

INDEPENDENT AUDITOR'S REPORT

**To the Mayor and Council
City of Prince Rupert**

Opinion

We have audited the financial statements of the City of Prince Rupert, which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of operations, changes in net financial assets, cash flows and schedules 1 to 8 for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the City of Prince Rupert as at December 31, 2018 and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit.

Responsibilities of Management and Council 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 controls as management determines are necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless conditions exist that do not allow for the going concern basis to be used.

Mayor and Council are responsible for overseeing the City's financial reporting process.

Prince Rupert, BC
May 13, 2019



City of Prince Rupert

2018 Audited Financial Statements

City of Prince Rupert

Consolidated Statement of Financial Position December 31

	<u>2018</u>	<u>2017</u>
Financial Assets		
Cash and Cash Equivalents	\$ 33,045,234	\$ 29,232,094
Taxes Receivable (Note 2a)	2,209,576	1,755,699
General Receivables (Note 2b)	2,574,243	6,022,869
Deposit-Municipal Finance Authority (Note 3)	199,858	195,602
Land Inventory Held for Resale (Note 4)	8,169,386	8,280,946
Loans to Prince Rupert Airport Authority (Note 5)	7,259,514	7,616,539
	<u>53,457,811</u>	<u>53,103,749</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6a)	\$ 11,501,733	\$ 10,913,280
Deferred Revenue (Note 6b)	7,161,911	6,061,063
Landfill Closure Cost (Note 9b)	4,234,000	4,234,000
Reserves - Municipal Finance Authority (Note 3)	199,858	195,602
Loans Payable (Schedule 6 and Note 7)	806,527	1,049,290
Debenture Debt (Schedule 7 and Note 7)	7,635,379	8,145,057
	<u>31,539,408</u>	<u>30,598,292</u>
Net Financial Assets (Statement D)	<u>\$ 21,918,403</u>	<u>\$ 22,505,457</u>
Non-financial Assets		
Tangible Capital Assets (Statement G and Note 1c)	\$ 77,518,342	\$ 69,156,741
Investment in City West Cable & Tel. Corp. (Statement H and Note 8)	36,891,763	36,297,763
Inventory (Note 1d)	539,951	579,150
	<u>114,950,056</u>	<u>106,033,654</u>
Surplus and Equity (Statement B)	<u>\$ 136,868,459</u>	<u>\$ 128,539,111</u>
City Position		
Accumulated Operating Surplus (Statement C)		
Unappropriated	\$ 12,793,142	\$ 16,334,894
Appropriated	8,168,000	2,290,000
	<u>20,961,142</u>	<u>18,624,894</u>
Bylaw and Statutory Reserve Funds (Statement F)	7,395,351	7,409,411
Investment in City West Cable & Tel. Corp. (Statement H and Note 8)	36,891,763	36,297,763
Investment in Tangible Capital Assets (Statement I)	71,620,203	66,207,043
	<u>71,620,203</u>	<u>66,207,043</u>
Net Position (Statement B)	<u>\$ 136,868,459</u>	<u>\$ 128,539,111</u>

Corinne Bomben, CPA, CA
Chief Financial Officer

City of Prince Rupert

Consolidated Statement of Operations For The Year Ended December 31

	Unaudited <u>2018 Budget</u>	2018 <u>Actual</u>	2017 <u>Actual</u>
Revenues			
Taxes (Net) (Schedule 1)	\$ 19,876,000	\$ 19,775,574	\$ 19,805,066
Sale of Services (Schedule 2)	11,665,000	11,253,089	11,191,223
Services Provided to Other Government	70,000	83,490	70,035
Government Transfers (Schedule 3)	12,535,500	6,218,553	6,943,910
Fees, Permits, Licenses and Fines (Schedule 4)	459,000	1,146,161	467,244
Investment Income	95,000	425,994	283,735
City West Cable & Tel. Corp.	-	994,000	1,111,000
Prince Rupert Legacy Inc.	-	3,712,018	788,246
Miscellaneous Revenues (Schedule 4)	486,500	940,966	1,335,065
Total Revenue	<u>\$ 45,187,000</u>	<u>\$ 44,549,845</u>	<u>\$ 41,995,524</u>
Expenses			
Protection to Persons and Property	\$ 10,142,900	\$ 10,167,184	\$ 9,433,049
Water, Sewage and Solid Waste	6,124,500	5,170,258	5,364,737
Roadways and Transportation	6,281,570	5,813,308	5,761,569
Recreation and Culture	5,924,900	5,987,429	5,522,022
General Government	4,782,200	5,629,837	4,133,881
Other	272,430	304,798	268,120
Total Expenses (Schedule 5)	<u>\$ 33,528,500</u>	<u>\$ 33,072,814</u>	<u>\$ 30,483,378</u>
Revenue Over Expenditure Before Amortization	\$ 11,658,500	\$ 11,477,031	\$ 11,512,146
Amortization of Tangible Capital Assets	\$ -	\$ (3,147,683)	\$ (2,863,694)
Writedown of Tangible Capital Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (46,400)</u>
Revenue Over Expenditure	\$ 11,658,500	\$ 8,329,348	\$ 8,602,052
Opening City Position	<u>\$ 128,539,111</u>	<u>\$ 128,539,111</u>	<u>\$ 119,937,059</u>
Closing City Position (Statement A)	<u>\$ 140,197,611</u>	<u>\$ 136,868,459</u>	<u>\$ 128,539,111</u>

