

2009 Annual Report

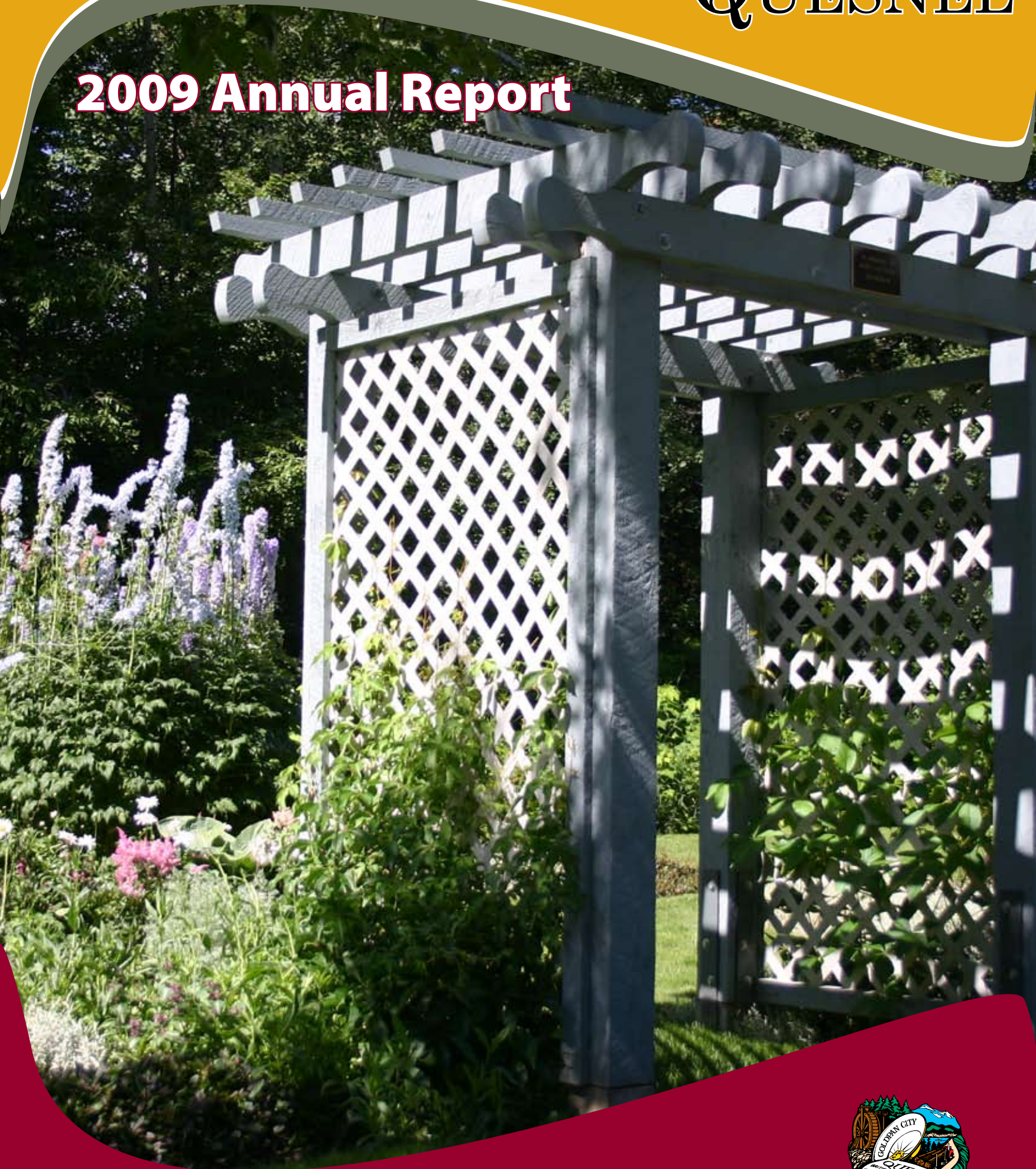


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Mayor and Council



Mayor Mary Sjostrom

Chair: Executive Committee, Spirit of BC Committee, Community Sustainability Task Force

Director: Cariboo Regional District Board

Representative: The Mayor has ex-officio status on all committees

Portfolios: Executive, Economic Development, First Nations Relations



Councillor Mike Cave

Chair: West Quesnel Land Stability Advisory Committee, Environmental Advisory Committee

Representative: Audit Committee, Quesnel Airshed Roundtable

Portfolio: Environment



Councillor Peter Couldwell

Representative: Executive Committee, West Fraser Timber Park Committee, Labour Relations

Portfolio: Health



Councillor Coralee Oakes

Representative: Executive Committee, Audit Committee

Portfolio: Safety and Protection, Education



Councillor Ron Paull

Chair: Quesnel Volunteer Citizen of the Year Committee

Representative: Museum and Heritage Commission, Labour Relations

Portfolio: Transportation



Councillor Laurey-Anne Roodenburg

Chair: Communities in Bloom Committee

Representative: Spirit of BC Committee, Labour Relations

Portfolios: Community Involvement



Councillor Sushil Thapar

Chair: Audit Committee

Representative: Family Day

Portfolios: Finance

Message from the Mayor

On behalf of Quesnel City Council, I am pleased to present the City of Quesnel's 2009 Annual Report and Financial Statements. This provides you with a progress report regarding our achievements in 2009 as well as a summary of our strategic plans for 2010.

City Council's number one priority for 2010 remains the West Quesnel Land Stability Program. We had a very productive year on this file in 2009. Most notably, we were successful in our lobbying efforts for funding support from senior levels of government. In September we received \$1.57 million from the federal government and \$1.57 million from the provincial government to match the City's commitment of \$1.57 million. This funding will allow us to implement a full-scale dewatering program, with work to start in the spring of 2010. This phase is what we need to do to slow the movement to a manageable level, which has been our goal all along. Council has pledged to seek more funds that will allow for a second phase of the program, which includes more permanent drainage and monitoring work.

