City of Port Alberni

Consolidated Financial Statements

For the year ended December 31, 2017

R. Anderson & ASSOCIATES
CHARTERED PROFESSIONAL ACCOUNTANTS
5155 ARGYLE ST. PORT ALBERNI,
B.C. CANADA, V9Y 1V3

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councillors of the City of Port Alberni

We have audited the accompanying consolidated financial statements of City of Port Alberni, which comprise the consolidated statement of financial position as at December 31, 2017 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 and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 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 consolidated financial statements.

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

(continues)

PORT ALBERNI: 250.724.5717 TOFINO: 250.725.2345 UCLUELET: 250.726.7445 QUALICUM: 250.752.1412
250.724.5155 INFO@ANDERSONASSOCIATES.PRO ANDERSONASSOCIATES.PRO

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of City of Port Alberni as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information included in Schedules 1 through 11 is presented for purposes of additional analysis. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R. Anderson & Associates Inc.

Port Alberni, BC
September 19, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS

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CONSOLIDATED FINANCIAL STATEMENTS

CITY OF PORT ALBERNI
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (STATEMENT A)
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative figures for 2016)

	2017 Actual	2016 Actual
FINANCIAL ASSETS:		
Cash (Note 2)	$ **33,830,155**	$ 28,125,829
Accounts receivable (Note 4)	**4,352,361**	4,319,328
Inventory for resale (Note 2)	**61,746**	64,552
Long Term Investments (Note 9)	**2,543,023**	2,847,778
	40,787,285	35,357,487
LIABILITIES:		
Accounts payable and accrued liabilities (Note 6)	**5,038,870**	5,179,753
Deferred revenue (Note 7)	**3,574,387**	3,041,156
Refundable deposits	**357,403**	350,410
Debenture debt (Note 8, Schedule 3)	**10,479,600**	10,783,927
	19,450,260	19,355,246
NET FINANCIAL ASSETS	**21,337,025**	16,002,241
NON-FINANCIAL ASSETS:		
Inventory of supplies (Note 2)	**442,651**	396,324
Prepaid expenses	**154,939**	205,714
Tangible Capital Assets (Notes 2 and 13, Schedule 1)	**105,513,395**	106,444,659
Intangible assets (Note 2)	**103,333**	120,556
	106,214,318	107,167,253
ACCUMULATED SURPLUS	$ **127,551,343**	$ 123,169,494

CRothwell

Cathy Rothwell
Director of Finance

The notes to the financial statements are an integral part of this statement.

CITY OF PORT ALBERNI
CONSOLIDATED STATEMENT OF OPERATIONS (STATEMENT B)
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative figures for 2016)

	2017 Budget	2017 Actual	2016 Actual
REVENUES:			
Taxes (Schedule 4)	$ 22,725,595	$ 22,772,563	$ 22,388,744
Sale of services (Schedule 9)	9,604,189	9,784,198	9,031,364
Other revenue from own sources (Schedule 10)	587,440	227,518	107,265
Investment income	277,350	415,873	415,078
Grants (Note 11)	1,599,940	5,562,709	6,901,625
Developer contributions	-	55,938	43,100
Sale of property and equipment	-	386,325	747,746
Gain (loss) on disposal of assets	-	274,563	532,766
	34,794,514	39,479,687	40,167,688
EXPENSES:			
General government (Schedule 5)	3,505,153	3,786,648	4,149,432
Protective services (Schedule 6)	10,613,438	11,129,460	11,307,975
Transportation services (Schedule 7)	4,253,484	6,257,913	6,259,270
Environmental health services	781,682	938,581	889,429
Environmental development	1,440,815	1,259,562	1,065,216
Recreation and cultural services (Schedule 8)	6,873,636	7,613,040	7,581,487
Interest	743,271	186,283	229,750
Debt reserve	20,300	2,738	3,988
Water utility (Schedule 11)	1,402,646	2,108,088	2,170,523
Sewer utility (Schedule 11)	1,192,790	1,798,156	3,015,139
Cost of sales and service	-	17,369	362,065
	30,827,215	35,097,838	37,034,274
ANNUAL SURPLUS	3,967,299	4,381,849	3,133,414
Accumulated surplus - beginning of year	123,169,494	123,169,494	120,036,080
ACCUMULATED SURPLUS - END OF YEAR	$127,136,793	$127,551,343	$123,169,494

The notes to the financial statements are an integral part of this statement.

CITY OF PORT ALBERNI
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (STATEMENT C)
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative figures for 2016)

	2017 Budget	2017 Actual	2016 Actual
ANNUAL SURPLUS	$ (400,000)	$ 4,381,849	$ 3,133,414
Acquisition of tangible capital assets	-	(3,734,230)	(7,867,632)
Amortization	-	4,582,533	5,817,113
(Gain) loss on disposal of assets	-	(274,563)	(532,766)
Proceeds from sale of assets	-	374,745	639,433
	(400,000)	5,330,334	1,189,562
Acquisition of supply inventory		(442,651)	(396,324)
Acquisition of prepaid expenses		(154,938)	(205,715)
Consumption of inventory of supplies		396,324	456,811
Use of prepaid expenses		205,715	1,483,307
		4,450	1,338,079
(DECREASE) INCREASE IN NET FINANCIAL ASSETS		5,334,784	2,527,641
NET FINANCIAL ASSETS - BEGINNING OF YEAR		16,002,241	13,474,600
NET FINANCIAL ASSETS - END OF YEAR		$ 21,337,025	$ 16,002,241

The notes to the financial statements are an integral part of this statement.

