

Financial Information Act
Financial Information Regulation (FIR), Schedule 1

Statement of Financial Information (SOFI)
Index to FIR Schedule 1 and the Checklist

Page 1: Corporation Information

Ministry Information

General: Section One

- 1(1)(a) Statement of assets and liabilities
- 1(1)(b) Operational statement
- 1(1)(c) Schedule of debts
- 1(1)(d) Schedule of guarantee and indemnity agreements
- 1(1)(e) Schedule of employee remuneration and expenses
- 1(1)(f) Schedule of suppliers of goods and services
- 1(2) [Explanatory information for reference]
- 1(3) Statements prepared on a consolidated basis or for each fund
- 1(4) & (5) Notes to the statements and schedules in section 1(1)

Page 2: Statement of Assets & Liabilities: Section Two

- 2 Balance sheet
- Changes in equity and surplus or deficit

Operational Statement: Section Three

- 3(1) Statement of Income / Statement of Revenue and Expenditures
- Statement of Changes in Financial Position
- 3(2) & (3) Omission of Statement of Changes in Financial Position, with explanation
- 3(4) Requirement for community colleges, school districts and municipalities

Statement of Debts: Section Four

- 4(1)(a) & 4(2) List and detail the schedule of long-term debts
- 4(1)(b) Identify debts covered by sinking funds / reserves
- 4(3) & (4) Omission of schedule, with explanation

Page 3: Schedule of Guarantee and Indemnity Agreements: Section Five

- 5(1) List agreements under the Guarantees and Indemnities Regulation
- 5(2) State the entities and amounts involved
- 5(3) & (4) Omission of schedule, with explanation

Page 3 & 4: Schedule of Remuneration and Expenses: Section Six

- 6(1) [Definitions for reference]
- 6(2)(a) List remuneration / expenses for each elected official, member of board, Cabinet appointees
- 6(2)(b) List each employee with remuneration exceeding \$75,000, plus expenses
- 6(2)(c) Consolidated total for all employees with remuneration of \$75,000 or less
- 6(2)(d) Reconcile difference in total remuneration above with operational statement
- 6(3) Exclude personal information other than as required

Page 3 & 4: Schedule of Remuneration and Expenses: Section Six (continued)

- 6(4) & (5) [Explanatory information for reference]
- 6(6) Report employer portion of EI and CPP as a supplier payment
- 6(7)(a) & (b) Statement of severance agreements
- 6(8) Explain an omission of statement of severance agreements
- 6(9) [Statement of severance agreements to minister – not required unless requested]

Page 4: Schedule of Suppliers of Goods or Services: Section Seven

- 7(1)(a) List suppliers receiving payments exceeding \$25,000
- 7(1)(b) Consolidated total of all payments of \$25,000 or less
- 7(1)(c) Reconcile difference in total above with operational statement
- 7(2)(a) [Explanatory information for reference]
- 7(2)(b) Statement of payments of grants or contributions
- 7(2)(c) [Explanatory information for reference]

Page 5: Inactive Corporations: Section Eight

- 8(1) Ministry to report for inactive corporations
- 8(2)(a) Contents of report – statements and schedules under section 1(1) to extent possible
- 8(2)(b) Contents of report – operational status of corporation

Approval of Financial Information: Section Nine

- 9(1) Approval of SOFI for corporations (other than municipalities)
- 9(2) Approval of SOFI for municipalities
- 9(3) Management report
- 9(4) Management report must explain roles and responsibilities
- 9(5) Signature approval is for all contents of the SOFI

Access to the Financial Information: Section Ten

- 10(1) to (3) [Explanatory information for reference]

Financial Information Regulation, Schedule 1
Checklist – Statement of Financial Information (SOFI)

For the Corporation:

Corporate Name: City of Merritt Contact Name: Ken Ostraat, Financial Services Manager
 Fiscal Year End: December 31, 2014 Phone Number: 250-378-4224
 Date Submitted: May 12, 2015 E-mail: kostraat@merritt.ca

For the Ministry:

Ministry Name: _____ Reviewer: _____
 Date Received: _____ Deficiencies:

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

 Date Reviewed: _____ Deficiencies Addressed:

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

 Approved (SFO): _____ Further Action Taken: _____

Distribution: Legislative Library Ministry Retention

FIR Schedule 1 Section	Item	Yes	No	N/A	Comments
General					
1 (1) (a)	Statement of assets and liabilities	X			As per attached financial statements for the year December 31, 2014
1 (1) (b)	Operational statement	X			As per attached financial statements for the year December 31, 2014
1 (1) (c)	Schedule of debts	X			As per attached financial statements for the year December 31, 2014
1 (1) (d)	Schedule of guarantee and indemnity agreements	X			
1 (1) (e)	Schedule of employee remuneration and expenses	X			
1 (1) (f)	Schedule of suppliers of goods and services	X			
1 (3)	Statements prepared on a consolidated basis or for each fund, as appropriate	X			As per attached financial statements for the year December 31, 2014
1 (4) 1 (5)	Notes to the financial statements for the statements and schedules listed above	X			As per attached financial statements for the year December 31, 2014

FIR Schedule 1 Section	Item	Yes	No	N/A	Comments
Statement of Assets & Liabilities					
2	<ul style="list-style-type: none"> • A balance sheet prepared in accordance with GAAP or stated accounting principles / policies, and • Show changes in equity and surplus or deficit due to operations 	X			As per attached financial statements for the year December 31, 2014
Operational Statement					
3 (1)	<p>Prepared in accordance with GAAP or stated accounting principles / policies and consists of:</p> <ul style="list-style-type: none"> • a Statement of Income or Statement of Revenue and Expenditures, and • a Statement of Changes in Financial Position 	X			As per attached financial statements for the year December 31, 2014
3 (2) 3 (3)	<ul style="list-style-type: none"> • The Statement of Changes in Financial Position may be omitted if it provides no additional information • The omission must be explained in the notes 	X			As per attached financial statements for the year December 31, 2014
3 (4)	Community colleges, school districts, and municipalities must prepare a Statement of Changes in Financial Position for the Capital Fund	X			As per attached financial statements for the year December 31, 2014
Schedule of Debts					
4 (1) (a) 4 (2)	List each long-term debt (secured by debentures, mortgages, bonds, etc.), stating the amount outstanding, the interest rate, and the maturity date	X			As per attached financial statements for the year December 31, 2014 see Note 6
4 (1) (b)	Identify debts covered by sinking funds or reserves and amounts in these accounts	X			As per attached financial statements for the year December 31, 2014 see Note 6
4 (3) 4 (4)	<ul style="list-style-type: none"> • The schedule may be omitted if addressed under section 2 or 5 and it provides no additional information • The omission must be explained in a note to the schedule 				

FIR Schedule 1 Section	Item	Yes	No	N/A	Comments
Schedule of Guarantee and Indemnity Agreements					
5 (1)	List financial agreements that required government approval prior to being given (see Guarantees and Indemnities Regulation in FIA Guidance Package)	X			
5 (2)	State the entities involved, and the specific amount involved if known			X	
5 (3) 5 (4)	<ul style="list-style-type: none"> • The schedule may be omitted if addressed under section 2 or 4 and it provides no additional information • The omission must be explained in a note to the schedule 	X			
Schedule of Remuneration and Expenses (See Guidance Package for suggested format)					
6 (2) (a)	List separately, by name and position, the total remuneration and the total expenses for each elected official, member of the board of directors, and employee appointed by Cabinet	X			
6 (2) (b)	List alphabetically each employee whose total remuneration exceeds \$75,000 and the total expenses for each [excluding the persons listed under 6 (2) (a)]	X			
6 (2) (c)	Include a consolidated total for employees whose remuneration is \$75,000 or less [excluding the persons listed under 6 (2) (a)]	X			
6 (2) (d)	Reconcile or explain any difference between total remuneration in this schedule and related information in the operational statement	X			
6 (3)	Exclude personal information other than name, position, function or remuneration and expenses of employees	X			