The financial sustainability of the corporation continues to be strong. Council is committed to being a fiscally responsible entity, with the City being successful in securing several large grants for major projects, many of them through our Quesnel Community and Economic Development Corporation. This wholly owned subsidiary of the City is always busy securing grant funding for a myriad of projects across the City. We saw as a corporation an investment of more than \$11 million from outside funding sources in 2009, with more than \$22 million coming to the broader community.

Council continues to show commitment to the Quesnel Works: Capital Reinvestment Program. This identifies our infrastructure needs and sets about a schedule for replacement that allows us to plan for timely and efficient reinvestment projects. We reinvested more than \$1 million in the Quesnel Works: Capital Reinvestment Program Fund, while contributing more than \$800,000 to infrastructure rehabilitation projects. More than \$1.4 million was spent to improve the quality and reliability of our water and sewer systems. We saw more than \$1.24 million spent on our ever-expanding Riverfront Trail system, with more than \$1 million of that coming from grants.

The highly successful launch of the City's new garbage collection system also happened in 2009. Moving towards a one-truck collection system not only saved money, it provided a more environmentally friendly service, with a new, more efficient truck doing the duty of two while requiring fewer trips to the landfill.

City Council is business oriented; we are open to investment in our community. We maintain a positive relationship with senior levels of government and will work to secure and capitalize on grant funding and investment opportunities. We are also a Council that is focused on smart planning and community sustainability, resulting in the formation of a community sustainability committee in late 2009.

On behalf of City Council, I thank you for the opportunity to represent the entire community. I'm already looking forward to 2010, as we have so many exciting things to look forward to. The Quesnel and District Chamber of Commerce and former Board of Trade celebrates 100 years of operation, as does our outstanding Quesnel Volunteer Fire Department and the G.R. Baker Auxiliary. Rocky Mountaineer Vacations celebrates their fifth year of operations in our community as well.

I love the community spirit and positive attitudes that make Quesnel such an amazing place to call home. I am proud to be your mayor and look forward to sharing our successes in 2010 and beyond with all of you.



Mayor Mary Sjostrom

The City at a Glance

Quesnel is the commercial centre of the North Cariboo and has a trading population of approximately 25,000 people within a radius of approximately 50 kilometres of the city centre. It is located in the central interior of British Columbia, Canada, at the confluence of the Quesnel and Fraser Rivers.

The Quesnel area is rich in natural resources, wonderful outdoor recreational opportunities and an abundant and skilled work force.

The city is well served by rail, road and air connections to other major centres in B.C., Alberta and beyond. Quesnel is on Highway 97, the major north-south corridor in B.C., and is 120 kilometres from Highway 16, the major east-west corridor from central B.C. to central Alberta.

What do we offer?

Low Property Taxes – Quesnel's average residential property taxes are among the lowest in British Columbia.

Affordable Housing – Our housing costs compare very favourably to those of any community in the Lower Mainland, Vancouver Island or Okanagan.

Quality of Life – No more rush hour, no long commutes to work, no line-ups! You'll have more time to enjoy the company of your family and friends.

Sunshine – We experience 2025 hours of sunshine per year on average. People are naturally happier when the sun is shining.

An Unspoiled Environment – Within an hour's drive, there are numerous lakes, streams, and trails that take most people years to fully explore.

City Splendor – Portions of the Fraser and Quesnel Rivers, Baker Creek and Dragon Lake all fall within our city boundaries. The Riverfront Trail, our expanding park system and other recreational and cultural facilities are here for you and your family to enjoy.

Wildlife – There are ample opportunities to see deer, eagles, moose, bear, foxes, ducks, loons, beavers and many other creatures in their natural habitat.

Winter – With our dry climate, our winters are enjoyable. We have some of the best snow conditions in the province for skiing and snowmobiling. Our spring, summer and fall seasons are quite pronounced and pleasant.

Community Pride – Our community believes in Quesnel, with our hundreds of societies and hobby groups, to our public and private businesses. We all share in the successes of our community.

People – People have a strong sense of community and welcome new energy and ideas. It is easy to get involved and become part of Quesnel.



*Courtesy of the Quesnel Community and Economic Development Corporation
June 2005 Community and Economic Profile*

Highlights for 2009

West Quesnel Land Stability Program receives funding

September 25 - The City received more than \$3.14 million from the Building Canada Program to fund a full-scale dewatering program for the West Quesnel Land Stability Program. Building Canada is jointly funded by the federal and provincial governments. The City will provide an additional \$1.57 million as its share of the project funding.

The City applied to the Building Canada Program for \$11.9 million in March 2009. The funding announced allows the City to approach the project in a phased manner. The City will begin work immediately on designing the first phase so as to maximize the grant funding. Details regarding that work plan are expected in early 2010.

The City of Quesnel has spent more than \$1.6 million on the West Quesnel Land Stability Program. The provincial government has invested \$2.77 million to date. The area affected by the ground movement is an attractive, established residential community that includes about 940 parcels of land, 750 homes, several businesses and one elementary school. More than 2,000 people call the West Quesnel Land Stability study area home.



Drill rigs will be a common site in West Quesnel in 2010. The City secured grant funding in 2009 to start implementing a full-scale dewatering program.

Energy system gets boost

April 3 - The City received a \$4.1 million commitment from the provincial government's Innovative Clean Energy (ICE) fund to support the Quesnel Community and Economic Development Corporation's (QCEDC's) work on a Community Heat and Electricity System.

The commitment supports the first step towards a \$13.4 million system that would make use of existing industrial heat sources to generate electricity and provide heat for multiple downtown facilities.

The project could eventually provide not only a green, environmentally responsible source of heat and power, but a significant source of revenue for the City.

The City began work on this initiative in 2005. QCEDC obtained support for more detailed feasibility work from Western Economic Diversification Canada and BC Hydro in 2007, which culminated in the ICE funding opportunity.

QCEDC continues to work on securing additional financing for the project, and industrial and other partners to develop and operate it. If the project proceeds as planned, the potential exists for the City to reduce operational costs for it and other major businesses and institutions, reduce CO2 emissions, add infrastructure to attract other firms, meet greenhouse gas reduction targets and gain national or even international recognition for clean energy innovation.