CITY OF PORT ALBERNI
CONSOLIDATED STATEMENT OF CASH FLOWS (STATEMENT D)
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative figures for 2016)

	2017 Actual	2016 Actual
OPERATING ACTIVITIES:		
Annual surplus for the year	$ 4,381,849	$ 3,133,414
Non-cash items		
Add: amortization of tangible capital assets	4,582,533	5,817,113
Add: (gain) loss on disposal of tangible capital assets	(274,563)	(532,766)
(Increase) decrease in investment	-	(686,547)
(Increase) inventory of supplies	(46,328)	60,487
(Increase) decrease prepaid expenses	50,777	1,277,592
Deduct: developer contributions	(55,938)	(43,100)
Changes in working capital balances		
Accounts receivable	(33,032)	822,596
Inventory for resale	2,806	(36,287)
Accounts payable and accrued liabilities	(140,883)	183,737
Deferred revenue	533,231	(820,050)
Refundable deposits	6,992	(19,914)
	9,007,444	9,156,275
FINANCING ACTIVITIES:		
Repayment of long term debt	(304,327)	(363,655)
	(304,327)	(363,655)
Acquisition of tangible capital assets	(2,855,788)	(9,332,042)
(Increase) decrease in work-in-progress	(517,748)	1,379,727
Proceeds from sale of assets	374,745	639,435
	(2,998,791)	(7,312,880)
INCREASE IN CASH FLOW	5,704,326	1,479,740
Cash and short term investments - beginning of year	28,125,829	26,646,089
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	$ 33,830,155	$ 28,125,829

The notes to the financial statements are an integral part of this statement.

CITY OF PORT ALBERNI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. General

The City of Port Alberni (the "City") is a municipality in the Province of British Columbia and operates under the provisions of the Community Charter. The activities of the corporation are carried out through the following funds: General Revenue Fund, General Capital Fund, Reserve Funds, Water Revenue Fund, Water Capital Fund, Sewer Revenue Fund, and Sewer Capital Fund.

In December, 2009 the City of Port Alberni incorporated a company known as Alberni Valley Community Forest Corporation. The City retains full ownership of the company. Alberni Valley Community Forest Corporation general operations include forestry and business activities associated with forestry including harvesting and selling timber and non-timber forest products.

2. Summary of Significant Accounting Policies

The accounting policies of the City conform to generally accepted accounting principles as applicable to British Columbia municipalities. The financial statements have been prepared using guidelines issued by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

Basis of Presentation

The City practises fund accounting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Funds currently in use are:

1) **General Revenue Funds** – to account for all financial resources except those required to be accounted for in another fund. The General Revenue Fund is the City's operating fund including collection of taxation, administering operations, roads, policing, fire protection etc.

2) **Capital Funds** – to account for all capital assets and unfunded work-in-progress of the City and offset by long-term debt and investment in capital assets.

3) **Reserve Funds** – to account for activities within designated funds established for specific purposes with the approval of the Ministry of Community Development. The funds are governed by bylaws defining their purpose, and are funded primarily by budgetary contributions from the General Revenue Fund plus interest earned on the fund balances.

4) **Water and Sewer Funds** – to account for operations that are financed and operated in a manner similar to private business operations, where the intent is that costs of providing the services on a continuing basis be financed through user charges.

Consolidated Financial Statements – the General Revenue Fund, Water Revenue Fund, Sewer Revenue Fund, General Capital Fund, Water Capital Fund, Sewer Capital Fund, Parkland Acquisition Reserve Fund, Equipment Replacement Reserve Fund, Capital Works Reserve Fund, Land Sale Reserve Fund, Development Cost Charges Fund, and Carbon Trust Fund belong to one economic entity under control of City Council.

The consolidated financial statements reflect the removal of internal transactions and balances. The Cemetery Trust Fund administered by the City is specifically excluded from the consolidated financial statement.

Basis of Accounting – Revenues and expenses are recorded on the accrual basis, except for cash flow information, in accordance with International Financial Reporting Standards (IFRS), replacing Generally Accepted Accouting Principles (Canadian GAAP). Revenues and expenses are recorded in the period that the events or transactions giving rise to the revenues and expenses occur.

Tangible Capital Assets – effective 2008 the City adopted the provisions of PSAB Accounting Handbook Section 3150 that required that tangible capital assets be recorded at cost and amortized over their useful lives.

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition, construction, or interest from financing of the tangible capital asset. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset. Assets under construction are not amortized. Contributed tangible capital assets are recorded as revenue at fair value at the time of contribution.

Estimated useful lives of tangible capital assets are as follows:

Land improvements	10 to 20 years
Buildings (including building components)	25 to 40 years
Machinery and equipment	5 to 30 years
Engineering structures	30 to 75 years
Storm systems	45 to 75 years
Transportation systems	15 to 60 years
Water systems	8 to 75 years
Sewer systems	8 to 75 years

Certain of the tangible capital assets are recorded at cost that would be considered a nominal value. These assets include land held for sale, parklands, and some structures that were included in purchase transactions.

Tangible capital assets do not include works of art or historical treasures. Costs related to the acquisition of such items are expensed in the year in which they are acquired.

Revenue and Expense Recognition

1) **Taxation** – taxes are recognized as revenue in the year they are levied. Taxes may be adjusted by the Province by way of supplementary roll adjustments through the BC Assessment appeal process. Levies imposed by other taxing authorities are not included as taxes for municipal purposes.

2) **Sales of services** – charges for water and sewer usage, solid waste collection and recreation programs and admissions are recorded as sales of services.

3) **Other revenue** – includes permit and licence fees, fines, and penalty charges.

