

*Financial Statements of*

**THE CORPORATION OF THE CITY OF ROSSLAND**

*December 31, 2012*

**THE CORPORATION OF THE CITY OF ROSSLAND**  
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**December 31, 2012**

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**June 24, 2013**

**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.

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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 December 31, 2012, 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.

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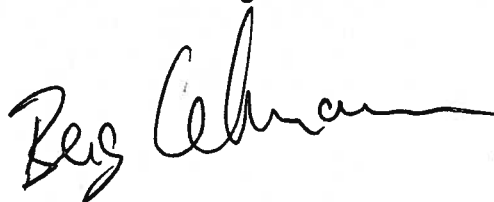
## INDEPENDENT AUDITORS' REPORT (continued)

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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, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



**Chartered Accountants**

June 24, 2013

Nelson, B.C.

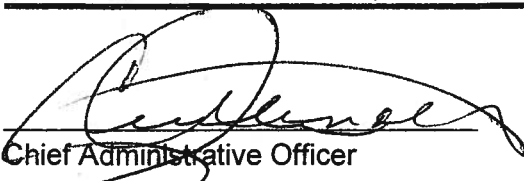
**THE CORPORATION OF THE CITY OF ROSSLAND**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2012**

	2012	2011
<b>FINANCIAL ASSETS</b>		
Cash and short-term investments	\$ 468,861	\$ 6,315,337
Grants and accounts receivable	2,925,148	440,150
Taxes receivable	413,348	290,532
Loan receivable (note 2)	85,000	85,000
	<b>3,892,357</b>	<b>7,131,019</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,306,200	886,341
Employee future benefits (note 4)	282,468	293,040
Deferred revenue - Gas Tax Grant (note 5)	282,941	119,363
Deferred revenue - prepaid taxes and other grants (note 6)	824,223	1,286,730
Development cost charges and other fees (note 7)	875,172	888,525
Capital lease obligation (note 8)	250,067	319,368
Long-term debt (note 9)	2,924,044	3,077,671
	<b>6,745,115</b>	<b>6,871,038</b>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>(2,852,758)</b>	<b>259,981</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	86,175	41,382
Inventory of materials and supplies	153,511	155,489
Tangible capital assets (note 10 and note 18)	42,842,367	38,751,550
	<b>43,082,053</b>	<b>38,948,421</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$40,229,295</b>	<b>\$39,208,402</b>
<b>Represented by:</b>		
Reserve fund balances	\$ 4,258,478	\$ 3,971,631
Operating and Capital fund deficit (note 11)	(3,697,439)	(117,740)
Equity in tangible capital assets (note 12)	39,668,256	35,354,511
	<b>\$40,229,295</b>	<b>\$39,208,402</b>

  
Chief Administrative Officer

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

	2012 Budget (unaudited)	2012 Actual	2011 Actual
<b>REVENUE</b>			
Taxation	\$ 4,136,300	\$ 4,104,053	\$ 4,082,642
Utility taxes and grants-in-lieu	92,300	120,849	116,648
Federal gas tax grant	80,000	21,716	278,728
Provincial grants	1,423,000	1,088,420	962,369
Regional District Kootenay Boundary grants	13,000	13,000	13,000
Other grants	668,150	13,063	52,626
Sale of services and other income	477,000	576,258	615,340
Interest and penalties on taxes	59,500	67,890	61,643
Gain on sale of tangible capital assets	-	4,848	4,662
Contributed assets and developer contributions	68,900	31,375	-
Water user fees	722,000	568,145	600,570
Sewer user fees	510,900	546,626	505,165
	<b>8,251,050</b>	<b>7,156,243</b>	<b>7,293,393</b>
<b>EXPENDITURES (note 13)</b>			
General government	1,112,600	920,110	982,073
Community support	452,400	422,388	488,992
Environmental health	117,900	111,992	110,329
Planning, development and engineering	280,200	194,120	209,489
Protective services	336,000	303,189	219,964
Public health services	13,000	11,031	8,086
Recreation and cultural services	907,100	672,180	679,686
Transportation and public works	1,218,350	1,128,433	1,021,278
Regional sewer utility	233,100	233,086	226,291
Sewer utility operations	230,700	163,760	199,072
Water utility operations	596,500	513,466	527,012
Amortization	1,230,000	1,277,903	1,215,355
Interest and finance charges	178,300	183,692	181,232
	<b>6,906,150</b>	<b>6,135,350</b>	<b>6,068,859</b>
<b>ANNUAL SURPLUS (note 16)</b>	<b>1,344,900</b>	<b>1,020,893</b>	<b>1,224,534</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>39,208,402</b>	<b>39,208,402</b>	<b>37,983,868</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$40,553,302</b>	<b>\$40,229,295</b>	<b>\$39,208,402</b>