New garbage collection system rolls in

March 31 - The City launched its new automated system for residential garbage collection. Garbage is now collected using a truck with an automatic arm that picks up City-supplied garbage carts and empties them into the truck. The new truck is far more fuel efficient, makes fewer trips to the landfill and helps reduce employee injuries.

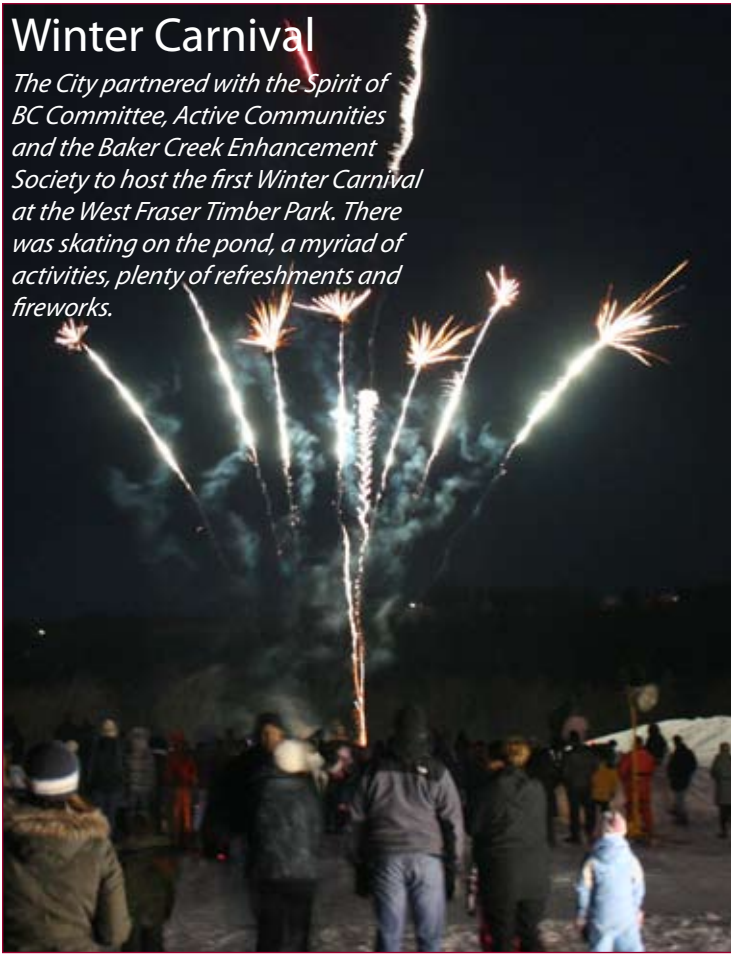
The new system rolled out very smoothly, thanks in large part to how quickly residents adapted to the new system.

The move allowed the City to reduce its fleet of garbage trucks from two to one, considerably reducing annual vehicle emissions. And for taxpayers, there was no increase to the charge for garbage collection.

Highlights for 2009

Winter Carnival

The City partnered with the Spirit of BC Committee, Active Communities and the Baker Creek Enhancement Society to host the first Winter Carnival at the West Fraser Timber Park. There was skating on the pond, a myriad of activities, plenty of refreshments and fireworks.



Quesnel first with “wood first” pledge

November 10 - The City of Quesnel is the first local government in the province to commit to developing a Wood First bylaw designed to link to the Province of British Columbia's Wood First Act.

Council approved a resolution stating the City will continue to support the ongoing development of its wood culture through a variety of means and that it is committed to crafting a bylaw to promote wood use in local construction.

The goal is to develop new opportunities as a part of a strategy to ensure a strong wood industry. The City will develop projects that are outstanding examples of what can be done when innovation is paired with building with wood.

The resolution contained a number of clauses, including:

- Being a wood champion and supporting the BC government's Wood First Act by adopting a Wood First Resolution and passing a Wood First Bylaw that will establish a long-term strategy for building with wood in Quesnel.
- Selecting wood champion designers and builders for municipal projects.
- Ensuring Requests for Proposals request excellence in building with wood.
- Seeking builders who find practical, efficient, versatile and cost-effective building and design solutions through the use of wood.
- Ensuring that all municipal construction projects in Quesnel receiving either public or wood industry financial support optimize the structural and architectural use of wood.

Multi-Centre project enters fundraising, facility design stage



The City and Cariboo Regional District continue to work on the Multi-Centre project.

Residents of the North Cariboo passed a referendum that allows the CRD to borrow up to \$15 million for the construction of a 2,000-seat arena, 450-seat theatre and accompanying event space. The project will not proceed until significant funding is secured from senior government towards the \$30 million project cost.

Cannon Design Architects Ltd is the City/CRD's expert throughout the development of the “what's in the Multi-Centre” portion of the Design-Build Request For Proposals (RFP). Cannon's job is to ensure that RFP is realistic and achievable within the \$30 million project budget.

Quesnel Works!

2009 features large Capital projects plan

The City undertook an ambitious capital program in 2009.

The **Quesnel Works: Capital Reinvestment Program** alone featured more than \$830,000 worth of work, largely major paving jobs such as the work done on North Star Road (\$140,000), Hydraulic Road (\$366,000), Brownmill Road (\$45,000) and Hill Street (\$40,000).

In addition to **Quesnel Works**, the City invested more than \$900,000 in projects and equipment in its general capital budget and more than \$3.4 million in projects funded by reserves (such as the water and sewer funds), grants or a combination of the two.

2010 Strategic Plan

1. *West Quesnel Land Stability Program*

Objective

To reduce land movement to a manageable level and then relax or remove the building restrictions that are currently in place. This will take multiple years to achieve.

Actions

1. January - Submit Environmental Assessment Document to Federal Government for review
2. March - Review of EAD completed by Federal Government
3. Complete design and estimate for full-scale dewatering program
4. April
 - Finalize Phase 1 of mitigation plan
 - Conduct public information campaign as soon as possible
 - Determine funding formula (i.e. general taxation versus parcel taxes)
5. May - Implement work plan for drilling and drainage work
6. December - Complete field work



The completion of the above work plan for 2010 is contingent upon approval of the EAD by the Federal government in a timely manner.