4) **Investment income** – the City invests in pooled funds of the Municipal Finance Authority of BC. The Municipal Finance Authority distributes earnings of these funds to its investors from time to time based on the market value of the pool. The City recognizes only its share of the realized earnings of the pool. This revenue is recorded as investment income and the amount is added to the cost of the units held. To the extent that financial instruments have no stated rate of return investment income is recognized as it is received.

5) **Grants** – are recognized as revenues in the period that the events giving rise to the transfer occur.

6) **Expenses** - are recorded on an accrual basis and are recognized in the period in which the goods and services are acquired and a liability is incurred or transfers are due.

Cash and Short Term Investments – cash consists of funds situate in till floats, ATMs, and bank accounts. Short term investments are considered cash equivalents when there is a maturity date of less than 90 days. All short term investments held by the City consist of GICs and term deposits, cashable on demand or within 30 days, and are readily available. Short term investments are recorded at cost. Cash and short term investments as at December 31, 2017 were comprised as follows:

	2017	2016
Cash	$ 6,085,054	$ 4,064,631
Short Term Investments	27,745,101	24,061,198
	$ 33,830,155	$ 28,125,829

Inventories – inventories of materials and supplies are valued at cost with an allowance made for damaged or obsolete goods. Inventories for resale are classified as Financial Assets. Inventories of supplies for internal use are classified as Non-Financial Assets and are expensed in the year of acquisition.

Contributed Tangible Capital Assets – land developers are required to provide subdivision infrastructure such as streets, lighting, sidewalks and drainage, etc. At the end of the warranty period, they are turned over to the City for no consideration. The City is not involved in the construction and does not budget for either the contribution from the developer or the capital expenditure in its annual bylaw.

Intangible Assets - Intangible assets consist of the fair value of a permanent lease acquired for access to properties on which sewage infrastructure is situated. Amortization will be recorded over the remaining term of the lease plus one renewal term. No amortization has been recorded prior to 2015 as the infrastructure was not in use until 2015.

Reserve Accounts – reserves for future expenditures are non-statutory reserves, which represent an allocation of revenue for specific purposes.

Employee Future Benefits - The City and its employees participate in a Municipal Pension Plan. The Plan is a multi-employer contributory defined benefit pension plan. Payments in the year are expensed. Sick leave benefits and retirement severance benefits are also available to the City's employees. The costs of these benefits are actuarially determined based on service and estimates of retirement ages and expected future salary and wage increases. The obligation under these benefit plans is accrued based on projected benefit costs as employees earn the future benefits.

Use of Estimates/Measurement Uncertainty – the preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Significant areas requiring use of management estimates relate to the useful lives of tangible capital assets for calculation of amortization, determination of employee future benefits, collectability of accounts receivable, and provisions for contingencies.

Financial Instruments – the City's financial instruments consist of cash and temporary investments, portfolio investments, accounts receivable, other assets, accounts payable and accrued liabilities, refundable deposits and long term debt. Unless otherwise indicated, it is management's opinion that the City is not exposed to any significant interest, credit, or currency risks arising from these financial instruments.

Adoption of New Accounting Policy - on January 1, 2015, the City adopted PS 3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis to January 1, 2014 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the City.

3. Trust Funds

The City holds trust funds under British Columbia law for the purposes of maintaining a public cemetery. This fund is excluded from the consolidated statement of financial position and is comprised of the following:

	2016 Balance	Interest	Receipts	Expenditures	2017 Balance
Cemetery Trust	$ 148,889	$ 2,135	$ 6,989	$ (2,135)	$ 155,878

4. Accounts Receivable

	2017	2016
Property taxes	$ 731,782	$ 914,909
Provincial government	25,070	68,505
Federal government	13,970	8,601
General	3,581,539	3,327,313
	$ 4,352,361	$ 4,319,328

5. Municipal Finance Authority Debt Reserve Fund

The Municipal Finance Authority of British Columbia provides capital financing for regional districts and their member municipalities. The Authority is required to establish a Debt Reserve Fund. Each regional district through its member municipalities who share in the proceeds of a debt issue is required to pay into the Debt Reserve Fund certain amounts set out in the debt agreements. The Authority pays into the Debt Reserve Fund these monies from which interest earned thereon less administrative expenses becomes an obligation to the regional districts. It must then use this fund, if at any time there are insufficient funds, to meet payments on its obligations. When this occurs the regional districts may be called upon to restore the fund.

Upon the maturity of a debt issue the unused portion of the Debt Reserve Fund established for that issue will be discharged to the City. The proceeds from these discharges will be credited to income in the year they are received. As at Sunday, December 31, 2017 the total investment of the Debt Reserve Fund was comprised of:

	2017	2016
General Revenue	$ 171,933	$ 170,706
Water Revenue	42,737	42,328
Sewer Revenue	132,274	131,172
	$ 346,944	$ 344,206

6. Accounts Payable and Accrued Liabilities

	2017	2016
Due to senior governments	$ 334	$ -
Other local governments	9,008	9,158
Trade accounts	2,733,711	2,787,698
Salaries and wages	402,847	496,505
Accrued debenture interest	63,419	63,419
Accrued employee benefits	1,829,551	1,822,973
	$ 5,038,870	$ 5,179,753

Employee future benefits:

The City provides benefits for sick leave, vacation pay and certain retirement benefit arrangements to its employees.

a) Retirement benefit payments
The City provides retirement benefits to qualifying employees who cease employment with the City after a specified length of service. Retirement benefits are estimated for individual employees as per the appropriate collective agreement, based on estimated salary costs at the time of anticipated retirements, and discounting expected pay-outs over estimated years of service.