  
Chief Administrative Officer

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT**  
**For the Year Ended December 31, 2012**

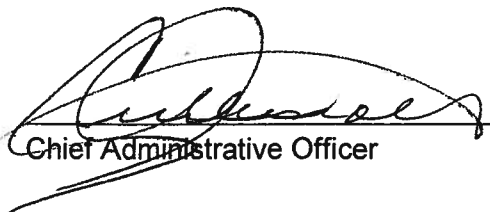
	2012	2011
<b>ANNUAL SURPLUS</b>	<b>\$ 1,020,893</b>	<b>\$ 1,224,534</b>
Acquisition of tangible capital and leased assets	( 5,360,656)	( 1,932,394)
Adjustment to PST on capital leased assets	( 8,064)	-
Amortization of tangible capital assets	1,277,903	1,215,355
Gain on sale of tangible capital assets	( 4,848)	( 4,662)
Proceeds on sale of tangible capital assets	4,848	7,400
	<b>( 3,069,924)</b>	<b>510,233</b>
Net change in prepaid expenses	( 44,793)	15,802
Net change in inventory of supplies and materials	1,978	( 12,545)
	<b>( 42,815)</b>	<b>3,257</b>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	<b>( 3,112,739)</b>	<b>513,490</b>
<b>NET DEBT, BEGINNING OF YEAR</b>	<b>259,981</b>	<b>( 253,509)</b>
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	<b>\$( 2,852,758)</b>	<b>\$ 259,981</b>

  
 Chief Administrative Officer



**THE CORPORATION OF THE CITY OF ROSSLAND**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2012

	2012	2011
<b>OPERATING TRANSACTIONS</b>		
Annual surplus	\$ 1,020,893	\$ 1,224,534
Non-cash items and changes in non-financial assets		
Amortization	1,277,903	1,215,355
Actuarial gain on MFA long-term debt	( 49,884)	( 44,892)
Gain on sale of tangible capital assets	( 4,848)	( 4,662)
Contributed assets and development cost charges	( 31,375)	-
Changes in prepaid expenses	( 44,793)	15,802
Changes in inventory	1,978	( 12,545)
Changes in financial assets/liabilities		
Changes in taxes receivable	( 122,816)	6,887
Changes in grants and accounts receivable	( 2,484,998)	327,090
Changes in accounts payable and accrued liabilities	419,859	238,968
Changes in employee future benefits	( 10,572)	42,840
Changes in deferred revenues	( 280,907)	( 23,193)
<b>Cash Provided by (Applied to) Operating Transactions</b>	<b>( 309,560)</b>	<b>2,986,184</b>
<b>CAPITAL TRANSACTIONS</b>		
Purchase of tangible capital assets	( 5,360,656)	( 1,932,394)
Proceeds from disposal of capital assets	4,848	7,400
<b>Cash Applied to Capital Transactions</b>	<b>( 5,355,808)</b>	<b>( 1,924,994)</b>
<b>FINANCING TRANSACTIONS</b>		
Proceeds from long-term debt	-	1,453,350
Repayment of long-term debt	( 181,108)	( 144,156)
Repayment of interim-debt	-	( 1,400,893)
<b>Cash Applied to Financing Transactions</b>	<b>( 181,108)</b>	<b>( 91,699)</b>
<b>INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS</b>	<b>( 5,846,476)</b>	<b>969,491</b>
<b>CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR</b>	<b>6,315,337</b>	<b>5,345,846</b>
<b>CASH AND SHORT-TERM INVESTMENTS, END OF YEAR</b>	<b>\$ 468,861</b>	<b>\$ 6,315,337</b>

  
Chief Administrative Officer

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**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 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, 2012**

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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 Five-Year Financial Plan for the year 2012, per bylaw #2527 adopted April 10, 2012.