City of Prince Rupert

Operating Funds and Surplus Allocation For The Year Ended December 31

Fund	General	Water	Sewer	Solid Waste	Prince Rupert Legacy Inc.	2018 Total	2017 Total
Operating Results							
Revenue	\$ 31,497,844	\$ 3,824,560	\$ 2,542,241	\$ 2,973,182	\$ 3,712,018	\$ 44,549,845	\$ 41,995,524
Expenditure (Exclude Tangible Capital Assets)	<u>27,902,558</u>	<u>1,927,270</u>	<u>1,093,192</u>	<u>2,149,794</u>	<u>-</u>	<u>33,072,812</u>	<u>30,483,379</u>
	\$ 3,595,286	\$ 1,897,290	\$ 1,449,049	\$ 823,388	\$ 3,712,018	\$ 11,477,033	\$ 11,512,145
Add/(Less)							
Investment in Tangible Capital Assets	\$ (3,401,161)	\$ (2,289,782)	\$ (370,245)	\$ (3,169,407)	\$ -	\$ (9,230,595)	\$ (14,294,978)
New Equipment Loan from MFA	-	-	-	-	-	-	890,000
Debt payment and Actuarial Adjustments	688,858	-	(19,108)	-	-	669,750	(312,090)
Bylaw and Statutory Reserve Interest Income	(150,224)	-	-	-	-	(150,224)	(92,942)
Prince Rupert Legacy Dividend	3,950,000	550,000	-	-	(4,500,000)	-	-
City West Cable & Tel. Corp Loan Repayment	400,000	-	-	-	-	400,000	400,000
City West Cable & Tel. Corp (Income)/Loss	(994,000)	-	-	-	-	(994,000)	(1,111,000)
Transfers between Funds	(2,466,000)	-	-	2,466,000	-	-	-
Transfer (to)/ from Reserves	<u>293,359</u>	<u>(19,362)</u>	<u>(50,239)</u>	<u>(59,474)</u>	<u>-</u>	<u>164,284</u>	<u>(406,532)</u>
	\$ (1,679,168)	\$ (1,759,144)	\$ (439,592)	\$ (762,881)	\$ (4,500,000)	\$ (9,140,785)	\$ (14,927,542)
Total Operating Surplus/(Deficit)	\$ 1,916,118	\$ 138,146	\$ 1,009,457	\$ 60,507	\$ (787,982)	\$ 2,336,248	\$ (3,415,397)
Balance forward Surplus/(Deficit)	<u>6,763,212</u>	<u>2,279,200</u>	<u>3,037,383</u>	<u>745,185</u>	<u>5,799,914</u>	<u>18,624,894</u>	<u>22,040,291</u>
Accumulated Surplus/(Deficit)	<u>\$ 8,679,330</u>	<u>\$ 2,417,346</u>	<u>\$ 4,046,840</u>	<u>\$ 805,692</u>	<u>\$ 5,011,932</u>	<u>\$ 20,961,142</u>	<u>\$ 18,624,894</u>
Surplus Allocation							
Unappropriated Surplus	\$ 7,504,330	\$ 2,217,346	\$ 2,931,840	\$ 5,692	\$ 133,932	\$ 12,793,142	\$ 16,334,894
2019 Appropriated Surplus	<u>1,175,000</u>	<u>200,000</u>	<u>1,115,000</u>	<u>800,000</u>	<u>4,878,000</u>	<u>8,168,000</u>	<u>2,290,000</u>
	<u>\$ 8,679,330</u>	<u>\$ 2,417,346</u>	<u>\$ 4,046,840</u>	<u>\$ 805,692</u>	<u>\$ 5,011,932</u>	<u>\$ 20,961,142</u>	<u>\$ 18,624,894</u>

City of Prince Rupert

Consolidated Statement of Changes in Net Financial Assets For The Year Ended December 31

	2018	2017
	<u>Actual</u>	<u>Actual</u>
Revenue Over Expenditure (Statement B)	\$ 8,329,348	\$ 8,602,052
Acquisition of Tangible Capital Assets	(11,509,284)	(14,294,979)
Amortization of Tangible Capital Assets	3,147,683	2,863,694
Writedown of Tangible Capital Assets	-	46,400
City West Cable and Tel. Corp. (Increase)/Decrease in Equity	(594,000)	(711,000)
Change in Inventory	39,199	105,017
Change in Net Financial Assets	<u>\$ (587,054)</u>	<u>\$ (3,388,816)</u>
Net Financial Assets at Beginning of Year	<u>\$ 22,505,457</u>	<u>\$ 25,894,273</u>
Net Financial Assets at End of Year	<u><u>\$ 21,918,403</u></u>	<u><u>\$ 22,505,457</u></u>