		2017	2016
Benefit liability - beginning of year		$ 600,453	$ 600,453
Add:	current service costs	40,700	40,700
	interest on accrued benefit obligation	23,300	23,300
	amortization of actuarial loss	10,100	10,100
Less	Benefits paid	(46,000)	(46,000)
Benefit liability - end of year		628,553	628,553
Add	ERIP reserve	93,000	93,000
	Unamortized actuarial loss (gain)	37,747	37,747
Accrued benefit obligation - end of year		$ 759,300	$ 759,300

The retirement liability requires no contribution from the employees.

	2017	2016
b) Accrued vacation liability as at Sunday, December 31, 2017	$ 940,251	$ 933,673

c) Accumulated sick leave liability
The City provides benefits for sick leave to all its employees. Employees in the classification of CUPE and Firefighter accumulate sick leave on a monthly basis and can only use this entitlement for paid time off under certain circumstances. Sick leave is accumulated to a maximum as determined by

the appropriate collective agreement. Sick leave for management employees does not accumulate. At Sunday, December 31, 2017 this liability is estimated at $130,000 (2012 - $130,000)

d) Employee benefit obligations:

	2017	2016
Accrued Retirement Benefits	$ 759,300	$ 759,300
Accrued Vacation Payable	940,251	933,673
Accum. Sick Leave Liability	130,000	130,000
	$ 1,829,551	$ 1,822,973

The Employee Benefit Obligations liability was determined by actuarial valuation, with the exception of accrued vacation pay, which is recorded at actual. The actuarial valuation was performed by AON Hewitt in accordance with sections PS3250 and PS3255 of the CPA Canada Public Sector Accounting handbook. Actuarial valuations for accounting purposes are performed triennially using the projected accrued benefit cost method. The most recent valuation was completed December 31, 2014. The significant actuarial assumptions adopted in estimating the City's accrued benefit obligation are as follows:

Discount rates	3.50% per annum
Expected future inflation rates	2.25% per annum
Expected wage and salary increases	2.50% per annum

7. Deferred Revenue

Capital grants are restricted to spending on capital project expenses. Other deferred revenue is not restricted. Federal Gas Tax Agreement funding has broad guidelines for use for projects that result in cleaner air, cleaner water, or decreased greenhouse gas emissions.

	2017	2016
Capital grants, opening balance	$ 107,233	$ 1,283,224
Capital projects in progress, end of year	-	27,883
Capital projects completed during year	(51,236)	(1,203,874)
Capital grants, ending balance	55,997	107,233
Property taxes	1,425,216	1,039,097
Other	713,596	537,815
Federal Gas Tax agreement	1,379,578	1,357,011
	$ 3,574,387	$ 3,041,156

8. Debenture Debt

All debenture debt is owed to the Municipal Finance Authority of British Columbia, and is reported at gross amount. The City has no debt assumed by others on its behalf, and has assumed no debt for others.

The annual principal and interest requirements for the next five years as of Sunday, December 31, 2017 are as follows:

	Principal	Interest	Total
2018	$ 254,557	$ 295,628	$ 550,185
2019	254,557	295,628	550,185
2020	254,557	295,628	550,185
2021	254,557	295,628	550,185
2022	254,557	295,628	550,185

9. Long Term Investments

The City of Port Alberni owns 100% of the issued and outstanding shares of Alberni Valley Community Forest Corporation. The original investment is recorded at cost, and accumulated earnings to date are recorded on the equity basis.

	2017	2016
Alberni Valley Community Forest Corporation		
Shares	$ 1	$ 1
Accumulated earnings to date	2,543,022	2,847,777
	$ 2,543,023	$ 2,847,778

10. Expenses by Object

	2017	2016	2015	2014	2013
Salaries Wages and Benefits	$ 15,716,646	$ 16,390,356	$ 14,099,861	$ 15,006,477	$ 14,196,562
Debt Servicing	200,919	250,400	372,593	267,799	266,266
RCMP Contract	5,488,750	5,160,770	4,677,793	4,338,968	4,328,960
Grants	288,938	135,325	124,900	113,440	102,904
Other Contracts	1,328,666	1,305,558	1,296,074	1,219,318	1,303,941
Goods and Services	7,491,386	7,974,752	7,976,677	7,323,311	6,807,131
Amortization	4,582,533	5,817,113	4,788,134	4,342,164	4,040,821
	$ 35,097,838	$ 37,034,274	$ 33,336,032	$ 32,611,477	$ 31,046,585

11. Grants and Transfers

	2017	2016
Operating Grants		
Federal		
Western Diversification Canada 150 - Museum	$ 21,000	$ -
Provincial		
Strategic Community Investment & Traffic Fine Revenue Sharing	$ 552,916	$ 696,460
Community Gaming	445,840	445,000
BC Arts Council - Museum	65,000	65,000
Rural Dividend BC	287,160	86,940
Emergency Management BC	9,949	-
BC Summer Jobs Program	2,714	-
UBCM - Asset Management Plan	10,000	-
Total Provincial Grants	1,373,579	1,293,400
Total Government Operating Grants	1,394,579	1,293,400
Local - Alberni-Clayoquot Regional District		
Economic Development	21,833	28,833
Capital		
Federal		
Federal Gas Tax Revenue (UBCM)	788,817	1,591,798
General Strategic Priorities Fund (UBCM)	698,051	1,934,757
Port Alberni Port Authority	-	5,000
Western Diversification Canada 150	142,276	-
Employment and Social Development Canada	50,000	-
Federal/Provincial		
Building Canada Fund - Communities Component	-	1,824,332
Clean Water Wastewater Fund	2,193,175	-
Provincial		
BC Hydro Power Smart Incentive Program	2,319	46,382
	-	-
	3,874,638	5,402,269
Total Government Grants and Transfers	5,291,050	6,724,502
Other Grants - Non-Government	271,659	177,123
Total Grants and Transfers	5,562,709	6,901,625

12. Contingent Liabilities

Regional District Debt

Debt issued by the Regional District of Alberni Clayoquot is a direct joint and several liability of the District and each member municipality including the City.

