

Financial Statements of

THE CORPORATION OF THE CITY OF ROSSLAND

December 31, 2015

THE CORPORATION OF THE CITY OF ROSSLAND
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December 31, 2015

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May 16, 2016

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 Professional 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 Professional 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, 2015, 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

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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, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants

May 16, 2016

Nelson, B.C.

THE CORPORATION OF THE CITY OF ROSSLAND
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At December 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash and short-term investments	\$ 9,353,762	\$ 8,144,421
Grants and accounts receivable	335,779	231,846
Taxes receivable	393,579	370,010
Loan receivable (note 2)	270,000	270,000
MFA deposits (note 3)	115,139	112,264
	<u>10,468,259</u>	<u>9,128,541</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,079,476	991,741
Employee future benefits (note 4)	178,253	270,916
Deferred revenue - prepaid taxes and other grants (note 5)	985,969	899,860
Development cost charges and other fees (note 6)	856,069	897,259
Capital lease obligation (note 7)	58,842	125,405
Long-term debt (note 8)	6,347,305	6,594,869
	<u>9,505,914</u>	<u>9,780,050</u>
NET FINANCIAL ASSETS (DEBT)	<u>962,345</u>	<u>(651,509)</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	64,938	96,652
Inventory of materials and supplies	98,365	144,569
Tangible capital assets (note 9 and 17)	41,011,903	41,895,682
	<u>41,175,206</u>	<u>42,136,903</u>
ACCUMULATED SURPLUS	<u>\$42,137,551</u>	<u>\$41,485,394</u>
Represented by:		
Reserve Fund balances	\$ 5,776,603	\$ 5,205,321
Operating and Capital Fund financial equity (note 10)	1,755,192	1,104,665
Equity in tangible capital assets (note 11)	34,605,756	35,175,408
	<u>\$42,137,551</u>	<u>\$41,485,394</u>
CONTINGENT LIABILITIES (note 16)		

Acting Chief Financial Officer

THE CORPORATION OF THE CITY OF ROSSLAND
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2015

	2015 Budget	2015 Actual	2014 Actual
REVENUE			
Taxation	\$ 4,586,111	\$ 4,585,666	\$ 4,423,619
Utility taxes and grants-in-lieu	123,308	121,761	116,074
Federal gas tax grant	195,912	195,911	674,323
Provincial grants	668,153	657,679	414,716
Regional District Kootenay Boundary grants	3,800	3,800	13,800
Other grants	35,000	118,775	90,065
Sale of services and other income	512,841	659,877	860,242
Interest and penalties on taxes	61,333	52,489	59,388
Gain on sale of tangible capital assets	-	68,000	20,725
Contributed assets and developer contributions	-	-	359,100
Water user fees	565,748	554,505	529,628
Sewer user fees	569,870	534,366	529,175
	7,322,076	7,552,829	8,090,855
EXPENDITURES (note 12)			
General government	1,421,332	1,194,853	1,014,877
Community support	265,499	261,144	307,148
Environmental health	111,350	114,914	110,726
Planning, development and engineering	282,866	151,443	108,788
Protective services	301,458	242,270	188,270
Public health services	11,780	3,305	5,820
Recreation and cultural services	891,026	939,226	918,647
Transportation and public works	1,250,075	1,271,831	1,248,854
Regional sewer utility	324,551	382,832	354,892
Sewer utility operations	272,738	208,814	206,710
Water utility operations	615,258	533,822	572,384
Amortization	1,318,300	1,292,821	1,316,523
Interest and finance charges	308,714	303,397	315,814
	7,374,947	6,900,672	6,669,453
ANNUAL SURPLUS (DEFICIT) (note 15)	(52,871)	652,157	1,421,402
ACCUMULATED SURPLUS, BEGINNING OF YEAR	41,485,394	41,485,394	40,063,992
ACCUMULATED SURPLUS, END OF YEAR	\$41,432,523	\$42,137,551	\$41,485,394

Acting Chief Financial Officer

THE CORPORATION OF THE CITY OF ROSSLAND
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
For the Year Ended December 31, 2015

