



AGENDA
COMMITTEE-OF-THE-WHOLE MEETING OF COUNCIL
CITY HALL COUNCIL CHAMBERS
MONDAY, APRIL 27, 2015
5:00 P.M.

- (1) CALL TO ORDER**
- (2) PUBLIC INPUT PERIOD**
- (3) ADOPTION OF AGENDA**
- (4) OPERATIONAL DISCUSSIONS & PRESENTATIONS**

a) Delegation from Berg Lehmann, City Auditors

A delegation from Berg Lehmann, City Auditors, will present to Council on the 2014 Financial Statements for the City of Rosland and discuss their audit findings.

- (5) CLOSE OF MEETING**

RESOLVED that the April 27, 2015 Committee-of-the-Whole Meeting be adjourned.

Financial Statements of
THE CORPORATION OF THE CITY OF ROSSLAND

December 31, 2014

DRAFT

THE CORPORATION OF THE CITY OF ROSSLAND
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December 31, 2014

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April 27, 2015

Nelson, 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 Rossland's 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 Rossland'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 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 Rossland's 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.

Acting Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council
The Corporation of the City of Rossland

We have audited the accompanying consolidated financial statements of The Corporation of the City of Rossland, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statement of operations, consolidated statement of changes in net debt 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.

Auditors' 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.

INDEPENDENT AUDITORS' REPORT (continued)

To the Mayor and Council
The Corporation of the City of Rossland

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the The Corporation of the City of Rossland as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

April 27, 2015

Nelson, B.C.

THE CORPORATION OF THE CITY OF ROSSLAND
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At December 31, 2014

	2014	2013 (re-stated note 18)
FINANCIAL ASSETS		
Cash and short-term investments	\$ 8,144,421	\$ 6,963,646
Grants and accounts receivable	231,846	397,284
Taxes receivable	370,010	530,489
Loan receivable (note 2)	270,000	85,000
MFA deposits (note 3)	112,264	69,377
	9,128,541	8,045,796
LIABILITIES		
Accounts payable and accrued liabilities	991,741	941,747
Employee future benefits (note 4)	270,916	247,399
Deferred revenue - Gas Tax Grant (note 5)	-	469,004
Deferred revenue - prepaid taxes and other grants (note 6)	899,860	856,992
Development cost charges and other fees (note 7)	897,259	883,925
Capital lease obligation (note 8)	125,405	267,974
Interim financing	-	3,936,000
Long-term debt (note 9)	6,594,869	2,763,223
	9,780,050	10,366,264
NET DEBT	(651,509)	(2,320,468)
NON-FINANCIAL ASSETS		
Prepaid expenses	96,652	89,120
Inventory of materials and supplies	144,569	131,778
Tangible capital assets (note 10 and 20)	41,895,682	42,163,562
	42,136,903	42,384,460
ACCUMULATED SURPLUS	\$41,485,394	\$40,063,992
Represented by:		
Reserve Fund balances	\$ 5,205,321	\$ 4,004,731
Operating and Capital Fund financial equity (note 11)	1,104,665	862,896
Equity in tangible capital assets (note 12)	35,175,408	35,196,365
	\$41,485,394	\$40,063,992
CONTINGENT LIABILITIES (note 17)		

Acting Chief Financial Officer

THE CORPORATION OF THE CITY OF ROSSLAND
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2014

	2014 Budget	2014 Actual	2013 Actual (re-stated note 18)
REVENUE			
Taxation	\$ 4,421,514	\$ 4,423,619	\$ 4,135,907
Utility taxes and grants-in-lieu	112,765	116,074	121,438
Federal gas tax grant	-	674,323	-
Provincial grants	367,804	414,716	497,685
Regional District Kootenay Boundary grants	13,800	13,800	15,000
Other grants	24,500	90,065	82,482
Sale of services and other income	547,036	860,242	527,875
Interest and penalties on taxes	74,106	59,388	69,408
Gain (loss) on sale of tangible capital assets	-	20,725	(21,891)
Contributed assets and developer contributions	-	359,100	-
Water user fees	532,858	529,628	552,402
Sewer user fees	526,245	529,175	537,566
	6,620,628	8,090,855	6,517,872
EXPENDITURES (note 13)			
General government	1,212,483	1,014,877	1,020,859
Community support	533,627	512,676	494,280
Environmental health	107,278	110,726	122,632
Planning, development and engineering	145,300	108,788	285,195
Protective services	167,000	188,270	324,361
Public health services	13,800	5,820	13,161
Recreation and cultural services	761,484	793,353	734,384
Transportation and public works	1,461,719	1,168,620	1,130,430
Regional sewer utility	352,385	354,892	258,196
Sewer utility operations	181,300	206,710	257,936
Water utility operations	465,884	572,384	602,534
Amortization	-	1,316,523	1,318,243
Interest and finance charges	299,687	315,814	187,116
	5,701,947	6,669,453	6,749,327
ANNUAL SURPLUS (DEFICIT) (note 17)	918,681	1,421,402	(231,455)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	40,063,992	40,063,992	40,295,447
ACCUMULATED SURPLUS, END OF YEAR	\$40,982,673	\$41,485,394	\$40,063,992