Claim for Damages

In the normal course of a year, the City is faced with lawsuits and other claims for damages of diverse nature. At year end, the City's estimated exposure for such liabilities is not considered to be significant. The City carries general liability insurance with a private insurance carrier in the amount of $5 million, plus an umbrella liability policy in the amount of $45 million. When claims are paid the expense is charged to the General Government expense category.

Pension Liability

The municipality 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 administering the plan, including investment of the assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2016, the plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from local governments.

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 actuarial valuation 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 Port Alberni paid $1,203,794 ($1,292,399 in 2016) for employer contributions to the plan in fiscal 2017, while employees contributed $991,065 to the plan in fiscal 2017 ($1,06,0528 in 2016).

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

Employers participating in the Plan record their pension expenses 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 the individual employers participating in the Plan.

13. Tangible Capital Assets

Tangible Capital Assets are stated at net book value.

	2017	2016
Land	$ 4,081,550	$ 4,079,341
Land Improvements	5,007,334	5,376,792
Buildings	18,741,599	19,551,689
Machinery and Equipment	4,614,146	4,839,214
Engineering Structures	2,814,494	2,784,795
Storm Drains	15,987,786	15,924,607
Transportation	9,719,411	9,806,904
Water	20,643,551	20,428,355
Sewer	20,823,022	21,090,209
	102,432,893	103,881,906
Work-in-progress - assets under construction not being amortized	3,080,502	2,562,753
	$ 105,513,395	$ 106,444,659

For more information on additions, disposals, and amortization, refer to Schedule 1 (Schedule of Tangible Assets)

There were no writedowns of tangible capital assets in 2017 (2016 - $ nil). Contributed assets recognized in 2017 were nil (2016 - nil). These include land, transportation, storm, sewer and water infrastructure. Interest capitalized in 2017 was $118,140 (2016 - $118,140). No amortization has been recorded on assets not in use in 2016.

14. Segmented Information

The City of Port Alberni provides a wide range of services to its citizens including police, fire, recreation, roads, sewer and water. For reporting purposes the City's operations and activities are organized and reported by Fund as described in Note 1. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

City services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide are as follows:

General government services
General government provides internal support services to Council and other departments who provide

direct services to its citizens. General government consists of governance, corporate management and program support. Internal departments include Legislative (Council), Chief Administrator's Office, City Clerk's Department, Financial Services, Information Technology, and Human Resources.

Protective services - Police, Fire, and Building Inspection
The Royal Canadian Mounted Police is Canada's national police service. They are committed to preserving the peace, upholding the law and providing quality service in partnership with Canadian communities and for all Canadian citizens. The mandate of the Port Alberni Fire Department is to provide fire suppression services; fire prevention programs; training and education related to prevention, detection or extinguishment of fires. It is the mandate of the Building Inspection Department to provide building inspection services as set out in the building bylaw for residents and builders. Building inspection services are provided in order to assist residents and builders in constructing projects which meet minimum construction standards.

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, traffic control and street lighting.

Environmental health services
The function of environmental health services is to provide for the collection and disposal of solid waste as well as providing cemetery services to the citizens of Port Alberni.

Environmental and economic development
Environmental development provides services relating to planning, economic development and tourism. The Planning Department develops and administers land use regulations to ensure an orderly and well planned community. Economic Development includes responsibilities for diversification of the economy through business retention, business attraction and marketing key properties owned by the City.

Recreation and cultural services
The mission of the Parks, Recreation and Heritage Department is to enrich the quality of life of residents and visitors. The parks, facilities, programs and services are designed and delivered to provide the greatest benefit to the community as a whole. The Museum Department works with the community to collect, document, preserve and present all aspects of the cultural heritage of the Alberni Valley and West Coast of Vancouver Island. Cultural services also contribute towards the information needs of citizens through the provision of library services in partnership with the Vancouver Island Regional Library.

Water utility
The Water Department provides for the supply and treatment of safe drinking water to the citizens of Port Alberni.

Sewer utility
The Sewer Department provides for the collection and treatment of wastewater.

The accounting policies used in these segments are consistent with those followed in preparation of the consolidated financial statements as disclosed in Note 2. For additional information see Segmented Information (Schedule 2).

15. Accumulated Surplus

Accumulated surplus consists of individual fund surplus, surplus invested in tangible capital assets and reserve fund and accounts as follows:

	2017	2016
Operations		
General	$ (16,510,178)	$ (13,229,995)
Water	1,240,526	1,548,225
Sewer	(2,390,891)	(2,287,807)
	(17,660,543)	(13,969,577)
Capital		
General	20,684,563	17,244,151
Water	2,396,735	1,651,719
Sewer	4,239,001	1,530,013
	27,320,299	20,425,883
Equity in tangible capital assets		
General	58,352,503	59,516,586
Water	19,090,601	18,884,175
Sewer	17,694,024	17,380,528
	95,137,128	95,781,289
Reserves		
Reserve funds - statutory		
Parkland Acquisition	283,330	202,060
Capital Works	1,106,886	1,085,736
Equipment Replacement	6,059,450	5,602,947
Land Sale	959,376	675,476
Development Cost Charges	247,715	189,477
Carbon Fund	258,588	235,899
Alberni Valley Community Forest Corporation Reserve	104,679	104,620
Reserve funds - unrestricted		
General Fund - projects and purchases	3,381,185	3,766,938
Loss on taxation	1,351,000	1,351,000
Museum purchases	54,461	52,008
RCMP - contract surplus	1,085,188	1,000,000
Parks and Recreation building	2,163,271	2,003,073
Water Fund - projects and purchases	3,185,495	3,008,290
Sewer Fund - projects and purchases	2,513,835	1,654,375
	22,754,459	20,931,899
	$ 127,551,343	$ 123,169,494

16. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the current presentation.

