

*Financial Statements of*  
**THE CORPORATION OF THE CITY OF ROSSLAND**  
*December 31, 2010*

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**Index to Financial Statements**  
**December 31, 2010**

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<b>Responsibility for Financial Reporting</b>	- Page 1
<b>Consolidated Financial Statements</b>	
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 Debt	- Page 6
Consolidated Statement of Cash Flows	- Page 7
<b>Notes to Consolidated Financial Statements</b>	- Pages 8 - 16
<b>Other Financial Information</b>	
General Fund	
Exhibit A - Operating Fund Statement of Financial Position	- Page 17
Exhibit B - Capital Fund Statement of Financial Position	- Page 18
Exhibit C - Operating Fund Statement of Financial Activities	- Page 19
Water System	
Exhibit D - Operating Fund Statement of Financial Position	- Page 20
Exhibit E - Capital Fund Statement of Financial Position	- Page 21
Exhibit F - Operating Fund Statement of Financial Activities	- Page 22
Sewer System	
Exhibit G - Operating Fund Statement of Financial Position	- Page 23
Exhibit H - Capital Fund Statement of Financial Position	- Page 24
Exhibit I - Operating Fund Statement of Financial Activities	- Page 25
Reserve Fund	
Exhibit J - Statement of Financial Position	- Page 26
Exhibit K - Statement of Transactions	- Page 27

April 11, 2011

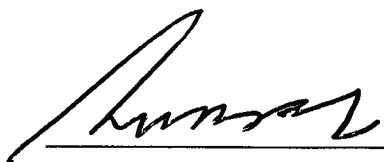
Nelson, B.C.

## **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 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 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 Naqvi Lehmann, Chartered Accountants, follows and outlines the scope of their examination and their opinion on the consolidated financial statements.



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Chief Administrative Officer

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## INDEPENDENT AUDITORS' REPORT

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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 2010, and the consolidated statement of operations, consolidated statement of change 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 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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## INDEPENDENT AUDITORS' REPORT (continued)

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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, 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



**Chartered Accountants**

April 11, 2011

Nelson, B.C.


**THE CORPORATION OF THE CITY OF ROSSLAND**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As At December 31, 2010

	2010	2009
<b>FINANCIAL ASSETS</b>		
Cash and short-term investments	\$ 5,345,846	\$ 5,729,447
Grants and accounts receivable	767,240	278,619
Taxes receivable	297,419	412,909
Loan receivable (note 2)	85,000	85,000
	<u>6,495,505</u>	<u>6,505,975</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	647,373	543,752
Employee future benefits (note 4)	250,200	238,500
Deferred revenue - Gas Tax Grant (note 6)	210,844	129,253
Deferred revenue - prepaid taxes and other grants	1,316,612	1,556,640
Development cost charges and other fees (note 7)	790,355	745,881
Interim financing (note 5)	1,400,893	1,400,893
Long-term debt (note 8)	2,132,737	2,210,424
	<u>6,749,014</u>	<u>6,825,343</u>
<b>NET DEBT</b>	<u>( 253,509)</u>	<u>( 319,368)</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	57,184	87,586
Inventory of materials and supplies	142,944	138,756
Tangible capital assets (note 9)	38,037,249	36,314,650
	<u>38,237,377</u>	<u>36,540,992</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$37,983,868</u>	<u>\$36,221,624</u>
<b>Represented by:</b>		
Reserve Fund balances (note 10)	\$ 3,878,837	\$ 3,436,380
Operating and capital fund deficit (note 10)	( 1,274,481)	( 1,318,982)
Equity in tangible capital assets (note 11)	35,379,512	34,104,226
	<u>\$37,983,868</u>	<u>\$36,221,624</u>

  
Chief Administrative Officer

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the Year Ended December 31, 2010