**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.

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

**2. LOAN RECEIVABLE**

	2012	2011
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. These 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:

	Demand Notes	Cash Deposits	2012	2011
Water funds	\$ 99,511	\$ 60,104	\$ 159,615	\$ 157,853
Sewer Funds	<u>8,918</u>	<u>6,048</u>	<u>14,966</u>	<u>14,788</u>
	<u>\$ 108,429</u>	<u>\$ 66,152</u>	<u>\$ 174,581</u>	<u>\$ 172,641</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, 2012**

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**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. 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>2012</b>	<b>2011</b>
Opening balance of unspent funds	\$ <b>119,363</b>	\$ 210,844
Received during the year	<b>182,384</b>	182,384
Interest earned	<u><b>3,127</b></u>	<u>7,649</u>
	<b>304,874</b>	400,877
Spent on eligible projects	( <b>21,716</b> )	( 278,727)
Spent on administration costs during the year	<u>( <b>217</b>)</u>	<u>( 2,787)</u>
	<u><b>\$ 282,941</b></u>	<u>\$ 119,363</u>

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**6. DEFERRED REVENUE - PREPAID TAXES AND OTHER GRANTS**

	<b>2012</b>	<b>2011</b>
Prepaid property taxes	\$ <b>727,427</b>	\$ 871,412
Prepaid parcel taxes - water	<u><b>96,796</b></u>	<u>110,045</u>
	<b>824,223</b>	981,457
Towns for Tomorrow Water grant, opening	<b>305,273</b>	383,489
Neighbourhood of Learning grant, opening	-	5,133
Interest earned	-	3,529
Less: spent on eligible projects	<u>( <b>305,273</b>)</u>	<u>( 86,878)</u>
	<u><b>\$ 824,223</b></u>	<u>\$ 1,286,730</u>

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

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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. 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:

	<b>2012</b>	<b>2011</b>
Development cost charges - roads	\$ 60,124	\$ 59,196
Development cost charges - water	509,888	500,245
Development cost charges - sanitary sewer	107,523	136,996
Sewer service cost recovery - bylaw #2310	<u>197,637</u>	<u>192,088</u>
	<u>\$ 875,172</u>	<u>\$ 888,525</u>

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**8. CAPITAL LEASE OBLIGATION**

	<b>2012</b>	<b>2011</b>
Municipal Finance Authority lease obligation for various equipment leases. Annual interest rates range from 1.25% to 5.25% per annum. Lease obligation secured by the leased assets, maturing at various dates through to October, 2015.	<u>\$ 250,067</u>	<u>\$ 319,368</u>

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

2013	\$ 84,667
2014	118,715
2015	<u>49,379</u>
Total minimum lease payments	252,761
Less amount representing interest	<u>2,694</u>
	<u>\$ 250,067</u>

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

**9. LONG-TERM DEBT**

	Balance, Beginning of Year	Additions	Principal Payments	Actuarial Adjustment	Balance, End of Year
<b>Water System Capital Fund</b>					
Water #1966	\$ 189,774	\$ -	\$ 6,747	\$ 6,611	\$ 176,416
Water #1983	1,257,739	-	41,905	37,113	1,178,721
Water #2344	1,453,350	-	48,806	-	1,404,544
	<u>2,900,863</u>	<u>-</u>	<u>97,458</u>	<u>43,724</u>	<u>2,759,681</u>
<b>Sewer System Capital Fund</b>					
Sewer #1966	176,808	-	6,285	6,160	164,363
	<u>176,808</u>	<u>-</u>	<u>6,285</u>	<u>6,160</u>	<u>164,363</u>
<b>Total Long-term Debt</b>	<b>\$3,077,671</b>	<b>\$ -</b>	<b>\$ 103,743</b>	<b>\$ 49,884</b>	<b>\$2,924,044</b>

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:

