

City of Prince Rupert

2012 Audited Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
City of Prince Rupert

Report on the Financial Statements

We have audited the accompanying consolidated statement of financial position of the City of Prince Rupert as at December 31, 2012 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted the audit in accordance with Canadian generally accepted auditing standards. These standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

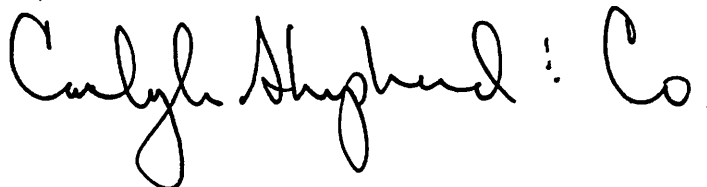
Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2012 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the City taken as a whole. The current year's supplementary information in Statements C, F to I and schedules 1 to 8 are presented for purposes of additional analysis. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all materially respects, in relation to the financial statements taken as a whole

Prince Rupert, BC
April 22, 2013



April 22, 2013

Carlyle Shepherd & Co.
Chartered Accountants

GENERAL REPRESENTATIONS

We are providing this letter in connection with your audit of the financial statements of City of Prince Rupert (the City) for the year ended December 31, 2012 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian generally accepted accounting principles.

We confirm that:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement, for the preparation of the financial statements in accordance with Canadian generally accepted accounting principles; in particular, the financial statements are fairly presented in accordance therewith.
2. All known related parties and related party transactions, including guarantees, non-monetary transactions and transactions for no consideration have been appropriately accounted for and disclosed in the financial statements.
3. We believe that the effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in aggregate, the financial statements taken as a whole.
4. The effects of uncorrected misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
6. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
7. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

8. The City has satisfactory title to all assets, and there are no liens or encumbrances on the assets except as disclosed in the financial statements.
9. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

Information Provided

1. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to preparation of the financial statements;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
2. All transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you any information in relation to fraud or suspected fraud that we are aware of and that affects the City and involves:
 - a. Management;
 - b. Employees who have significant roles in internal controls; or
 - c. Others where the fraud could have a material effect on the financial statements.
4. We have disclosed to you any information in relation to allegations of fraud, or suspected fraud, affecting the City's financial statements communicated by employees, former employees, regulators or others.
5. We have disclosed to you any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, whose effect should be considered when preparing financial statements.
6. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss.
7. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.

8. We have disclosed to you the identity of any of the City's related parties and all the related party relationships and transactions of which we are aware.
9. We have disclosed to you, and complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Yours truly

Signature

Title

Signature

Title

City of Prince Rupert
Year Ended December 31, 2012
Work Sheet - Summary of Possible adjustments

Planning Materiality	\$ 640,000
Final Materiality	\$ 640,000

All errors over \$10,000 are reported

Possible adjustments not made

Watson Island receivable overstated	\$ (273,037)
Inventory understated	9,136
Accounts payable overstated	409,630
Prior year adjustments	<u>(154,637)</u>
	<u>\$ (8,908)</u>

Financial statements are materially correct.

City of Prince Rupert

Consolidated Statement of Financial Position December 31

	<u>2012</u>	<u>2011</u>
Financial Assets		
Cash and Cash Equivalents	\$ 19,597,527	\$ 18,281,555
Taxes Receivable (Note 2a)	1,556,694	1,801,882
General Receivables (Note 2b)	1,875,471	1,916,378
Deposit-Municipal Finance Authority (Note 3)	150,190	145,786
Loan to Museum (Note 4)	-	125,991
Land Inventory Held for Resale (Note 5)	7,091,112	7,264,754
	<u>30,270,994</u>	<u>29,536,346</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6a)	9,465,325	10,468,824
Deferred Revenue (Note 6b)	5,392,839	4,401,473
Landfill Closure Cost (Note 9b)	2,050,000	1,875,000
Reserves - Municipal Finance Authority (Note 3)	150,190	145,786
Leases Payable (Schedule 6 and Note 7)	226,809	349,550
Debenture Debt (Schedule 7 and Note 7)	6,236,920	6,742,820
	<u>23,522,083</u>	<u>23,983,453</u>
Net Financial Assets (Statement D)	<u>6,748,911</u>	<u>5,552,893</u>
Non-financial Assets		
Tangible Capital Assets (Statement G and Note 1c)	45,070,693	44,888,413
Investment in City West Cable & Tel. Corp. (Statement H and Note 8)	28,895,763	28,036,763
Inventory (Note 1d)	781,551	951,605
	<u>74,748,007</u>	<u>73,876,781</u>
Surplus and Equity (Statement B)	<u>\$ 81,496,918</u>	<u>\$ 79,429,674</u>
City Position		
Accumulated Operating Surplus (Statement C)		
Unappropriated	\$ 4,983,918	\$ 3,130,088
Appropriated	1,091,500	2,579,000
	<u>6,075,418</u>	<u>5,709,088</u>
Bylaw and Statutory Reserve Funds (Statement F)	6,553,773	6,396,790
Investment in City West Cable & Tel. Corp. (Statement H and Note 7)	28,895,763	28,036,763
Investment in Tangible Capital Assets (Statement I)	39,971,964	39,287,034
	<u>39,971,964</u>	<u>39,287,034</u>
Net Position (Statement B)	<u>\$ 81,496,918</u>	<u>\$ 79,429,674</u>