Acting Chief Financial Officer

THE CORPORATION OF THE CITY OF ROSSLAND
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
For the Year Ended December 31, 2014

	2014	2013 (re-stated note 18)
ANNUAL SURPLUS	\$ 1,421,402	\$(231,455)
Acquisition of tangible capital and leased assets	(770,318)	(699,801)
Amortization of tangible capital assets	1,316,523	1,318,243
Contributed assets and developer contributions	(359,100)	-
Loss (gain) on sale of tangible capital assets	(20,725)	21,891
Proceeds on sale of tangible capital assets	101,500	38,472
	1,689,282	447,350
Net change in prepaid expenses	(7,532)	(2,945)
Net change in inventory of supplies and materials	(12,791)	21,733
	(20,323)	18,788
DECREASE IN NET DEBT	1,668,959	466,138
NET DEBT, BEGINNING OF YEAR	(2,320,468)	(2,786,606)
NET DEBT, END OF YEAR	\$(651,509)	\$(2,320,468)

Acting Chief Financial Officer

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THE CORPORATION OF THE CITY OF ROSSLAND
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

	2014	2013 (re-stated note 18)
OPERATING TRANSACTIONS		
Annual surplus (deficit)	\$ 1,421,402	\$(231,455)
Non-cash items and changes in non-financial assets		
Amortization	1,316,523	1,318,243
Actuarial gain on MFA long-term debt	(64,610)	(73,984)
Interest on MFA deposits	(2,888)	(3,224)
Loss (gain) on sale of tangible capital assets	(20,725)	21,891
Reversal of allowance on loan receivable	(185,000)	-
Contributed assets and development cost charges	(359,100)	-
Changes in prepaid expenses	(7,532)	(2,945)
Changes in inventory	(12,791)	21,733
Changes in financial assets/liabilities		
Changes in taxes receivable	160,479	(117,141)
Changes in grants and accounts receivable	165,438	2,527,864
Changes in accounts payable and accrued liabilities	49,994	(364,454)
Changes in employee future benefits	23,517	(35,069)
Changes in deferred revenues and development cost charges	(412,802)	227,585
Cash Provided by Operating Transactions	2,071,905	3,289,044
CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(770,318)	(598,357)
Proceeds from disposal of capital assets	101,500	38,472
Cash Provided by (Applied to) Capital Transactions	(668,818)	(559,885)
FINANCING TRANSACTIONS		
Proceeds from interim debt	-	3,936,000
Repayment of long-term debt	(246,312)	(170,374)
Capitalized finance fees on long-term debt	24,000	-
Cash Applied to Financing Transactions	(222,312)	3,765,626
INCREASE IN CASH AND SHORT-TERM INVESTMENTS	1,180,775	6,494,785
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	6,963,646	468,861
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	\$ 8,144,421	\$ 6,963,646

Acting Chief Financial Officer

1. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of The Corporation of the City of Rossland.

Basis of Presentation

It is the City's policy to follow the accounting principles generally accepted for municipalities in the Province of British Columbia, and to apply such principles consistently. The consolidated financial statements include the accounts of all funds for the City. All interfund transfers have been eliminated. They have been prepared using guidelines issued by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. In addition, financial statements for each fund on a segregated basis have been presented under "Other Financial Information".