City of Prince Rupert

Consolidated Statement of Cash Flows For The Year Ended December 31

	<u>2018</u>	<u>2017</u>
Operating Activities		
Revenue Over Expenditure	\$ 8,329,348	\$ 8,602,052
Non-cash Items		
Amortization	3,147,683	2,863,694
Write down of Tangible Capital Assets	-	46,400
City West Cable & Tel. Corp	(994,000)	(1,111,000)
Taxes Receivable	(453,877)	(584,690)
General Receivables	3,448,626	(1,789,650)
Land inventory held for resale	111,560	(88,806)
Inventory	39,199	105,017
Accounts Payable and Accrued Liabilities	588,453	(785,760)
Deferred Revenue	1,100,848	1,400,139
Landfill Closure Costs	-	500,000
Cash Provided by Operating Activities	<u>\$ 15,317,840</u>	<u>\$ 9,157,396</u>
Financing Activities		
Equipment Loan	\$ -	\$ 890,000
Repayment (Loans) from Prince Rupert Airport Authority	357,025	80,883
Principal Repayments	(752,441)	(573,811)
Cash provided by/(applied to) Financing Activities	<u>\$ (395,416)</u>	<u>\$ 397,072</u>
Investing Activities		
Tangible Capital Assets Additions	\$ (11,509,284)	\$ (14,294,979)
City West Cable & Tel. Corp. Loan Repayment	400,000	400,000
Cash Provided by/(applied to) Investing Activities	<u>\$ (11,109,284)</u>	<u>\$ (13,894,979)</u>
Increase/(Decrease) in Cash and Cash Equivalents	\$ 3,813,140	\$ (4,340,511)
Cash and Cash Equivalents at Beginning of Year	29,232,094	33,572,605
Cash and Cash Equivalents at End of Year	<u>\$ 33,045,234</u>	<u>\$ 29,232,094</u>

City of Prince Rupert

Statement of Bylaw and Statutory Reserve Fund Balances December 31, 2018

	<u>Opening Balance</u>	<u>Interest/Income</u>	<u>Transfer (to)/from Other Funds</u>	<u>Year End Balance</u>	RESERVE ALLOCATION		
					<u>2019 Budget Appropriation</u>	<u>Unappropriated Reserve</u>	<u>Year End Balance</u>
BYLAW & OTHER RESERVES							
General Reserves	\$ 3,454,354	\$ 77,304	\$ 108,005	\$ 3,639,663	\$ 165,000	\$ 3,474,663	\$ 3,639,663
Public Work Equipment Reserves	997,379	19,448	(18,367)	998,460	775,000	223,460	998,460
Ferry Maintenance Reserves	302,025	4,179	150,000	456,204	450,000	6,204	456,204
Water Asset Management Reserve	51,152	997	19,362	71,511	-	71,511	71,511
Sewer Asset Management Reserve	47,747	931	50,239	98,917	-	98,917	98,917
Solid Waste Asset Management Res.	59,825	1,167	59,474	120,466	-	120,466	120,466
Total Bylaw & Other Reserves	\$ 4,912,482	\$ 104,026	\$ 368,713	\$ 5,385,221	\$ 1,390,000	\$ 3,995,221	\$ 5,385,221
STATUTORY RESERVES							
Capital Assets & Land Acquisition	\$ 2,145,284	\$ 41,833	\$ (539,331)	\$ 1,647,786	\$ 115,000	\$ 1,532,786	\$ 1,647,786
Parkland Reserves	6,616	129	-	6,745	-	6,745	6,745
Parking Space Requirements	137,508	2,681	600	140,789	-	140,789	140,789
Cemetery Care Trust	207,521	1,555	5,734	214,810	-	214,810	214,810
Total Statutory Reserves	\$ 2,496,929	\$ 46,198	\$ (532,997)	\$ 2,010,130	\$ 115,000	\$ 1,895,130	\$ 2,010,130
TOTAL RESERVES	\$ 7,409,411	\$ 150,224	\$ (164,284)	\$ 7,395,351	\$ 1,505,000	\$ 5,890,351	\$ 7,395,351

City of Prince Rupert

**Consolidated Statement of Tangible Capital Assets
December 31**

	<u>CAPITAL ASSETS</u>				<u>ACCUMULATED AMORTIZATION</u>				<u>NET BOOK VALUE</u>	
	<u>Opening Balance</u>	<u>Additions</u>	<u>Disposals/ Write-Downs</u>	<u>Closing Balance</u>	<u>Opening Balance</u>	<u>Amortization</u>	<u>Disposals/ Write-Downs</u>	<u>Closing Balance</u>	<u>2018</u>	<u>2017</u>
Land	\$ 5,097,791	\$ 3,156,995	\$ -	\$ 8,254,786	\$ -	\$ -	\$ -	\$ -	\$ 8,254,786	\$ 5,097,791
Buildings	10,186,223	1,730,822	-	11,917,045	6,814,013	475,647	-	7,289,660	4,627,385	3,372,210
Equipment	8,709,767	238,367	(575,456)	8,372,678	5,536,259	561,385	(575,456)	5,522,188	2,850,490	3,173,508
Infrastructure	102,838,724	6,383,100	(420,622)	108,801,202	45,325,492	2,110,651	(420,622)	47,015,521	61,785,681	57,513,232
	<u>\$ 126,832,505</u>	<u>\$ 11,509,284</u>	<u>\$ (996,078)</u>	<u>\$ 137,345,711</u>	<u>\$ 57,675,764</u>	<u>\$ 3,147,683</u>	<u>\$ (996,078)</u>	<u>\$ 59,827,369</u>	<u>\$ 77,518,342</u>	<u>\$ 69,156,741</u>

City of Prince Rupert

City West Cable & Telephone Corporation Statement of Financial Position December 31

	<u>2018</u>	<u>2017</u>
ASSETS		
City West Cable & Telephone Corporation		
Investment	\$ 1	\$ 1
Loan	19,232,762	19,632,762
Equity	<u>17,659,000</u>	<u>16,665,000</u>
	<u>\$ 36,891,763</u>	<u>\$ 36,297,763</u>
LIABILITIES AND EQUITY		
Equity, Beginning of Year	\$ 36,297,763	\$ 35,586,763
Net Income of Corporation	994,000	1,111,000
Repayment of loan	<u>(400,000)</u>	<u>(400,000)</u>
Equity, End of Year	<u>\$ 36,891,763</u>	<u>\$ 36,297,763</u>