FIR Schedule 1 Section	Item	Yes	No	N/A	Comments
Schedule of Remuneration and Expenses (See Guidance Package for suggested format)					
6 (6)	Report the employer portion of EI and CPP as a supplier payment to the Receiver General for Canada rather than as employee remuneration	X			
6 (7) (a) 6 (7) (b)	Include a statement of severance agreements providing: <ul style="list-style-type: none"> • the number of severance agreements under which payment commenced in the fiscal year being reported on for non-union employees, and • the range of equivalent months' compensation for them (see Guidance Package for suggested format)	X			
6 (8)	Provide the reason for omitting a statement of severance agreements in a note to the schedule of remuneration and expenses	X			
Schedule of Suppliers of Goods or Services (See Guidance Package for suggested format)					
7 (1) (a)	List in alphabetical order all suppliers of goods and services who received aggregate payments exceeding \$25,000	X			
7 (1) (b)	Include a consolidated total of all payments to suppliers who received \$25,000 or less	X			
7 (1) (c)	Reconcile or explain any difference between the consolidated total and related figures in the operational statement	X			Variance equal to items too small to reconcile.
7 (2) (b)	Include a statement of payments for the purposes of grants or contributions	X			

FIR Schedule 1 Section	Item	Yes	No	N/A	Comments
Inactive Corporations					
8 (1)	The ministry reports for the corporation if the corporation is not operating to the extent required to produce a SOFI			X	
8 (2) (a)	The ministry's report contains the statements and schedules required under section 1 (1), to the extent possible			X	
8 (2) (b)	The ministry's report contains a statement of the operational status of the corporation (see Guidance Package regarding what to include)			X	
Approval of Financial Information					
9 (1)	Corporations other than municipalities – the SOFI is signed as approved by the board of directors or the governing body (see Guidance Package for example)			X	
9 (2)	Municipalities – the SOFI is approved by its council and by the officer assigned responsibility for financial administration (see Guidance Package for example)	X			
9 (3)	A management report is included, signed by the head and chief financial officer, or by the municipal officer assigned responsibility for financial administration (see examples in annual report at http://www.gov.bc.ca/cas/popt/)	X			
9 (4)	The management report explains the roles and responsibilities of the board of directors or governing body, audit committee, management, and the auditors	X			
9 (5)	Signature approvals required in section 9 are for each of the statements and schedules of financial information, not just the financial statements	X			

**CITY OF MERRITT
STATEMENT OF FINANCIAL INFORMATION APPROVAL
FOR THE YEAR ENDED DECEMBER 31, 2014**

The undersigned, as authorized by the Financial Information Regulation, Schedule 1, subsection 9(2), approves all the statements and schedules included in this Statement of Financial Information, produced under the *Financial Information Act*.

Kenneth M. Ostraat, CPA, CA
Financial Services Manager

Date

Neil L. Menard
Mayor

Date

**CITY OF MERRITT
SCHEDULE OF GUARANTEE AND INDEMNITY AGREEMENTS
DECEMBER 31, 2014**

Information on all guarantees and indemnities for this organization is as follows:

Guarantees

This organization has not given any guarantees under the Guarantees and Indemnities Regulation.

Indemnities

This organization has not given any indemnifications under the Guarantees and Indemnities Regulation.

**CITY OF MERRITT
SCHEDULE SHOWING THE REMUNERATION AND EXPENSES
PAID TO OR ON BEHALF OF EACH EMPLOYEE OR COUNCILLOR
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Elected Officials

Name	Position	Remuneration	Expenses
Susan Roline	Mayor	19,513.76	8,077.94
Neil L. Menard	Mayor/Councillor	10,275.18	4,253.26
Dave Baker	Councillor	12,425.92	2,491.05
Linda Brown	Councillor	716.88	-
Kurt Christopherson	Councillor	12,425.92	1,747.20
Mike Goetz	Councillor	12,425.92	3,186.24
Henry Kroeker	Councillor	11,709.04	4,360.08
Clara Norgaard	Councillor	11,709.04	-
Bernardine D. Norgaard	Councillor	716.88	-
Ginny Prowal	Councillor	716.88	-
Total Elected Officials	(A)	92,635.42	24,115.77

2. Employees

Name	Position	Remuneration	Expenses
Allan Chabot	Chief Administrative Officer	79,436.91	20,423.02
Shawn Boven	Public Works Manager	108,924.66	607.25
Dave Tomkinson	Fire Chief	106,224.93	1,866.09
Ken Ostraat	Financial Services Manager	97,145.13	3,577.69
Larry Plotnikoff	Leisure Services Manager	99,381.18	4,038.58
Darrell Finnigan	Superintendent Public Works	84,245.70	-
Carole Fraser	Deputy Corporate Officer/Human Resources	82,975.52	4,728.43
Jerry Sucharyna	Economic Development Manager	82,834.55	15,143.80
Ben Currie	Deputy Financial Services Manager	81,474.63	1,112.61
Sean O'Flaherty	Development Services Manager	78,134.01	6,241.69
Consolidated total employees under \$75,000		2,595,115.64	
Total Employees	(B)	3,495,892.86	57,739.16

3. Reconciliation

Total Remuneration - Elected Officials	(A)	92,635.42
Total Remuneration - Employees	(B)	3,495,892.86
Subtotal		3,588,528.28
Reconciling Items		
Prior year's accrual		(294,296.37)
Current year's accrual		320,127.46
Wages and benefits capitalized during the year		(14,522.13)
Employee benefits other than employer portion of CPP and EI		770,641.95
Employee benefits - Employer portion of CPP and EI		200,060.22
Vacation, Sick and Other Pay included in the payroll loading		(398,493.71)
Variance too small to reconcile		2,858.30
Total per Financial Statements - Note 18		4,174,904.00

**CITY OF MERRITT
STATEMENT OF SEVERANCE AGREEMENTS
DECEMBER 31, 2014**

There were no severance agreements that were commenced between the City of Merritt and a non-unionized employees or entered into during the fiscal year ending December 31, 2014.