Dan Rodin, CGA
Acting City Manager & Chief Financial Officer

City of Prince Rupert

Consolidated Statement of Operations For The Year Ended December 31

	Unaudited 2012 Budget	2012 Actual	2011 Actual
Revenues			
Taxes (Net) (Schedule 1)	\$ 16,604,000	\$ 16,708,479	\$ 16,512,673
Sale of Services (Schedule 2)	8,575,000	8,644,334	8,441,931
Services Provided to Other Government	70,000	71,000	71,039
Government Transfers (Schedule 3)	1,233,000	1,384,852	3,960,021
Fees, Permits, Licenses and Fines (Schedule 4)	545,000	527,491	579,806
Investment Income (Schedule 4)	118,000	171,781	138,509
City West Cable & Tel. Corp. Income/(Loss)	-	1,359,000	1,370,000
Miscellaneous Revenues (Schedule 4)	1,734,000	2,189,729	2,498,535
Total Revenue	\$ 28,879,000	\$ 31,056,666	\$ 33,572,514
Expenses			
Protection to Persons and Property	\$ 7,869,000	\$ 7,606,783	\$ 7,348,532
Water, Sewage and Solid Waste	4,814,500	4,734,187	4,373,216
Roadways and Transportation	5,802,800	4,937,525	4,941,958
Recreation and Culture	5,360,500	5,229,303	4,793,764
General Government	6,003,500	4,631,075	5,880,081
Other	407,200	270,623	406,275
Total Expenses (Schedule 5)	\$ 30,257,500	\$ 27,409,496	\$ 27,743,826
Revenue Over Expenditure Before Amortization	\$ (1,378,500)	\$ 3,647,170	\$ 5,828,688
Amortization of Tangible Capital Assets	\$ -	\$ (1,616,726)	\$ (1,620,656)
Donated Land	\$ -	\$ 36,800	\$ -
Writedown of Capital Assets	\$ -	\$ -	\$ (291,314)
Gain on Disposal of Tangible Capital Assets	\$ -	\$ -	\$ 617,289
Revenue Over Expenditure	\$ (1,378,500)	\$ 2,067,244	\$ 4,534,007
Opening City Position	NA	\$ 79,429,674	\$ 74,895,667
Closing City Position (Statement A)	NA	\$ 81,496,918	\$ 79,429,674

City of Prince Rupert

Operating Funds and Surplus Allocation For The Year Ended December 31

Fund	General	Water	Sewer	Solid Waste	2012 Total	2011 Total
Operating Results						
Revenue	\$ 24,542,616	\$ 2,260,926	\$ 1,925,816	\$ 2,327,308	\$ 31,056,666	\$ 33,572,514
Expenditure (Exclude Tangible Capital Assets)	<u>22,675,309</u>	<u>1,608,497</u>	<u>1,031,070</u>	<u>2,094,620</u>	<u>27,409,496</u>	<u>27,743,826</u>
	1,867,307	652,429	894,746	232,688	3,647,170	5,828,688
Add /(Less)						
Investment in Tangible Capital Assets	(337,400)	(472,820)	(783,916)	(204,871)	(1,799,007)	(5,020,108)
Land Donation	36,800	-	-	-	36,800	-
Debt payment and Actuarial Adjustments	(342,195)	(116,565)	(14,873)	(29,017)	(502,650)	(472,253)
Bylaw and Statutory Reserve Fund Income	(70,351)	-	-	-	(70,351)	(65,330)
City West Cable & Tel. Corp (Income)/Loss	(1,359,000)	-	-	-	(1,359,000)	(1,370,000)
City West Cable & Tel. Corp Loan Repayment	500,000	-	-	-	500,000	1,000,000
Transfer (to)/ from Reserves	<u>(86,632)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86,632)</u>	<u>372,889</u>
	(1,658,778)	(589,385)	(798,789)	(233,888)	(3,280,840)	(5,554,802)
Total Operating Surplus/(Deficit)	208,529	63,044	95,957	(1,200)	366,330	273,886
Balance forward Surplus/(Deficit)	3,358,117	1,697,166	930,756	(276,951)	5,709,088	5,435,202
Accumulated Surplus/(Deficit)	<u>\$ 3,566,646</u>	<u>\$ 1,760,210</u>	<u>\$ 1,026,713</u>	<u>\$ (278,151)</u>	<u>\$ 6,075,418</u>	<u>\$ 5,709,088</u>
Surplus Allocation						
Unappropriated Surplus	\$ 1,727,146	\$ 1,173,210	\$ 950,713	\$ (278,151)	\$ 4,983,918	\$ 3,130,088
2013 Appropriated Surplus	<u>1,839,500</u>	<u>587,000</u>	<u>76,000</u>	<u>-</u>	<u>1,091,500</u>	<u>2,579,000</u>
	<u>\$ 3,566,646</u>	<u>\$ 1,760,210</u>	<u>\$ 1,026,713</u>	<u>\$ (278,151)</u>	<u>\$ 6,075,418</u>	<u>\$ 5,709,088</u>