City of Prince Rupert

**Statement of Changes in Investment in Tangible Capital Assets
December 31**

	<u>2018</u>	<u>2017</u>
Opening Balance	\$ 66,207,043	\$ 55,400,068
Tangible Capital Assets Purchased By Operations	8,080,593	13,404,979
Debenture Debt Repayment	149,102	129,922
Actuarial Additions	88,385	98,895
Loan Repayment	242,763	83,273
Writedown of Tangible Capital Assets	-	(46,400)
Amortization	<u>(3,147,683)</u>	<u>(2,863,694)</u>
Closing Balance	<u>\$ 71,620,203</u>	<u>\$ 66,207,043</u>

City of Prince Rupert

Notes to the Consolidated Financial Statements December 31, 2018

1) Significant accounting policies

a) *Basis of presentation*

It is the Municipality's policy to follow accounting principles generally accepted for British Columbia Municipalities and to apply such principles consistently. These consolidated statements include the operations of the General, Water, Sewer, Solid Waste, Capital & Reserve Funds, Prince Rupert Legacy Inc. and City West Cable & Telephone Corp. They have been prepared using guidelines issued in the CPA Canada Public Sector Accounting Handbook.

b) *Revenue and expenses recognition*

The accrual method for reporting revenues and expenditures has been used.

Revenues are normally recognized in the year in which they are earned and measurable.

Government transfers are recognized in the financial statements as revenue in the period in which the eligibility criteria have been met and reasonable estimates of the amounts can be made. Transfers received for which the expenditures have not yet been incurred are reported as deferred revenue.

Deferred revenue includes grants, contributions and other amounts received from third parties which are specifically designated and the expenditures have not yet been incurred.

c) *Tangible capital assets*

Tangible capital assets are reported at cost. Donated assets are reported at fair market value at the time of donation. Tangible capital assets are amortized using the straight-line method as follows:

	<u>Years</u>
Buildings and Improvements	5 to 50
Equipment	5 to 20
Infrastructure	25 to 100

d) *Inventory*

Inventory is reported at average cost.

e) *Estimates*

The preparation of financial statements in accordance with CPA Canada Public Sector Accounting Standards requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

City of Prince Rupert

Notes to the Consolidated Financial Statements December 31, 2018

f) Reporting entity

The City's reporting entity includes the municipal government and entities that are either controlled or owned by it. All controlled entities are fully consolidated on a line-by-line basis except for government business enterprises.

Government business enterprises are consolidated on a modified equity basis. Under the modified equity basis, accounting policies are not adjusted to conform to the City's, inter-organizational transactions and balances are not eliminated and the City recognises annual earnings or losses in its statement of operations with a corresponding increase or decrease in the investment. Any distributions reduce the carrying value of the investment.

The City's reporting entities include:

Prince Rupert Legacy Inc.	Controlled Entity	100%
City West Cable & Telephone Corp.	Government Business Enterprise	100%

g) Financial instruments

The City's financial instruments consist of cash, taxes and accounts receivable, accounts payable, accruals and deferred revenue, capital leases and debenture debt. It is management's opinion that the City is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximate their carrying value.

2) Receivables

a) Taxes receivable

	<u>2018</u>	<u>2017</u>
Current	\$ 1,345,339	\$ 1,098,825
Arrears	565,660	402,783
Tax sale properties	298,577	254,091
Net Taxes Receivable	\$ 2,209,576	\$ 1,755,699

b) General receivables

	<u>2018</u>	<u>2017</u>
General receivables	\$ 2,582,175	\$ 6,027,152
Allowance for doubtful accounts	(7,932)	(4,283)
Net general receivables	\$ 2,574,243	\$ 6,022,869

City of Prince Rupert

Notes to the Consolidated Financial Statements December 31, 2018

3) Municipal Finance Authority reserve and deposit

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 Municipality may be required to loan certain amounts to the Municipal Finance Authority.

4) Land inventory held for resale

The Watson Island land property value is reported at the gross value of the property taxes owing when it was acquired through tax sale in 2008 plus \$2.1 million of remediation costs incurred to prepare the island for resale, less \$0.95 million for 35 acres leased out. Management believes current market value exceeds net book value. There is approximately \$2 million owing to the Ministry of Education and BC Assessment Authority that is included in accounts payable.

5) Loans to Prince Rupert Airport Authority

	<u>2018</u>	<u>2017</u>
From Municipal Finance Authority (MFA) (Details per Schedule 7)	\$ 5,972,456	\$ 6,244,647
From Prince Rupert Legacy (Payments include interest at 2.5% per annum, secured by mortgage on Airport Lands)		
\$24,080 due January 28 and July 28 each year with a final payment on January 28, 2031	\$ 514,775	\$ 549,498
\$16,054 due April 6 and October 6 each year with a final payment on April 6, 2031	343,184	366,332
\$9,030 due June 20 and December 20 each year with a final payment on June 20, 2031	193,041	206,062
\$10,033 due February 28 and August 28 each year with a final payment on August 28, 2032	236,058	250,000.00
	\$ 1,287,058	\$ 1,371,892
Total loans to Prince Rupert Airport Authority	<u>\$ 7,259,514</u>	<u>\$ 7,616,539</u>