**CITY OF MERRITT
 SCHEDULE SHOWING PAYMENTS MADE FOR THE PROVISION OF
 GOODS AND SERVICES
 FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Alphabetical list of suppliers who received aggregate payments exceeding \$25,000

Supplier Name	Aggregate amount paid to supplier
Per attached listing - Vadim	12,968,757.34
Per attached listing - MAIS	981,185.92
Total aggregate amount paid to suppliers	(A) 13,949,943.26

2. Consolidated total paid to suppliers who received aggregate payments of \$25,000 or less

Supplier Name	Aggregate amount paid to supplier
Per attached listing - Vadim	1,744,967.65
Per attached listing - MAIS	402,289.43
	(B) 2,147,257.08

3. Total payments to suppliers for grants and contributions exceeding \$25,000

Consolidated total of grants exceeding \$25,000	106,104.75
Consolidated total of contributions exceeding \$25,000	-
Consolidated total of all grants and contributions exceeding \$25,000	(C) 106,104.75

4. Reconciliation

Total of aggregate payments exceeding \$25,000 paid to suppliers	13,949,943.26
Consolidated total of payments of \$25,000 or less paid to suppliers	2,147,257.08
Consolidated total of all grants and contributions exceeding \$25,000	<u>106,104.75</u>
Subtotal	16,203,305.09
Reconciling items	
GST Rebates and Credits	542,264.17
Grants paid included in aggregate total	106,104.75
Repayment of deposits	24,000.00
Payment to suppliers for employee benefits	1,126,460.13
MFA Debt servicing	773,157.00

Property tax refunds	234,495.23	
Remittance of taxes collected for other governments	3,475,313.95	
Supplier expenditures capitalized	3,139,552.00	
Prior year's accruals	1,149,338.28	
Current year's accruals	(1,164,737.10)	9,405,948.41
		<hr/>
Subtotal		6,797,356.68
Total operating expenses per financial statements - Note 18		<hr/> 6,792,317.00
Variance too small to reconcile		<hr/> <hr/> 5,039.68

**CITY OF MERRITT
YTD Paid Report**

AP5070

Page : 1

Date : Apr 17, 2015

Time : 11:32 am



Supplier Code From : 0859247
To : ZON001

Sequence : By Code Date Range From : 01-Jan-2014
To : 31-Dec-2014

Categories From : 1 - SUPPLIES LEISURE SERVICES
To : W - WEP

Suppress Printing for \$ Under 25,000.00

Supplier Code	Name	Total
AAM002	AAMDC BC DIVISION	79,547.94
ALP001	ALPHA DESIGN	43,655.64
AND003	ANDESITE HOLDINGS LTD	29,621.42
ARD001	ARDEW WOOD PRODUCTS LTD	52,294.41
AVI001	AVIATION GROUND FUELING TECHNOLOGIES 2014	26,966.80
BCA002	BC ASSESSMENT AUTHORITY	75,563.86
BCH001	BC HYDRO (Vanc.) utility acct.	463,499.11
BCH002	BC HYDRO & POWER AUTHORITY lease	30,618.00
BCT001	BC TRANSIT	134,449.00
BOU001	BOULTBEE VEGETATION MANAGEMENT	36,162.64
CEN005	CENTAUR PRODUCTS INC	60,642.75
CLE002	CLEARTECH INDUSTRIES INC.	48,789.61
COP001	COPPER VALLEY MECHANICAL CONTRACTORS	87,724.61
COQ003	COQUIHALLA MOTOR INN L TD	112,016.61
CUP001	CUPE LOCAL 900	41,746.47
DEL004	DELL RYAN	58,964.59
DGR001	DG REGAN & ASSOCIATES LTD.	41,113.89
ECO005	ECO PAVING	36,230.25
FOR004	FORTIS BC - NATURAL GAS	143,633.93
FRE001	FRED SURRIDGE LTD. RIVERSIDE INDUSTRIAL PARK	29,782.43
G3C001	G3 CONSULTING LTD.	28,853.41
GLA001	GLAD RAGS CLEANING	93,024.52
GUI001	GUILLEVIN INTERNATIONAL CO.	25,393.02
H&M001	H & M EXCAVATING LTD	807,940.63
ICE002	ICE DEVELOPMENT LTD	711,381.45
IDO001	IDOME CONSULTING	67,646.14
INS002	INSURANCE CORPORATION OF B.C.	40,285.00
INT009	INTERIOR SAVINGS INS. SVCS INC	67,185.00
JON002	JONATHAN BEECH CONSTRUCTION	29,610.00
JRR001	J & R RV PARK SERVICES	110,002.66
L&J001	L & J DIAMOND MAINTENANCE	55,698.30
LEE001	LEE'S MUSIC	34,456.04
LUM001	LUMAR DESIGN & MANAGEMENT LTD.	34,544.33
MER004	MERRITT ARENA SPORTS LTD.	169,590.75
MER005	MERRITT HERALD	43,028.61
MIN001	MINISTER OF FINANCE	55,345.58
MIN002	MINISTER OF FINANCE	734,535.54
MIN015	MINISTER OF FINANCE - MSP	50,940.25
MIN017	MINISTER OF FINANCE - School Tax	741,952.06
MMM001	MMM GROUP LIMITED	90,277.03
MOR005	MORELLI CHERTKOW LLP IN TRUST	44,804.73
MOY001	MOYES & COMPANY BUILDING MATERIALS LTD.	44,436.00
MUN003	MUNICIPAL INSURANCE ASSOCIATION OF BC	48,858.00
NIC001	NICOLA VALLEY MUSEUM/ARCHIVES ASSOC.	35,000.00
NIC010	NICOLA VALLEY HERITAGE SOCIETY	35,900.00
NIC015	NICOLA VALLEY WOMEN IN ACTION	35,204.75
OPU001	OPUS DAYTONKNIGHT CONSULTANTS LTD.	33,947.13
PAC001	PACIFIC BLUE CROSS	149,953.60
PET004	PETERS BROS. CONSTRUCTION LTD.	207,807.83
REC002	RECEIVER GENERAL - RCMP E DIVISION FSS FINANCE	630,763.16
REC003	RECEIVER GENERAL FOR CANADA - PAYROLL	836,798.60
REC005	RECEIVER GENERAL FOR CANADA Finance Section	840,022.90

**CITY OF MERRITT
YTD Paid Report**

AP5070

Page : 2

Date : Apr 17, 2015

Time : 11:32 am



Supplier Code From : 0859247
To : ZON001

Sequence : By Code Date Range From : 01-Jan-2014
To : 31-Dec-2014

Categories From : 1 - SUPPLIES LEISURE SERVICES
To : W - WEP

Suppress Printing for \$ Under 25,000.00

Supplier Code	Name	Total
RIC002	RICHARD CORDNER ARCHITECT LTD	30,051.88
ROY003	ROYAL BANK - VISA (Ben)	36,299.94
ROY005	ROYAL BANK VISA (Carole)	28,369.14
SAW002	SAWCHUK DEVELOPMENTS CO LTD	365,285.95
SIL002	SILVERBACK CONSTRUCTION LTD	312,366.77
TEL002	TELUS	51,651.43
THE008	THE SUNSHINE VALLEY GOOD EARTH COMPANY LTD.	209,742.75
THO002	THOMPSON-NICOLA REG. DIST.	2,307,150.96
THO003	THOMPSON-NICOLA REG. HOSPITAL DIST.	490,661.00
UBC001	UBCM	26,330.08
VAD001	VADIM SOFTWARE	84,291.70
VIC001	VICKIE'S LITTLE OFF THE TOP LANDSCAPING	127,593.19
VSA001	VSA HIGHWAY MAINTENANCE LTD.	27,512.59
WES015	WESTERRA EQUIPMENT	72,704.21
WOR002	WORKSAFE BC	47,021.21
YOU001	YOUNG ANDERSON	103,513.56
YOU002	YOUNG ANDERSON IN TRUST	80,000.00
Total Suppliers Equal and Over		25,000.00
Other Suppliers Under		25,000.00
Total Of Printed Suppliers :		14,713,724.99

Vendor #	Name	Amount
B0240	BC HYDRO	29,806.29
B0004	BC HYDRO (Vanc.) utility acct.	29,711.38
B0088	BC TRANSIT	35,448.00
M0023	MERRITT ARENA SPORTS LTD.	40,774.00
M450	MINISTER OF FINANCE	127,845.90
P0034	PACIFIC BLUE CROSS	31,794.94
R0329	RECEIVER GENERAL FOR CANADA	615,415.19
T0070	THOMPSON-NICOLA REG. DIST.	70,390.22
	Payments Made (Vendors Over \$25000):	981,185.92
	Miscellaneous Payments (\$25000 and Under):	402,289.43
	Total Payments Made:	1,383,475.35

*** End of Report ***

CITY OF MERRITT
Financial Statements
Year ended December 31, 2014

CITY OF MERRITT
Financial Statements
Year ended December 31, 2014

	Contents
Management's Responsibility for the Financial Statements	1
Independent Auditors' Report	2
Financial Statements	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Financial Assets (Debt)	5
Statement of Cash Flows	6
Notes to Financial Statements	7-27



Management's Responsibility for the Financial Statements

The accompanying financial statements of the City of Merritt ("the City") are the responsibility of management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The City's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Mayor and Council meet with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to the approval of the financial statements by Council.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the City. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the City's financial statements.