City of Prince Rupert

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

	2012	2011
	<u>Actual</u>	<u>Actual</u>
Revenue Over Expenditure (Statement B)	\$ 2,067,244	\$ 4,534,007
Acquisition of Tangible Capital Assets	(1,799,006)	(5,020,108)
Amortization of Tangible Capital Assets	1,616,726	1,620,656
Writedown of Capital Assets	-	291,314
City West Cable and Tel. Corp. (Increase)/Decrease in Equity	(859,000)	(370,000)
Change in Inventory	170,054	(255,453)
Change in Net Financial Assets	<u>\$ 1,196,018</u>	<u>\$ 800,416</u>
Net Financial Assets/(Debt) at Beginning of Year	<u>\$ 5,552,893</u>	<u>\$ 4,752,477</u>
Net Financial Assets/(Debt) at End of Year	<u><u>\$ 6,748,911</u></u>	<u><u>\$ 5,552,893</u></u>

City of Prince Rupert

Consolidated Statement of Cash Flows For The Year Ended December 31

	<u>2012</u>	<u>2011</u>
Operating Activities		
Revenue Over Expenditure	\$ 2,067,244	\$ 4,534,007
Non-cash Items		
Amortization	1,616,726	1,620,656
Write down of Tangible Capital Assets	-	291,314
City West Cable & Tel. Corp (Income)/loss	(1,359,000)	(1,370,000)
Taxes Receivable	245,188	(16,551)
Land Inventory Held for Resale	173,642	-
General Receivables	40,907	988,426
Loan to Museum	125,991	189,510
Inventory	170,054	(255,453)
Accounts Payable and Accrued Liabilities	(1,003,499)	1,755,467
Deferred Revenue	991,366	616,312
Landfill Closure Costs	175,000	170,000
Cash Provided by Operating Activities	<u>\$ 3,243,619</u>	<u>\$ 8,523,688</u>
Financing Activities		
Principal Repayments	<u>\$ (628,641)</u>	<u>\$ (661,763)</u>
Cash provided by/(applied to) Financing Activities	<u>\$ (628,641)</u>	<u>\$ (661,763)</u>
Investing Activities		
Tangible Capital Assets Additions	\$ (1,799,006)	\$ (5,020,108)
City West Cable & Tel. Corp. Loan Repayment	<u>500,000</u>	<u>1,000,000</u>
Cash Provided by/(applied to) Investing Activities	<u>\$ (1,299,006)</u>	<u>\$ (4,020,108)</u>
Increase/(Decrease) in Cash and Cash Equivalents	\$ 1,315,972	\$ 3,841,817
Cash and Cash Equivalents at Beginning of Year	<u>18,281,555</u>	<u>14,439,738</u>
Cash and Cash Equivalents at End of Year	<u>\$ 19,597,527</u>	<u>\$ 18,281,555</u>

City of Prince Rupert

Statement of Bylaw and Statutory Reserve Fund Balances December 31, 2012

Reserves	<u>Bylaw Reserves</u>				<u>Statutory Reserves</u>			<u>Total</u>
	<u>General Reserve</u>	<u>Public Works General Equipment</u>	<u>Ferry Maintenance</u>	<u>Capital Assets & Land Acquisition</u>	<u>Parkland Reserves</u>	<u>Parking Space Requirements</u>	<u>Cemetery Care Trust</u>	
Balance Beginning of Year	\$ 3,309,014	\$ 375,497	\$ 100,000	\$ 2,317,386	\$ 6,015	\$ 119,433	\$ 169,445	\$ 6,396,790
Interest Income	34,975	3,969	1,057	24,495	64	2,262	3,529	70,351
Net Proceed from Land Sales	-	-	-	-	-	-	-	-
Transfers (to)/from Other Funds		154,956	100,000	(168,324)	-		-	86,632
Balance End of Year	<u>\$ 3,343,989</u>	<u>\$ 534,422</u>	<u>\$ 201,057</u>	<u>\$ 2,173,557</u>	<u>\$ 6,079</u>	<u>\$ 121,695</u>	<u>\$ 172,974</u>	<u>\$ 6,553,773</u>
Reserve Allocation								
2013 Budget Appropriations	\$ 750,000	\$ 40,000	\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ 815,000
Unappropriated Reserve	<u>2,593,989</u>	<u>494,422</u>	<u>201,057</u>	<u>2,148,557</u>	<u>6,079</u>	<u>121,695</u>	<u>172,974</u>	<u>5,738,773</u>
Balance End of Year	<u>\$ 3,343,989</u>	<u>\$ 534,422</u>	<u>\$ 201,057</u>	<u>\$ 2,173,557</u>	<u>\$ 6,079</u>	<u>\$ 121,695</u>	<u>\$ 172,974</u>	<u>\$ 6,553,773</u>