	2015	2014
ANNUAL SURPLUS	\$ 652,157	\$ 1,421,402
Acquisition of tangible capital and leased assets	(484,372)	(770,318)
Amortization of tangible capital assets	1,292,821	1,316,523
Contributed assets and developer contributions	-	(359,100)
Gain on sale of tangible capital assets	(68,000)	(20,725)
Proceeds on sale of tangible capital assets	143,330	101,500
	1,535,936	1,689,282
Net change in prepaid expenses	31,714	(7,532)
Net change in inventory of supplies and materials	46,204	(12,791)
	77,918	(20,323)
DECREASE IN NET DEBT	1,613,854	1,668,959
NET DEBT, BEGINNING OF YEAR	(651,509)	(2,320,468)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ 962,345	\$(651,509)

Acting Chief Financial Officer

THE CORPORATION OF THE CITY OF ROSSLAND
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

	2015	2014
OPERATING TRANSACTIONS		
Annual surplus	\$ 652,157	\$ 1,421,402
Non-cash items and changes in non-financial assets		
Amortization	1,292,821	1,316,523
Actuarial gain on MFA long-term debt	(72,500)	(64,610)
Interest on MFA deposits	(2,875)	(2,888)
Loss (gain) on sale of tangible capital assets	(68,000)	(20,725)
Reversal of allowance on loan receivable	-	(185,000)
Contributed assets and development cost charges	-	(359,100)
Changes in prepaid expenses	31,714	(7,532)
Changes in inventory	46,204	(12,791)
Changes in financial assets/liabilities		
Changes in taxes receivable	(23,569)	160,479
Changes in grants and accounts receivable	(103,933)	165,438
Changes in accounts payable and accrued liabilities	87,735	49,994
Changes in employee future benefits	(92,663)	23,517
Changes in deferred revenues and development cost charges	44,919	(412,802)
Cash Provided by Operating Transactions	1,792,010	2,071,905
CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(484,372)	(770,318)
Proceeds from disposal of capital assets	143,330	101,500
Cash Applied to Capital Transactions	(341,042)	(668,818)
FINANCING TRANSACTIONS		
Repayment of long-term debt	(241,627)	(246,312)
Capitalized finance fees on long-term debt	-	24,000
Cash Applied to Financing Transactions	(241,627)	(222,312)
INCREASE IN CASH AND SHORT-TERM INVESTMENTS	1,209,341	1,180,775
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	8,144,421	6,963,646
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	\$ 9,353,762	\$ 8,144,421

Acting Chief Financial Officer

THE CORPORATION OF THE CITY OF ROSSLAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As At December 31, 2015

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 Chartered Professional Accountants of Canada. 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, 2015

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 2015 per bylaw #2583 adopted May 11, 2015.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards, 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, 2015

2. LOAN RECEIVABLE

	2015	2014
Rossland Senior Housing Society	<u>\$ 270,000</u>	<u>\$ 270,000</u>

The Rossland Senior Housing has 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.

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	2015	2014
General funds	\$ 41,924	\$ 61,660	\$ 103,584	\$ 102,537
Sewer Funds	6,693	8,918	15,611	15,444
Water Funds	66,522	99,510	15,611	15,444
	<u>\$ 115,139</u>	<u>\$ 170,088</u>	<u>\$ 134,806</u>	<u>\$ 133,425</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, 2015

5. DEFERRED REVENUE	2015	2014
Prepaid property taxes	\$ 850,655	\$ 736,117
Prepaid utilities	19,964	21,414
Prepaid parcel taxes - water	<u>97,009</u>	<u>96,531</u>
	967,628	854,062
Unexpended conditional grants	18,341	44,548
Rent deposits	<u>-</u>	<u>1,250</u>
	<u>\$ 985,969</u>	<u>\$ 899,860</u>

6. 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:

	2015	2014
Development cost charges - roads	\$ 58,144	\$ 61,642
Development cost charges - water	511,487	522,757
Development cost charges - sanitary sewer	102,495	110,236
Sewer service cost recovery - bylaw #2310	<u>183,943</u>	<u>202,624</u>
	<u>\$ 856,069</u>	<u>\$ 897,259</u>

7. CAPITAL LEASE OBLIGATION

	2015	2014
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>\$ 58,842</u>	<u>\$ 125,405</u>