K.M. Ostraat, CPA, CA
Financial Services Manager





KPMG LLP
Chartered Accountants
200-206 Seymour Street
Kamloops BC V2C 6P5
Canada

Telephone (250) 372-5581
Fax (250) 828-2928
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the City of Merritt

We have audited the accompanying financial statements of the City of Merritt (the "City"), which comprise the statement of financial position as at December 31, 2014, and the statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and notes, comprising 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 an 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 our 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, we consider 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 controls. 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the City of Merritt as at December 31, 2014, and the results of its operations, changes in net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants
Kamloops, Canada
April 14, 2015

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

KPMG Confidential

CITY OF MERRITT

Statement of Financial Position

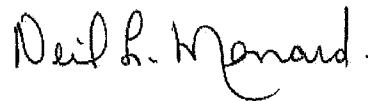
December 31, 2014, with comparative information for 2013

	2014	2013
Financial assets		
Cash and cash equivalents (note 2)	\$ 7,747,819	\$ 14,128,232
Temporary investments (note 2)	8,000,000	-
Accounts receivable		
- Taxes receivable	1,337,394	1,030,566
- Other	2,085,442	1,507,956
Property subject to redemption	70,425	54,147
	19,241,080	16,720,901
Financial liabilities		
Accounts payable and accrued liabilities	1,491,038	1,334,182
Employee benefits and other liabilities (note 3)	320,127	295,658
Deposits and holdbacks payable	527,750	199,407
Deferred revenue (note 5)	6,575,473	6,087,134
Net long-term debt (note 6)	8,473,178	6,554,008
Obligations under capital lease (note 8)	703,393	672,493
	18,090,959	15,142,882
Net financial assets	1,150,121	1,578,019
Non-financial assets		
Tangible capital assets (note 9)	54,278,553	52,253,147
Prepaid expenses	65,773	62,669
	54,344,326	52,315,816
Accumulated surplus (note 10)	\$ 55,494,447	\$ 53,893,835

Contingent liabilities and commitments (note 16)



Financial Services Manager



Mayor

The accompanying notes are an integral part of these financial statements.

CITY OF MERRITT

Statement of Operations

Year ended December 31, 2014, with comparative information for 2013

	Budget 2014	2014	2013
	(note 19)		
Revenue			
Taxation - net (note 12)	\$ 8,362,075	\$ 8,465,635	\$ 8,620,960
User fees, sales and rentals	3,980,210	4,241,849	4,129,298
Government transfers			
- Federal (note 13)	1,500	54,291	130,719
- Provincial (note 14)	336,230	428,384	923,457
- Regional (note 15)	191,500	598,789	290,250
Investment income	85,000	157,133	118,238
Penalties and interest on taxes	130,000	161,188	163,272
Contribution from developers	-	244,225	321,948
Other income	352,750	245,239	316,427
Actuarial adjustment of debt	-	125,590	157,762
Total revenues	13,439,265	14,722,323	15,172,331
Expenses			
General government	1,935,420	1,610,339	1,728,623
Protective services	3,680,195	3,398,020	3,299,109
Transportation services	1,630,176	2,166,307	2,393,859
Community, environmental and public health services	1,532,441	1,288,761	1,111,421
Leisure, parks and cultural development	2,553,765	2,552,463	2,579,057
Water utility	1,160,880	1,138,025	1,193,991
Sewer utility	949,404	967,796	1,004,796
Total expenses	13,442,281	13,121,711	13,310,856
Annual surplus (deficit)	(3,016)	1,600,612	1,861,475
Accumulated surplus, beginning of year	53,893,835	53,893,835	52,032,360
Accumulated surplus, end of year	\$ 53,890,819	\$ 55,494,447	\$ 53,893,835

The accompanying notes are an integral part of these financial statements.

CITY OF MERRITT

Statement of Changes in Net Financial Assets (Debt)

Year ended December 31, 2014, with comparative information for 2013

	Budget 2014	2014	2013
	(note 19)		
Annual surplus (deficit)	\$ (3,016)	\$ 1,600,612	\$ 1,861,475
Acquisition of tangible capital assets	(6,467,780)	(3,709,979)	(1,705,634)
Amortization of tangible capital assets	-	1,684,573	1,657,542
Gain on disposal of tangible capital assets	-	(90,000)	(10,165)
Proceeds on sale of tangible capital assets	-	90,000	10,165
	(6,470,796)	(424,794)	1,813,383
Acquisition of prepaid expenses	-	(65,773)	(62,669)
Use of prepaid expenses	-	62,669	56,493
	-	(3,104)	(6,176)
Change in net financial assets (debt)	(6,470,796)	(427,898)	1,807,207
Net financial assets (debt), beginning of year	1,578,019	1,578,019	(229,188)
Net financial assets (debt), end of year	\$ (4,892,777)	\$ 1,150,121	\$ 1,578,019

The accompanying notes are an integral part of these financial statements.

CITY OF MERRITT

Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,600,612	\$ 1,861,475
Items not involving cash:		
Amortization of tangible capital assets	1,684,573	1,657,542
Gain on disposal of tangible capital assets	(90,000)	(10,165)
Developer contribution of tangible capital asset	(244,225)	(321,948)
Actuarial adjustment on debt	(125,590)	(157,762)
Changes in non-cash operating assets and liabilities:		
Taxes receivable	(306,828)	223,036
Accounts receivable	(577,486)	(596,411)
Property subject to redemption	(16,278)	(10,232)
Accounts payable and accrued liabilities	156,856	125,643
Employee benefits and other liabilities	24,469	39,532
Deposits and holdbacks payable	328,343	52,719
Deferred revenue	488,339	307,383
Prepaid expenses	(3,104)	(6,176)
Net change in cash from operating activities	2,919,681	3,164,636
Capital activities:		
Acquisition of tangible capital assets	(3,229,552)	(964,769)
Proceeds on sale of tangible capital assets	90,000	10,165
Net change in cash from capital activities	(3,139,552)	(954,604)
Investing activities:		
Acquisition of temporary investments	(8,000,000)	-
Net change in cash from investing activities	(8,000,000)	-
Financing activities:		
Proceeds from issuance of term debt	2,348,000	-
Principal payments on term debt	(303,240)	(336,054)
Repayment of obligations under capital lease	(205,302)	(170,732)
Net change in cash from financing activities	1,839,458	(506,786)
(Decrease) increase in cash and cash equivalents	(6,380,413)	1,703,246
Cash and cash equivalents, beginning of year	14,128,232	12,424,986
Cash and cash equivalents, end of year	\$ 7,747,819	\$ 14,128,232
Supplemental cash flow information:		
Cash paid for interest	\$ 460,636	\$ 508,948
Cash received from interest	157,133	118,238
Tangible capital assets acquired by way of capital lease, not included above	236,202	418,917

The accompanying notes are an integral part of these financial statements.