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>2012</u>	<u>2011</u>
Land	\$ 4,358,788	\$ 205,124	\$ -	\$ 4,563,912	\$ -	\$ -	\$ -	\$ -	\$ 4,563,912	\$ 4,358,788
Buildings	9,647,656	51,018	-	9,698,674	5,906,364	207,543	-	6,113,907	3,584,767	3,741,292
Equipment	6,641,156	510,293	(701,700)	6,449,749	4,289,597	386,865	(701,700)	3,974,762	2,474,987	2,351,559
Infrastructure	74,022,672	1,032,571	-	75,055,243	39,585,898	1,022,318	-	40,608,216	34,447,027	34,436,774
	<u>\$ 94,670,272</u>	<u>\$ 1,799,006</u>	<u>\$ (701,700)</u>	<u>\$ 95,767,578</u>	<u>\$ 49,781,859</u>	<u>\$ 1,616,726</u>	<u>\$ (701,700)</u>	<u>\$ 50,696,885</u>	<u>\$ 45,070,693</u>	<u>\$ 44,888,413</u>

City of Prince Rupert

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

	<u>2012</u>	<u>2011</u>
ASSETS		
City West Cable & Telephone Corporation		
Investment	\$ 1	\$ 1
Loan	21,232,762	21,732,762
Equity	<u>7,663,000</u>	<u>6,304,000</u>
	<u>\$ 28,895,763</u>	<u>\$ 28,036,763</u>
LIABILITIES AND EQUITY		
Equity, Beginning of Year	\$ 28,036,763	\$ 27,666,763
Net Income/(Loss) of Corporation	1,359,000	1,370,000
Transfer to operating fund	<u>(500,000)</u>	<u>(1,000,000)</u>
Equity, End of Year	<u>28,895,763</u>	<u>28,036,763</u>
	<u>\$ 28,895,763</u>	<u>\$ 28,036,763</u>

City of Prince Rupert

Statement of Changes in Investment in Tangible Capital Assets December 31

	<u>2012</u>	<u>2011</u>
Opening Balance	\$ 39,287,034	\$ 35,706,643
Tangible Capital Assets Purchased By Operations	1,799,006	5,020,108
Museum Loan Principal Repayment	(125,991)	(189,510)
Debenture Debt Repayment	355,239	355,239
Actuarial Additions	150,661	129,548
Lease Repayment	122,741	176,976
Writedown of Tangible Capital Assets	-	(291,314)
Amortization	<u>(1,616,726)</u>	<u>(1,620,656)</u>
Closing Balance	<u>\$ 39,971,964</u>	<u>\$ 39,287,034</u>

City of Prince Rupert

Notes to the Consolidated Financial Statements December 31, 2012

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 and Reserve Funds. They have been prepared using guidelines issued in the CICA 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:

Buildings	50 years
Equipment	5 to 20 years
Infrastructure	25 to 100 years

d) **Inventory**

Inventory is reported at average cost.

e) **Estimates**

The preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

f) **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) **Property Taxes Receivable**

	<u>2012</u>	<u>2011</u>
Taxes receivable- Current	\$ 978,315	\$ 1,124,804
Taxes receivable- Arrears	532,678	673,040
Taxes Receivables- delinquent	-	662
Tax sales properties	45,701	3,376
Net Taxes Receivable	<u>\$ 1,556,694</u>	<u>\$ 1,801,882</u>

City of Prince Rupert

Notes to the Consolidated Financial Statements December 31, 2012

	<u>2012</u>	<u>2011</u>
b) General receivables		
General receivables	\$ 1,845,879	\$ 1,882,589
Due from City West Cable & Telephone Corp.	-	36,283
Other governments	40,492	27,733
	<u>1,886,371</u>	<u>1,946,605</u>
Allowance for doubtful accounts	(10,900)	(30,227)
Net general receivables	<u>\$ 1,875,471</u>	<u>\$ 1,916,378</u>

3) Municipal Finance Authority reserve deposits

The City issues its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds are withheld by the Municipal Finance Authority as a debt reserve fund. The City also executes demand notes in connection with each debenture whereby the Municipality may be required to loan certain amounts to the Municipal Finance Authority.

As of December 31, the total Debt Reserve Fund was comprised of

	<u>2012</u>	<u>2011</u>
General	\$ 108,985	\$ 105,790
Water	41,205	39,996
	<u>\$ 150,190</u>	<u>\$ 145,786</u>

4) Museum loan receivable

Funds loaned to the Northern British Columbia Museum Association for the purchase of the Museum building was fully repaid in 2012.