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

2016	\$ 21,432
2017	21,432
2018	<u>17,860</u>
Total minimum lease payments	60,724
Less amount representing interest	<u>1,882</u>
	<u>\$ 58,842</u>

THE CORPORATION OF THE CITY OF ROSSLAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2015

8. LONG-TERM DEBT

	Balance, Beginning of Year	Additions	Principal Payments	Actuarial Adjustment	Balance, End of Year
General Capital Fund					
Bylaw #2544	\$ 4,000,000	\$ -	\$ 71,320	\$ -	\$ 3,928,680
Water System Capital Fund					
Red Mountain					
Specified Area #1966	147,663	-	6,747	8,717	132,199
Water Treatment Plant #1983	1,008,635	-	41,905	49,568	917,162
Ophir #2344	1,300,997	-	48,806	6,094	1,246,097
	<u>2,457,295</u>	<u>-</u>	<u>97,458</u>	<u>64,379</u>	<u>2,295,458</u>
Sewer System Capital Fund					
Red Mountain					
Specified Area #1966	137,574	-	6,286	8,121	123,167
Total Long-term Debt	<u>\$ 6,594,869</u>	<u>\$ -</u>	<u>\$ 175,064</u>	<u>\$ 72,500</u>	<u>\$ 6,347,305</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
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
2020	\$ 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, 2015

9. TANGIBLE CAPITAL ASSETS

	2015	2014
General Capital Fund		
Land and improvements	\$ 8,956,463	\$ 9,033,362
Buildings and infrastructure	11,245,602	11,545,364
Machinery and equipment	996,027	1,000,792
	<u>21,198,092</u>	<u>21,579,518</u>
 Water System - Capital Fund		
Land and improvements	969,548	969,803
Buildings, infrastructure and equipment	13,893,903	14,322,418
	<u>14,863,451</u>	<u>15,292,221</u>
 Sewer System - Capital Fund		
Buildings, infrastructure and equipment	4,950,360	5,023,943
	<u>\$ 41,011,903</u>	<u>\$ 41,895,682</u>

10. FINANCIAL EQUITY

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

	2015	2014
General Operating Fund surplus	\$ 1,539,306	\$ 1,271,510
General Capital Fund surplus	1,000	1,000
Water Operating Fund surplus	240,197	43,051
Sewer Operating Fund deficit	<u>(25,311)</u>	<u>(210,896)</u>
 Total Operating and Capital Fund Surplus	 1,755,192	 1,104,665
 Reserve Funds	 <u>5,776,603</u>	 <u>5,205,321</u>
	<u>\$ 7,531,795</u>	<u>\$ 6,309,986</u>

THE CORPORATION OF THE CITY OF ROSSLAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2015

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:

	2015	2014
General Capital Fund	\$ 17,210,570	\$ 17,454,113
Water Capital Fund	12,567,993	12,834,926
Sewer Capital Fund	<u>4,827,193</u>	<u>4,886,369</u>
	<u>\$ 34,605,756</u>	<u>\$ 35,175,408</u>

12. EXPENDITURES BY OBJECT

	2015	2014
Interest and bank charges	\$ 303,397	\$ 315,814
Goods and services	2,440,144	2,043,520
Grants to community groups	261,144	307,148
Wages, benefits and Council remuneration	2,603,166	2,686,448
Amortization of tangible capital assets	<u>1,292,821</u>	<u>1,316,523</u>
	<u>\$ 6,900,672</u>	<u>\$ 6,669,453</u>

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 plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The plan has about 185,000 active members and approximately 75,000 retired members. Active members include approximately 37,000 contributors from local government.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding deficit.

THE CORPORATION OF THE CITY OF ROSSLAND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
As At December 31, 2015

13. PENSION LIABILITY (continued)

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 later 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 \$159,709 for employer contributions to the plan in 2015 (2014 - \$176,939).

14. COLLECTION FOR OTHER GOVERNMENTS

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

Provincial Government - School Taxes	\$ 1,657,261
Provincial Government - Police Tax Levy	181,370
British Columbia Assessment Authority	37,335
Kootenay Boundary Regional Hospital (recovery)	(10,496)
West Kootenay Boundary Regional Hospital	175,969
Municipal Finance Authority	117
Regional District of Kootenay Boundary	1,111,451
Grants in Lieu of Taxes Collected for Others	11,171
	<u>\$ 3,164,178</u>

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

15. BUDGET RECONCILIATION

The following reconciles the budgeted surplus as shown on the consolidated statement of operations to the ordinal budget as presented in bylaw #2583 adopted May 11, 2015.