2. *Financial Sustainability of the Corporation*

Objective

Develop financial plans and strategies to address current and future infrastructure needs.

Actions

1. January to April - complete budget process with a focus on spending reductions, downsizing the budget to match declines to tax base.
2. January - Complete city lands inventory project & present to Council for consideration.
3. June - Completion of Bulk Water Sales project.
4. January - Prioritization of Major Projects in view of declining taxation and shifting taxation, including the following:
 - West Quesnel Land Stability
 - Capital Reinvestment Plan
 - North Cariboo Multi-Centre
 - City Buildings: Public Works, Fire Hall
 - Museum

2010 Strategic Plan

3. *North Cariboo Multi-Centre*

Objective

To replace an aging facility with contemporary buildings that take environmental, economical and social considerations into account. This includes construction of a 2,000- seat arena, 450-seat performing arts theatre and accompanying event and assembly space.

Actions

1. Complete the public consultation process and finalize the Design Build Request for Proposals and related documents
2. Form the Multi-Centre Fundraising Committee and develop the fundraising strategy for the Multi-Centre
3. Complete the Operational, Marketing, and Financing Plans for the Multi-Centre project
4. Work with the Cariboo Regional District to secure funding that will allow the Multi-Centre project to enter the construction phase in 2011
5. Issue the Design/Build RFP when funding for the project is secured

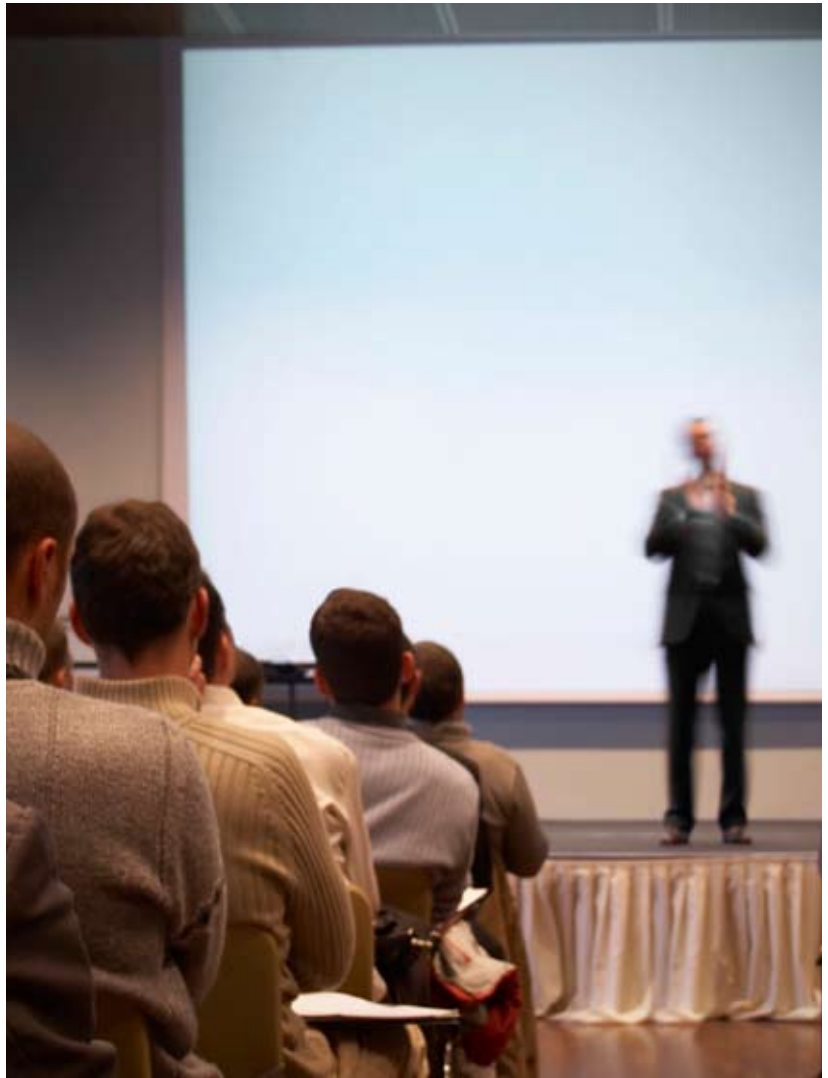
4. *Economic Development and Diversification*

Objective

To facilitate the growth and diversification of the Quesnel economy, with the aim of maximizing employment opportunities, tax base, and quality of life.

Actions

1. January/February 2010 - Review the Quesnel Community and Economic Development Corporation three-year strategic plan.
2. February 2010 - City involvement with BC Street
3. February/March 2010 - Change the structure of the QCEDC staff.
4. March 2010 - Determine the City's role in the Quesnel Community Energy System project and its next steps.
5. Focus on working with other levels of government to deliver worthwhile projects (especially Wood First opportunities).
6. Utilize twinning grant to foster economic development activities.
7. Consider the opportunity to encourage international students at the new college facilities.



2010 Strategic Plan

5. *Community Safety*

Objective

To address crime-related issues and education, towards the goal of reducing crime and enhancing community safety and well-being.

Actions

1. Develop video surveillance/privacy policy for Council consideration.
2. Encourage continuation of DARE and PARTY program in schools.
3. Initiate Community Safety Meetings with key community stakeholders representing the Municipality, RCMP, Court system, School District, Ministry of Children & Families, Northern Health and the media.
4. Closer working relationship desired for Business Improvement Associations with RCMP.
5. Expanded use of video cameras.
6. Continuation of foot patrols downtown.
7. City cleanup, with a focus on burned-out homes and unsightly properties.

6. *Environmental Policy*

Objective

To become a leader in municipal environmental management.