Basis of Accounting

The resources and operations of the City are segregated into various funds for accounting and financial reporting purposes, each being treated as a separate entity with responsibility for the stewardship of the assets allocated to it. The City has the following funds:

Operating funds - these funds are used to report the operating activities of the City, including general operations and the water and sewer utilities.

Capital funds - these funds are used to record the acquisition and financing of the capital assets. Capital funds have been established for general operations and the water and sewer utilities.

Reserve funds - these funds have been established to hold funds for specific future requirements. The use of these funds is governed by the Community Charter and Municipal resolutions and by-laws.

The consolidated financial statements include the amounts of all the funds of the City. Inter-fund transactions and balances have been eliminated.

Financial Instruments

The City's financial instruments consist of cash, short-term investments, accounts and grants receivable, accounts payable 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.

THE CORPORATION OF THE CITY OF ROSSLAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible Capital Assets

Tangible capital assets, comprised of capital assets and capital work-in-progress, 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 of the asset commencing the year the asset is put in to service. Donated tangible capital assets are reported at fair value at the time of donation. Estimated useful lives are as follows:

Land Improvements	15 to 35 years
Buildings and building components	15 to 75 years
Machinery and equipment	7 to 60 years
Furniture and equipment	7 to 15 years
Information technology	3 to 5 years
Vehicles and mobile equipment	5 to 25 years
Infrastructure	15 to 100 years

Revenue Recognition

Revenue is recognized using the accrual method of accounting. Taxes and utility fees are recognized in the fiscal year to which they relate. Service revenues, grants and development cost charges are recognized in the period in which the City's service delivery obligations are discharged.

Budget Figures

The budget figures are based on the Five-Year Financial Plan for the year 2014 per bylaw #2568 adopted April 28, 2014.

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 live of tangible capital assets for amortization, the determination of accrued employee benefits 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 ROSSLAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2014

2. LOAN RECEIVABLE

	2014	2013
Rossland Senior Housing Society	\$ 270,000	\$ 270,000
Less: valuation allowance	<u>-</u>	<u>(185,000)</u>
	<u>\$ 270,000</u>	<u>\$ 85,000</u>

During the year, the Rossland Senior Housing signed a mortgage agreement with the City to repay the full amount of the loan receivable. The terms of repayment are annual interest only payments at 2.2% for five years, beginning December 1, 2014. Principal and interest payments will begin in 2019 at reasonable commercial rates negotiated on January 1, 2019. The valuation allowance previously taken has been reversed and brought into the City's income in the current year.

3. MFA DEPOSITS

The City issues its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds are withheld by the Municipal Finance Authority as a debt reserve fund. The City also executes demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the Municipal Finance Authority. The cash deposits are recorded as financial assets while the demand notes amounts are not included in the City's financial statements. The detail of the cash deposits and demand notes at year end are as follows:

	Cash Deposits	Demand Notes	2014	2013
General funds	\$ 40,877	\$ 61,660	\$ 102,537	\$ -
Sewer Funds	6,526	8,918	15,444	15,260
Water Funds	<u>64,861</u>	<u>99,510</u>	<u>15,444</u>	<u>162,545</u>
	<u>\$ 112,264</u>	<u>\$ 170,088</u>	<u>\$ 133,425</u>	<u>\$ 177,805</u>

4. EMPLOYEE FUTURE BENEFITS

The City records liabilities for accrued employee benefits in the period in which they are earned by the employee. Short-term benefits, such as banked overtime and vacation entitlements, are included in accrued liabilities. Long-term benefits, such as sick leave entitlements, are reported as employee future benefits at management's estimate of the discounted present value of the future entitlements.

THE CORPORATION OF THE CITY OF ROSSLAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2014

5. DEFERRED REVENUE - FEDERAL GAS TAX GRANT

Federal gas tax funding is provided by the Government of Canada and use of the funding is restricted by the terms of the funding agreement between the local government and the Union of British Columbia municipalities ("UBCM"). Gas tax funding may be used towards certain public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreement. During the year, the City and the UBCM signed a new agreement which removed some of the stipulations included in the previous agreement. The funds previously deferred and the unspent funds received in the current year are no longer deemed to be liabilities under section PSAB 3410 Government Transfers, and have been recognized as revenue in the current year and transferred into the City's Community Works Gas Tax Reserve Fund.