Budgeted deficit as presented	\$(52,871)
Transfers to reserves	(666,956)
Transfers from reserves	296,567
Transfer from accumulated surplus	(210,895)
Amortization	1,318,300
Debt principal payments	(247,564)
Capital expenditures	(436,581)
	<u>\$ -</u>

The City adopted an amended budget bylaw #2598 on September 14, 2015 to account for certain changes in anticipated revenues and expenditures. Only the original budget is reflected in these financial statements.

15. ACCOUNTING CHANGES: LIABILITY FOR CONTAMINATED SITES

On January 1, 2015 the City adopted the new Public Sector Accounting Board's standard for liability for contaminated sites PS 3260. This section establishes standards on how to account for and report a liability associated with the remediation of contaminated sites. The only contaminated sites referred to in this standard relate to sites that are either no longer in active use or resulted from unexpected environmental events (such as toxic spills or natural disasters). As defined, contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard.

The adoption of PS 3260 has not resulted in any changes to the measurement and recognition of liabilities in the City's 2015 financial statements.

16. 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

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.

THE CORPORATION OF THE CITY OF ROSSLAND
 CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
 As At December 31, 2014

NOTE 17

	Infrastructure									
	Land	Land Improvements & Buildings	Equipment Furniture / Vehicles	Roads / Drainage	Water	Sanitary Sewer	Works in Progress	Leased Assets	2014	2013
Historical Cost:										
Opening balance	\$ 8,845,784	\$ 10,765,654	\$ 2,230,326	\$ 18,956,324	\$ 18,444,614	\$ 7,807,902	\$ 205,364	\$ 1,627,925	\$ 68,883,893	\$ 68,481,174
Additions	423,000	373,353	337,610	226,652	86,320	-	19,059	-	1,465,994	904,299
Disposals and transfers	-	-	(101,561)	-	-	-	-	(428,575)	(530,136)	(501,580)
Closing balance, Dec. 31	\$ 9,268,784	\$ 11,139,007	\$ 2,466,375	\$ 19,182,976	\$ 18,530,934	\$ 7,807,902	\$ 224,423	\$ 1,199,350	\$ 69,819,751	\$ 68,883,893

Accumulated Amortization:

Opening balance	\$ -	\$ 5,827,306	\$ 1,742,706	\$ 9,547,961	\$ 5,943,922	\$ 2,654,153	\$ -	\$ 1,004,283	\$ 26,720,331	\$ 25,638,807
Amortization Expense	-	312,764	84,584	367,361	364,442	136,891	-	50,481	1,316,523	1,318,243
Adjustment on disposals	-	119,189	(7,607)	-	-	-	-	(224,367)	(112,785)	(236,719)
Closing balance, Dec. 31	\$ -	\$ 6,259,259	\$ 1,819,683	\$ 9,915,322	\$ 6,308,364	\$ 2,791,044	\$ -	\$ 830,397	\$ 27,924,069	\$ 26,720,331
Net Book Value, Dec 31	\$ 9,268,784	\$ 4,879,748	\$ 646,692	\$ 9,267,654	\$ 12,222,570	\$ 5,016,858	\$ 224,423	\$ 368,953	\$ 41,895,682	\$ 42,163,562