Actions

1. Identify and implement short-term policies and actions that will raise community awareness and begin reducing community emissions.
2. Determine the volume of methane gas generated by the landfill and determine appropriate mitigation strategies.
3. Develop a report card to inform our residents about our sustainability initiatives.
4. Set targets, actions and policies regarding greenhouse gas reductions for the City.
5. Develop a strategic action plan for corporate operations.
6. Partner with community stakeholders to take advantage of BC Hydro Grant Opportunities.
7. Review our commitment to complete Integrated Community Sustainability Planning by 2015 under the Gas Tax Agreement



7. *Governance*

Objective

To provide outstanding and cost-effective services to the taxpayers of the City of Quesnel through effective and efficient leadership.

Actions

1. Continue to strengthen the City's relationship with the Cariboo Regional District:
 - BC Street project participation
 - Finalize a new Emergency Social Services Memorandum Of Understanding
2. Build more effective relationships with local First Nations bands:
 - Sign governance grant with Nazko First Nations
 - Work towards signing a MOU of cooperation with Nazko focusing on governance.
3. Set a Community to Community Forum for the City and the Alexandria Band.
4. Continue to work with the Red Bluff Indian Band on projects of mutual interest.



THE CITY OF
QUESNEL

Consolidated Financial Statements for the year ended December 31, 2009.

2009 Financial Statements



CITY OF
QUESNEL

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QUESNEL, B.C. V2J 7J5
PHONE: (250) 992-2111
FAX (250) 992-2206

Management's Responsibility for Financial Reporting

The information in this Financial Report is the responsibility of management. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted for British Columbia local governments as outlined under "Significant Accounting Policies" on page 2. These statements include some amounts based on management's best estimates and careful judgment.

Management maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded, and reported properly. Management also administers a program of proper business compliance.

R. E. Rasmussen, Chartered Accountant, the City's independent auditor, has audited the accompanying financial statements. The auditor's report is included as part of these statements.

Council carries out its responsibility for the consolidated financial statements principally through its Audit Committee. The Committee meets annually with management and the City auditor, R. E. Rasmussen, Chartered Accountant, to review their activities and to discuss auditing, internal control, and financial reporting matters. R. E. Rasmussen, Chartered Accountant, has unrestricted access to the City, the Audit Committee and Council. The Audit Committee reviews the consolidated financial statements with management prior to submission to Council for approval. It also reviews the recommendations of the independent auditor for improvements to controls as well as the actions of management to implement such recommendations.

Kari Bolton, CMA
Director of Finance

2009 Financial Statements

R.E. RASMUSSEN
CHARTERED ACCOUNTANT
(incorporated professional)

AUDITOR'S REPORT

To the Mayor and Council,
City of Quesnel,

I have audited the Consolidated Statement of Financial Position of the **City of Quesnel** as at December 31, 2009 and the Consolidated Statements of Operations, Changes in Net Financial Assets, and Cash Flow for the year then ended. These financial statements are the responsibility of the **City of Quesnel's** management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the **City of Quesnel** as at December 31, 2009, and the results of its operations, changes in net financial assets and cash flow for the year then ended in accordance with the accounting principles disclosed on page 2 of the financial statements. As required by the *Community Charter*, I report that in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

R. E. Rasmussen

Quesnel, B.C.
April 15, 2010

Chartered Accountant

2009 Financial Statements

Significant Accounting Policies as at December 31, 2009

a. Basis of Presentation

It is the policy of the City of Quesnel to follow accounting principles generally accepted for British Columbia local governments and to apply such principles consistently. These consolidated financial statements include the operations of the General, Water, Sewer, Transit, Airport, Capital and Reserve Funds. They have been prepared using guidelines issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The financial resources and operations of the City have been consolidated for financial statement purposes and include the accounts of all of the funds of the City of Quesnel.

b. Accrual Accounting

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

c. Inventories

Inventories are valued at cost on a moving average basis.

d. Tangible Capital Assets

Tangible capital assets purchased or constructed and work in progress are reported at cost less accumulated amortization and are classified according to their functional use. Amortization is recorded on a straight-line basis over the estimated useful life of the asset. For the first year of the asset's life, half the amortization is applied. Donated tangible capital assets are reported at fair value at the time of donation. Estimated useful lives are as follows:

Land Improvements	10 to 75 years
Buildings	5 to 65 years
Fixtures, Furniture, Equipment & Vehicles	5 to 50 years
Technology	4 to 18 years
Roads	10 to 100 years
Bridges	25 to 100 years
Water and Sewer Infrastructure	15 to 50 years

e. Restricted and Deferred Revenues

Revenues which are restricted by the legislation of senior governments or by agreement with external parties are deferred and reported as restricted revenues. When related expenses are incurred they are brought into revenue at amounts equal to the expenses.

Revenues received in advance of expenses which will be incurred in a later period are deferred until matched with those expenses.

f. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted for local governments 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 expense during the reporting period. Significant areas requiring the use of management estimates relate to the determination of collectability of accounts receivable, provisions for contingencies and prior years tangible capital asset historical costs and related amortization. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

2009 Financial Statements

Consolidated Statement of Financial Position as at December 31, 2009

	<u>2009</u>	<u>2008</u> (Restated Note 14)
Financial Assets		
Cash and investments - note 2	\$13,429,754	\$12,487,559
Taxes and accounts receivable - note 3	4,324,979	3,918,964
Investment in subsidiary - note 4	38,160	23,961
Property acquired for taxes	15,222	3,368
MFA debt reserve - note 5	236,422	229,873
	<u>18,044,537</u>	<u>16,663,725</u>
Liabilities		
Accounts payable and accrued liabilities - note 6	3,177,206	3,555,899
Landfill closure - note 7	655,811	574,925
Deferred revenue - note 8	1,007,158	1,200,217
MFA debt reserve	236,422	229,873
Municipal debt - note 11	10,543,927	11,249,090
	<u>15,620,524</u>	<u>16,810,004</u>
Net Financial Assets / (Debt)	<u>2,424,013</u>	<u>(146,279)</u>
Non-Financial Assets		
Prepaid expenses	202,316	280,822
Inventory of supplies	274,726	296,314
Tangible capital assets - note 12	74,775,583	74,125,679
	<u>75,252,625</u>	<u>74,702,815</u>
Accumulated Surplus	<u>\$77,676,638</u>	<u>\$74,556,536</u>
Represented By:		
Operating Fund	\$5,419,429	\$4,658,369
Allocated Surplus	641,645	886,170
Statutory Reserves - page 29	7,377,224	6,128,725
Equity in tangible capital assets - note 13	64,238,340	62,883,272
	<u>\$77,676,638</u>	<u>\$74,556,536</u>