5) Land Held for Resale

	<u>2012</u>	<u>2011</u>
Watson Island Property	\$ 7,091,112	\$ 7,764,754
Allowance for Doubtful Debt	-	(500,000)
	<u>\$ 7,091,112</u>	<u>\$ 7,264,754</u>

The land value is reported at the gross value of the property taxes owing when it was taken back on tax sale in 2008, net of a \$641,000 writedown to expected recovery. There is approximately \$2 million owing to the Ministry of Education and BC Assessment Authority that is included in accounts payable. The City has accepted an offer for \$5 million for the sale of the property. Based on remission orders provided by the Province of British Columbia in 2005 for the Village of Port Alice and the City of Prince Rupert relating to the disposal of pulp mill properties, the City is expecting a remission order will be provided for these taxes.

The sale of the property is contingent on certain conditions imposed by the purchaser that the Province of BC is reviewing. The purchaser is covering the carrying costs of the property until the sale completes

6) Payables, accruals, and deferred Revenue

	<u>2012</u>	<u>2011</u>
a) Accounts payable		
Trade payables	\$ 2,488,898	\$ 3,261,688
Accrued liabilities	1,062,417	1,134,724
Accrued interest payable - MFA	81,999	81,999
Taxes due to other governments	1,957,351	2,061,847
Salaries, wages, other payroll payables	3,837,102	3,636,461
Holdbacks and deposits	37,558	292,105
	<u>\$ 9,465,325</u>	<u>\$ 10,468,824</u>
b) Deferred revenue		
Prepaid taxes	\$ 1,034,040	\$ 1,017,367
Other deferred revenue	4,358,799	3,384,106
	<u>\$ 5,392,839</u>	<u>\$ 4,401,473</u>

7) Debentures / leases for the City

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

City of Prince Rupert

Notes to the Consolidated Financial Statements December 31, 2012

8) Investment in City West Cable & Telephone Corp.

The City is the sole shareholder of City West Cable and Telephone Corp. (the "Company"). The investment in the Company is reported using the modified equity method. During the year, the City received income of \$60,000 as management fees.

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

	<u>2012</u>	<u>2011</u>
Assets	\$ 50,259,000	\$ 51,645,000
Liabilities to Arms-length parties	\$ 21,363,000	\$ 23,572,000
Net Income/(loss)	\$ 1,359,000	\$ 1,370,000

9) Commitments and contingencies:

a) Pension information

The municipality and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly-trusted 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 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

The most recent actuarial valuation as at December 31, 2009 indicated an unfunded liability of \$1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the Plan as the Plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, Plan assets and cost to individual entities participating in the Plan.

The City of Prince Rupert paid \$951,292 (2011-\$890,851) for employer contributions while employees contributed \$803,006 (2011- \$750,767) to the plan in fiscal 2012.

b) Landfill closure costs

The City is responsible for closing the landfill in accordance with the Ministry of Environment regulations. 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.

d) Guarantees

The City has provided loan guarantee of \$40,000 for the Prince Rupert Golf Course Society. The balance of loan with Northern Savings Credit Union is \$3,520 as at December 31, 2012 and matures December 15, 2012.

10) Change in comparative figures

Certain figures have been restated for comparative purposes.

11) Prior Period Changes

In 2009, the CICA required all municipalities to capitalize tangible capital assets. At that time, the City prepared an inventory of tangible capital assets which included a share of the assets for projects that the City had contributed significant funding to for the benefit of the City. Upon further review, it was determined that the Alaska Ferry dock and the Cruise Ship dock did not belong to the City, regardless of the investment. As a result, the City retroactively restated the 2011 opening balance for tangible capital assets and equity in tangible capital assets by a reduction of \$2,660,567.

City of Prince Rupert

Notes to the Consolidated Financial Statements December 31, 2012

In 2012, it was determined that the actual useful life of the landfill was less than prior estimates. The landfill was being amortized over 50 years whereas 25 years was more appropriate. The City retractively restated the 2011 opening balance for tangible capital assets and equity in tangible capital assets by a reduction of \$2,895,198.

The increased amortization of the landfill in 2011 was reduced by an equal amount of amortization eliminated on the docks be removed from tangible capital assets and therefore the statement of financial activities did not have to be restated in 2011.

City of Prince Rupert

Schedule of Tax Revenues For The Year Ended December 31

	Unaudited 2012 Budget	2012 Actual	2011 Actual
Real Property Taxes			
Municipal Property Tax			
Residential	\$ 6,446,000	\$ 6,446,476	\$ 6,289,997
Utilities	152,000	152,135	150,401
Major Industry	2,550,000	2,549,604	2,713,688
Light Industry	504,000	497,179	475,883
Business	4,413,000	4,416,713	4,373,328
Recreational	18,000	17,687	17,425
	<u>\$ 14,083,000</u>	<u>\$ 14,079,794</u>	<u>\$ 14,020,722</u>
Less: Tax Sharing with District of Port Edward	\$ (553,000)	\$ (540,831)	\$ (552,639)
	<u>\$ 13,530,000</u>	<u>\$ 13,538,963</u>	<u>\$ 13,468,083</u>
Special Payments			
Port Competitiveness Tax Grant	\$ 1,543,000	\$ 1,578,333	\$ 1,542,848
Revenue Tax	467,000	483,150	434,843
Specified Area Tax	60,000	60,951	60,951
Payments in Lieu of Tax			
Federal Government Properties	201,000	191,273	201,376
Prince Rupert Port Authority	320,000	372,780	320,404
	<u>521,000</u>	<u>564,053</u>	<u>521,780</u>
Grants in Lieu of Tax			
Provincial Government Properties	280,000	266,860	282,177
BC Buildings Corp.	63,000	57,792	61,024
BC Housing Commission	84,000	105,484	84,236
BC Hydro and Power Authority	47,000	44,545	47,273
Insurance Corporation of BC	9,000	8,348	9,458
	<u>483,000</u>	<u>483,029</u>	<u>484,168</u>
	<u>\$ 3,074,000</u>	<u>\$ 3,169,516</u>	<u>\$ 3,044,590</u>
Net Tax Revenue	<u>\$ 16,604,000</u>	<u>\$ 16,708,479</u>	<u>\$ 16,512,673</u>