	2010 Budget	2010 Actual	2009 Actual
<b>REVENUE</b>			
Taxation	\$ 4,195,694	\$ 3,973,125	\$ 3,963,167
Utility taxes and grants-in-lieu	61,300	63,981	58,377
Federal gas tax grant	160,000	105,258	78,632
Provincial grants	945,957	435,772	877,596
Regional District Kootenay Boundary grants	292,500	292,496	3,000
Other grants	564,200	577,346	156,315
Sale of services and other income	691,600	741,351	724,986
Interest and penalties on taxes	57,200	57,311	61,962
Gain on sale of tangible capital assets	-	17,745	12,231
Contributed assets and developer contributions	-	416,885	2,713,168
Water user fees	505,017	587,072	601,598
Sewer user fees	502,800	505,484	456,462
	<b>7,976,268</b>	<b>7,773,826</b>	<b>9,707,494</b>
<b>EXPENDITURES (note 12)</b>			
General government	1,276,400	1,109,678	1,051,817
Community support	552,384	506,211	423,446
Environmental health	88,700	101,632	83,525
Planning, development and engineering	378,495	425,685	382,427
Protective services	198,900	151,037	155,569
Public health services	21,400	19,527	9,101
Recreation and cultural services	672,767	638,527	603,820
Transportation and public works	1,111,900	948,400	928,038
Regional sewer utility	232,100	219,887	224,372
Sewer utility operations	134,200	122,722	130,088
Water utility operations	380,100	381,643	323,860
Amortization	-	1,219,242	1,225,820
Interest and finance charges	185,281	167,391	182,069
	<b>5,232,627</b>	<b>6,011,582</b>	<b>5,723,952</b>
<b>ANNUAL SURPLUS</b>	<b>2,743,641</b>	<b>1,762,244</b>	<b>3,983,542</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>36,221,624</b>	<b>36,221,624</b>	<b>32,238,082</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$38,965,265</b>	<b>\$37,983,868</b>	<b>\$36,221,624</b>

  
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Chief Administrative Officer

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT**  
For the Year Ended December 31, 2010

	2010	2009
<b>ANNUAL SURPLUS</b>	<b>\$ 1,762,244</b>	<b>\$ 3,983,542</b>
Acquisition of tangible capital and leased assets	( 2,995,744)	( 3,129,117)
Adjustment to PST on capital leased assets	8,789	-
Amortization of tangible capital assets	1,219,242	1,225,820
Gain on sale of tangible capital assets	( 17,745)	( 12,231)
Proceeds on sale of tangible capital assets	62,863	12,231
	<b>39,649</b>	<b>2,080,245</b>
Net change in prepaid expenses	30,402	( 6,216)
Net change in inventory of supplies and materials	( 4,192)	( 32,971)
	<b>26,210</b>	<b>( 39,187)</b>
<b>DECREASE IN NET DEBT</b>	<b>65,859</b>	<b>2,041,058</b>
<b>NET DEBT, BEGINNING OF YEAR</b>	<b>( 319,368)</b>	<b>( 2,360,426)</b>
<b>NET DEBT, END OF YEAR</b>	<b>\$( 253,509)</b>	<b>\$( 319,368)</b>

  
Chief Administrative Officer



**THE CORPORATION OF THE CITY OF ROSSLAND**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2010

	2010	2009
<b>OPERATING TRANSACTIONS</b>		
Annual surplus	\$ 1,762,244	\$ 3,983,542
Non-cash items and changes in non-financial assets:		
Amortization	1,219,242	1,225,820
Gain on sale of tangible capital assets	( 17,745)	( 12,231)
Contributed assets and developer contributions	( 416,885)	(2,713,168)
Changes in prepaid expenses	30,402	( 6,216)
Changes in inventory	( 4,188)	( 32,971)
Changes in financial assets/liabilities		
Changes in taxes receivable	115,490	( 82,119)
Changes in grants and accounts receivable	( 488,621)	176,608
Changes in accounts payable and accrued liabilities	103,621	( 140,089)
Changes in employee future benefits	11,700	( 1,000)
Changes in deferred revenues	( 113,963)	765,260
Cash Provided by Operating Transactions	2,201,297	3,163,436
<b>CAPITAL TRANSACTIONS</b>		
Purchase of tangible capital assets	( 2,394,573)	( 415,947)
Proceeds from disposal of capital assets	62,863	12,231
Cash Applied from (to) Capital Transactions	( 2,331,710)	( 403,716)
<b>FINANCING TRANSACTIONS</b>		
Repayment of long-term debt	( 253,188)	( 240,357)
<b>INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS</b>	<b>( 383,601)</b>	<b>2,519,363</b>
<b>CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR</b>	<b>5,729,447</b>	<b>3,210,084</b>
<b>CASH AND SHORT-TERM INVESTMENTS, END OF YEAR</b>	<b>\$ 5,345,846</b>	<b>\$ 5,729,447</b>

  
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Chief Administrative 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, temporary investments, accounts 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.