6. DEFERRED REVENUE

	2014	2013
Prepaid property taxes	\$ 736,117	\$ 664,507
Prepaid utilities	21,414	19,125
Prepaid parcel taxes - water	<u>96,531</u>	<u>96,379</u>
	854,062	780,011
Unexpended conditional grants	44,546	76,981
Rent deposits	1,250	-
	<u>-</u>	<u>-</u>
	<u>\$ 899,858</u>	<u>\$ 856,992</u>

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THE CORPORATION OF THE CITY OF ROSSLAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2014

7. DEVELOPMENT COST CHARGES AND OTHER FEES

Development cost charges are restricted revenue liabilities representing funds received from developers for capital expenses. The City records these funds as restricted revenue which is then recognized as revenue when the related costs are incurred. During the year ended December 31, 2012, the Development Cost Charge bylaws were repealed. The following represents funds previously collected but not yet spent on the eligible infrastructure costs and includes accrued interest earned:

	2014	2013
Development cost charges - roads	\$ 61,642	\$ 60,726
Development cost charges - water	522,757	514,988
Development cost charges - sanitary sewer	110,236	108,598
Sewer service cost recovery - bylaw #2310	202,624	199,613
	<u>\$ 897,259</u>	<u>\$ 883,925</u>

8. CAPITAL LEASE OBLIGATION

	2014	2013
Municipal Finance Authority lease obligation for various equipment leases. Annual interest rates range from 1.25% to 2.0% per annum. Lease obligation secured by the leased assets, maturing at various dates through to October, 2018.	<u>\$ 125,405</u>	<u>\$ 267,974</u>

The required minimum lease payments over the next four years are as follows:

2015	\$ 68,280	
2016	21,432	
2017	21,432	
2018	17,474	
	<u>128,618</u>	
Total minimum lease payments	128,618	
Less amount representing interest	<u>3,213</u>	
	<u>\$ 125,405</u>	

THE CORPORATION OF THE CITY OF ROSSLAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2014

9. LONG-TERM DEBT

	Balance, Beginning of Year	Additions	Principal Payments	Actuarial Adjustment	Balance, End of Year
General Capital Fund					
Bylaw #2544	\$ -	\$4,000,000	\$ -	\$ -	\$4,000,000
Water System Capital Fund					
Red Mountain					
Specified Area #1966	\$ 162,390	\$ -	\$ 6,747	\$ 7,980	\$ 147,663
Water Treatment Plant #1983	1,095,752	-	41,905	45,212	1,008,635
Ophir #2344	1,353,786	-	48,806	3,983	1,300,997
	<u>2,611,928</u>	<u>-</u>	<u>97,458</u>	<u>57,175</u>	<u>2,457,295</u>
Sewer System Capital Fund					
Red Mountain					
Specified Area #1966	151,295		6,286	7,435	137,574
Total Long-term Debt	<u>\$2,763,223</u>	<u>\$4,000,000</u>	<u>\$ 103,744</u>	<u>\$ 64,610</u>	<u>\$6,594,869</u>

Interest rates range from 3.25% to 5.85%. Actuarial adjustments represent interest earned on sinking funds held by the Municipal Finance Authority. Such interest is used to reduce the principal amount of outstanding debt. The requirements for future repayments of principal on existing debt for the next five years excluding potential actuarial adjustments are estimated as follows:

	General Capital	Water Capital	Sewer Capital	Total Capital
2015	\$ 71,320	\$ 97,458	\$ 6,286	\$ 175,064
2016	\$ 71,320	\$ 97,458	\$ 6,286	\$ 175,064
2017	\$ 71,320	\$ 97,458	\$ 6,286	\$ 175,064
2018	\$ 71,320	\$ 97,458	\$ 6,286	\$ 175,064
2019	\$ 71,320	\$ 97,458	\$ 6,286	\$ 175,064

THE CORPORATION OF THE CITY OF ROSSLAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2014

10. TANGIBLE CAPITAL ASSETS

	2014	2013
General Capital Fund		
Land and improvements	\$ 9,033,362	\$ 8,536,999
Buildings and infrastructure	11,545,364	11,736,282
Machinery and equipment	631,838	477,142
Assets Under Capital Lease	<u>368,954</u>	<u>623,642</u>
	<u>21,579,518</u>	<u>21,374,065</u>
Water System - Capital Fund		
Land and improvements	969,803	970,058
Buildings, infrastructure and equipment	<u>14,322,418</u>	<u>14,654,229</u>
	<u>15,292,221</u>	<u>15,624,287</u>
Sewer System - Capital Fund		
Buildings, infrastructure and equipment	<u>5,023,943</u>	<u>5,165,210</u>
	<u>\$ 41,895,682</u>	<u>\$ 42,163,562</u>