City of Prince Rupert

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

	Unaudited 2012 Budget	2012 Actual	2011 Actual
GENERAL FUND			
Protective Services (RCMP)	\$ 28,000	\$ 37,008	\$ 32,538
Transportation Services			
Public Transit	359,000	354,010	356,766
Airport Ferry	1,140,000	1,147,280	1,172,800
	<u>\$ 1,499,000</u>	<u>\$ 1,501,290</u>	<u>\$ 1,529,566</u>
Environmental Development Services			
Rezoning / Subdivision Services	7,000	14,845	6,695
Parking	13,000	12,314	13,632
	<u>\$ 20,000</u>	<u>\$ 27,159</u>	<u>\$ 20,327</u>
Public Health (Cemetery)	\$ 40,000	\$ 65,744	\$ 45,053
Recreation and Cultural Services			
Civic Centre Rentals & Programs	189,000	163,380	192,683
Swimming Pool	367,000	339,622	371,278
Arena	149,000	141,702	149,598
Field Rentals	3,000	3,645	3,408
	<u>\$ 708,000</u>	<u>\$ 648,349</u>	<u>\$ 716,967</u>
TOTAL GENERAL OPERATING FUND	\$ 2,295,000	\$ 2,279,550	\$ 2,344,451
SOLID WASTE FUND	\$ 2,160,000	\$ 2,327,133	\$ 2,060,460
WATER FUND	\$ 2,172,000	\$ 2,126,093	\$ 2,181,930
SEWER FUND	\$ 1,948,000	\$ 1,911,558	\$ 1,855,090
	<u>\$ 8,575,000</u>	<u>\$ 8,644,334</u>	<u>\$ 8,441,931</u>

City of Prince Rupert

Schedule of Government Transfers For The Year Ended December 31

	Unaudited 2012 Budget	2012 Actual	2011 Actual
Unconditional			
General Operating - Small Community	\$ 339,000	\$ 321,075	\$ 479,193
- Traffic Fines	234,000	223,114	344,508
Total Unconditional	\$ 573,000	\$ 544,189	\$ 823,701
Conditional			
General Operating Fund			
Victim Services	\$ 54,000	\$ 53,460	\$ 40,095
Two Percent (2%) Hotel Tax	160,000	170,151	160,209
Casino Revenue	390,000	517,268	425,000
Fire and Emergency Services Grant	18,000	18,525	-
BC Hydro - Tree Planting Grant	-	-	5,000
Ministry of Highways	-	43,186	29,306
Coast Sustainability Trust	-	27,036	85,666
Twinning Grant	-	-	48,875
Public Transportation Infrastructure	-	-	25,591
RCMP - Video System Grant	-	-	110,979
	\$ 622,000	\$ 829,626	\$ 930,721
Sewer Fund			
LWMP- Fed of Canadian Municipalities	38,000	11,037	-
Build Canada Fund	-	-	2,205,599
	\$ 38,000	\$ 11,037	\$ 2,205,599
Total Conditional	\$ 660,000	\$ 840,663	\$ 3,136,320
Total Government Transfer	\$ 1,233,000	\$ 1,384,852	\$ 3,960,021

City of Prince Rupert

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

	Unaudited 2012 Budget	2012 Actual	2011 Actual
Licences and Permits	\$ 324,000	\$ 317,984	\$ 355,783
Fines	14,000	16,403	16,059
911 Service Fee	207,000	193,104	207,964
	<u>\$ 545,000</u>	<u>\$ 527,491</u>	<u>\$ 579,806</u>
Investment Income	<u>\$ 118,000</u>	<u>\$ 171,781</u>	<u>\$ 138,509</u>
Miscellaneous revenues			
Actuarial Reduction in Debt	\$ -	\$ 150,661	\$ 129,548
Cemetery Care Fund	-	3,529	3,310
Donation from Falcone Estate	-	-	153,872
Gain on Maturing Debt	-	-	154,084
Miscellaneous - General Fund	115,000	143,212	281,613
Parking Space Requirements	-	1,000	800
Penalties and Interest on Taxes	132,000	234,985	295,443
Property Rentals	478,000	521,201	515,786
Watson Island Burn Rate Reimbursement	954,000	1,042,200	819,005
Water Meter Rentals	55,000	72,705	75,039
Sale of Gravel - Solid Waste Fund	-	175	27,193
Sale of Capital Assets	-	20,061	42,842
Total Miscellaneous Revenues	<u>\$ 1,734,000</u>	<u>\$ 2,189,729</u>	<u>\$ 2,498,535</u>
Total Revenue from Own Sources	<u>\$ 2,397,000</u>	<u>\$ 2,889,001</u>	<u>\$ 3,216,275</u>