CITY OF MERRITT

Notes to Financial Statements

Year ended December 31, 2014

The City of Merritt (the "City") was incorporated on April 1, 1911 under statute of the Province of British Columbia. The City provides local government services to residents of the incorporated area. These include general government, police, fire and other protective services, transportation, cemetery, parks, recreation and cultural services, solid waste disposal, water utility, sewer utility and fiscal services.

1. Significant Accounting Policies:

The financial statements of the City are prepared by management in accordance with Canadian generally accepted accounting principles for governments as prescribed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA"). Significant accounting policies adopted by the City are as follows:

(a) Reporting entity:

(i) Funds of the City

The financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all funds of the City, segregated into general, water utility and sewer utility and reserve funds.

The City has not identified any external entities that are owned or whose boards are controlled by the City and that are accountable to the City for the administration of their financial affairs and resources; however it is the policy of the City that such entities would also form part of the reporting entity.

Inter-departmental transactions and balances between these funds have been eliminated in the financial statements.

(ii) Accounting for transactions with other government organizations and boards

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the Thompson-Nicola Regional District, Hospital District and any other government entities with which the City interacts are not reflected in these financial statements. Funds collected by the City on behalf of these other entities and transmitted to them are summarized in note 12. Funds received by the City as transfers from other government entities are summarized in notes 13, 14 and 15.

(iii) Trust funds

Trust funds and their related operations administered by the City, which by their nature are not themselves assets of the City, are not included in these financial statements.

CITY OF MERRITT

Notes to Financial Statements (continued)

Year ended December 31, 2014

1. Significant Accounting Policies (continued):

(b) Basis of accounting:

The City follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Revenue recognition:

Property taxes, including frontage taxes, parcel taxes and special assessments, are recognized as revenue in the year in which they are assessable. Water and sewer user rates, connection fees, sale of services and interest and penalties assessed on taxes are recognized as revenue in the year the related service is provided and if and when the amount to be received can be reasonably estimated and collection is reasonably assured.

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made unless the transfer contains stipulations that create a liability in which case the transfers are recognized as revenue in the period that the liability is extinguished.

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(d) Deferred revenue:

Deferred revenue represents grants, development cost charges ("DCCs"), and other fees which have been collected, but for which the related expenses or services have yet to be incurred or performed. These amounts will be recognized as revenues in the fiscal year the services are performed or related expenses incurred.

(e) Cash and temporary investments:

Cash includes short-term investments with maturity dates within 90 days of acquisition. Temporary investments are comprised of term deposits with maturity dates greater than 90 days after acquisition. Investments are recorded at cost.

CITY OF MERRITT

Notes to Financial Statements (continued)

Year ended December 31, 2014

1. Significant Accounting Policies (continued):

(f) Property subject to redemption:

Property subject to redemption is recorded at the lower of cost and net realizable value. Cost is defined as the cost deemed paid to acquire the property at tax sale, plus amounts for improvements to prepare the property for sale or servicing. Net realizable value is defined as the outstanding taxes receivable by the City on that property, plus land title registry and other fees payable at the time of the tax sale.

(g) Reserves:

Reserves for operating and capital purposes represents amounts reserved either internally or by statute for specific purposes.

(h) Term debt:

Term debt acquired through the Municipal Finance Authority ("MFA") is recorded net of related sinking fund balances. Earnings on sinking funds investments are allocated to the City as an actuarial adjustment, which is recorded as a revenue and a reduction in the related debt.

(i) Employee future benefits:

(i) The City provides certain employee benefits which will require funding in future periods. These benefits include sick leave and banked overtime provided to all its unionized employees. The costs of sick leave and banked overtime arising from past service and expected to be paid out in a future period have been accrued as a liability and have been determined using management's best estimate of salary and utilization rates. Non-vesting sick leave benefit entitlements in excess of these amounts are accrued using management's best estimate of the rate at which they will be utilized.

(ii) The costs of multi-employer defined benefit pension plan benefits, such as the Provincial Municipal Pension Plan (the "Plan"), are the employer's contributions due to the plan in the period.

CITY OF MERRITT

Notes to Financial Statements (continued)

Year ended December 31, 2014

1. Significant Accounting Policies (continued):

(j) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful life, in years
Land improvements	25-40
Buildings and building improvements	45
Vehicles, machinery and equipment	8-25
Roads, bridges and highways	25-75
Water utility infrastructure	50-70
Sewer utility infrastructure	60-75

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Natural resources

Natural resources that have not been purchased are not recognized as assets in the financial statements.

CITY OF MERRITT

Notes to Financial Statements (continued)

Year ended December 31, 2014

1. Significant Accounting Policies (continued):

(j) Non-financial assets (continued):

(iv) Works of art and cultural and historic assets

The City manages and controls various works of art and non-operational historical cultural assets including paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(v) Interest capitalization

The City does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(vi) Leased tangible capital assets

Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(k) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions based on current conditions and laws that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Significant items subject to such estimates and assumptions include the estimated useful lives of tangible capital assets and actuarial valuations of employee future benefits.

Management reviews these estimates on a periodic basis and, where necessary, makes adjustments prospectively.

CITY OF MERRITT

Notes to Financial Statements (continued)

Year ended December 31, 2014

2. Cash and Temporary Investments:

Cash and temporary investments reported on the statement of financial position have a cost that approximates market value. Cash equivalents consists of investments primarily in MFA pooled money market funds with an annual rate of return of approximately 1.2% (2013 - 1.2%).

Restrictions around the use of cash and temporary investments are as follows:

	2014	2013
Externally restricted:		
Statutory reserves (note 11)	\$ 1,177,220	\$ 1,077,727
Deferred revenues (note 5)	6,575,473	6,087,134
	<hr/> 7,752,693	7,164,861
Internally restricted:		
Non-statutory reserves	4,540,551	3,982,608
Total restricted	<hr/> 12,293,244	11,147,469
Unrestricted	3,454,575	2,980,763
Total	<hr/> \$ 15,747,819	\$ 14,128,232
Consisting of:		
Cash and cash equivalents	\$ 7,747,819	\$ 14,128,232
Temporary investments	8,000,000	-
Total	<hr/> \$ 15,747,819	\$ 14,128,232

CITY OF MERRITT

Notes to Financial Statements (continued)

Year ended December 31, 2014

3. Employee Benefits and Other Liabilities:

- (a) The City provides benefits for sick leave to all its unionized employees. All employees accumulate sick leave entitlement on a monthly basis and can only use this entitlement for paid time off under certain circumstances. Under the terms of the current collective agreement, employees earn sick leave benefits at a rate of 1.5 days for every month of service, which accumulate and carry forward year-to-year, up to a maximum of 180 days per employee. Upon retirement, employees are entitled to a payout of the accumulated sick leave benefits based on the number of sick days in their entitlement, as follows:

0 - 89 days	nil
90 - 179 days	2 weeks
180 days	4 weeks

The total liability for these retirement benefits recorded on the statement of financial position in respect of obligation under this plan amounts to \$14,114 (2013 - \$5,475).

The total sick leave entitlement accumulated to date that is available to employees amounts to 11,174 hours (2013 - 10,065) or approximately \$305,500 (2013 - \$294,400).

- (b) Pension plan:

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

The most recent actuarial 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 the results available in 2016.

Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension 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, assets and cost to the individual employers participating in the Plan.

The City of Merritt paid \$238,035 (2013 - \$224,110) for employer contributions to the Plan in fiscal 2014.

CITY OF MERRITT

Notes to Financial Statements (continued)

Year ended December 31, 2014

4. Federal Gas Tax Agreement Funds

Included in deferred revenue are amounts relating to gas tax agreement funds:

	2014	2013
Opening balance of unspent funds	\$ 2,196,178	\$ 1,874,577
Add:		
Amounts received in the year	341,074	332,131
Externally restricted interest earned	28,340	24,470
Less:		
Project expense	-	(35,000)
Closing balance of unspent funds	\$ 2,565,592	\$ 2,196,178

Gas tax revenue is provided by the Government of Canada. The use of the funding is established by a funding agreement between the City and the Province of British Columbia. Gas tax funding may be used towards designated community energy, water, wastewater, solid waste and capacity building projects as specified in the funding agreements.

5. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Taxes paid in advance	\$ 111,998	76,629	-	(111,998)	\$ 76,629
Federal gas tax	2,196,178	341,074	28,340	-	2,565,592
Development cost charges	3,490,141	54,671	44,232	-	3,589,044
Other deferred contributions	288,817	328,637	-	(273,246)	344,208
	\$ 6,087,134	801,011	72,572	(385,244)	\$ 6,575,473

CITY OF MERRITT

Notes to Financial Statements (continued)

Year ended December 31, 2014

6. Net Long-term Debt

The City issues debt instruments through the Municipal Finance Authority ("MFA") of British Columbia, pursuant to term capital borrowing, loan authorization and security issuing resolutions under authority of Sections 178, 179 and 181 of the Community Charter, to finance certain capital expenditures. Net long term debt reported on the statement of financial position is comprised of the following:

Bylaw Number	Purpose	Year Maturing	%	2014 Payments		Balance Outstanding	
				Interest	Principal	2014	2013
General fund							
1454	Truck Route	2017	4.82	\$ 76,542	\$ 48,025	\$ 347,010	\$ 451,843
1994	Voght Street Bridge	2029	4.90	29,400	20,149	490,866	514,438
1995	Fire Truck	2029	4.13	24,780	20,149	490,866	514,438
2119	Airport Lands Servicing	2032	3.40	29,816	29,450	816,879	847,506
2120	Dewolf Way Enhancements	2032	3.40	27,200	26,865	745,195	773,135
2150	Central Park Improvements	2034	3.30	16,881	-	698,000	-
2151	Road Rehabilitation	2034	3.30	8,465	-	350,000	-
2153	Public Works Building	2034	3.30	7,255	-	300,000	-
2165	Fire Hall Addition and Truck	2034	3.00	6,429	-	1,000,000	-
						5,238,816	3,101,360
Water fund							
1461	NE Sector Water	2016	3.00	25,306	13,391	66,067	96,761
1973	Grandview Heights Reservoir	2027	4.82	22,654	15,784	345,338	365,309
1986	Active Mountain Reservoir	2027	4.82	57,840	40,298	881,714	932,704
1993	Kingaard Well	2028	4.65	54,637	39,459	913,272	961,280
1993	Deep Aquifer Well	2029	4.13	49,560	40,298	981,733	1,028,875
						3,188,124	3,384,929
Sewer fund							
(a) 1461	NE Sector Sewer	2016	3.00	9,297	9,372	46,238	67,719
						\$ 446,062	\$ 303,240
						\$ 8,473,178	\$ 6,554,008

(a) Recovered from specific area taxation

CITY OF MERRITT

Notes to Financial Statements

Year ended December 31, 2014

6. Net Long-term Debt (continued)

Future principal requirements, including sinking fund additions, on existing debt for the next five years and thereafter are as follows:

	General Fund	Water Fund	Sewer Fund	Total
2015	\$ 223,488	\$ 149,230	\$ 9,372	\$ 382,090
2016	223,488	149,230	9,372	\$ 382,090
2017	223,488	135,838	-	\$ 359,326
2018	175,463	135,838	-	\$ 311,301
2019	175,463	135,838	-	\$ 311,301
2020 and thereafter	2,317,828	1,206,760	-	\$ 3,524,588
Actuarial additions	1,899,598	1,275,390	27,494	\$ 3,202,482
	<u>\$ 5,238,816</u>	<u>\$ 3,188,124</u>	<u>\$ 46,238</u>	<u>\$ 8,473,178</u>

7. 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 demand notes are contingent in nature and are not reflected in the accounts. The details of the cash deposits and demand notes at the year end are as follows:

	Demand Notes	Cash Deposits	Total 2014	Total 2013
General Fund	\$ 182,991	\$ 91,338	\$ 274,329	\$ 193,847
Water Fund	139,401	62,816	202,217	197,720
Sewer Fund	13,596	7,826	21,422	20,860
	<u>\$ 335,988</u>	<u>\$ 161,980</u>	<u>\$ 497,968</u>	<u>\$ 412,427</u>

CITY OF MERRITT

Notes to Financial Statements (continued)

Year ended December 31, 2014

8. Obligations under Capital Lease

The City has entered into several agreements for the lease of certain vehicles with the Municipal Finance Authority. The agreements expire on various dates in 2016 - 2019 and provide for transfer of the vehicles to the City after the last lease payment is made. The following are the outstanding lease obligations for the City:

	2014	2013
Obligation under capital lease, Prime minus 1%, blended monthly payments of \$4,140, due February 2019	\$ 198,456	\$ -
Obligation under capital lease, Prime minus 1%, blended monthly payments of \$3,317, due November 2016	74,793	112,693
Obligation under capital lease, Prime minus 1%, blended monthly payments of \$4,637, due March 2017	122,317	174,940
Obligation under capital lease, Prime minus 1%, blended monthly payments of 6,467, due October 2018	286,143	357,254
Obligation under capital lease, Prime minus 1%, blended monthly payments of \$535, due June 2018	21,684	27,606
	\$ 703,393	\$ 672,493

Obligations under capital leases are secured by a garbage truck, pickup truck, sewer pump truck and a sweeper truck. Interest paid relating to the above obligations on capital leases was \$14,573 (2013 - \$12,286). The future minimum lease payments for the next five years and thereafter are:

2015	\$ 229,157
2016	225,839
2017	147,618
2018	117,563
2019	8,280
	<u>728,457</u>
Less imputed interest:	<u>25,064</u>
	<u>\$ 703,393</u>

CITY OF MERRITT

Notes to Financial Statements (continued)

Year ended December 31, 2014

9. Tangible Capital Assets

2014	Land	Land improvements	Land	Buildings and building improvements	Vehicles, machinery and equipment	Roads, bridges and highways	Water and sewer Infrastructure	Assets under construction	Total
Cost:									
Balance, beginning of year	\$ 6,633,631	\$ 3,722,989	\$ 3,722,989	\$ 14,973,991	\$ 9,192,042	\$ 25,064,808	\$ 19,083,288	\$ 364,051	\$ 79,034,800
Additions	83,070	36,681	36,681	665,599	696,606	-	21,588	2,206,435	3,709,979
Disposals	-	-	-	-	(247,380)	-	-	-	(247,380)
Balance, end of year	6,716,701	3,759,670	3,759,670	15,639,590	9,641,268	25,064,808	19,104,876	2,570,486	82,497,399
Accumulated amortization:									
Balance, beginning of year	-	1,131,101	1,131,101	6,664,396	4,524,188	9,769,170	4,692,798	-	26,781,653
Amortization expense	-	103,606	103,606	340,151	476,635	482,417	281,764	-	1,684,573
Disposals	-	-	-	-	(247,380)	-	-	-	(247,380)
Balance, end of year	-	1,234,707	1,234,707	7,004,547	4,753,443	10,251,587	4,974,562	-	28,218,846
Net book value, end of year	\$ 6,716,701	\$ 2,524,963	\$ 2,524,963	\$ 8,635,043	\$ 4,887,825	\$ 14,813,221	\$ 14,130,314	\$ 2,570,486	\$ 54,278,553