City of Prince Rupert

Notes to the Consolidated Financial Statements December 31, 2018

6) Accounts payable, accrued liabilities, and deferred revenue

	<u>2018</u>	<u>2017</u>
a) Accounts payable and accrued liabilities		
Trade payables	\$ 2,984,385	\$ 2,565,974
Accrued liabilities	1,454,980	1,023,503
Accrued interest payable - MFA	14,565	14,565
Taxes due to other governments	2,148,429	2,351,320
Salaries, wages, other payroll payables	4,562,193	4,229,971
Holdbacks and deposits	337,181	727,947
	<u>\$ 11,501,733</u>	<u>\$ 10,913,280</u>
b) Deferred revenue		
Prepaid taxes	\$ 1,197,603	\$ 1,122,747
Deferred revenue - PR Legacy	3,312,066	-
Other deferred revenue	2,652,242	4,938,316
	<u>\$ 7,161,911</u>	<u>\$ 6,061,063</u>

7) Debenture debt and loans payable

Debenture debt and loans are with the Municipal Finance Authority and are being repaid in accordance with approved bylaws and agreements.

8) Investment in City West Cable & Telephone Corp.

Financial information for the Company as at December 31 is as follows

	<u>2018</u>	<u>2017</u>
Assets	\$ 57,027,000	\$ 58,474,000
Liabilities to Arms-length parties	\$ 20,136,000	\$ 22,177,000
Net Income	\$ 994,000	\$ 1,111,000

9) Commitments and contingencies:

a) Pension information

The City and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2017, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from local governments.

City of Prince Rupert

Notes to the Consolidated Financial Statements December 31, 2018

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 may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The City of Prince Rupert paid \$1,327,692 (2017- \$1,288,053) for employer contributions while employees contributed \$1,116,812 (2017- \$1,072,138) to the plan in fiscal 2018.

The next valuation will be as at December 31, 2018, with results available in 2019.

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, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

b) Landfill closure costs

The City is responsible for closing the landfill in accordance with Ministry of Environment regulations. Phase 1 and 2 East are now exhausted. Management estimates that Phase 1 and 2 West will extend the life of the landfill capacity to 2021. The closure costs have been fully accrued based on the latest landfill closure plan.

c) Third party claims

The City has various lawsuits and claims pending by and against it. It is the opinion of management that the determination of these claims will not materially affect the financial position or the operating results of the City.

City of Prince Rupert

Schedule of Tax Revenues For The Year Ended December 31

	Unaudited 2018 Budget	2018 Actual	2017 Actual
Real Property Taxes			
Municipal Property Tax			
Residential	\$ 7,113,000	\$ 7,114,928	\$ 6,992,776
Utilities	179,000	179,048	172,103
Major Industry	3,550,000	3,549,579	3,172,360
Light Industry	652,000	598,610	624,859
Business	4,895,000	4,760,590	4,882,852
Recreational	18,000	17,974	17,578
	<u>\$ 16,407,000</u>	<u>\$ 16,220,729</u>	<u>\$ 15,862,528</u>
Less: Tax Sharing with District of Port Edward	<u>\$ (898,000)</u>	<u>\$ (878,978)</u>	<u>\$ (643,310)</u>
	<u>\$ 15,509,000</u>	<u>\$ 15,341,751</u>	<u>\$ 15,219,218</u>
Special Payments			
Port Competitiveness Tax Grant	\$ 1,677,000	\$ 1,695,206	\$ 1,660,338
Revenue Tax	\$ 476,000	\$ 534,234	\$ 481,870
Specified Area Tax	\$ 61,000	\$ 60,951	\$ 60,951
Payments in Lieu of Tax			
Federal Government Properties	\$ 211,000	\$ 208,736	\$ 213,808
Prince Rupert Port Authority	1,563,000	1,560,030	1,790,121
	<u>\$ 1,774,000</u>	<u>\$ 1,768,766</u>	<u>\$ 2,003,929</u>
Grants in Lieu of Tax			
Provincial Government Properties	\$ 162,000	\$ 166,336	\$ 161,945
BC Buildings Corp.	49,000	48,343	49,193
BC Housing Commission	100,000	91,524	99,202
BC Hydro and Power Authority	58,000	58,174	58,046
Insurance Corporation of BC	10,000	10,289	10,374
	<u>\$ 379,000</u>	<u>\$ 374,666</u>	<u>\$ 378,760</u>
	<u>\$ 4,367,000</u>	<u>\$ 4,433,823</u>	<u>\$ 4,585,848</u>
Net Tax Revenue	<u><u>\$ 19,876,000</u></u>	<u><u>\$ 19,775,574</u></u>	<u><u>\$ 19,805,066</u></u>