City of Prince Rupert

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

	Unaudited 2012 Budget	2012 Actual	2011 Actual
Wages	\$ 12,197,000	\$ 11,972,581	\$ 11,465,090
Benefits	2,844,000	2,804,288	2,474,936
Professional Fees	672,000	896,036	721,954
Supplies	2,101,900	2,275,188	2,341,884
Services	2,085,100	1,961,473	2,597,757
Energy	1,376,000	1,402,265	1,303,550
Fiscal Expenses	1,158,000	1,060,567	1,742,510
Grants in Aid to Community Partners	1,360,000	1,502,412	1,567,474
Contracts	<u>4,176,000</u>	<u>3,851,507</u>	<u>3,865,213</u>
	27,970,000	27,726,317	28,080,368
Capital Purchases & Capital Works	7,269,000	2,530,525	5,505,642
Wages & Vehicle cost allocated to Capital Works	-	(570,360)	(289,861)
Less:			
Investments in Tangible Capital Assets	(4,474,000)	(1,799,006)	(5,020,108)
Long Term Debt Repayment	<u>(507,500)</u>	<u>(477,980)</u>	<u>(532,215)</u>
Total Expenses (Statement C)	<u>\$ 30,257,500</u>	<u>\$ 27,409,496</u>	<u>\$ 27,743,826</u>

City of Prince Rupert

Schedule of Leases December 31

Lease No.	Purpose	New/ Renewal	Amount of Issue	2011 Balance	Additions	Principal Payments	2012 Balance
General Fund							
8370	2009 Pierce Fire Truck	2010	472,757	320,533	-	(93,724)	226,809
				\$ 320,533	\$ -	\$ (93,724)	\$ 226,809
Solid Waste Fund							
4256	Refuse/Shupak	2007	\$ 228,887	\$ 29,017	\$ -	\$ (29,017)	\$ -
				\$ 349,550	\$ -	\$ (122,741)	\$ 226,809

City of Prince Rupert

Schedule of Debenture Debt December 31

Bylaw No.		No.	Maturity Date	Amount of Issue	2011 Balance	Principal Payment	2011 Accrued Actuarial	2012 Actuarial	2012 Accrued Actuarial	2012 Balance
General Fund										
3129	George Hills Way/Specified Area	75	2021	\$ 700,000	\$ 432,637	\$ (21,170)	\$ 1,091	\$ (13,313)	\$ (1,236)	\$ 398,009
3201	Uplands Development	94	2025	1,054,348	817,467	(35,406)	2,028	(9,395)	(2,421)	772,273
3201	Cruise Ship Dock	94	2025	3,133,056	2,429,153	(105,213)	6,025	(27,917)	(7,194)	2,294,854
3201	Museum	94	2025	2,465,626	1,911,673	(82,800)	4,742	(21,968)	(5,662)	1,805,985
3199	Morse Creek Bridge	99	2017	535,000	291,719	(44,561)	1,926	(9,654)	(2,364)	237,066
					<u>\$ 5,882,649</u>	<u>\$ (289,150)</u>	<u>\$ 15,812</u>	<u>\$ (82,247)</u>	<u>\$ (18,877)</u>	<u>\$ 5,508,187</u>
Water Fund										
2961	New Water Main	63	2016	1,800,000	591,154	(54,437)	34,181	(58,733)	(37,576)	474,589
					<u>\$ 591,154</u>	<u>\$ (54,437)</u>	<u>\$ 34,181</u>	<u>\$ (58,733)</u>	<u>\$ (37,576)</u>	<u>\$ 474,589</u>
Sewer Fund										
3201	Moresby Sewer Upgrade	94	2025	\$ 346,970	\$ 269,017	\$ (11,652)	\$ 667	\$ (3,091)	\$ (797)	\$ 254,144
					<u>\$ 6,742,820</u>	<u>\$ (355,239)</u>	<u>\$ 50,660</u>	<u>\$ (144,071)</u>	<u>\$ (57,250)</u>	<u>\$ 6,236,920</u>