SUPPORTING SCHEDULES

CITY OF PORT ALBERNI
SCHEDULE OF TANGIBLE CAPITAL ASSETS (SCHEDULE 1)
AT DECEMBER 31, 2017

	ASSETS				ACCUMULATED AMORTIZATION					
	Balance December 31, 2016	2017 Additions	2017 Disposals	Balance December 31, 2017	Balance December 31, 2016	2017 Additions	2017 Disposals	Balance December 31, 2017	NET BOOK VALUE 2017	NET BOOK VALUE 2016
Land	$ 4,079,342	$ 2,490	$ 281	$ 4,081,551	$ -	$ -	$ -	$ -	$ 4,081,551	$ 4,079,342
Land Improvements	11,621,987	19,401	-	11,641,388	6,245,195	388,858	-	6,634,053	5,007,335	5,376,792
Buildings	35,784,954	131,880	9,812	35,907,022	16,233,263	941,970	9,812	17,165,421	18,741,601	19,551,691
Machinery & Equipment	13,323,707	525,036	93,861	13,754,882	8,484,497	730,490	74,247	9,140,740	4,614,142	4,839,210
Engineered Structures	3,871,686	73,730	7,498	3,937,918	1,086,891	44,031	7,498	1,123,424	2,814,494	2,784,795
Storm Drains	23,294,036	392,425	9,585	23,676,876	7,369,429	325,796	6,135	7,689,090	15,987,786	15,924,607
Transportation	42,319,751	803,357	18,373	43,104,735	32,512,847	890,850	18,373	33,385,324	9,719,411	9,806,904
Water	35,254,923	958,026	23,645	36,189,304	14,826,568	734,889	15,705	15,545,752	20,643,552	20,428,355
Sewer	30,299,896	246,102	9,856	30,536,142	9,209,687	508,427	4,994	9,713,120	20,823,022	21,090,209
Work in progress	2,562,754	3,080,501	2,562,754	3,080,501	-	-	-	-	3,080,501	2,562,754
	$ 202,413,036	$ 6,232,948	$ 2,735,665	$ 205,910,319	$ 95,968,377	$ 4,565,311	$ 136,764	$ 100,396,924	$ 105,513,395	$ 106,444,659

CITY OF PORT ALBERNI
SEGMENTED INFORMATION (SCHEDULE 2)
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Government	Protective Services	Transportation Services	Environmental Health Services	Environmental & Economic Development
Revenue					
Taxes	$ 22,772,563	$ -	$ -	$ -	$ -
Sales of services	(29,456)	488,966	437,016	734,327	165,904
Other revenue from own sources	203,672	251,784	-	10,795	140,056
Investment income	251,755	-	-	-	-
Grants	1,089,734	15,000	2,379	-	308,993
Developer contributions	-	-	-	-	-
Gain/loss on disposal of assets	-	-	-	-	-
Other	-	-	-	-	-
Total revenue	24,288,268	755,750	439,395	745,122	614,953
Expenses					
Operating:					
Salaries, wages and benefits	2,341,774	4,555,348	2,667,301	359,776	513,440
Debt servicing	21,921	88,713	-		-
RCMP contract	-	5,488,750	-	-	-
Grants	96,571	-	-	-	192,368
Other contracts	14,531	135,245	1,089,835	-	89,055
Goods and services	1,229,846	641,558	810,860	574,646	238,053
	3,704,643	10,909,614	4,567,996	934,422	1,032,916
Amortization	269,335	307,357	1,689,917	4,159	62,436
Total expenses	3,973,978	11,216,971	6,257,913	938,581	1,095,352
Revenue Over (Under) Expenses	$ 20,314,290	$(10,461,221)	$ (5,818,518)	$ (193,459)	$ (480,399)

CITY OF PORT ALBERNI
SEGMENTED INFORMATION (SCHEDULE 2)
FOR THE YEAR ENDED DECEMBER 31, 2017

Recreation and Cultural Services	Water Utility	Sewer Utility	Other Funds	Consolidated 2017	Budget 2017	Consolidated 2016
$ -	$ -	$ -	$ -	$ 22,772,563	$ 22,725,595	$ 22,388,744
1,477,663	2,937,686	2,688,688	883,404	9,784,198	9,604,189	9,031,364
-	32,986	29,279	(441,054)	227,518	587,440	107,265
-	9,356	7,623	147,139	415,873	277,350	415,078
91,419	-	-	4,055,184	5,562,709	1,599,940	6,901,625
-	-	-	55,938	55,938	-	43,100
-	-	-	274,563	274,563	-	532,766
-	-	-	386,325	386,325	-	747,746
1,569,082	2,980,028	2,725,590	5,361,499	39,479,687	34,794,514	40,167,688
3,989,281	756,220	533,505	-	15,716,645	15,615,220	16,420,314
-	44,409	45,877	-	200,920	735,828	250,400
-	-	-	-	5,488,750	5,301,190	5,160,770
-	-	-	-	288,939	521,036	122,485
-	-	-	-	1,328,666	1,334,835	1,305,558
2,623,073	616,979	739,002	17,368	7,491,385	7,319,106	7,957,634
6,612,354	1,417,608	1,318,384	17,368	30,515,305	30,827,215	31,217,161
988,791	734,889	525,649	-	4,582,533	-	5,817,113
7,601,145	2,152,497	1,844,033	17,368	35,097,838	30,827,215	37,034,274
$ (6,032,063)	$ 827,531	$ 881,557	$ 5,344,131	$ 4,381,849	$ 3,967,299	$ 3,133,414