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**THE CORPORATION OF THE CITY OF ROSSLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2010**

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**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 adopted Five-Year Financial Plan for the year 2010.

**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, 2010**

**2. LOAN RECEIVABLE**

	2010	2009
Rossland Senior Housing Society	\$ 270,000	\$ 270,000
Less: valuation allowance	<u>( 185,000)</u>	<u>( 185,000)</u>
	<u>\$ 85,000</u>	<u>\$ 85,000</u>

The loan to the Rossland Senior Housing Society is non-interest bearing and is secured by a second charge against the real estate owned by the Society. Repayment has been deferred until 2014.

**3. RESERVE - MUNICIPAL FINANCE AUTHORITY**

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 detail of the cash deposits and demand notes at year end are as follows:

	Demand Notes	Cash Deposits	2010	2009
Water funds	\$ 66,024	\$ 42,205	\$ 108,229	\$ 106,901
Sewer Funds	<u>8,918</u>	<u>5,677</u>	<u>14,595</u>	<u>14,416</u>
	<u>\$ 74,942</u>	<u>\$ 47,882</u>	<u>\$ 122,824</u>	<u>\$ 121,317</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.

**5. INTERIM FINANCING**

During the year, the City entered into temporary borrowing through the Municipal Finance Authority for the Ophir Reservoir Capital Project pending the sale of debentures for the Ophir Reservoir Local Area Service. The temporary borrowing is forecast to be paid back in 2011 once the Local Area Service debenture is in place.

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2010**

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**6. 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. 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.

	<b>2010</b>	<b>2009</b>
Opening balance of unspent funds	\$ 129,253	\$ 22,953
Received during the year	182,399	184,420
Interest earned	<u>5,503</u>	<u>512</u>
	<b>317,155</b>	<b>207,885</b>
Spent on eligible projects	( 105,258)	( 77,853)
Spent on administration costs during the year	<u>( 1,053)</u>	<u>( 779)</u>
	<b><u>\$ 210,844</u></b>	<b><u>\$ 129,253</u></b>

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**7. DEVELOPMENT COST CHARGES AND OTHER FEES**

Development cost charges are restricted revenue liabilities representing funds received from developers for capital expenses. In accordance with generally accepted accounting principles, the City records these funds as restricted revenue which is then recognized as revenue when the related costs are incurred.

	<b>2010</b>	<b>2009</b>
Development cost charges - roads	\$ 56,111	\$ 56,614
Development cost charges - water	453,508	432,654
Development cost charges - sanitary sewer	129,987	130,807
Sewer service cost recovery - bylaw #2310	<u>150,749</u>	<u>125,806</u>
	<b><u>\$ 790,355</u></b>	<b><u>\$ 745,881</u></b>

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**THE CORPORATION OF THE CITY OF ROSSLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
As At December 31, 2010

**8. LONG-TERM DEBT**

	Balance, Beginning of Year	Additions	Principal	Actuarial Adjustment	Balance, End of Year
<b>General Capital Fund</b>					
MFA Leases	\$ 391,198	\$ 184,285	\$ 148,661	\$ 18,236	\$ 408,586
<b>Water System Capital Fund</b>					
Water #1966	214,612	-	6,747	5,369	202,496
Water #1983	1,404,666	-	41,905	29,767	1,332,994
	<u>1,619,278</u>	<u>-</u>	<u>48,652</u>	<u>35,136</u>	<u>1,535,490</u>
<b>Sewer System Capital Fund</b>					
Sewer #1966	199,948	-	6,286	5,001	188,661
<b>Total Long-term Debt</b>	<u>\$2,210,424</u>	<u>\$ 184,285</u>	<u>\$ 203,599</u>	<u>\$ 58,373</u>	<u>\$2,132,737</u>