City of Prince Rupert

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

Department	2012 Budget	YTD 2012 Actual	Budget Variance	Variance %
Revenues				
Airport Ferry	\$ 1,140,000	\$ 1,147,279	\$ 7,279	0.64
Cemetery	40,000	69,273	29,273	73.18
Corporate Administration	8,000	7,640	(360)	(4.50)
Development Services	383,000	388,200	5,200	1.36
Finance	8,000	18,242	10,242	N.A.
FD Fire Protective Services	2,000	8,630	6,630	331.50
FD 911	207,000	193,104	(13,896)	(6.71)
Fiscal Revenues	5,704,000	5,569,960	(134,040)	(2.35)
Information Technology	2,000	1,670	(330)	(16.50)
PW Engineering	3,000	3,414	414	13.80
Parks	-	12,800	12,800	-
PW Common Revenues	11,000	18,045	7,045	64.05
RCMP	98,000	108,007	10,007	10.21
Rec. Centre Arena	149,000	141,702	(7,298)	(4.90)
Rec. Centre Civic Centre	189,000	163,380	(25,620)	(13.56)
Rec. Centre Community Services	16,000	15,762	(238)	(1.49)
Rec. Centre Pool	367,000	339,622	(27,378)	(7.46)
Transit	359,000	354,010	(4,990)	(1.39)
Victim Services	54,000	53,460	(540)	(1.00)
Watson Island	1,218,000	1,356,393	138,393	11.36
	9,958,000	9,970,593	12,593	0.13
Property Taxes	14,083,000	14,079,795	(3,205)	(0.02)
Appropriated Surplus	137,000	-	(137,000)	(100.00)
	\$ 24,178,000	\$ 24,050,388	\$ (127,612)	(0.53)
Expenditures				
Airport Ferry	\$ 1,931,000	\$ 1,914,621	\$ 16,379	0.85
Cemetery	246,000	221,938	24,062	9.78
Civic Properties	322,000	267,247	54,753	17.00
Corporate Administration	565,000	590,228	(25,228)	(4.47)
Development Services	646,000	644,159	1,841	0.28
FD 911	448,000	461,564	(13,564)	(3.03)
FD Fire Protective Services	2,189,000	2,219,096	(30,096)	(1.37)
FD Emergency Measures	27,000	25,926	1,074	3.98
Finance	761,000	753,424	7,576	1.00
Finance Cost Allocation	(363,000)	(367,000)	4,000	(1.10)
Fiscal Expenditures	2,075,000	2,086,380	(11,380)	(0.55)
Governance	267,000	281,313	(14,313)	(5.36)
Grants	1,360,000	1,502,412	(142,412)	(10.47)
Information Technology	358,000	355,333	2,667	0.74
Parks	859,000	811,819	47,181	5.49
PW Engineering	477,000	292,098	184,902	38.76
PW Common Costs	3,039,000	3,095,448	(56,448)	(1.86)
Allocation of Common Cost	(3,118,000)	(3,087,286)	(30,714)	(0.99)
PW Vehicles	1,118,000	1,043,095	74,905	6.70
PW Net Vehicle Cost & Allocation	(865,000)	(1,246,896)	381,896	44.15
RCMP	4,544,000	4,269,050	274,950	6.05
Rec. Centre Arena	307,000	376,943	(69,943)	(22.78)
Rec. Centre Civic Centre	1,526,000	1,387,895	138,105	9.05
Rec. Centre Community Services	14,000	2,036	11,964	85.46
Rec. Centre Pool	1,137,000	1,225,975	(88,975)	(7.83)
Roads	2,212,000	2,030,967	181,033	8.18
Transit	764,000	674,376	89,624	11.73
Victim Services	109,000	111,009	(2,009)	(1.84)
Watson Island	1,218,000	1,239,964	(21,964)	(1.80)
Transfer to Capital Expenditure	-	388,374	(388,374)	-
Transfer to Reserves	5,000	270,351	(265,351)	-
	\$ 24,178,000	\$ 23,841,859	\$ 336,141	1.41

City of Prince Rupert

Budget Variance Report of Utilities For The Year Ended December 31

Utilities	2012 Budget	YTD 2012 Actual	Budget Variance	Variance %
Sewer				
Revenues	\$ 1,948,000	\$ 1,911,558	\$ (36,442)	(1.87)
Cap Works & Cap. Purchases Allocation	(710,000)	(844,560)	(134,560)	(18.95)
Net Revenue	1,238,000	1,066,998	171,002	13.81
Expenditures	1,002,000	971,041	30,959	3.09
Surplus /(Deficit)	\$ 236,000	\$ 95,957	\$ 201,961	-
Water				
Revenues	\$ 2,227,000	\$ 2,198,797	\$ (28,203)	(1.27)
Cap Works & Cap. Purchases Allocation	(845,000)	(567,768)	277,232	32.81
Net Revenue	1,382,000	1,631,029	(249,029)	(18.02)
Expenditures	1,532,000	1,567,985	(35,985)	(2.35)
Surplus/(Deficit)	\$ (150,000)	\$ 63,044	\$ 213,044	-
Solid Waste				
Revenues	\$ 2,160,000	\$ 2,327,308	\$ 167,308	7.75
Cap Works & Cap. Purchases Allocation	(450,000)	(379,871)	70,129	15.58
Net Revenue	1,710,000	1,947,437	237,437	13.89
Expenditures	1,916,000	1,948,637	(32,637)	(1.70)
Surplus /(Deficit)	\$ (206,000)	\$ (1,200)	\$ 204,800	-