THE CORPORATION OF THE CITY OF ROSSLAND
GENERAL OPERATING FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2015

FINANCIAL ASSETS	2015	2014
ASSETS		
Cash and short-term investments	\$ 9,352,762	\$ 8,143,421
Taxes receivable	393,579	370,010
Grants and accounts receivable	189,405	107,267
Loan receivable	270,000	270,000
MFA cash deposits	41,924	40,877
	<u>10,247,670</u>	<u>8,931,575</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,078,610	990,768
Employee future benefits	178,253	270,916
Deferred revenue - prepaid taxes and other	888,959	803,329
Deferred revenue - development cost charge	58,145	61,642
Due to Water Operating Fund	1,347,090	1,085,121
Due to Sewer Operating Fund	205,081	233,180
Due to Reserve Funds	5,039,690	4,366,383
	<u>8,795,828</u>	<u>7,811,339</u>
NET FINANCIAL ASSETS	<u>1,451,842</u>	<u>1,120,236</u>
NON-FINANCIAL ASSETS		
Prepaid expenses and deposits	64,938	96,652
Inventory of materials and supplies	22,526	54,622
	<u>87,464</u>	<u>151,274</u>
ACCUMULATED SURPLUS	<u>\$ 1,539,306</u>	<u>\$ 1,271,510</u>
ACCUMULATED SURPLUS		
Balance, beginning of year	\$ 1,271,510	\$ 1,184,750
Annual surplus	267,796	22,760
Transfer to capitalize the finance and debt reserve in capital fund	-	64,000
	<u>\$ 1,539,306</u>	<u>\$ 1,271,510</u>

THE CORPORATION OF THE CITY OF ROSSLAND
GENERAL CAPITAL FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2015

	2015	2014
ASSETS		
Cash	\$ 1,000	\$ 1,000
Tangible capital assets	21,198,092	21,579,518
	<u>21,199,092</u>	<u>21,580,518</u>
LIABILITIES		
Capital lease obligation	58,842	125,405
MFA long-term debt	3,928,680	4,000,000
	<u>3,987,522</u>	<u>4,125,405</u>
	<u>\$ 17,211,570</u>	<u>\$ 17,455,113</u>
FINANCIAL EQUITY	<u>\$ 1,000</u>	<u>\$ 1,000</u>
EQUITY IN TANGIBLE CAPITAL ASSETS		
Balance, beginning of year	17,454,113	17,170,091
Tangible capital asset additions	417,706	1,035,041
Net book value of tangible capital assets on disposal	(74,194)	(80,775)
Debt principal repayments	137,883	142,569
MFA debt - new financing in year	-	(64,000)
Amortization	(724,938)	(748,813)
	<u>\$ 17,210,570</u>	<u>\$ 17,454,113</u>
	<u>\$ 17,211,570</u>	<u>\$ 17,455,113</u>

THE CORPORATION OF THE CITY OF ROSSLAND
GENERAL OPERATING FUND
STATEMENT OF FINANCIAL ACTIVITIES
For the Year Ended December 31, 2015

	2015	2014
REVENUE		
General taxation	\$ 3,987,294	\$ 3,863,990
Utility taxes and grants-in-lieu of taxes	121,761	116,074
Federal Gas Tax grant	195,911	674,323
Provincial grants	657,679	414,716
Regional District of Kootenay Boundary grants	3,800	13,800
Other grants	97,005	81,835
Sale of services and other income	498,190	701,922
Interest and penalties on taxes	52,489	59,388
Sale of property and equipment - net proceeds	143,330	101,500
Developer contributions	-	359,100
	5,757,459	6,386,648
EXPENDITURES		
General government	1,194,853	1,014,877
Community support	261,144	307,148
Environmental health services	114,914	110,726
Planning, development and engineering	151,443	108,788
Protective services	242,270	188,270
Public health	3,305	5,820
Recreation and cultural services	939,226	918,647
Transportation and public works	1,271,831	1,248,854
Interest and finance charges	137,300	149,646
	4,316,286	4,052,776
NET OPERATING REVENUES OVER EXPENDITURES	1,441,173	2,333,872
Transfers from Reserve Funds	104,721	150,000
Transfers to Reserve Funds	(722,509)	(1,283,502)
Transfers to General Capital Fund for capital expenditures	(417,706)	(1,035,041)
Transfer to General Capital Fund for debt principal repayments	(137,883)	(142,569)
	(1,173,377)	(2,311,112)
ANNUAL SURPLUS	\$ 267,796	\$ 22,760