City of Prince Rupert

Schedule of Sale of Service Revenues For The Year Ended December 31

	Unaudited 2018 Budget	2018 Actual	2017 Actual
GENERAL FUND			
Protective Services (RCMP)	\$ 20,000	\$ 27,779	\$ 20,542
Transportation Services			
Public Transit	\$ 383,000	\$ 325,975	\$ 350,229
Airport Ferry	1,435,000	1,410,834	1,410,883
	<u>\$ 1,818,000</u>	<u>\$ 1,736,809</u>	<u>\$ 1,761,112</u>
Environmental Development Services			
Rezoning / Subdivision Services	\$ 20,000	\$ 14,633	\$ 13,905
Parking	70,000	62,670	63,520
	<u>\$ 90,000</u>	<u>\$ 77,303</u>	<u>\$ 77,425</u>
Public Health (Cemetery)	\$ 72,000	\$ 91,082	\$ 70,668
Recreation and Cultural Services			
Civic Centre Rentals & Programs	\$ 271,000	\$ 279,661	\$ 277,913
Swimming Pool	441,000	407,189	438,505
Arena	199,000	189,023	186,219
	<u>\$ 911,000</u>	<u>\$ 875,873</u>	<u>\$ 902,637</u>
Cow Bay Marina	\$ 255,000	\$ 286,846	\$ 253,157
TOTAL GENERAL OPERATING FUND	\$ 3,166,000	\$ 3,095,692	\$ 3,085,541
SOLID WASTE FUND	\$ 3,204,000	\$ 2,973,182	\$ 3,051,055
WATER FUND	\$ 2,740,000	\$ 2,667,401	\$ 2,616,665
SEWER FUND	\$ 2,555,000	\$ 2,516,814	\$ 2,437,962
	<u>\$ 11,665,000</u>	<u>\$ 11,253,089</u>	<u>\$ 11,191,223</u>

City of Prince Rupert

Schedule of Government Transfers For The Year Ended December 31

	Unaudited 2018 Budget	2018 Actual	2017 Actual
Federal Grant- Conditional			
General Operating Fund			
PRPA- Ferry Dock Repair	\$ 17,000	\$ 68,470	\$ 233,028
PRPA- Doug Kerr Ball Field	41,500	41,500	-
PRPA- Highway appurtenance		-	213,491
PRPA- Mariners' Park Renewal	-	-	28,207
Water Fund			
Woodworth Dam Design & Construction- PRPA- Joint	-	118,182	42,500
Woodworth Dam Design & Construction- FED	3,268,500	-	316,078
P3 Water Line & Road Project- Fed	404,000	391,714	1,801,314
P3 Water Line & Road Project- PRPA Joint	-	136,696	-
	<u>\$ 3,731,000</u>	<u>\$ 756,562</u>	<u>\$ 2,634,618</u>
Provincial Grants			
Unconditional			
General Operating - Small Community	\$ 378,000	\$ 390,229	\$ 378,769
- Traffic Fines	225,000	211,210	221,032
- Carbon Tax Rebate	-	-	87
Total Unconditional	<u>\$ 603,000</u>	<u>\$ 601,439</u>	<u>\$ 599,888</u>
Conditional			
General Operating Fund			
Victim Services	\$ 62,000	\$ 57,437	\$ 54,283
Tsunami Preparedness Grant	385,000	321,109	-
Provincial Emergency Grant	-	1,250	-
Casino Revenue	495,000	541,655	495,013
Two Percent (2%) Hotel Tax	220,000	241,917	219,788
Ministry of Natural Resources- Redesign Prince Rupert	220,000	150,000	-
NDIT- Economic Development	50,000	48,780	50,000
NDIT- Business Façade	-	-	16,226
NDIT- Cow Bay Marina	48,000	46,685	43,188
UBCM- Community Work Fund (Gas Tax)	527,000	476,487	230,814
UBCM- Asset management	35,000	73,831	9,323
UBCM- Emergency Social Services Grant	15,000	11,805	-
BC Hydro- Energy Savings incentive	-	12,770	49,587
Water Fund			
P3 Water Project Provincial Government portion	404,000	391,714	1,801,314
Woodworth Dam Design & construction	3,268,500	-	316,078
Sewer Fund			
Federal Canadian Municipality- LWMP	-	19,112	94,154
Solid Waste Fund			
UBCM- Community Work Fund (Gas Tax)	2,472,000	2,466,000	329,636
Total Conditional	<u>\$ 8,201,500</u>	<u>\$ 4,860,552</u>	<u>\$ 3,709,404</u>
Total Government Transfer	<u><u>\$ 12,535,500</u></u>	<u><u>\$ 6,218,553</u></u>	<u><u>\$ 6,943,910</u></u>

City of Prince Rupert

Schedule of Revenue from Own Sources For The Year Ended December 31

	Unaudited 2018 Budget	2018 Actual	2017 Actual
Licenses and Permits	\$ 330,000	\$ 999,653	\$ 328,425
Fines	27,000	32,070	26,920
911 Service Fee	102,000	114,438	111,899
	<u>\$ 459,000</u>	<u>\$ 1,146,161</u>	<u>\$ 467,244</u>
Miscellaneous revenues			
Actuarial Additions	\$ -	\$ 125,504	\$ 120,447
Cemetery Care Fund	-	5,734	4,213
Miscellaneous - General Fund	232,000	261,113	390,726
Miscellaneous Grant- Accessibility Lift	-	-	41,987
Miscellaneous Grant- Doug Kerr Ball field	45,500	46,000	-
Miscellaneous Grant- Tree Planting	-	-	29,500
Miscellaneous Grant- Mariners' Park Renewal	-	4,000	205,560
Penalties and Interest on Taxes	-	278,552	198,837
Property Rentals	86,000	85,709	85,273
Water Meter Rentals	123,000	118,853	113,548
Sale of Tangible Capital Assets	-	15,501	144,974
Total Miscellaneous Revenues	<u>\$ 486,500</u>	<u>\$ 940,966</u>	<u>\$ 1,335,065</u>

