$ -	\$ 20,650	\$ 41,645	\$ 3,824	\$ 388,841	4.13%
June 28, 2010	1887	Subdivision	2010 - 2025	\$ 70,000	\$ 66,471	-	2,611	3,496	140	62,835	3.73%
March 24, 1999	1556	Ruckle Sewer Extension	1999 - 2019	195,944	98,731	-	6,172	6,495	4,579	87,657	4.53%
<b>Total Debeanture Debt</b>				765,944	579,512	-	29,433	51,637	8,543	519,332	
<b>B. CAPITAL LEASES AND CONDITIONAL SALES AGREEMENT TO FUND EQUIPMENT ACQUISITIONS</b>											
<b>General Capital Fund</b>											
October 2, 2009	n/a	OM Photocopiers	2009 - 2014	26,349	15,367	603	261	5,178	(603)	10,791	1.25%
June 9, 2009	n/a	IBM DS3300 Storage Array Dual	2009 - 2014	23,983	12,368	433	205	4,748	(433)	8,055	1.25%
October 1, 2009	n/a	5-4K Loader	2009 - 2014	178,145	100,773	3,861	1,700	35,073	(3,861)	69,561	1.25%
April 19, 2007	n/a	CanCADD Plotter/Printer/Copier	2007 - 2012	29,875	762	-	2	762	-	0	5.25%
May 19, 2007	n/a	2007 Sterling with Elgin Sweeper	2007 - 2012	186,715	7,937	-	22	7,937	-	0	5.00%
September 19, 2007	n/a	Pinney Bowes Folder Insertor	2007 - 2012	18,775	1,894	-	10	1,894	-	0	5.25%
November 25, 2010	n/a	2011 HR42 Terex Electrical Line Truck	2010 - 2015	196,775	155,733	7,726	2,770	38,619	(7,726)	124,840	2.00%
February 24, 2011	n/a	2010 Dodge Caravan	2011 - 2016	21,200	17,815	910	319	4,140	(910)	14,586	2.00%
April 28, 2011	n/a	IBM APPV Server	2011 - 2016	15,346	13,383	696	231	2,987	-	11,092	2.00%
April 28, 2011	n/a	IBM Backup Server	2011 - 2016	10,010	8,729	454	157	1,948	-	7,235	2.00%
<b>Total Capital Lease and Conditional Sales Agreement Debt</b>				707,273	334,761	14,683	5,677	103,283	(13,533)	246,161	
<b>Total Long Term Debt</b>				\$ 1,473,217	\$ 914,273	\$ 14,683	\$ 35,110	\$ 154,920	\$ (4,990)	\$ 765,494	

**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, 2012**  
**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>
KENDEL, ROBERT	Councillor	16,408	2,901	19,309
KROG, NEIL D.	Councillor	16,146	-	16,146
ODOHERTY, P.	Councillor	16,146	4,156	20,302
SMITH, GARY	Councillor	16,146	5,151	21,297
TAYLOR, BRIAN	Mayor	21,528	6,666	28,194
WIRISCHAGIN, MICHAEL	Councillor	16,146	4,004	20,150
WYERS, CHERYLE	Councillor	16,146	4,008	20,154
<b>Total: Elected Officials</b>		<b>118,668</b>	<b>26,886</b>	<b>145,553</b>

**2. Other Employees**

<u>Name</u>	<u>Position</u>	<u>Remuneration</u>	<u>Expenses</u>	<u>Total</u>
ARNOTT, C.	Chief Financial Officer	123,247	3,271	126,518
BIRD, S.	Mgr Technical Services	92,094	2,791	94,886
BURCH, L.	Chief Administrative Officer	135,369	3,733	139,102
CHAPMAN, J.D.	Water & Sewer Co-ordinator	81,441	1,238	82,680
FEDERICO, L.	Utilities Operator	82,205	912	83,118
HARP, W.	Electrical Lineman	132,464	-	132,464
HEINRICH, D.	Corporate Officer	79,384	4,062	83,446
HERIOT, D.	Fire Chief	91,309	2,578	93,887
KOPAN, W.	Mgr Environmental Services	92,283	1,252	93,535
MAKORTOFF, K.	Utilities Operator	82,839	2,431	85,270
ONIONS, G.	Power Distribution Co-ordinator	102,380	179	102,558
REID, D.	Roads & Equip Co-ordinators	76,912	1,241	78,153
SALAMANDYK, E.	Operator/Airport	76,237	265	76,502
WEBER, R.	Lineman	98,335	591	98,926
WRIGHT, H.	Manager of Operations	86,017	2,500	88,517
Other 37 employees (Under \$75,000)		1,424,509	31,292	1,455,801
<b>Total: Other Employees</b>		<b>2,857,025</b>	<b>58,337</b>	<b>2,915,362</b>

**Subtotal: All Remuneration**

**2,975,693**

**3 Reconciliation**

Total Remuneration 2,975,693

Reconciling Items: (Employer paid benefits and timing of accruals) 293,503 9%

Wages and employee benefits - Note 17 Financial Statements 3,269,256

Wages and employee benefits - Capital

**Total Remuneration 3,269,256 3,269,256**

Variance due in large part to employer paid benefits

**The Corporation of the City of Grand Forks**  
**Schedule of suppliers of goods and services**  
**for the year ended December 31, 2012**  
**Financial Information Regulation (Section 1 (1) f & 7)**