THE CORPORATION OF THE CITY OF ROSSLAND
WATER OPERATING FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2015

FINANCIAL ASSETS	2015	2014
ASSETS		
Water fees and other receivable	\$ 77,888	\$ 64,897
Due from General Operating Fund	1,347,090	1,085,121
MFA cash deposits	66,522	64,861
	<u>1,491,500</u>	<u>1,214,879</u>
LIABILITIES		
Due to Sewer Operating Fund	17,481	17,481
Due to Reserve Fund	690,767	615,089
Development cost charges	511,487	522,757
Deferred Revenue - Ophir parcel taxes	97,009	96,531
	<u>1,316,744</u>	<u>1,251,858</u>
NET FINANCIAL ASSETS (DEBT)	174,756	(36,979)
NON-FINANCIAL ASSETS		
Inventory of materials and supplies	65,441	80,030
	<u>\$ 240,197</u>	<u>\$ 43,051</u>
ACCUMULATED SURPLUS (DEFICIT)		
Balance, beginning of year	\$ 43,051	\$(33,823)
Annual surplus	197,146	76,874
	<u>\$ 240,197</u>	<u>\$ 43,051</u>

THE CORPORATION OF THE CITY OF ROSSLAND
WATER CAPITAL FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2015

	2015	2014
FINANCIAL LIABILITIES		
Long-term debt	\$ 2,295,458	\$ 2,457,295
NET DEBT	(2,295,458)	(2,457,295)
TANGIBLE CAPITAL ASSETS	14,863,451	15,292,221
	\$12,567,993	\$12,834,926
EQUITY IN TANGIBLE CAPITAL ASSETS		
Balance, beginning of year	\$12,834,926	\$13,012,359
Tangible capital additions	-	94,377
Net book value of tangible capital asset disposals	(1,136)	-
Debt principal repayments	161,837	154,633
Amortization	(427,634)	(426,443)
Balance, end of year	\$12,567,993	\$12,834,926

THE CORPORATION OF THE CITY OF ROSSLAND
WATER OPERATING FUND
STATEMENT OF FINANCIAL ACTIVITIES
For the Year Ended December 31, 2015

	2015	2014
REVENUE		
Water parcel and specified area taxes	\$ 453,514	\$ 435,994
User fees	554,505	529,628
Government and other grants	21,770	8,230
Actuarial and other income	83,899	76,229
	<u>1,113,688</u>	<u>1,050,081</u>
EXPENDITURES		
Administration and other	100,636	101,892
Treatment plant, distribution and maintenance	433,186	470,492
Debt interest payments	151,744	151,813
	<u>685,566</u>	<u>724,197</u>
NET OPERATING REVENUES OVER EXPENDITURES	428,122	325,884
Transfer to Water Reserve Fund	(69,139)	-
Transfer to Water Capital Fund for capital expenditures	-	(94,377)
Transfer to Water Capital Fund for debt principal repayments	(161,837)	(154,633)
ANNUAL SURPLUS	\$ 197,146	\$ 76,874

THE CORPORATION OF THE CITY OF ROSSLAND
SEWER OPERATING FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2015

FINANCIAL ASSETS	2015	2014
ASSETS		
Sewer fees receivable	\$ 68,486	\$ 59,682
Due from General Operating Fund	205,081	233,180
Due from Water Operating Fund	17,481	17,481
MFA cash deposits	6,693	6,526
	<u>297,741</u>	<u>316,869</u>
LIABILITIES		
Accrued liabilities	866	973
Development cost charges	286,438	312,860
Due to Reserve Fund	46,146	223,849
	<u>333,450</u>	<u>537,682</u>
NET DEBT	(35,709)	(220,813)
NON-FINANCIAL ASSETS		
Inventory of materials and supplies	10,398	9,917
ACCUMULATED DEFICIT	\$(25,311)	\$(210,896)
ACCUMULATED (DEFICIT)		
Balance, beginning of year	\$(210,896)	\$(289,031)
Annual surplus	185,585	78,135
Balance, end of year	\$(25,311)	\$(210,896)

THE CORPORATION OF THE CITY OF ROSSLAND
SEWER CAPITAL FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2015

	2015	2014
LIABILITIES		
Long-term debt	\$ 123,167	\$ 137,574
NET DEBT	(123,167)	(137,574)
TANGIBLE CAPITAL ASSETS	4,950,360	5,023,943
	\$ 4,827,193	\$ 4,886,369
EQUITY IN TANGIBLE CAPITAL ASSETS		
Balance, beginning of year	\$ 4,886,369	\$ 5,013,915
Sewer Operating Fund - debt principal payments	14,407	13,721
Sewer Operating Fund - capital expenditures	66,666	-
Amortization	(140,249)	(141,267)
Balance, end of year	\$ 4,827,193	\$ 4,886,369