Interest rates range from 1.25% 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 are estimated as follows:

	General Capital	Water Capital	Sewer Capital	Total Capital
2011	\$ 116,110	\$ 48,652	\$ 6,286	\$ 171,048
2012	74,793	48,652	6,286	129,731
2013	51,783	48,652	6,286	106,721
2014	44,572	48,652	6,286	99,510
2015 and beyond	121,328	1,340,882	163,517	1,625,727
	<u>\$ 408,586</u>	<u>\$1,535,490</u>	<u>\$ 188,661</u>	<u>\$2,132,737</u>

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2010**

**9. TANGIBLE CAPITAL ASSETS**

	2010	2009
<b>General Capital Fund</b>		
Land and improvements	\$ 8,250,613	\$ 8,218,454
Buildings and infrastructure	8,173,492	7,256,162
Machinery and equipment	622,367	720,566
<b>Assets Under Capital Lease</b>		
Land and buildings	503,254	515,162
Machinery and equipment	<u>467,876</u>	<u>242,813</u>
	<u>18,017,602</u>	<u>16,953,157</u>
 <b>Water System - Capital Fund</b>		
Land and improvements	971,273	971,708
Buildings and infrastructure	<u>14,458,039</u>	<u>13,927,071</u>
	<u>15,429,312</u>	<u>14,898,779</u>
 <b>Sewer System - Capital Fund</b>		
Buildings and infrastructure	<u>4,590,335</u>	<u>4,462,714</u>
	<u>\$ 38,037,249</u>	<u>\$ 36,314,650</u>

**10. FINANCIAL EQUITY**

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

	2010	2009
General Operating Fund	\$ 1,081,299	\$ 1,069,270
General Capital Fund	1,000	1,000
Water Operating Fund	( 1,488,692)	( 1,490,747)
Water Capital Fund	( 956,742)	( 956,742)
Sewer Operating Fund	<u>88,654</u>	<u>58,237</u>
	<u>( 1,274,481)</u>	<u>( 1,318,982)</u>
 Reserve Fund	<u>3,878,837</u>	<u>3,436,380</u>
	<u>\$ 2,604,356</u>	<u>\$ 2,117,398</u>

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2010**

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**11. 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:

	2010	2009
General Capital Fund	\$ 17,459,016	\$ 16,561,959
Water Capital Fund	13,692,822	13,279,501
Sewer Capital Fund	<u>4,227,674</u>	<u>4,262,766</u>
	<u>\$ 35,379,512</u>	<u>\$ 34,104,226</u>

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**12. EXPENDITURES BY OBJECT**

	2010	2009
Interest and bank charges	\$ 169,882	\$ 182,069
Goods and services	1,729,139	1,716,105
Grants to community groups	506,211	423,446
Wages and benefits	2,387,108	2,176,512
Amortization of tangible capital assets	<u>1,219,242</u>	<u>1,225,820</u>
	<u>\$ 6,011,582</u>	<u>\$ 5,723,952</u>

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**13. 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 pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 163,000 active members and approximately 60,000 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 will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the surplus to individual employers. Total City of Rossland contributions to the plan in the fiscal year were \$124,905 (2009 - \$109,651).

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**THE CORPORATION OF THE CITY OF ROSSLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**As At December 31, 2010**

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**14. COLLECTION FOR OTHER GOVERNMENTS**

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

Provincial Government - School Taxes	\$ 1,816,094
Provincial Government - Police Tax Levy	150,419
British Columbia Assessment Authority	44,639
Kootenay Boundary Regional Hospital	29,980
West Kootenay Boundary Regional Hospital	91,923
Municipal Finance Authority	126
Regional District of Kootenay Boundary	1,097,089
Grants in Lieu of Taxes Collected for Others	<u>9,122</u>
	<u>\$ 3,239,392</u>

These amounts are not included in the City's revenues and expenditures in the Financial Statements.

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**15. 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.

**Construction Contingencies**

The contractor of the Ophir Creek Reservoir project has submitted claims relating to the construction of the project. There are also potential claims for construction deficiencies arising from building inspection services provided prior to and during 2008. The City is conducting a review of these claims. An estimate of the contingent costs cannot be made, and no accrual has been recorded for these contingent liabilities in the financial statements.