CITY OF MERRITT

Notes to Financial Statements (continued)

Year ended December 31, 2014

9. Tangible Capital Assets (continued)

2013	Land	Land improvements	Land	Buildings and building improvements	Vehicles, machinery and equipment	Roads, bridges and highways	Water and sewer infrastructure	Assets under construction	Total
Cost:									
Balance, beginning of year	\$ 6,633,631	\$ 3,648,960	\$ 3,722,989	\$ 13,263,060	\$ 9,991,703	\$ 23,300,176	\$ 18,064,478	\$ 3,892,010	\$ 78,794,018
Additions	-	74,029	-	1,710,931	643,824	1,779,708	1,025,101	(3,527,959)	1,705,634
Disposals	-	-	-	-	(1,443,485)	(15,076)	(6,291)	-	(1,464,852)
Balance, end of year	6,633,631	3,722,989	3,722,989	14,973,991	9,192,042	25,064,808	19,083,288	364,051	79,034,800
Accumulated amortization:									
Balance, beginning of year	-	1,026,789	-	6,350,651	5,464,250	9,320,702	4,426,571	-	26,588,963
Amortization expense	-	104,312	-	313,745	503,423	463,544	272,518	-	1,657,542
Disposals	-	-	-	-	(1,443,485)	(15,076)	(6,291)	-	(1,464,852)
Balance, end of year	-	1,131,101	-	6,664,396	4,524,188	9,769,170	4,692,798	-	26,781,653
Net book value, end of year	\$ 6,633,631	\$ 2,591,888	\$ 2,591,888	\$ 8,309,595	\$ 4,667,854	\$ 15,295,638	\$ 14,390,490	\$ 364,051	\$ 52,253,147

The net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from service) is \$2,570,486 (2013 - \$364,051). Assets held under capital leases in the amount of \$1,210,257 (2013 - \$884,055) with related accumulated amortization in the amount of \$100,151 (2013 - \$55,948) are included in Machinery and Equipment. \$244,225 (2013 - \$321,948) in contributed infrastructure tangible capital assets were recognized in the financial statements during the year.

CITY OF MERRITT

Notes to Financial Statements (continued)

Year ended December 31, 2014

10. Accumulated Surplus

Accumulated surplus consists of individual fund surplus and reserve funds as follows:

	2014	2013
Surplus:		
Invested in tangible capital assets	\$ 45,101,982	\$ 45,026,646
Unrestricted	4,674,694	3,806,854
Total surplus	49,776,676	48,833,500
Statutory reserve:		
Capital Works and machinery	1,023,670	926,588
Sale of City owned land	86,094	84,516
Parking	67,456	66,623
Total statutory reserves	1,177,220	1,077,727
Non-statutory reserves set aside for specific purposes by Council:		
Reserve for future expenditures - general	1,723,590	1,240,147
Reserve for future expenditures - water	898,607	789,107
Reserve for future expenditures - sewer	646,001	646,001
Reserve for future capital expenditures	871,670	936,670
Lease residual payout reserve	165,611	165,611
Computer equipment replacement reserve	32,673	32,673
Reserve for contingencies	141,514	141,514
Other reserves	60,885	30,885
Total non-statutory reserves	4,540,551	3,982,608
Total accumulated surplus	\$ 55,494,447	\$ 53,893,835

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserve funds represent funds set aside by bylaw or council resolution for specific purposes.

11. Statutory Reserve Funds

	Opening balance	Contributions received	Investment income	Expenditure	Ending balance
Capital Works and machinery \$	926,588	85,500	11,582	-	\$ 1,023,670
Sale of City owned land	84,516	-	1,578	-	86,094
Parking	66,623	-	833	-	67,456
	\$ 1,077,727	85,500	13,993	-	\$ 1,177,220

CITY OF MERRITT

Notes to Financial Statements (continued)

Year ended December 31, 2014

12. Taxation - Net

	Budget 2014	2014	2013
	(note 19)		
Property taxes levied	\$ 11,491,357	\$ 11,571,988	\$ 11,752,557
Payments in lieu of property taxes	140,440	115,240	108,494
Parcel taxes	1,413,200	1,416,646	1,383,955
	13,044,997	13,103,874	13,245,006
Collections for other governments			
Province of British Columbia - school tax	2,735,000	2,694,758	2,747,749
Thompson-Nicola Regional District	1,377,046	1,377,046	1,385,317
Thompson-Nicola Regional Hospital District	490,661	490,661	413,865
Municipal Finance Authority	215	210	212
British Columbia Assessment Authority	80,000	75,564	76,903
	4,682,922	4,638,239	4,624,046
Available for general municipal purposes	\$ 8,362,075	\$ 8,465,635	\$ 8,620,960

13. Government Transfers - Federal

	Budget 2014	2014	2013
	(note 19)		
Federal Gas Tax Revenue	\$ -	\$ -	\$ 35,000
Western Economic Diversification	-	50,591	92,719
Other contributions	1,500	3,700	3,000
	\$ 1,500	\$ 54,291	\$ 130,719

CITY OF MERRITT

Notes to Financial Statements (continued)

Year ended December 31, 2014

14. Government Transfers - Provincial

	Budget 2014	2014	2013
	(note 19)		
Small Community Grants	\$ 265,550	\$ 314,723	\$ 316,694
Traffic Fine Revenue Sharing	49,180	79,232	78,933
BC Community Water Improvement Program	-	-	92,063
Climate Action Revenue Incentive Program	20,000	21,859	20,647
Operational Fuel Management Grant	-	-	144,046
Towns for Tomorrow	-	-	225,000
Other contributions	1,500	12,570	46,074
	\$ 336,230	\$ 428,384	\$ 923,457

15. Government Transfers - Regional

	Budget 2014	2014	2013
	(note 19)		
Regional Fire Protection Contribution	\$ 60,900	\$ 60,950	\$ 59,750
Regional Recreation Contribution	59,200	59,160	58,000
Regional Aquatic Centre Contribution	71,400	138,679	170,000
Regional Transit Contribution	-	5,000	2,500
Union of BC Municipalities - Regional Significant Projects, Strategic Priorities Fund	-	335,000	-
	\$ 191,500	\$ 598,789	\$ 290,250

CITY OF MERRITT

Notes to Financial Statements (continued)

Year ended December 31, 2014

16. Contingent Liabilities and Commitments:

- (a) As a member of the Thompson-Nicola Regional District, the City is liable for its proportion of any operating deficits or long-term debt related to functions in which it participates.
- (b) From time to time the City is brought forth as a defendant in various lawsuits. The City reviews its exposure to any potential litigation for which it would not be covered by insurance and assesses whether a successful claim would materially affect the financial statements of the City. The City is currently not aware of any claims brought against it that if not defended successfully would result in a material change to the financial statements.
- (c) The City is a participant in the Municipal Insurance Association of British Columbia. Should the Association pay out claims in excess of premiums received, it is possible the City, along with other participants, would be required to contribute towards the deficit.