	Water Capital	Sewer Capital	Total Capital
2013	\$ 97,458	\$ 6,285	\$ 103,743
2014	\$ 97,458	\$ 6,285	\$ 103,743
2015	\$ 97,458	\$ 6,285	\$ 103,743
2016	\$ 97,458	\$ 6,285	\$ 103,743
2017	\$ 97,458	\$ 6,285	\$ 103,743

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

**10. TANGIBLE CAPITAL ASSETS**

	2012	2011
<b>General Capital Fund</b>		
Land and improvements	\$ 8,583,997	\$ 8,606,062
Buildings and infrastructure	11,944,676	8,335,462
Machinery and equipment	526,791	581,849
Assets Under Capital Lease	<u>484,722</u>	<u>577,815</u>
	<u>21,540,186</u>	<u>18,101,188</u>
 <b>Water System - Capital Fund</b>		
Land and improvements	970,403	970,838
Buildings, infrastructure and equipment	<u>15,034,877</u>	<u>14,845,142</u>
	<u>16,005,280</u>	<u>15,815,980</u>
 <b>Sewer System - Capital Fund</b>		
Buildings, infrastructure and equipment	<u>5,296,901</u>	<u>4,834,382</u>
	<u>\$ 42,842,367</u>	<u>\$ 38,751,550</u>

**11. 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:

	2012	2011
General Operating Fund surplus (deficit)	\$( 3,077,400)	\$ 228,571
General Capital Fund surplus	1,000	1,000
Water Operating Fund deficit	( 208,519)	( 47,223)
Sewer Operating Fund surplus (deficit)	( 412,520)	138,912
Due from Capital Funds eliminated on consolidation	<u>-</u>	<u>( 439,000)</u>
 Total Operating and Capital Fund Deficit	 ( 3,697,439)	 ( 117,740)
 Reserve Funds	 <u>4,258,478</u>	 <u>3,971,631</u>
	<u>\$ 561,039</u>	<u>\$ 3,853,891</u>



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

**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:

	2012	2011
General Capital Fund	\$ 21,290,119	\$ 17,781,820
Water Capital Fund	13,245,599	12,714,117
Sewer Capital Fund	5,132,538	4,419,574
Due to Operating Funds eliminated on consolidation	-	439,000
	<b>\$ 39,668,256</b>	<b>\$ 35,354,511</b>

**13. EXPENDITURES BY OBJECT**

	2012	2011
Interest and bank charges	\$ 183,692	\$ 181,232
Goods and services	1,767,976	1,767,428
Grants and support to community groups	422,388	488,992
Wages, benefits and Council remuneration	2,483,391	2,415,552
Amortization of tangible capital assets	1,277,903	1,215,355
	<b>\$ 6,135,350</b>	<b>\$ 6,068,559</b>

**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 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

The most recent valuation as at December 31, 2009 indicated a \$1,024 million funding deficit for basic pension benefits. The next valuation will be 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 of Rossland paid \$154,548 for employer contributions to the plan in 2012 (2011 - \$144,490).

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

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**15. COLLECTION FOR OTHER GOVERNMENTS**

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

Provincial Government - School Taxes	\$ 1,731,558
Provincial Government - Police Tax Levy	162,623
British Columbia Assessment Authority	39,610
Kootenay Boundary Regional Hospital	5,277
West Kootenay Boundary Regional Hospital	137,823
Municipal Finance Authority	122
Regional District of Kootenay Boundary	1,206,502
Grants in Lieu of Taxes Collected for Others	<u>11,208</u>
	<u>\$ 3,294,723</u>

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

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**16. BUDGET RECONCILIATION**

The following reconciles the budgeted surplus as shown on the consolidated statement of operations to the budget as presented in bylaw #2527 adopted April 10, 2012.

Budgeted surplus as presented	\$ 1,344,900
Proposed borrowing proceeds	3,768,800
Transfers from reserves	1,321,100
Transfers to reserves	( 546,200)
Amortization not funded	1,230,000
Debt principal payments	( 238,200)
Capital expenditures net of Ministry of Transport Portion	<u>( 6,880,400)</u>
	<u>\$ -</u>

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**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.