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**NOTE 16**  
**THE CORPORATION OF THE CITY OF ROSSLAND**  
**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
**As At December 31, 2010**

	Infrastructure										2009 Total	
	Land	Land Improvements & Buildings	Equipment/ Furniture / Vehicles	Roads / Drainage	Water	Sanitary Sewer	Works in Progress	Leased Assets & PST on Leases	2010 Total			
Historical Cost:												
Opening balance	\$ 8,491,519	\$ 9,186,378	\$ 2,268,611	\$ 14,088,402	\$ 16,066,108	\$ 6,605,725	\$ 43,407	\$ 1,565,169	\$ 58,315,319	\$	\$ 55,186,204	
Additions	17,500	1,089,616	25,202	298,283	544,250	230,998	439,671	350,224	2,995,744		3,129,115	
Disposals and write downs			(27,981)					(100,284)	(128,265)			
Closing balance, Dec. 31	\$ 8,509,019	\$ 10,275,994	\$ 2,265,832	\$ 14,386,685	\$ 16,610,358	\$ 6,836,723	\$ 483,078	\$ 1,815,109	\$ 61,182,798	\$	\$ 58,315,319	
Accumulated Amortization:												
Opening balance	\$ -	\$ 4,585,241	\$ 1,545,523	\$ 8,327,726	\$ 4,579,909	\$ 2,155,076	\$ -	\$ 807,194	\$ 22,000,669	\$	\$ 20,774,849	
Amortization Expense	-	256,063	120,178	311,071	334,038	114,488		83,404	1,219,242		1,225,820	
Effect of disposals and write downs	-		(27,743)					(46,619)	(74,362)			
Closing balance, Dec. 31	\$ -	\$ 4,841,304	\$ 1,637,958	\$ 8,638,797	\$ 4,913,947	\$ 2,269,564	\$ -	\$ 843,979	\$ 23,145,549	\$	\$ 22,000,669	
Net Book Value for Year Ended December 31, 2010	\$ 8,509,019	\$ 5,434,690	\$ 627,874	\$ 5,747,888	\$ 11,696,411	\$ 4,567,159	\$ 483,078	\$ 971,130	\$ 38,037,249	\$	\$ 36,314,650	

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**GENERAL OPERATING FUND**  
**EXHIBIT A - STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2010**

<b>FINANCIAL ASSETS</b>	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
Cash and short-term investments	\$ 5,344,846	\$ 5,728,447
Taxes receivable	297,419	412,909
Grants and accounts receivable	723,257	230,718
Loan receivable	85,000	85,000
Due from Water Capital Fund	872,898	872,898
Due from General Capital Fund	150,000	-
	<u>7,473,420</u>	<u>7,329,972</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	647,373	543,752
Employee future benefits	250,200	238,500
Deferred revenue - prepaid taxes and other	855,787	860,137
Deferred revenue - Gas Tax Grant	210,844	129,253
Deferred revenue - other grants	5,133	296,503
Deferred revenue - development cost charge	56,111	56,614
Due to Water Operating Fund	557,670	665,829
Due to Sewer Operating Fund	320,865	396,696
Due to Reserve Funds	3,561,400	3,173,943
	<u>6,465,383</u>	<u>6,361,227</u>
<b>NET FINANCIAL ASSETS</b>	<b>1,008,037</b>	<b>968,745</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses and deposits	57,184	87,586
Inventory of materials and supplies	16,078	12,939
	<u>73,262</u>	<u>100,525</u>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 1,081,299</b>	<b>\$ 1,069,270</b>
<b>ACCUMULATED SURPLUS</b>		
Balance, beginning of year	\$ 1,069,270	\$ 1,034,462
Annual surplus	12,029	34,808
	<u>12,029</u>	<u>34,808</u>
Balance, end of year	<b>\$ 1,081,299</b>	<b>\$ 1,069,270</b>

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**GENERAL CAPITAL FUND**  
**EXHIBIT B - STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2010**