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<b>1. Alphabetical list of suppliers who received aggregate payments exceeding \$25,000</b>	
<b>Supplier name</b>	
As Attached	\$9,030,804 (A)
<b>2. Consolidated total paid to suppliers who received aggregate payments of \$25,000 or less</b>	1,343,162 (B)
<b>3. Payments to suppliers for grants and contributions exceeding \$25,000</b>	202,500 (C)
<b>Subtotal: All payments for goods, services, grants and contributions</b>	<u>10,576,466</u>
Reconciling items	- 451,251
<b>Net payments for goods, services, grants and contributions</b>	<u>10,125,215</u>
<b>Total per Statement of Revenue and Expenditure</b>	10,125,215
Variance	<u><u>\$ 0</u></u>
Variance due in large part to:	
collections for other Governments	
GST & HST included in payments to suppliers	
acquisition of capital assets	
non cash expenses such as amortization	
changes in accruals	

**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, 2012**  
**Financial Information Regulation (Section 1 (1) f & 7)**

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ARGOSY CONSTRUCTION GROUP INC.	284,985
ASSOCIATED ENGINEERING (B.C.) LTD.	35,878
B.C. ASSESSMENT AUTHORITY	47,670
BRITISH COLUMBIA LIFE & CASUALTY COMPANY	38,630
BERG NAQVI LEHMANN	35,280
CARTEL COM	73,322
CITY OF NELSON	74,905
COOPER POWER SYSTEMS - CA	27,983
CU CREDIT c/o CUETS	61,217
CUPE LOCAL 4728	32,191
DAVE DALE INSURANCE LTD.	86,323
DREXLER COMPUTER SYSTEMS LTD.	59,811
FORTIS BC	3,173,507
FORTIS BC INC	126,720
FORTIS BC-NATURAL GAS	28,560
G & D LINEMARKING	40,902
GRAND FORKS JANITORIAL SERVICES	44,369
GRAND FORKS VOLUNTEER FIREFIGHTERS ASSOCIATION	64,550
INSURANCE CORP. OF B.C.	39,155
REVENUE SERVICES OF BRITISH COLUMBIA	42,584
MINISTRY OF FINANCE REAL PROPERTY TAXATION BRANCH	399,356
MUNICIPAL FINANCE AUTH.	122,586
MUNICIPAL INSURANCE	28,266
MUNICIPAL PENSION PLAN	473,146
PACIFIC BLUE CROSS	128,498
PICA ENGINEERING	67,376
PITEAU ASSOCIATES	45,099
POWER PAVING LTD.	81,305
RECEIVER GENERAL CANADA	801,557
RECEIVER GENERAL (GST)	56,008
REDI ELECTRIC	41,901
REG.DIST. KOOTENAY BOUNDARY	1,678,610
SCHNEIDER ELECTRIC CANADA INC.	30,186
SCHOOL DISTRICT #51 (BOUNDARY)	37,505
SEQUOIA FUELS	37,780
SPRING FUEL DISTRIBUTORS INC	120,508
STRATEGIC INFRASTRUCTURE MANAGEMENT INC.	74,274
TE BURNS ENGINEERING	48,188
TELUS COMMUNICATIONS (B.C) INC.	31,286
URBAN SYSTEMS LTD.	91,433
VADIM COMPUTER MANAGEMENT GROUP LTD.	32,303
WEST KOOTENAY BOUNDARY REGIONAL HOSPITAL	144,398
WORKERS COMPENSATION BOARD	40,691
TOTAL SUPPLIERS EQUAL AND OVER \$25,000	<b>9,030,804</b>

**The Corporation of the City of Grand Forks**  
**Consolidated Statement of Changes in Capital Fund Balances**  
**for the year ended December 31, 2012**  
**Financial Information Regulation (Section 3 (4))**

	<b>Actual 2012</b>	<b>Actual 2011</b>
<b>Revenue</b>		
Donations from groups and individuals	\$ -	\$ -
Senior government grants - Capital	33,998	277,638
	<u>33,998</u>	<u>277,638</u>
Transfer from Development Cost Charges	-	-
Transfer from Other Restricted Revenues	-	-
	<u>33,998</u>	<u>277,638</u>
<b>Expenditures</b>		
General government	128,767	963,337
Utility services	595,376	35,136
	<u>724,143</u>	<u>998,473</u>
<b>Change In Financial Assets</b>	(690,145)	(720,835)
Capital Funding from Reserves		<u>58,486</u>
<b>Expenditures funded by Debt or Operating Surplus</b>	(690,145)	(662,349)
Capital loan debt incurred	14,683	21,200
Transfers from (to) Surplus	675,462	641,149
	<u>-</u>	<u>0</u>
<b>Increase (Decrease) in Capital Fund Balances</b>	-	0
<b>Capital Fund Balances - Beginning of Year</b>	<u>0</u>	<u>-</u>
<b>Capital Fund Balances (Due to Operating Funds) - End of Year</b>	<u>\$ 0</u>	<u>\$ 0</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 2012.

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