City of Prince Rupert

Schedule of Expenditure by Objects of Expense For The Year Ended December 31

	Unaudited 2018 Budget	2018 Actual	2017 Actual
Wages	\$ 14,236,770	\$ 14,619,441	\$ 13,842,439
Benefits	3,446,100	3,350,769	3,295,144
Professional Fees	1,261,000	827,196	767,582
Supplies	2,136,500	2,137,638	2,138,153
Services	2,624,280	3,789,288	2,134,579
Energy	1,298,200	1,199,649	1,313,931
Fiscal Expenses	1,327,000	865,592	645,507
Grants in Aid to Community Partners	1,410,000	1,431,122	1,389,991
Contracts	<u>5,421,000</u>	<u>5,290,929</u>	<u>5,224,398</u>
	<u>\$ 33,160,850</u>	<u>\$ 33,511,624</u>	<u>\$ 30,751,724</u>
Capital Purchases & Capital Works (Per budget)	27,530,500	9,903,706	15,171,512
Wages & Vehicle cost allocated to Capital Works	(114,850)	(484,986)	(677,430)
Less:			
Investments in Tangible Capital Assets	(26,194,000)	(11,509,284)	(14,294,979)
Long Term Debt Repayment	<u>(854,000)</u>	<u>(626,937)</u>	<u>(467,449)</u>
Total Expenses (Statement B)	<u>\$ 33,528,500</u>	<u>\$ 30,794,123</u>	<u>\$ 30,483,378</u>

City of Prince Rupert

Schedule of Equipment / Short Term Financing Debt December 31

Lease No.	Purpose	New/ Renewal	Amount of Issue	2017 Balance	Additions	Principal Payments	2018 Balance
General Fund							
0001-0	2015 Rescue Vehicle	2015	338,904	\$ 173,881	-	\$ (68,796)	\$ 105,085
0002-0	2017 Pumper Truck	2017	890,000	875,409	-	(173,967)	701,442
				<u>\$ 1,049,290</u>	<u>\$ -</u>	<u>\$ (242,763)</u>	<u>\$ 806,527</u>

City of Prince Rupert

Schedule of Debenture Debt December 31

Bylaw No.		Maturity No.	Date	Amount of Issue	2017 Balance	Principal Payment	2017 Accrued Actuarial	2018 Actuarial	2018 Accrued Actuarial	2018 Balance
General Fund										
3129	George Hills Way/Specified Area	75	2021	\$ 700,000	\$ 197,116	\$ (21,170)	\$ 2,058	\$ (25,041)	\$ (2,247)	\$ 150,716
3201	Cruise Ship Dock	94	2025	3,133,056	1,532,965	(115,139)	12,022	(55,546)	(13,316)	1,360,986
3333	Airport Upgrade	127	2034	7,000,000	6,244,647	(235,072)	21,552	(29,352)	(29,319)	5,972,456
					<u>\$ 7,974,728</u>	<u>\$ (371,381)</u>	<u>\$ 35,632</u>	<u>\$ (109,939)</u>	<u>\$ (44,882)</u>	<u>\$ 7,484,158</u>
Sewer Fund										
3201	Moresby Sewer Upgrade	94	2025	\$ 346,970	\$ 170,329	\$ (12,793)	\$ 1,336	\$ (6,172)	\$ (1,479)	\$ 151,221
					<u>\$ 8,145,057</u>	<u>\$ (384,174)</u>	<u>\$ 36,968</u>	<u>\$ (116,111)</u>	<u>\$ (46,361)</u>	<u>\$ 7,635,379</u>

City of Prince Rupert

Budget Variance Report General Operating Departments For The Year Ended December 31

REVENUES	2018 Budget	2018 Actual	Budget Variance	Variance (%)
Airport Ferry	\$ 1,435,000	\$ 1,410,834	\$ (24,166)	(1.68)
Cemetery	72,000	91,082	19,082	26.50
Corporate Administration	-	9,630	9,630	-
Cow Bay Marina	255,000	286,846	31,846	12.49
Development Services	523,000	1,187,640	664,640	127.08
Economic Development	50,000	48,780	(1,220)	(2.44)
Finance	12,000	15,093	3,093	25.78
Fire Protective Services	2,000	22,252	20,252	N.A
FD 911	102,000	114,438	12,438	12.19
Fire Emergency Services	385,000	321,109	(63,891)	(16.60)
Fiscal Revenues	7,819,000	10,873,934	3,054,934	39.07
Information Technology	1,000	1,200	200	20.00
PW Common Revenues	15,000	54,317	39,317	262.11
PW Engineering	63,000	20,368	(42,632)	(67.67)
Parks	-	28,560	28,560	-
RCMP	90,000	111,269	21,269	23.63
Rec. Centre Arena	189,000	179,643	(9,357)	(4.95)
Rec. Centre Civic Centre	257,000	266,042	9,042	3.52
Rec. Centre Community Services	52,000	29,210	(22,790)	(43.83)
Rec. Centre Pool	419,000	386,848	(32,152)	(7.67)
Transit	383,000	325,975	(57,025)	(14.89)
Victim Services	62,000	57,437	(4,563)	(7.36)
Watson Island	400,000	-	(400,000)	(100.00)
	\$ 12,586,000	\$ 15,842,507	\$ 3,256,507	25.87
Property Taxes	16,407,000	16,220,728	(186,272)	(1.14)
Injection for Economic Growth- PR Legacy	600,000	422,970	(177,030)	(29.51)
Capital Works- Funding from PR Legacy	-	106,447	106,447	N.A
Capital Works- Funding from Grants	165,000	138,019	(26,981)	(16.35)
Capital Works- Funding from Appr. Surplus	200,000	-	(200,000)	(100.00)
Capital Works- Funding from Reserves	100,000	11,897	(88,103)	(88.10)
Capital Purchases- Funding from PR Legacy	150,000	200,081	50,081	33.39
Capital Purchases- Funding from Grant	1,007,000	631,723	(375,277)	(37.27)
Capital Purchases- Funding from Appr. Surplus	10,000	-	(10,000)	(100.00)
Capital Purchases- Funding from Reserves	1,495,000	797,247	(697,753)	(46.67)
MFA Loan	1,150,000	1,150,000	-	-
	\$ 33,870,000	\$ 35,521,619	\$ 1,651,619	4.88