**Construction and Other Contingencies**

The contractor of the Ophir Creek Reservoir project has submitted claims relating to the construction of the project. 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. In the normal course of a year, the City may be faced with claims for damages of a diverse nature. 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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**THE CORPORATION OF THE CITY OF ROSSLAND  
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS  
As At December 31, 2012**

**NOTE 18**

	Infrastructure							2011		
	Land	Land Improvements & Buildings	Equipment/ Furniture / Vehicles	Roads / Drainage	Water	Sanitary Sewer	Works in Progress		Leased Assets	
Opening balance	\$ 8,858,549	\$ 10,635,771	\$ 2,364,854	\$ 14,477,569	\$ 17,601,353	\$ 7,135,170	\$ 614,368	\$ 1,424,820	\$ 63,112,454	\$ 61,182,798
Additions	-	64,290	47,813	4,088,209	704,269	661,717	406,247	8,063	5,980,608	2,776,504
Disposals and write downs	-	-	7,845	-	-	-	(611,888)	(7,845)	(611,888)	(848,948)
Closing balance, Dec. 31	\$ 8,858,549	\$ 10,700,061	\$ 2,420,512	\$ 18,565,778	\$ 18,305,622	\$ 7,796,887	\$ 408,727	\$ 1,425,038	\$ 68,481,174	\$ 63,112,454
<b>Accumulated Amortization:</b>										
Opening balance	\$ -	\$ 5,224,181	\$ 1,765,682	\$ 8,887,409	\$ 5,248,817	\$ 2,387,910	\$ -	\$ 847,005	\$ 24,360,904	\$ 23,145,549
Amortization Expense	-	300,125	110,615	301,987	339,355	128,980	-	96,841	1,277,903	1,215,355
Transfer from leased assets	-	-	3,530	-	-	-	-	(3,530)	-	-
Closing balance, Dec. 31	\$ -	\$ 5,524,306	\$ 1,879,827	\$ 9,189,396	\$ 5,588,172	\$ 2,516,790	\$ -	\$ 940,316	\$ 25,638,807	\$ 24,360,904
<b>Net Book Value for Year Ended December 31, 2012</b>	<b>\$ 8,858,549</b>	<b>\$ 5,175,755</b>	<b>\$ 540,685</b>	<b>\$ 9,376,382</b>	<b>\$ 12,717,450</b>	<b>\$ 5,280,097</b>	<b>\$ 408,727</b>	<b>\$ 484,722</b>	<b>\$ 42,842,367</b>	<b>\$ 38,751,550</b>

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**GENERAL OPERATING FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2012**

<b>FINANCIAL ASSETS</b>	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Cash and short-term investments	\$ 467,861	\$ 6,314,337
Taxes receivable	413,348	290,532
Grants and accounts receivable	2,756,432	411,981
Loan receivable	85,000	85,000
Due from Sewer Operating Fund	2,958	-
	<b>3,725,599</b>	<b>7,101,850</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,300,588	876,991
Employee future benefits	282,468	293,040
Deferred revenue - prepaid taxes and other	727,427	871,412
Deferred revenue - Gas Tax Grant	282,941	119,363
Deferred revenue - development cost charge	60,124	59,196
Due to Water Operating Fund	828,571	1,195,141
Due to Sewer Operating Fund	-	398,176
Due to Reserve Funds	3,433,264	3,117,834
	<b>6,915,383</b>	<b>6,931,153</b>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>(3,189,784)</b>	<b>170,697</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses and deposits	86,175	41,382
Inventory of materials and supplies	26,209	16,492
	<b>112,384</b>	<b>57,874</b>
<b>ACCUMULATED SURPLUS (DEFICIT)</b>	<b>\$(3,077,400)</b>	<b>\$ 228,571</b>
<b>ACCUMULATED SURPLUS (DEFICIT)</b>		
Balance, beginning of year	\$ 228,571	\$ 1,081,299
Annual surplus (deficit)	(3,305,971)	20,170
Transfer to financial equity of General Capital Fund	-	( 872,898)
Balance, end of year	<b>\$(3,077,400)</b>	<b>\$ 228,571</b>

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**GENERAL CAPITAL FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2012**