17. Trust Funds:

The City operates the Pine Ridge Cemetery and maintains a cemetery perpetual care fund in accordance with the Cremation, Internment and Funeral Services Act of British Columbia. These funds held in trust and administered by the City have not been included in the statement of financial position nor have their operations been included in the statement of operations, as they are held in trust only on behalf of other beneficial parties. The balance of the funds held in trust is \$132,122 (2013 - \$111,997).

18. Segmented Information:

Segmented information has been identified based upon lines of service provided by the City. City services are provided by departments and their activities are reported by functional area in the body of the financial statements. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

- (a) General government:

General government operations provide the functions of corporate administration, finance, human resources, legislative services, building services and maintenance, and any other functions not categorized to a specific department.

CITY OF MERRITT

Notes to Financial Statements (continued)

Year ended December 31, 2014

18. Segmented Information (continued):

(b) Protective services:

Protection is comprised of the police services, fire department and other protective services. The mandate of the police services is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. The fire department is responsible to provide fire suppression services; fire prevention programs; training and education related to prevention; and detection or extinguishment of fires. The emergency preparedness program ensures that the City is both prepared and able to respond to, and recover from, the effects of a disaster or major catastrophic event. The mandate of the regulatory service is to provide, facilitate and enforce compliance with the provisions of the bylaws that pertain to the health, safety and welfare of the community.

(c) Transportation services:

The public works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the maintenance of parks and open space and street lighting. Transportation services is responsible for public transit services.

(d) Community, environmental and public health services:

The community, environmental and public health departments are responsible for the delivery of municipal programs to promote public health, seniors and youth programs, maintenance of dykes, cemetery and environmental sustainability services. Services for solid waste collection, disposal and recycling are also included under this heading.

(e) Leisure, parks and cultural development:

The leisure, parks and cultural development department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of parklands and park infrastructure, and the maintenance of open space and other recreation space and facilities.

(f) Water utility:

The City is responsible for environmental programs including the engineering and operation of the potable water system.

(g) Sewer utility:

The City is responsible for environmental programs including the engineering and operation of the wastewater system.

CITY OF MERRITT

Notes to Financial Statements (continued)

Year ended December 31, 2014

18. Segmented information (continued):

Certain allocation methodologies are employed in preparation of segmented financial information. Taxation and payment-in-lieu of taxes are allocated to the segments based on the segment's budgeted net expenditure. User charges and other revenue have been allocated to the segments based upon segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development charges earned and developer contributions received were allocated to the segment for which the charge was collected.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1.

2014	General Government	Protective Services	Transportation Services	Community, Environmental, Public Health and Cultural Services	Leisure, Parks and Cultural Development	Water Utility	Sewer Utility	Total
Revenues:								
Taxation	\$ 802,781	\$ 3,034,609	\$ 1,705,700	\$ 50,000	\$ 1,455,640	\$ 416,199	\$ 1,000,706	\$ 8,465,635
User charges	139,167	257,996	53,211	1,057,498	681,855	1,160,603	891,519	4,241,849
Government transfers	428,384	60,990	5,000	85,000	252,130	250,000	-	1,081,464
Investment income	157,133	-	-	-	-	-	-	157,133
Penalties and interest	161,188	-	-	-	-	-	-	161,188
Other	155,239	-	244,225	90,000	-	-	-	489,464
Actuarial adjustment to debt	-	3,423	62,483	-	-	47,575	12,109	125,590
Total revenues	1,843,892	3,356,978	2,070,619	1,282,498	2,389,625	1,874,377	1,904,334	14,722,323
Expenses:								
Salaries, wages and employee benefits	700,268	912,613	585,438	498,811	932,050	317,494	228,230	4,174,904
Operating	768,823	2,389,564	718,723	624,257	1,300,474	378,780	611,696	6,792,317
Debt services	-	31,208	187,580	14,953	16,881	209,998	9,297	469,917
Amortization	141,248	64,635	674,566	150,740	303,058	231,753	118,573	1,684,573
Total expenses	1,610,339	3,398,020	2,166,307	1,288,761	2,552,463	1,138,025	967,796	13,121,711
Annual surplus (deficit)	\$ 233,553	\$ (41,042)	\$ (95,688)	\$ (6,263)	\$ (162,838)	\$ 736,352	\$ 936,538	\$ 1,600,612

CITY OF MERRITT

Notes to Financial Statements (continued)

Year ended December 31, 2014

18. Segmented information (continued):

2013	General Government	Protective Services	Transportation Services	Community, Environmental, Public Health Services	Leisure, Parks and Cultural Development	Water Utility	Sewer Utility	Total
Revenues:								
Taxation	\$ 1,347,508	\$ 2,419,243	\$ 1,004,300	\$ 809,021	\$ 1,656,933	\$ 409,479	\$ 974,476	\$ 8,620,960
User charges	135,649	145,695	62,645	1,107,916	652,341	1,172,867	852,185	4,129,298
Government transfers	491,234	203,796	227,500	9,114	320,719	92,063	-	1,344,426
Investment income	109,168	2,412	4,295	-	2,197	80	86	118,238
Penalties and interest	163,272	-	-	-	-	-	-	163,272
Other	316,427	-	321,948	-	-	-	-	638,375
Actuarial adjustment to debt		2,516	54,331	-	50,104	39,725	11,086	157,762
Total revenues	2,563,258	2,773,662	1,675,019	1,926,051	2,682,294	1,714,214	1,837,833	15,172,331
Expenses:								
Salaries, wages and employee benefits	671,111	898,692	614,103	410,413	1,022,545	300,704	244,802	4,162,370
Operating	948,733	2,280,735	867,043	636,754	1,193,466	468,653	586,612	6,981,996
Debt services		24,780	167,643	7,601	89,683	209,944	9,297	508,948
Amortization	108,779	94,902	745,070	56,553	273,363	214,690	164,085	1,657,542
Total expenses	1,728,623	3,299,109	2,393,859	1,111,421	2,579,057	1,193,991	1,004,796	13,310,856
Annual surplus (deficit)	\$ 834,635	\$ (525,447)	\$ (718,840)	\$ 814,630	\$ 103,237	\$ 520,223	\$ 833,037	\$ 1,861,475

CITY OF MERRITT

Notes to Financial Statements (continued)

Year ended December 31, 2014

19. Budget data:

The budget data presented in these financial statements is based upon the 2014 operating and capital budgets approved as the 2014 to 2018 Financial Plan by Council on May 13, 2014. The legislative requirements of the Financial Plan are that the cash inflows for the period must at a minimum equal cash outflows.

Cash inflows and outflows include transfers to and from reserves and surplus, proceeds from debt issued and principal repayments on debt; however, these transactions are not recognized as revenues and expenses in the statement of operations as they do not meet the definition for such under public sector accounting standards requirements.

In addition, PSAB requires that budget figures be presented in the financial statements on the same basis of accounting as actual figures. The chart below reconciles the budget figures reported in these financial statements to the approved Financial Plan.

	Budget amount
Deficit - Statement of Operations	\$ (3,016)
Adjust for budgeted cash items not included in Statement of Operations:	
Acquisition of tangible capital assets	(6,467,780)
Debt principal payments	(303,240)
Transfer from reserves	2,741,463
Issuance of Long Term Debt	2,348,000
	(1,684,573)
Adjust for non-cash items included in Statement of Operations, but not budgeted	
Amortization of tangible assets	1,684,573
Financial Plan Balance	\$ -

20. Comparative Figures:

Certain 2013 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.