CITY OF PORT ALBERNI

DEBENTURE DEBT - SCHEDULE 3

ALL FUNDS AT DECEMBER 31, 2017 - SHOWING REQUIREMENTS FOR PRINCIPAL AND INTEREST FOR 2018

Security Issuing Bylaw	Purpose	Original Issue	Amount Outstanding Dec. 31, 2017	Term in Years	Annual Interest Rate	Maturity Date	2018 Requirements Interest	2018 Requirements Principal	2017 Sinking Fund Addition	Debt Reserve Cash Balance Dec. 31, 2017
4575		3,375,064	2,282,104	25	1.75%	19-Apr-31	59,064	81,042	38,920	49,774
4807		428,300	405,381	30	3.00%	14-Oct-44	12,075	7,177	623	4,369
4846		912,000	846,373	20	2.20%	8-Apr-35	20,064	32,249	1,129	9,743
	General	4,715,364	3,533,858				91,203	120,468	40,672	63,886
4848	Water	2,000,000	1,921,159	30	2.20%	8-Apr-45	44,000	38,743	1,356	21,366
4807	Waste Water	5,321,700	5,024,583	30	3.00%	14-Oct-44	160,425	95,346	7,743	57,863
		12,037,064	10,479,600				295,628	254,557	49,771	143,115

CITY OF PORT ALBERNI
TAX LEVIES and GRANTS IN LIEU OF TAXES (SCHEDULE 4)
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative figures for 2016)

	2017 Budget	**2017 Actual**	2016 Actual
MUNICIPAL PURPOSES:			
Tax Levies:			
General purpose	$ 21,700,402	**$21,742,686**	$ 21,370,944
Local improvement - sewer	-	**3,198**	3,198
Off-street parking	10,500	**9,134**	9,026
Utility	660,000	**660,811**	643,717
Parcel Tax	133,993	**134,193**	133,855
	22,504,895	**22,550,022**	22,160,740
Grants in lieu of taxes	220,700	**222,541**	228,004
Total Municipal Taxes	22,725,595	**22,772,563**	22,388,744
COLLECTIONS FOR OTHER GOVERNMENTS:			
Tax Levies:			
School	5,100,000	**4,982,810**	5,162,019
Alberni Clayoquot Regional Hospital District	707,654	**707,654**	647,008
Alberni Clayoquot Regional District	1,202,692	**1,202,692**	1,213,083
B.C. Assessment	160,000	**147,863**	159,269
Municipal Finance Authority	500	**483**	450
Total Collections For Other Governments	7,170,846	**7,041,502**	7,181,829
Total Taxes Collected	$ 29,896,441	**$29,814,065**	$ 29,570,573

CITY OF PORT ALBERNI
GENERAL GOVERNMENT EXPENSES (SCHEDULE 5)
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative figures for 2016)

	2017 Budget	2017 Actual	2016 Actual
Legislative	$ 199,192	$ 206,545	$ 189,617
City manager's office	196,677	249,875	316,745
Municipal clerk's office	411,841	383,750	394,603
Legal fees	40,000	22,605	113,925
Financial management	737,300	694,525	726,042
Administration vehicle	7,747	14,971	11,459
External audit	30,600	25,000	15,000
Purchasing	206,900	231,319	217,537
Buildings	92,360	185,073	190,236
Information services	640,681	932,372	945,788
Appraisals	-	-	2,211
Personnel	302,087	287,526	269,289
Training and development	194,800	138,041	151,200
Damage claims	20,400	34,661	6,114
Grants and grant funded programs	10,820	33,956	20,925
Office equipment supplies and printing	344,448	406,156	383,121
Public liability insurance	257,500	252,145	264,350
Other general services	258,800	162,128	396,485
Administration recoveries	(447,000)	(474,000)	(465,215)
	$ 3,505,153	$ 3,786,648	$ 4,149,432

CITY OF PORT ALBERNI
PROTECTIVE SERVICES (SCHEDULE 6)
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative figures for 2016)

	2017 Budget	2017 Actual	2016 Actual
Police protection	$ 6,946,411	$ 7,379,648	$ 6,972,541
Fire protection	3,410,255	3,504,275	4,051,838
Emergency measures	500	7,105	6,981
Building and plumbing inspections	105,072	100,221	111,635
Animal pound operations	151,200	138,211	164,980
	$ 10,613,438	$11,129,460	$ 11,307,975

CITY OF PORT ALBERNI
TRANSPORTATION SERVICES (SCHEDULE 7)
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative figures for 2016)