	2010	2009
<b>ASSETS</b>		
Cash	\$ 1,000	\$ 1,000
Assets under capital lease	971,130	757,975
Tangible capital assets	<u>17,046,472</u>	<u>16,195,182</u>
	<u>18,018,602</u>	<u>16,954,157</u>
<b>LIABILITIES</b>		
Capital lease obligation	408,586	391,198
Due to general operating fund	150,000	-
	<u>558,586</u>	<u>391,198</u>
	<u>\$ 17,460,016</u>	<u>\$ 16,562,959</u>
<b>FINANCIAL EQUITY</b>	<u>\$ 1,000</u>	<u>\$ 1,000</u>
<b>EQUITY IN TANGIBLE CAPITAL ASSETS</b>		
Balance, beginning of year	16,561,959	15,209,496
Contributed assets and developer contributions	110,577	1,733,962
General Operating Fund - capital expenditures	1,378,432	196,754
Net book value of tangible capital assets on disposal	( 45,118)	-
General Operating Fund - repayment of lease obligation	158,112	149,808
Amortization	<u>( 704,946)</u>	<u>( 728,061)</u>
Balance, end of year	<u>17,459,016</u>	<u>16,561,959</u>
	<u>\$ 17,460,016</u>	<u>\$ 16,562,959</u>

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**GENERAL OPERATING FUND**  
**EXHIBIT C - STATEMENT OF FINANCIAL ACTIVITIES**  
**For the Year Ended December 31, 2010**

	2010	2009
<b>REVENUE</b>		
General taxation	\$ 3,517,121	\$ 3,516,729
Utility taxes and grants-in-lieu of taxes	63,981	58,377
Federal Gas Tax grant	105,258	78,632
Provincial grants	209,387	877,596
Regional District of Kootenay Boundary grants	292,496	3,000
Other grants	577,346	156,315
Sale of services and other income	608,501	637,375
Interest and penalties on taxes	57,311	61,962
Sale of property and equipment - proceeds	62,863	12,231
	<b>5,494,264</b>	<b>5,402,217</b>
<b>EXPENDITURES</b>		
General government	959,868	907,471
Community support	506,211	423,446
Environmental health services	101,632	83,525
Planning, development and engineering	425,685	382,427
Protective services	151,037	155,569
Public health	19,527	9,101
Recreation and cultural services	638,527	603,820
Transportation and public works	948,400	928,038
Interest and finance charges	24,482	40,807
	<b>3,775,369</b>	<b>3,534,204</b>
<b>NET OPERATING REVENUES OVER EXPENDITURES</b>	<b>1,718,895</b>	<b>1,868,013</b>
Transfers from Reserve Funds	573,337	82,500
Transfers from Water Operating Fund	( 61,620)	-
Transfers to Reserve Funds	( 682,039)	( 1,569,143)
Transfers to General Capital Fund for capital expenditures	( 1,378,432)	( 196,754)
Transfer to General Capital Fund for debt principal repayments	( 158,112)	( 149,808)
	<b>( 1,706,866)</b>	<b>( 1,833,205)</b>
<b>ANNUAL SURPLUS</b>	<b>\$ 12,029</b>	<b>\$ 34,808</b>

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**WATER OPERATING FUND**  
**EXHIBIT D - STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2010**

<b>FINANCIAL ASSETS</b>	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
Water fees receivable	\$ 22,929	\$ 26,642
Due from Water Capital Fund	284,844	83,844
Due from General Operating Fund	557,670	665,829
	<u>865,443</u>	<u>776,315</u>
<b>LIABILITIES</b>		
Due to Sewer Operating Fund	17,481	17,481
Due to Reserve Fund	133,837	128,837
Development cost charges	453,508	432,654
Deferred Revenue - grants	383,489	400,000
Deferred Revenue - taxation	72,203	-
MFA interim financing	1,400,893	1,400,893
	<u>2,461,411</u>	<u>2,379,865</u>
<b>NET DEBT</b>	<b>(1,595,968)</b>	<b>(1,603,550)</b>
<b>NON-FINANCIAL ASSETS</b>		
Inventory of materials and supplies	107,276	112,803
	<u>\$ (1,488,692)</u>	<u>\$ (1,490,747)</u>
<b>ACCUMULATED DEFICIT</b>		
Balance, beginning of year	\$(1,490,747)	\$(1,501,761)
Annual surplus	2,055	11,014
	<u>\$(1,488,692)</u>	<u>\$(1,490,747)</u>