11. FINANCIAL EQUITY

Consolidated financial equity represents all Municipal equity that is not equity in tangible capital assets. The balance is comprised of the following:

	2014	2013
General Operating Fund surplus	\$ 1,271,510	\$ 1,184,750
General Capital Fund surplus	1,000	1,000
Water Operating Fund surplus (deficit)	43,052	(33,823)
Sewer Operating Fund deficit	<u>(210,896)</u>	<u>(289,031)</u>
Total Operating and Capital Fund Surplus	1,104,666	862,896
Reserve Funds	<u>5,205,321</u>	<u>4,004,731</u>
	<u>\$ 6,309,987</u>	<u>\$ 4,867,627</u>

THE CORPORATION OF THE CITY OF ROSSLAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2014

12. EQUITY IN TANGIBLE CAPITAL ASSETS

The consolidated equity in tangible capital assets represents total tangible capital assets less the long-term debt issued to acquire the assets. The balance is comprised of the following:

	2014	2013
General Capital Fund	\$ 17,454,113	\$ 17,170,091
Water Capital Fund	12,834,926	13,012,359
Sewer Capital Fund	4,886,369	5,013,915
	<u>\$ 35,175,408</u>	<u>\$ 35,196,365</u>

13. EXPENDITURES BY OBJECT

	2014	2013
Interest and bank charges	\$ 315,814	\$ 187,116
Goods and services	1,837,992	1,941,371
Grants and support to community groups	512,676	494,280
Wages, benefits and Council remuneration	2,686,448	2,808,317
Amortization of tangible capital assets	1,316,523	1,318,243
	<u>\$ 6,669,453</u>	<u>\$ 6,749,327</u>

14. PENSION LIABILITY

The City and its employees contribute to the Municipal Pension Plan (the plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The plan has about 182,000 active members and approximately 75,000 retired members. Active members include approximately 36,000 contributors from local government.

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 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, plan assets and cost to individual employers participating in the plan.

The City of Rossland paid \$176,939 for employer contributions to the plan in 2014 (2013 - \$168,407).

THE CORPORATION OF THE CITY OF ROSSLAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2014

15. COLLECTION FOR OTHER GOVERNMENTS

The City collected and remitted the following taxes on behalf of other Governments.

Provincial Government - School Taxes	\$ 1,672,581
Provincial Government - Police Tax Levy	178,247
British Columbia Assessment Authority	38,983
West Kootenay Boundary Regional Hospital	170,303
Municipal Finance Authority	117
Regional District of Kootenay Boundary	1,102,276
Grants in Lieu of Taxes Collected for Others	<u>11,957</u>
	<u>\$ 3,174,464</u>

These amounts are not included in the City's revenues and expenditures in the financial statements.

16. BUDGET RECONCILIATION

The following reconciles the budgeted surplus as shown on the consolidated statement of operations to the original budget as presented in bylaw #2568 adopted April 28, 2014.

Budgeted surplus as presented	\$ 918,681
Borrowing proceeds	112,000
Transfers from reserves	444,867
Debt principal payments	(290,292)
Capital expenditures	<u>(1,185,256)</u>
	<u>\$ -</u>

The City adopted an amended budget bylaw #2579 on December 1, 2014 to account for certain changes in anticipated revenues and expenditures. Only the original budget is reflected in these financial statements.

17. CONTINGENT LIABILITIES

Regional District Debt

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.

17. CONTINGENT LIABILITIES (continued)

Construction and Other Contingencies

In the normal course of a year, the City may be faced with claims for damages of a diverse nature. Potential claims identified include a claim by the contractor of the Ophir Creek Reservoir project relating to the construction of the project, a claim related to strata construction deficiencies as well as claims made by two former employees. The City is conducting a review of these claims and as at the year end, no estimate can be made of the likely outcome and no accrual has been made for these potential claims.