	2017 Budget	2017 Actual	2016 Actual
COMMON SERVICES:			
Engineering administration	$ 608,313	$ 555,024	$ 583,739
Engineering consulting services	146,140	136,569	128,926
Public works supervision	365,000	380,233	369,235
Equipment and supplies	44,999	109,448	110,160
Building and yard maintenance	175,420	175,264	173,381
Equipment maintenance	843,796	1,159,874	1,110,766
	2,183,668	2,516,412	2,476,207
ROADS AND STREET MAINTENANCE:			
Roadway surfaces maintenance	1,182,124	1,893,471	2,044,983
Snow and ice removal	185,250	353,624	242,494
Parking	8,200	19,143	10,677
Gravel	177,000	200,844	206,328
Ditch and dyke maintenance	115,000	93,626	107,222
Storm sewers	215,300	523,222	626,210
	1,882,874	3,083,930	3,237,914
Bridges and retaining walls	43,500	71,408	73,524
Street lighting	298,400	423,171	411,490
Traffic control	215,450	323,438	338,211
Public transit	1,077,292	1,089,835	1,058,962
Other	117,300	178,902	151,692
Recoveries	(1,565,000)	(1,429,183)	(1,488,730)
	$ 4,253,484	$ 6,257,913	$ 6,259,270

CITY OF PORT ALBERNI
RECREATION AND CULTURAL SERVICES (SCHEDULE 8)
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative figures for 2016)

	2017 Budget Revenue	**2017 Actual Revenue**	2017 Budget Expense	**2017 Actual Expense**	2017 Budget Operating Deficit	**2017 Actual Operating Deficit**	2016 Actual Operating Deficit
RECREATION SERVICES:							
Administration	$ -	$ -	$ 507,269	$ **511,567**	$ (507,269)	$ **(511,567)**	$ (494,614)
Leisure Centre	265,634	**255,921**	449,637	**560,381**	(184,003)	**(304,460)**	(283,493)
Swimming pool	295,500	**272,316**	516,437	**506,584**	(220,937)	**(234,269)**	(234,482)
Arena	565,750	**495,661**	958,467	**1,415,650**	(392,717)	**(919,989)**	(925,858)
Parks, playgrounds and other	32,500	**22,913**	1,489,523	**1,625,104**	(1,457,023)	**(1,602,191)**	(1,585,944)
Programs	353,225	**374,261**	1,531,175	**1,474,145**	(1,177,950)	**(1,099,883)**	(1,182,932)
	1,512,609	**1,421,072**	5,452,508	**6,093,431**	(3,939,899)	**(4,672,359)**	(4,707,323)
CULTURAL SERVICES:							
Museum services	21,100	**26,593**	484,936	**481,889**	(463,836)	**(455,296)**	(469,267)
McLean Mill	-	**29,997**	261,000	**362,528**	(261,000)	**(332,531)**	(301,980)
Regional library	-	-	675,192	**675,192**	(675,192)	**(675,192)**	(673,332)
	21,100	**56,590**	1,421,128	**1,519,609**	(1,400,028)	**(1,463,019)**	(1,444,579)
	$ 1,533,709	$ **1,477,662**	$ 6,873,636	$ **7,613,040**	$ (5,339,927)	$ **(6,135,378)**	$ (6,151,902)

CITY OF PORT ALBERNI
SALES OF SERVICES (SCHEDULE 9)
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative figures for 2016)

	2017 Budget	2017 Actual	2016 Actual
GENERAL REVENUE:			
General Services	$ 1,642,710	$ 1,652,631	$ 1,640,786
Arena	565,750	495,661	519,358
Leisure Centre	265,634	255,921	244,915
Parks, playgrounds and other	32,500	22,913	28,325
Pool	295,500	272,316	265,809
Programs	353,225	374,261	344,021
Museum	21,100	26,593	29,150
McLean Mill	-	29,997	(1,995)
	3,176,419	3,130,293	3,070,369
MISCELLANEOUS REVENUE:			
Miscellaneous receipts/sales	-	883,404	927,183
SERVICES PROVIDED TO OTHER GOVERNMENTS:			
Services provided to other governments	167,000	144,127	156,165
SEWER REVENUE:			
Connections and sundry charges	69,568	126,219	111,094
Sale of sewer service	2,888,332	2,562,469	2,200,195
	2,957,900	2,688,688	2,311,289
WATER REVENUE:			
Sale of water	3,258,580	2,862,374	2,526,978
Connections and sundry charges	44,290	75,312	39,380
	3,302,870	2,937,686	2,566,358
	$ 9,604,189	$ 9,784,198	$ 9,031,364

CITY OF PORT ALBERNI
OTHER REVENUE FROM OWN SOURCES (SCHEDULE 10)
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative figures for 2016)

	2017 Budget	2017 Actual	2016 Actual
Licences and permits	$ 206,140	$ 240,338	$ 222,969
Fines and costs	9,000	11,445	5,940
Land and building rentals	141,000	140,056	139,903
Penalties and interest	221,800	215,208	237,003
Miscellaneous revenue	9,500	61,524	39,824
Other revenue from own sources - capital fund	-	(441,053)	(538,374)
	$ 587,440	$ 227,518	$ 107,265

CITY OF PORT ALBERNI
SEWER AND WATER UTILITIES (SCHEDULE 11)
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative figures for 2016)

	2017 Budget	2017 Actual	2016 Actual
SEWER UTILITY:			
Administration	$ 454,690	$ **403,120**	$ 420,937
Sewage treatment and disposal	287,000	**485,452**	1,602,149
Sewage collection system	281,500	**631,094**	614,555
Sewage pump stations	167,600	**277,055**	375,942
Other operating costs	2,000	**1,435**	1,556
	$ 1,192,790	$ **1,798,156**	$ 3,015,139
WATER UTILITY:			
Administration	$ 363,321	$ **478,925**	$ 474,964
Service of supply	123,525	**243,336**	266,250
Pumping	266,500	**354,772**	338,221
Transmission and distribution	649,300	**1,031,055**	1,091,088
	$ 1,402,646	$ **2,108,088**	$ 2,170,523