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**WATER CAPITAL FUND**  
**EXHIBIT E - STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2010**

	2010	2009
<b>FINANCIAL LIABILITIES</b>		
Due to Water Operating Fund	\$ 284,844	\$ 83,844
Due to General Operating Fund	872,898	872,898
Long-term debt	1,535,490	1,619,278
	<u>2,693,232</u>	<u>2,576,020</u>
<b>NET DEBT</b>	<b>(2,693,232)</b>	<b>(2,576,020)</b>
<b>TANGIBLE CAPITAL ASSETS</b>	<b>15,429,312</b>	<b>14,898,779</b>
	<u>\$12,736,080</u>	<u>\$12,322,759</u>
<b>FINANCIAL EQUITY (DEFICIT)</b>	<b>\$( 956,742)</b>	<b>\$( 956,742)</b>
<b>EQUITY IN TANGIBLE CAPITAL ASSETS</b>		
Balance, beginning of year	13,279,501	12,849,165
Contributed assets and developer contributions	268,514	545,271
Water Operating Fund - capital expenditures	458,651	188,668
Water Operating Fund - debt principal repayments	83,788	79,798
Water Operating Fund - amortization	( 397,632)	( 383,401)
	<u>13,692,822</u>	<u>13,279,501</u>
	<u>\$12,736,080</u>	<u>\$12,322,759</u>

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**WATER OPERATING FUND**  
**EXHIBIT F - STATEMENT OF FINANCIAL ACTIVITIES**  
**For the Year Ended December 31, 2010**

	2010	2009
<b>REVENUE</b>		
Water parcel and specified area taxes	\$ 334,095	\$ 326,934
User fees	587,072	601,598
Government and other grants	226,385	-
Other income	52,689	50,421
	<u>1,200,241</u>	<u>978,953</u>
<b>EXPENDITURES</b>		
Administration and other	105,795	101,033
Treatment plant, distribution and maintenance	381,643	323,860
Debt interest payments	128,449	126,802
	<u>615,887</u>	<u>551,695</u>
<b>NET OPERATING REVENUES OVER EXPENDITURES</b>	<b>584,354</b>	<b>427,258</b>
Transfer from Water Reserve Fund	108,408	73,865
Transfer from General Operating Fund	61,620	-
Transfer to Water Reserve Fund	( 209,888)	( 221,643)
Transfer to Water Capital Fund for capital expenditures	( 458,651)	( 188,668)
Transfer to Water Capital Fund for debt principal repayments	( 83,788)	( 79,798)
<b>ANNUAL SURPLUS</b>	<b>\$ 2,055</b>	<b>\$ 11,014</b>



**THE CORPORATION OF THE CITY OF ROSSLAND**  
**SEWER OPERATING FUND**  
**EXHIBIT G - STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2010**

<b>FINANCIAL ASSETS</b>	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
Sewer fees receivable	\$ 21,054	\$ 21,259
Due from General Operating Fund	320,865	396,696
Due from Water Operating Fund	17,481	17,481
Due from General Sewer Capital Fund	174,000	-
	<b>533,400</b>	<b>435,436</b>
<b>LIABILITIES</b>		
Development cost charges	280,736	256,613
Due to Reserve Fund	183,600	133,600
	<b>464,336</b>	<b>390,213</b>
<b>NET FINANCIAL ASSETS</b>	<b>69,064</b>	<b>45,223</b>
<b>NON-FINANCIAL ASSETS</b>		
Inventory of materials and supplies	19,590	13,014
<b>ACCUMULATED SURPLUS</b>	<b>\$ 88,654</b>	<b>\$ 58,237</b>
<b>ACCUMULATED SURPLUS</b>		
Balance, beginning of year	\$ 58,237	\$ 2,024
Annual surplus	30,417	56,213
Balance, end of year	<b>\$ 88,654</b>	<b>\$ 58,237</b>