see accompanying notes

2009 Financial Statements

Consolidated Statement of Operations for the Year Ended December 31, 2009

	<u>2009</u> BUDGET (unaudited)	<u>2009</u> ACTUAL	<u>2008</u> ACTUAL (Restated Note 14)
Revenues			
Property Taxes and grants in lieu - note 15	\$14,213,927	\$13,607,465	\$13,917,357
Sale of services - note 16	1,966,465	1,754,137	2,036,299
Government grants - note 17	3,400,588	3,932,727	1,845,119
Donations		52,084	13,916
Services provided to other governments	831,695	835,586	790,974
Investment Income	100,000	355,868	547,768
Utility user fees - note 16	1,575,200	1,568,259	1,405,667
Net results of subsidiary	-	14,199	74
MFA Actuarial Adj/Debt Forgiveness	-	175,090	745,907
Other	379,842	478,506	513,715
	<u>22,467,717</u>	<u>22,773,921</u>	<u>21,816,796</u>
Expenses			
General government services	2,411,946	2,356,111	2,169,774
Protective services	5,257,151	4,974,188	4,984,259
Transportation services	2,593,915	2,522,882	2,338,257
Environmental and health services	1,525,832	1,320,081	1,485,599
Development services and planning	625,968	590,824	536,088
Recreation and cultural services	1,141,842	1,324,980	1,148,079
Operations	2,917,909	2,624,531	2,704,557
Interest Expense	765,100	751,847	879,609
Amortization		3,069,210	3,020,312
Other	-	2,129	
	<u>17,239,663</u>	<u>19,536,783</u>	<u>19,266,534</u>
Subtotal	5,228,054	3,237,138	2,550,262
Gain/(Loss) on sale of tangible capital assets		(117,036)	65,250
Annual Surplus - note 14	5,228,054	3,120,102	2,615,512
Accumulated surplus at beginning of year - note 14	<u>74,556,536</u>	<u>74,556,536</u>	<u>71,941,024</u>
Accumulated surplus at end of year - page 15	<u>\$79,784,590</u>	<u>\$77,676,638</u>	<u>\$74,556,536</u>
See accompanying notes			

2009 Financial Statements

Consolidated Statement of Changes in Net Financial Assets (Debt) for the Year Ended December 31, 2009

	<u>2009</u>	<u>2009</u>	<u>2008</u>
	BUDGET		
	(unaudited)		
Annual Surplus	\$5,228,054	\$3,120,102	\$2,615,512
Tangible capital assets purchased	(5,567,828)	(4,907,495)	(3,841,142)
Amortization of tangible capital assets		3,069,210	3,020,312
(Gain)/Loss on sale of tangible capital assets		117,036	(65,250)
Proceeds on sale of tangible capital assets		1,071,345	65,250
	<u>(339,774)</u>	<u>2,470,198</u>	<u>1,794,682</u>
Acquisition of supply inventory			(228,662)
Acquisition of prepaid expense			(13,910)
Consumption of supply inventory		21,588	
Use of prepaid expense		78,506	
	<u></u>	<u>100,094</u>	<u>(242,572)</u>
Increase in net financial assets	(339,774)	2,570,292	1,552,110
Net debt at beginning of year	<u>(146,279)</u>	<u>(146,279)</u>	<u>(1,698,389)</u>
Net financial assets/(net debt) at end of year	<u><u>\$(486,053)</u></u>	<u><u>\$2,424,013</u></u>	<u><u>\$(146,279)</u></u>

See accompanying notes

2009 Financial Statements

Consolidated Statement of Cash Flows for the Year Ended December 31, 2009

	<u>2009</u>	<u>2008</u>
Operating transactions		
Annual surplus	<u>\$3,120,102</u>	<u>\$2,615,512</u>
Non-cash items:		
Amortization	3,069,210	3,020,312
(Increase) decrease in prepaid expenses	78,506	(228,661)
(Increase) decrease in supply inventory	21,588	(13,911)
Changes to financial assets/liabilities:		
(Increase) decrease in receivables	(406,013)	777,043
(Increase) decrease in MFA cash deposits	(6,549)	742,485
(Increase) decrease in other financial assets	(26,054)	3,487
Increase (decrease) in accounts payable	(378,693)	451,276
Increase (decrease) in deferred revenue	(193,059)	258,358
Increase (decrease) in landfill obligations	80,886	102,558
Increase (decrease) in MFA debt reserve	6,549	(742,485)
Cash provided by operating transactions	<u>2,246,371</u>	<u>4,370,462</u>
Capital transactions		
Acquisition of tangible capital assets	(4,907,495)	(3,841,142)
Proceeds from the sale of tangible capital assets	1,071,345	65,250
(Gain)/loss on the sale of tangible capital assets	117,036	(65,250)
Cash applied to capital transactions	<u>(3,719,114)</u>	<u>(3,841,142)</u>
Financing transactions:		
Debt repayment	(530,074)	(574,073)
Actuarial adjustments	(175,090)	(217,560)
Debt forgiven	-	(528,347)
Cash applied to financing transactions	<u>(705,164)</u>	<u>(1,319,980)</u>
Increase in cash and investments	942,195	1,824,852
Cash and investments at beginning of year	<u>12,487,559</u>	<u>10,662,707</u>
Cash and investments end of year	<u>\$13,429,754</u>	<u>\$12,487,559</u>

See accompanying notes

2009 Financial Statements

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2009

1. TRUST FUNDS

The City operates the Quesnel municipal cemetery and maintains a cemetery perpetual care fund in accordance with the *Cremation, Interment and Funeral Services Act*. The trust fund assets and liabilities are not included in the consolidated financial statements. At December 31, 2009, the balance of the funds was \$190,443 (2008-\$186,401).