	2012	2011
<b>ASSETS</b>		
Cash	\$ 1,000	\$ 1,000
Assets under capital lease	484,722	577,815
Tangible capital assets	<u>21,055,464</u>	<u>17,523,373</u>
	<b>21,541,186</b>	<b>18,102,188</b>
<b>LIABILITIES</b>		
Capital lease obligation	<u>250,067</u>	<u>319,368</u>
	<b>\$ 21,291,119</b>	<b>\$ 17,782,820</b>
<b>FINANCIAL EQUITY</b>	<u>\$ 1,000</u>	<u>\$ 1,000</u>
<b>EQUITY IN TANGIBLE CAPITAL ASSETS</b>		
Balance, beginning of year	17,781,820	17,459,015
General Operating Fund - capital expenditures	4,173,247	781,929
Net book value of tangible capital assets on disposal	-	( 2,737)
General Operating Fund - repayment of lease obligation	77,365	89,217
General Operating Fund - transfer for internal debt	-	150,000
Amortization	<u>( 742,313)</u>	<u>( 695,604)</u>
Balance, end of year	<u>21,290,119</u>	<u>17,781,820</u>
	<b>\$ 21,291,119</b>	<b>\$ 17,782,820</b>

**THE CORPORATION OF THE CITY OF ROSSLAND**

**GENERAL OPERATING FUND**

**STATEMENT OF FINANCIAL ACTIVITIES**

For the Year Ended December 31, 2012

	2012	2011
<b>REVENUE</b>		
General taxation	\$ 3,547,426	\$ 3,539,927
Utility taxes and grants-in-lieu of taxes	120,849	116,648
Federal Gas Tax grant	21,716	278,728
Provincial grants	773,147	740,636
Regional District of Kootenay Boundary grants	13,000	13,000
Other grants	13,063	52,626
Sale of services and other income	448,036	472,953
Interest and penalties on taxes	67,890	61,643
Sale of property and equipment - proceeds	4,848	7,400
	<u>5,009,975</u>	<u>5,283,561</u>
<b>EXPENDITURES</b>		
General government	920,110	982,073
Community support	422,388	488,992
Environmental health services	111,992	110,329
Planning, development and engineering	194,120	209,489
Protective services	303,189	219,964
Public health	11,031	8,086
Recreation and cultural services	672,180	679,686
Transportation and public works	1,128,433	1,021,278
Interest and finance charges	17,217	21,528
	<u>3,780,660</u>	<u>3,741,425</u>
<b>NET OPERATING REVENUES OVER EXPENDITURES</b>	<u>1,229,315</u>	<u>1,542,136</u>
Transfers from Reserve Funds	114,072	526,682
Transfer to Water Operating Fund	( 21,716)	( 288,728)
Transfers to Reserve Funds	( 377,030)	( 738,774)
Transfers to General Capital Fund for capital expenditures	(4,173,247)	( 781,929)
Transfer to General Capital Fund for debt principal repayments	( 77,365)	( 89,217)
Transfer to General Capital Fund internal debt	-	( 150,000)
	<u>(4,535,286)</u>	<u>(1,521,966)</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<u>\$ (3,305,971)</u>	<u>\$ 20,170</u>

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**WATER OPERATING FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2012**

<b>FINANCIAL ASSETS</b>	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Water fees receivable	\$ 88,173	\$ 14,438
Due from Water Capital Fund	-	201,000
Due from General Operating Fund	<b>828,571</b>	<b>1,195,141</b>
	<b>916,744</b>	<b>1,410,579</b>
<b>LIABILITIES</b>		
Accrued liabilities	<b>4,434</b>	8,075
Due to Sewer Operating Fund	<b>17,481</b>	17,481
Due to Reserve Fund	<b>604,917</b>	637,261
Development cost charges	<b>509,888</b>	500,245
Deferred Revenue - grants	-	305,273
Deferred Revenue - taxation	<b>96,796</b>	<b>110,045</b>
	<b>1,233,516</b>	<b>1,578,380</b>
<b>NET DEBT</b>	<b>( 316,772)</b>	<b>( 167,801)</b>
<b>NON-FINANCIAL ASSETS</b>		
Inventory of materials and supplies	<b>108,253</b>	120,578
	<b>\$( 208,519)</b>	<b>\$( 47,223)</b>
<b>ACCUMULATED SURPLUS (DEFICIT)</b>		
Balance, beginning of year	\$( 47,223)	\$( 1,488,692)
Annual surplus	<b>39,704</b>	1,525,313
Transfer of surplus to the Water Capital Fund	<b>( 201,000)</b>	<b>( 83,844)</b>
Balance, end of year	<b>\$( 208,519)</b>	<b>\$( 47,223)</b>