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**SEWER CAPITAL FUND**  
**EXHIBIT H - STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2010**

	2010	2009
<b>LIABILITIES</b>		
Due to Sewer Operating Fund	\$ 174,000	\$ -
Long-term debt	<u>188,661</u>	<u>199,948</u>
<b>NET DEBT</b>	( 362,661)	( 199,948)
<b>TANGIBLE CAPITAL ASSETS</b>	<u>4,590,335</u>	<u>4,462,714</u>
	<u>\$ 4,227,674</u>	<u>\$ 4,262,766</u>
<b>EQUITY IN TANGIBLE CAPITAL ASSETS</b>		
Balance, beginning of year	\$ 4,262,766	\$ 3,901,913
Contributed assets and developer contributions	37,794	433,935
Sewer Operating Fund - debt principal payments	11,288	10,751
Sewer Operating Fund - capital expenditures	32,490	30,525
Amortization	<u>( 116,664)</u>	<u>( 114,358)</u>
Balance, end of year	<u>\$ 4,227,674</u>	<u>\$ 4,262,766</u>

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**SEWER OPERATING FUND**  
**EXHIBIT I - STATEMENT OF FINANCIAL ACTIVITIES**  
**For the Year Ended December 31, 2010**

	2010	2009
<b>REVENUE</b>		
Parcel and specified area taxes	\$ 121,909	\$ 119,504
User fees	505,484	456,462
Sewer cost recovery and other income	9,586	9,424
	<u>636,979</u>	<u>585,390</u>
<b>EXPENDITURES</b>		
Administration and other	44,015	43,313
Collection system maintenance	122,722	130,088
Regional sewer utility	219,887	224,372
Debt interest payments	14,460	14,460
	<u>401,084</u>	<u>412,233</u>
<b>NET OPERATING REVENUES OVER EXPENDITURES</b>	<u>235,895</u>	<u>173,157</u>
Less:		
Transfer to Sewer Reserve Funds	( 161,700)	( 75,668)
Transfer to Sewer Capital Fund for capital expenditures	( 32,490)	( 30,525)
Transfer to Sewer Capital Fund for debt principal repayments	( 11,288)	( 10,751)
	<u>( 205,478)</u>	<u>( 116,944)</u>
<b>ANNUAL SURPLUS</b>	<u>\$ 30,417</u>	<u>\$ 56,213</u>

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**RESERVE FUND**  
**EXHIBIT J - STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2010**

	2010	2009
<b>FINANCIAL ASSETS</b>		
Due from General Operating Fund	\$ 3,561,400	\$ 3,173,943
Due from Sewer Operating Fund	183,600	133,600
Due from Water Operating Fund	133,837	128,837
	<u>\$ 3,878,837</u>	<u>\$ 3,436,380</u>
<b>RESERVES</b>		
General Fund Reserves	\$ 2,549,332	\$ 2,426,605
Water Fund Reserves	690,248	582,268
Sewer Fund Reserves	362,558	200,795
Statutory Land Reserve	182,061	135,398
Statutory Parking Reserve	94,638	91,314
	<u>\$ 3,878,837</u>	<u>\$ 3,436,380</u>

THE CORPORATION OF THE CITY OF ROSSLAND

RESERVE FUND

EXHIBIT K - RESERVE FUND TRANSACTIONS

For the Year Ended December 31, 2010

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	Balance, Beginning of Year	Contributions	Transfers to Other Funds	Interest Earned	Balance, End of Year
General Fund Reserves	\$ 2,426,604	\$ 652,370	\$( 574,557)	\$ 44,915	\$ 2,549,332
Water Fund Reserves	582,269	227,176	( 130,746)	11,549	690,248
Sewer Fund Reserves	200,795	186,100	( 29,450)	5,113	362,558
Statutory Land Sale Reserve	135,398	40,990	-	5,673	182,061
Statutory Parking Reserve	91,314	-	-	3,324	94,638
	<b>\$ 3,436,380</b>	<b>\$ 1,106,636</b>	<b>\$( 734,753)</b>	<b>\$ 70,574</b>	<b>\$ 3,878,837</b>

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