2. CASH AND INVESTMENTS

	<u>2009</u>	<u>2008</u>
Restricted cash and investments		
Statutory Reserves	\$7,377,224	\$6,128,725
Restricted Revenues	1,007,158	1,200,217
	8,384,382	7,328,942
Unrestricted cash and investments	5,045,372	5,158,617
Total cash and investments	<u>\$13,429,754</u>	<u>\$12,487,559</u>

3. TAXES AND ACCOUNTS RECEIVABLE

	<u>2009</u>	<u>2008</u>
Property taxes	\$787,109	\$602,000
Federal government	801,635	232,611
Provincial government	345,071	30,115
Regional government	734,733	813,116
General	1,656,431	1,715,427
Debt recoverable	-	525,695
Total taxes and accounts receivable	<u>\$4,324,979</u>	<u>\$3,918,964</u>

4. INVESTMENT IN SUBSIDIARY

The City holds all of the issued shares of its subsidiary, Quesnel Community and Economic Development (2002) Corporation. The purpose of the subsidiary is to sustain an organization that is responsible for all aspects of community economic development, which pursues development that reflects the goals and values of the residents of Quesnel and District and which acts in accordance with the policy and planning directives given by the City of Quesnel.

The investment in subsidiary is recorded using the Modified Equity basis of accounting, as prescribed by the Public Sector Accounting Board.

5. DEPOSIT AND RESERVE - MUNICIPAL FINANCE AUTHORITY

The Municipal Finance Authority of British Columbia (the Authority) provides capital financing for regional districts and their member municipalities. The Authority is required to establish a Debt Reserve Fund. The Authority must then use this fund if at any time there are insufficient funds to meet payments on its obligations. If this occurs the regional districts may be called upon to restore the 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 financing agreements. The interest earned on the Debt Reserve Fund, less administrative expenses, becomes an obligation of the Authority to the regional districts.

2009 Financial Statements

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2009

5. DEPOSIT AND RESERVE - MUNICIPAL FINANCE AUTHORITY (continued)

Upon the maturity of the 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 of December 31, the total of the Debt reserve fund was comprised of:

	<u>2009</u>	<u>2008</u>
Cash deposits *	\$236,422	\$229,873
Demand notes	539,673	539,673
	<u>\$776,095</u>	<u>\$769,546</u>

*Only the cash portion of MFA deposits is included as a financial asset.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2009</u>	<u>2008</u>
Federal government	\$5	\$370
Provincial government	105,433	94,894
Regional government	(1,214)	96,817
General	2,905,714	3,160,734
Accrued interest	104,903	112,818
Deposits	62,365	90,266
Total accounts payable and accrued liabilities	<u>\$3,177,206</u>	<u>\$3,555,899</u>

7. SANITARY LANDFILL

The City of Quesnel currently operates a sanitary landfill site at Carson Pit road. The operation of this site is governed by the BC Ministry of Environment, Lands and Parks (MoELP) - Operational Certificate No. MR3132. The future closure and post-closure care of the site are also under the direction of the MoELP.

The current landfill site has an estimated remaining capacity of 763,500 m³ which is expected to be sufficient for 15 years.

The costs associated with the landfill closure and post-closure care are outlined in the Sanitary Landfill Operations Plan Update prepared by UMA Engineering Ltd in November 2000. These costs are estimated as follows:

Cost of final cover \$2,200,000 to \$3,850,000 expended over a 23 year period. Assuming a median cost of \$3,000,000 and an interest rate of 5% over the 23 year period, a sinking fund with an annual contribution of \$72,000 will generate the funds necessary for final cover.

Post-closure work of \$20,000 annually in current year dollars will be required. Assuming that this expenditure will be required for 25 years and an interest rate of 5%, the City would require a lump sum of \$270,000 to be available in 2023, the expected date of closure. An annual contribution of \$7,000 would be required to have the funds available by that time.

The City and the Cariboo Regional District (CRD) have a Memorandum of Understanding for the Landfill. As per this agreement the City is responsible for 66% of these post closure costs and the CRD is responsible for the other 34%.

Post-closure care of the landfill is expected to go on for 25 years. No buildings can be constructed on this site before that time without special investigations and MoELP approval.

Effective in the 2000 fiscal year, the City commenced allocating funds to meet future obligations for final cover and post-closure care at the landfill site. The 2008 financial statements have been restated to reflect this obligation as a liability of the City.

The landfill closure liability has a balance of \$655,811 at December 31, 2009 (\$574,925 - 2008).

2009 Financial Statements

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2009

8. DEFERRED REVENUE	2009	2008
Federal Gas Tax	\$378,560	\$620,428
Development Cost Charges	628,598	556,538
Other	(0)	23,251
	<u>\$1,007,158</u>	<u>\$1,200,217</u>

9. FEDERAL GAS TAX AND PUBLIC TRANSIT AGREEMENTS

Gas Tax Agreement and Public Transit Agreement funding is provided by the Government of Canada. Public Transit Infrastructure Program funding is provided by the Province of British Columbia. The use of the funding is established by a funding agreement between the local government and the Union of British Columbia Municipalities. Gas Tax Agreement funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements. Public Transit Agreement and Public Transit Infrastructure Program funding may be applied towards the cost of designated public transit projects, as specified in the funding agreements. Prior to 2009, these funds were included with reserves rather than deferred revenue.