18. PRIOR PERIOD ADJUSTMENT

During the year, the City changed its accounting policy with respect to accounting for the Municipal Finance Authority (MFA) debt reserve funds and recognized the cash portion held with the MFA as assets in the City's financial statements. This change in policy was applied retrospectively and the 2013 comparative figures have been restated as follows: increase in other income of \$3,225, increase in MFA cash deposits of \$69,377, increase in opening accumulated surplus of \$66,152 and closing accumulated surplus by \$69,377.

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THE CORPORATION OF THE CITY OF ROSSLAND
GENERAL OPERATING FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2014

FINANCIAL ASSETS	2014	2013
ASSETS		
Cash and short-term investments	\$ 8,143,421	\$ 6,962,646
Taxes receivable	370,010	530,489
Grants and accounts receivable	107,267	254,407
Loan receivable	270,000	85,000
MFA cash deposits	40,877	-
	8,931,575	7,832,542
LIABILITIES		
Accounts payable and accrued liabilities	709,899	939,992
Employee future benefits	270,916	247,399
Deferred revenue - prepaid taxes and other	803,329	760,613
Deferred revenue - Gas Tax Grant	-	469,004
Deferred revenue - development cost charge	61,642	60,726
Due to Water Operating Fund	1,085,121	972,034
Due to Sewer Operating Fund	233,180	133,157
Due to Reserve Funds	4,366,383	3,179,518
	7,530,470	6,762,443
NET FINANCIAL ASSETS	1,401,105	1,070,099
NON-FINANCIAL ASSETS		
Prepaid expenses and deposits	96,652	89,120
Inventory of materials and supplies	54,622	25,531
	151,274	114,651
ACCUMULATED SURPLUS	\$ 1,552,379	\$ 1,184,750
ACCUMULATED SURPLUS		
Balance, beginning of year	\$ 1,184,750	\$(3,077,400)
Annual surplus	22,760	326,150
Transfer of interim financing from capital fund	-	3,936,000
Transfer to capitalize the finance and debt reserve in capital fund	64,000	-
Balance, end of year	\$ 1,271,510	\$ 1,184,750

THE CORPORATION OF THE CITY OF ROSSLAND
GENERAL CAPITAL FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2014

	2014	2013
ASSETS		
Cash	\$ 1,000	\$ 1,000
Assets under capital lease	368,954	623,642
Tangible capital assets	21,210,564	20,750,423
	21,580,518	21,375,065
LIABILITIES		
Capital lease obligation	125,405	267,974
MFA debt	4,000,000	3,936,000
	4,125,405	4,203,974
	\$ 17,455,113	\$ 17,171,091
FINANCIAL EQUITY	\$ 1,000	\$ 1,000
EQUITY IN TANGIBLE CAPITAL ASSETS		
Balance, beginning of year	17,170,091	21,290,119
Capital lease obligation - new financing in year	-	(101,894)
Tangible capital asset additions	1,035,041	652,190
Net book value of tangible capital assets on disposal	(80,775)	(60,363)
General Operating Fund - repayment of lease obligation	142,569	83,987
MFA debt - new financing in year	(64,000)	(3,936,000)
Amortization	(748,813)	(757,948)
Balance, end of year	\$ 17,454,113	\$ 17,170,091
	\$ 17,455,113	\$ 17,171,091

THE CORPORATION OF THE CITY OF ROSSLAND
GENERAL OPERATING FUND
STATEMENT OF FINANCIAL ACTIVITIES
For the Year Ended December 31, 2014

	2014	2013
REVENUE		
General taxation	\$ 3,863,990	\$ 3,577,596
Utility taxes and grants-in-lieu of taxes	116,074	121,438
Federal Gas Tax grant	674,323	-
Provincial grants	414,716	497,685
Regional District of Kootenay Boundary grants	13,800	15,000
Other grants	81,835	82,482
Sale of services and other income	701,922	436,840
Interest and penalties on taxes	59,388	69,408
Sale of property and equipment - net proceeds	101,500	38,472
Developer contributions and contributed assets	359,100	-
	6,386,648	4,838,921
EXPENDITURES		
General government	1,014,877	1,020,859
Community support	512,676	494,280
Environmental health services	110,726	122,632
Planning, development and engineering	108,788	285,195
Protective services	188,270	324,361
Public health	5,820	13,161
Recreation and cultural services	793,353	734,384
Transportation and public works	1,168,620	1,130,430
Interest and finance charges	149,646	20,310
	4,052,776	4,145,612
NET OPERATING REVENUES OVER EXPENDITURES	2,333,872	693,309
Transfers from Reserve Funds	150,000	267,574
Transfers to Reserve Funds	(1,283,502)	-
Transfers to General Capital Fund for capital expenditures	(1,035,041)	(550,746)
Transfer to General Capital Fund for debt principal repayments	(142,569)	(83,987)
	(2,311,112)	(367,159)
ANNUAL SURPLUS	\$ 22,760	\$ 326,150