City of Prince Rupert

Budget Variance Report General Operating Departments For The Year Ended December 31

EXPENDITURES	2018 Budget	2018 Actual	Budget Variance	Variance (%)
Airport Ferry	\$ 2,588,000	\$ 2,587,592	\$ 408	0.02
Cemetery	238,000	275,444	(37,444)	(15.73)
Civic Properties	356,000	287,127	68,873	19.35
Corporate Administration	1,000,000	992,255	7,745	0.77
Cow Bay Marina	207,000	209,481	(2,481)	(1.20)
Development Services	1,065,000	938,950	126,050	11.84
Economic Development	130,000	134,898	(4,898)	(3.77)
FD 911	535,000	537,150	(2,150)	(0.40)
FD Fire Protective Services	2,950,000	3,195,627	(245,627)	(8.33)
FD Emergency Measures	418,000	359,792	58,208	13.93
Finance	794,000	846,945	(52,945)	(6.67)
Finance Cost Allocation	(359,000)	(359,000)	-	-
Fiscal Expenditures	2,885,000	2,499,890	385,110	13.35
Governance	305,000	279,661	25,339	8.31
Grants	1,410,000	1,431,122	(21,122)	(1.50)
Information Technology	530,000	521,495	8,505	1.60
Parks	967,000	984,656	(17,656)	(1.83)
PW Engineering	441,000	365,573	75,427	17.10
PW Common Costs	3,708,000	3,846,571	(138,571)	(3.74)
Allocation of Common Cost	(3,708,000)	(3,885,870)	177,870	(4.80)
PW Vehicles	1,274,000	1,334,087	(60,087)	(4.72)
PW Net Vehicle Cost & Allocation	(1,274,000)	(1,343,161)	69,161	(5.43)
RCMP	5,336,000	5,281,790	54,210	1.02
Rec. Centre Arena	399,000	418,089	(19,089)	(4.78)
Rec. Centre Civic Centre	1,851,000	1,875,706	(24,706)	(1.33)
Rec. Centre Community Services	52,000	18,485	33,515	64.45
Rec. Centre Pool	1,256,000	1,241,672	14,328	1.14
Roads	2,017,000	2,055,157	(38,157)	(1.89)
Transit	880,000	818,175	61,825	7.03
Victim Services	119,000	87,707	31,293	26.30
Watson Island	400,000	1,635,686	(1,235,686)	(308.92)
Transfer to Reserves	95,000	141,037	(46,037)	(48.46)
Capital Purchases	4,010,000	3,218,741	791,259	19.73
Capital Works	995,000	772,971	222,029	22.31
	\$ 33,870,000	\$ 33,605,501	\$ 264,499	0.78
Surplus/(Deficit)	\$ -	\$ 1,916,118	\$ 1,916,118	-

City of Prince Rupert

Budget Variance Report of Utilities For The Year Ended December 31

UTILITIES	2018 Budget	2018 Actual	Budget Variance	Variance %
Sewer				
Revenues	\$ 2,504,000	\$ 2,485,687	\$ (18,313)	(0.73)
Capital Works- Grants	6,000	-	(6,000)	(100.00)
Capital Works	(951,000)	(438,508)	512,492	(53.89)
Net Revenue	\$ 1,559,000	\$ 2,047,179	\$ 488,179	31.31
Expenditures	1,559,000	1,037,722	521,278	33.44
Surplus /(Deficit)	\$ -	\$ 1,009,457	\$ 1,009,457	-
Water				
Revenues	\$ 2,808,000	\$ 2,733,047	\$ (74,953)	(2.67)
Capital works- Grants	7,365,000	783,428	(6,581,572)	(89.36)
Capital Works- PR Legacy	550,000	550,000	-	-
Capital Works- PRPA	-	-	254,878	N.A.
Capital Works- MFA Debenture	8,613,000	254,878	(8,358,122)	(97.04)
Capita Works- Reseves	30,000	33,845	3,845	12.82
Capital Works	(17,258,000)	(2,323,626)	14,934,374	(86.54)
Net Revenue	\$ 2,108,000	\$ 2,031,572	\$ 178,450	8.47
Expenditures	2,108,000	1,893,426	214,574	10.18
Surplus/(Deficit)	\$ -	\$ 138,146	\$ 138,146	-
Solid Waste				
Revenues	\$ 3,140,000	\$ 2,913,708	\$ (226,292)	(7.21)
Capital Works- Appropriated Surplus	150,000	-	(150,000)	(100.00)
Capital Works- Accruals	1,030,000	-	(1,030,000)	(100.00)
Capital Works- Gas Tax	2,466,000	2,466,000	-	-
Capital Works- Grants	7,500	-	(7,500)	(100.00)
Capital Works	(4,366,500)	(3,169,406)	1,197,094	(27.42)
Net Revenue	\$ 2,427,000	\$ 2,210,302	\$ (216,698)	(8.93)
Expenditures	2,427,000	2,149,795	277,205	11.42
Surplus /(Deficit)	\$ -	\$ 60,507	\$ 60,507	-