THE CORPORATION OF THE CITY OF ROSSLAND
SEWER OPERATING FUND
STATEMENT OF FINANCIAL ACTIVITIES
For the Year Ended December 31, 2015

	2015	2014
REVENUE		
Parcel and specified area taxes	\$ 144,858	\$ 123,635
User fees	534,366	529,175
Actuarial and other income	14,958	15,003
	<u>694,182</u>	<u>667,813</u>
EXPENDITURES		
Administration and other	46,565	43,425
Collection system maintenance	162,249	163,285
Regional sewer utility	382,832	354,892
Debt interest payments	14,353	14,355
	<u>605,999</u>	<u>575,957</u>
NET OPERATING REVENUES OVER EXPENDITURES	<u>88,183</u>	<u>91,856</u>
Transfer from Sewer Reserve Funds	178,475	-
Transfer to Sewer Capital Fund for capital expenditures	(66,666)	-
Transfer to Sewer Capital Fund for debt principal repayments	(14,407)	(13,721)
	<u>97,402</u>	<u>(13,721)</u>
ANNUAL SURPLUS	<u>\$ 185,585</u>	<u>\$ 78,135</u>

THE CORPORATION OF THE CITY OF ROSSLAND
RESERVE FUND
STATEMENT OF FINANCIAL POSITION
As At December 31, 2015

	2015	2014
FINANCIAL ASSETS		
Due from General Operating Fund	\$ 5,039,690	\$ 4,366,383
Due from Sewer Operating Fund	46,146	223,849
Due from Water Operating Fund	690,767	615,089
	<u>\$ 5,776,603</u>	<u>\$ 5,205,321</u>
RESERVES		
General Fund Reserves	\$ 4,749,603	\$ 4,172,132
Water Fund Reserves	690,767	615,089
Sewer Fund Reserves	46,146	223,849
Statutory Land Reserve	186,788	84,040
Statutory Parking Reserve	103,299	102,231
Statutory Cemetery Perpetual Care Reserve	-	7,980
	<u>\$ 5,776,603</u>	<u>\$ 5,205,321</u>

THE CORPORATION OF THE CITY OF ROSSLAND
RESERVE FUND
STATEMENT OF TRANSACTIONS
For the Year Ended December 31, 2015

	Balance, Beginning of Year	Transfers from other Funds	Transfers to other Funds	Interest Earned	Balance, End of Year
General Operating	\$ 266,504	\$ 20,000	\$ -	\$ 2,434	\$ 288,938
General Capital Projects	2,011,548	115,000	-	26,490	2,153,038
Community Works Gas Tax	674,323	195,912	-	9,934	880,169
Election Reserve	-	2,500	-	11	2,511
Financial Stabilization	170,786	31,308	-	1,641	203,735
Forest Fire Prevention	12,165	-	(12,000)	54	219
General Debt Retirement	140,555	38,000	-	1,892	180,447
Information Systems	82,504	2,000	-	946	85,450
Insurance	15,207	2,000	-	142	17,349
Legal	60,827	6,000	-	559	67,386
Major Capital	126,000	201,009	-	2,838	329,847
Snow Removal	150,378	5,000	-	1,340	156,718
Staff Retirement	155,001	2,000	-	1,892	158,893
Vehicle and Equipment	306,334	-	(84,741)	3,311	224,904
Water Operating	171,060	-	-	1,443	172,503
Water Capital	444,029	69,139	-	5,096	518,264
Sewer Operating	142,679	-	(111,809)	545	31,415
Sewer Capital	81,170	-	(66,666)	227	14,731
Statutory Land Sale Reserve	84,040	101,780	-	967	186,787
Statutory Parking Reserve	102,231	-	-	1,068	103,299
Statutory Cemetery Reserve	7,980	-	(7,980)	-	-
	\$ 5,205,321	\$ 791,648	\$(283,196)	\$ 62,830	\$ 5,776,603