THE CORPORATION OF THE CITY OF ROSSLAND
WATER OPERATING FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2014

FINANCIAL ASSETS	2014	2013
ASSETS		
Water fees and other receivable	\$ 64,897	\$ 72,227
Due from General Operating Fund	1,085,121	972,034
MFA cash deposits	64,861	63,034
	1,214,879	1,107,295
LIABILITIES		
Accrued liabilities	-	675
Due to Sewer Operating Fund	17,481	17,481
Due to Reserve Fund	615,089	604,917
Development cost charges	522,757	514,988
Deferred Revenue - taxation	96,531	96,379
	1,251,858	1,234,440
NET DEBT	(36,979)	(127,145)
NON-FINANCIAL ASSETS		
Inventory of materials and supplies	80,030	93,322
	\$ 43,051	\$(33,823)
ACCUMULATED SURPLUS (DEFICIT)		
Balance, beginning of year	\$(33,823)	\$(148,415)
Annual surplus	76,874	114,592
Balance, end of year	\$ 43,051	\$(33,823)

THE CORPORATION OF THE CITY OF ROSSLAND
WATER CAPITAL FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2014

	2014	2013
FINANCIAL LIABILITIES		
Long-term debt	\$ 2,457,295	\$ 2,611,928
NET DEBT	(2,457,295)	(2,611,928)
TANGIBLE CAPITAL ASSETS	15,292,221	15,624,287
	\$12,834,926	\$13,012,359
EQUITY IN TANGIBLE CAPITAL ASSETS		
Balance, beginning of year	\$13,012,359	\$13,245,599
Water Operating Fund - capital expenditures	94,377	36,596
Water Operating Fund - debt principal repayments	154,633	147,753
Water Operating Fund - amortization	(426,443)	(417,589)
Balance, end of year	\$12,834,926	\$13,012,359

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THE CORPORATION OF THE CITY OF ROSSLAND
WATER OPERATING FUND
STATEMENT OF FINANCIAL ACTIVITIES
For the Year Ended December 31, 2014

	2014	2013
REVENUE		
Water parcel and specified area taxes	\$ 435,994	\$ 435,218
User fees	529,628	552,402
Government and other grants	8,230	-
Actuarial and other income	76,229	65,851
	1,050,081	1,053,471
EXPENDITURES		
Administration and other	101,892	83,752
Treatment plant, distribution and maintenance	470,492	518,782
Debt interest payments	151,813	151,996
	724,197	754,530
NET OPERATING REVENUES OVER EXPENDITURES	325,884	298,941
Transfer from General Operating Fund	-	-
Transfer to Water Capital Fund for capital expenditures	(94,377)	(36,596)
Transfer to Water Capital Fund for debt principal repayments	(154,633)	(147,753)
ANNUAL SURPLUS	\$ 76,874	\$ 114,592

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THE CORPORATION OF THE CITY OF ROSSLAND
SEWER OPERATING FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2014

FINANCIAL ASSETS	2014	2013
ASSETS		
Sewer fees receivable	\$ 59,682	\$ 70,650
Due from General Operating Fund	233,180	133,157
Due from Water Operating Fund	17,481	17,481
MFA cash deposits	6,526	6,342
	316,869	227,630
LIABILITIES		
Accrued liabilities	973	1,078
Development cost charges	312,860	308,211
Due to Reserve Fund	223,849	220,297
	537,682	529,586
NET DEBT	(220,813)	(301,956)
NON-FINANCIAL ASSETS		
Inventory of materials and supplies	9,917	12,925
ACCUMULATED DEFICIT	\$(210,896)	\$(289,031)
ACCUMULATED SURPLUS (DEFICIT)		
Balance, beginning of year	\$(289,031)	\$(406,473)
Annual surplus	78,135	117,442
Balance, end of year	\$(210,896)	\$(289,031)