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**WATER CAPITAL FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2012**

	2012	2011
<b>FINANCIAL LIABILITIES</b>		
Due to Water Operating Fund	\$ -	\$ 201,000
Long-term debt	<u>2,759,681</u>	<u>2,900,863</u>
	<u>2,759,681</u>	<u>3,101,863</u>
<b>NET DEBT</b>	<b>( 2,759,681)</b>	<b>( 3,101,863)</b>
<b>TANGIBLE CAPITAL ASSETS</b>	<b>16,005,280</b>	<b>15,815,980</b>
	<u>\$13,245,599</u>	<u>\$12,714,117</u>
<b>EQUITY IN TANGIBLE CAPITAL ASSETS</b>		
Balance, beginning of year	\$12,714,117	\$13,692,822
Water Operating Fund - capital expenditures	590,567	784,291
Water Operating Fund - debt principal repayments	141,182	87,977
Water Operating Fund - amortization	( 401,267)	( 397,623)
Repayment of debt to Water Operating Fund	-	( 1,453,350)
Transfer of surplus from the Water Operating Fund	<u>201,000</u>	<u>-</u>
Balance, end of year	<u>\$13,245,599</u>	<u>\$12,714,117</u>



**THE CORPORATION OF THE CITY OF ROSSLAND**  
**WATER OPERATING FUND**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**For the Year Ended December 31, 2012**

	2012	2011
<b>REVENUE</b>		
Water parcel and specified area taxes	\$ 433,724	\$ 420,631
User fees	568,145	600,570
Government and other grants	315,273	221,733
Actuarial and other income	56,173	19,176
	<b>1,373,315</b>	<b>1,262,110</b>
<b>EXPENDITURES</b>		
Administration and other	98,219	150,477
Treatment plant, distribution and maintenance	415,247	376,535
Debt interest payments	152,112	143,969
	<b>665,578</b>	<b>670,981</b>
<b>NET OPERATING REVENUES OVER EXPENDITURES</b>	<b>707,737</b>	<b>591,129</b>
Transfer from Water Reserve Fund	47,000	135,374
Transfer from General Operating Fund	21,716	288,728
Transfer to Water Reserve Fund	( 5,000)	( 71,000)
Transfer to Water Capital Fund for capital expenditures	( 590,567)	( 784,291)
Transfer to Water Capital Fund for debt principal repayments	( 141,182)	( 87,977)
Transfer from Water Capital Fund for repayment of borrowing	-	1,453,350
<b>ANNUAL SURPLUS</b>	<b>\$ 39,704</b>	<b>\$ 1,525,313</b>

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**SEWER OPERATING FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2012**

<b>FINANCIAL ASSETS</b>	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Sewer fees receivable	\$ 80,543	\$ 13,731
Due from General Operating Fund	-	398,176
Due from Water Operating Fund	17,481	17,481
Due from Sewer Capital Fund	-	238,000
	<b>98,024</b>	<b>667,388</b>
<b>LIABILITIES</b>		
Accrued liabilities	1,178	1,275
Development cost charges	305,160	329,084
Due to General Operating Fund	2,958	-
Due to Reserve Fund	220,297	216,536
	<b>529,593</b>	<b>546,895</b>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>( 431,569)</b>	<b>120,493</b>
<b>NON-FINANCIAL ASSETS</b>		
Inventory of materials and supplies	19,049	18,419
<b>ACCUMULATED SURPLUS (DEFICIT)</b>	<b>\$( 412,520)</b>	<b>\$ 138,912</b>
<b>ACCUMULATED SURPLUS (DEFICIT)</b>		
Balance, beginning of year	\$ 138,912	\$ 88,654
Annual surplus (deficit)	( 313,432)	50,258
Transfer of financial deficit in the Sewer Capital Fund	( 238,000)	-
Balance, end of year	<b>\$( 412,520)</b>	<b>\$ 138,912</b>

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**SEWER CAPITAL FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As At December 31, 2012**