THE CORPORATION OF THE CITY OF ROSSLAND
SEWER CAPITAL FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2014

	2014	2013
LIABILITIES		
Long-term debt	\$ 137,574	\$ 151,295
NET DEBT	(137,574)	(151,295)
TANGIBLE CAPITAL ASSETS	5,023,943	5,165,210
	\$ 4,886,369	\$ 5,013,915
EQUITY IN TANGIBLE CAPITAL ASSETS		
Balance, beginning of year	\$ 5,013,915	\$ 5,132,538
Sewer Operating Fund - debt principal payments	13,721	13,068
Sewer Operating Fund - capital expenditures	-	11,015
Amortization	(141,267)	(142,706)
Balance, end of year	\$ 4,886,369	\$ 5,013,915

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THE CORPORATION OF THE CITY OF ROSSLAND
SEWER OPERATING FUND
STATEMENT OF FINANCIAL ACTIVITIES
For the Year Ended December 31, 2014

	2014	2013
REVENUE		
Parcel and specified area taxes	\$ 123,635	\$ 123,093
User fees	529,175	537,566
Actuarial and other income	15,003	11,358
	667,813	672,017
EXPENDITURES		
Administration and other	43,425	65,153
Collection system maintenance	163,285	192,783
Regional sewer utility	354,892	258,196
Debt interest payments	14,355	14,360
	575,957	530,492
NET OPERATING REVENUES OVER EXPENDITURES	91,856	141,525
Transfer to Sewer Capital Fund for capital expenditures	-	(11,015)
Transfer to Sewer Capital Fund for debt principal repayments	(13,721)	(13,068)
	(13,721)	(24,083)
ANNUAL SURPLUS	\$ 78,135	\$ 117,442

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THE CORPORATION OF THE CITY OF ROSSLAND
RESERVE FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2014

	2014	2013
FINANCIAL ASSETS		
Due from General Operating Fund	\$ 4,366,383	\$ 3,179,517
Due from Sewer Operating Fund	223,849	220,297
Due from Water Operating Fund	615,089	604,917
	\$ 5,205,321	\$ 4,004,731
RESERVES		
General Fund Reserves	\$ 4,172,131	\$ 2,993,611
Water Fund Reserves	615,089	606,719
Sewer Fund Reserves	223,849	220,897
Statutory Land Reserve	84,041	82,792
Statutory Parking Reserve	102,231	100,712
Statutory Cemetery Perpetual Care Reserve	7,980	-
	\$ 5,205,321	\$ 4,004,731

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THE CORPORATION OF THE CITY OF ROSSLAND

RESERVE FUND

STATEMENT OF TRANSACTIONS

For the Year Ended December 31, 2014

	Balance, Beginning of Year	Transfers from other Funds	Transfers to other Funds	Interest Earned	Balance, End of Year
General Operating	\$ 756,344	\$ -	\$(493,464)	\$ 3,624	\$ 266,504
General Capital Projects	2,237,267	200,000	(450,000)	24,281	2,011,548
Community Works Gas Tax	-	664,524	-	9,799	674,323
Financial Stabilization	-	168,464	-	2,322	170,786
Forest Fire Prevention	-	12,000	-	165	12,165
General Debt Retirement	-	138,699	-	1,856	140,555
Information Systems	-	81,500	-	1,004	82,504
Insurance	-	15,000	-	207	15,207
Legal	-	60,000	-	827	60,827
Major Capital	-	126,000	-	-	126,000
Snow Removal	-	149,000	-	1,378	150,378
Staff Retirement	-	153,799	-	1,202	155,001
Vehicle and Equipment	-	300,000	-	6,334	306,334
Water Operating	168,876	-	-	2,184	171,060
Water Capital	437,843	-	-	6,186	444,029
Sewer Operating	140,858	-	-	1,821	142,679
Sewer Capital	80,039	-	-	1,131	81,170
Statutory Land Sale Reserve	82,792	-	-	1,248	84,040
Statutory Parking Reserve	100,712	-	-	1,519	102,231
Statutory Cemetery Reserve	-	7,980	-	-	7,980
	\$ 4,004,731	\$ 2,076,966	\$(943,464)	\$ 67,088	\$ 5,205,321