	2012	2011
<b>LIABILITIES</b>		
Due to Sewer Operating Fund	\$ -	\$ 238,000
Long-term debt	<u>164,363</u>	<u>176,808</u>
<b>NET DEBT</b>	( 164,363)	( 414,808)
<b>TANGIBLE CAPITAL ASSETS</b>	<u>5,296,901</u>	<u>4,834,382</u>
	<u>\$ 5,132,538</u>	<u>\$ 4,419,574</u>
<b>EQUITY IN TANGIBLE CAPITAL ASSETS</b>		
Balance, beginning of year	\$ 4,419,574	\$ 4,227,674
Sewer Operating Fund - interfund transfer	238,000	-
Sewer Operating Fund - debt principal payments	12,445	11,853
Sewer Operating Fund - capital expenditures	596,842	302,175
Amortization	( 134,323)	( 122,128)
Balance, end of year	<u>\$ 5,132,538</u>	<u>\$ 4,419,574</u>

**THE CORPORATION OF THE CITY OF ROSSLAND**  
**SEWER OPERATING FUND**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**For the Year Ended December 31, 2012**

	2012	2011
<b>REVENUE</b>		
Parcel and specified area taxes	\$ 122,903	\$ 122,085
User fees	546,626	505,165
Actuarial and other income	6,160	26,434
Developer cost charges	31,375	-
	<u>707,064</u>	<u>653,684</u>
<b>EXPENDITURES</b>		
Administration and other	60,638	46,713
Collection system maintenance	103,122	152,359
Regional sewer utility	233,086	226,291
Debt interest payments	14,363	15,735
	<u>411,209</u>	<u>441,098</u>
<b>NET OPERATING REVENUES OVER EXPENDITURES</b>	<u>295,855</u>	<u>212,586</u>
Transfer from Sewer Reserve Funds	-	205,700
Transfer to Sewer Reserve Funds	-	( 54,000)
Transfer to Sewer Capital Fund for capital expenditures	( 596,842)	( 302,175)
Transfer to Sewer Capital Fund for debt principal repayments	( 12,445)	( 11,853)
	<u>( 609,287)</u>	<u>( 162,328)</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<u>\$ ( 313,432)</u>	<u>\$ 50,258</u>

THE CORPORATION OF THE CITY OF ROSSLAND

RESERVE FUND

EXHIBIT J - STATEMENT OF FINANCIAL POSITION

As At December 31, 2012

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	2012	2011
<b>FINANCIAL ASSETS</b>		
Due from General Operating Fund	\$ 3,433,264	\$ 3,117,834
Due from Sewer Operating Fund	220,297	216,536
Due from Water Operating Fund	604,917	637,261
	<hr/>	<hr/>
	\$ 4,258,478	\$ 3,971,631
	<hr/>	<hr/>
<b>RESERVES</b>		
General Fund Reserves	\$ 3,251,577	\$ 2,943,761
Water Fund Reserves	604,917	637,261
Sewer Fund Reserves	220,297	216,536
Statutory Land Reserve	81,972	75,896
Statutory Parking Reserve	99,715	98,177
	<hr/>	<hr/>
	\$ 4,258,478	\$ 3,971,631
	<hr/>	<hr/>

**THE CORPORATION OF THE CITY OF ROSSLAND**

**RESERVE FUND**

**EXHIBIT K - RESERVE FUND TRANSACTIONS**

**For the Year Ended December 31, 2012**

	Balance, Beginning of Year	Transfers from other Funds	Transfers to other Funds	Interest Earned	Balance, End of Year
General Fund Reserves	\$ 2,943,761	\$ 372,182	\$( 114,072)	\$ 49,706	\$ 3,251,577
Water Fund Reserves	637,261	5,000	( 47,000)	9,656	604,917
Sewer Fund Reserves	216,536	-	-	3,761	220,297
Statutory Land Sale Reserve	75,896	4,848	-	1,228	81,972
Statutory Parking Reserve	98,177	-	-	1,538	99,715
	<b>\$ 3,971,631</b>	<b>\$ 382,030</b>	<b>\$( 161,072)</b>	<b>\$ 65,889</b>	<b>\$ 4,258,478</b>