Gas Tax Agreement Funds

	2009	2008
Opening Balance of unspent funds	\$596,140	\$392,354
Add: Amount received during the year	431,845	221,474
Interest Earned	13,828	19,265
Less: Amount spent on projects	(557,753)	(36,953)
Amount Accrued	(110,000)	
Closing Balance of unspent funds	<u>\$374,060</u>	<u>\$596,140</u>

Public Transit Agreement Funds

	2009	2008
Opening Balance of unspent funds	\$17,836	\$-
Add: Amount received during the year		30,551
Interest Earned	287	241
Less: Amount spent on projects	(13,623)	(12,956)
Closing Balance of unspent funds	<u>\$4,500</u>	<u>\$17,836</u>

Public Transit Infrastructure Program Funds

	2009	2008
Opening Balance of unspent funds	\$84,082	\$-
Add: Amount received during the year		173,403
Interest Earned	1,090	1,281
Less: Amount spent on projects	(85,172)	(90,602)
Closing Balance of unspent funds	<u>\$-</u>	<u>\$84,082</u>

Funds booked to accounts payable in prior year		(77,630)
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TOTAL GAS TAX FUNDS

<u>\$378,560</u>	<u>\$620,428</u>
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2009 Financial Statements

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2009

10. DEVELOPMENT COST CHARGES

Development Cost charges are restricted revenue liabilities representing funds received from developers and deposited into a separate reserve fund for capital expenses. In accordance with Canadian generally accepted accounting principles, the City records these funds as restricted revenue which is then recognized as revenue when the related costs are incurred. Prior to 2009, these charges were included in reserves rather than deferred revenue.

	Opening Balance	Receipts	Interest	Transfers Out	Closing Balance
Sani	\$102,771	\$-	\$2,857	\$-	\$105,628
Water	257,869	25,484	7,523		290,876
Storm	105,760	20,855	3,231		129,846
Roads	89,349	8,721	2,605		100,675
Parks	789	752	32		1,573
	<u>\$556,538</u>	<u>\$55,812</u>	<u>\$16,248</u>	<u>\$-</u>	<u>\$628,598</u>

11. MUNICIPAL DEBT

	Opening Balance	Additions	Principal Payments	Actuarial Adjustment *	Closing Balance
General Capital					
MFA					
53 R.C.M.P. Building	\$711,341	\$-	\$75,606	\$89,432	\$546,303
85 Fire Truck	1,000,661		23,048	4,967	972,646
95 New City Hall	5,550,266		144,072	17,989	5,388,205
97 Soccer Fields	476,948		103,843	8,474	364,631
99 Johnston Bridge	1,037,080		79,863	6,517	950,700
	<u>8,776,296</u>	<u>-</u>	<u>426,432</u>	<u>127,379</u>	<u>8,222,485</u>
Water Capital					
73 Southills Water	2,133,631		90,728	43,318	1,999,585
77 Southills Water	339,163		12,914	4,392	321,857
	<u>2,472,794</u>	<u>-</u>	<u>103,642</u>	<u>47,710</u>	<u>2,321,442</u>
TOTAL	<u>\$11,249,090</u>	<u>\$-</u>	<u>\$530,074</u>	<u>\$175,089</u>	<u>\$10,543,927</u>

The following principal amounts are payable over the next five years:

	2010	2011	2012	2013	2014
General	\$426,433	\$426,433	\$426,433	\$246,983	\$246,983
Water Funds	112,361	112,361	112,361	112,361	112,361
	<u>\$538,794</u>	<u>\$538,794</u>	<u>\$538,794</u>	<u>\$359,344</u>	<u>\$359,344</u>

* Actuarial Adjustments represent interest earned on sinking funds held by the Municipal Finance Authority. Such interest is used to reduce the principal amount of the outstanding debt.

2009 Financial Statements

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2009

12. TANGIBLE CAPITAL ASSETS

	<u>2009</u>	<u>2008</u>
Land	\$10,912,029	\$10,867,527
Land Improvements	12,420,888	11,483,042
Buildings	13,091,255	14,577,060
Roads	13,628,230	13,327,199
Machinery & Equipment	3,022,035	1,767,666
Water Systems	13,047,659	13,464,399
Sewer Systems	3,443,707	2,677,361
Drainage Systems	2,641,352	2,820,450
Furniture & Eqpt & Technology	495,082	425,667
Motor Vehicles	1,413,335	1,635,704
Construction in Progress	660,011	1,079,604
	<u>\$74,775,583</u>	<u>\$74,125,679</u>

Contributed capital assets received and recognized from developers, for various infrastructure works and related land and parks, and recorded on the financial statements is \$50,707 (2008 \$0).

Works of Art/Historical Treasures

The City owns a number of works of art/historical treasures which have not been included in the tangible capital assets. This includes all historical items in the museum, the Gold Pan, the Caboose at West Fraser Timber Park and the various artifacts on the River Walk including the steam shovel, waterwheel and the bulldozer.

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 1)

13. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets (TCA) represents the net book value (NBV) of total capital assets less long term obligations to acquire those assets. The change in consolidated equity in tangible capital assets is as follows:

	<u>2009</u>	<u>2008</u>
Equity in TCA, beginning of year	\$62,883,272	\$60,742,462
Add: Capital Acquisitions	4,907,495	3,841,142
Debt principal payment	530,074	574,073
Debt forgiven		528,347
Actuarial Adjustment	175,090	217,560
Less: Dispositions at NBV	(1,188,381)	
Amortization	(3,069,210)	(3,020,312)
Equity in TCA, end of year	<u>\$64,238,340</u>	<u>\$62,883,272</u>

2009 Financial Statements

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2009

14. PRIOR PERIOD ADJUSTMENTS

The City has restated its financial statements to comply with the provisions of the Public Sector Accounting Board Handbook, including the provisions of Section 3150 which require governments to record and amortize their tangible capital assets on their financial statements. These adjustments are as follows:

Adjustments to 2008 Accumulated Surplus:

Accumulated surplus, as previously reported	\$95,500,529
Add:	
Net book value of tangible capital assets recorded	(20,076,826)
Overaccrual of landfill liability, reclassified as reserve	496,199
Less:	
Deferred revenue - previously classified as reserve	(1,176,965)
Cemetery Trust - previously recorded in consolidated statements	(186,401)
Accumulated surplus, as restated	<u>\$74,556,536</u>

Adjustments to 2008 Annual Surplus:

Annual surplus, as previously reported	\$735,039
Add:	
Capital Expenditures	3,913,982
Debt Payments	1,319,980
Less:	
Increase in amortization expense	(3,020,312)
Capital Expenditures adjustments	(74,888)
Other adjustments	(258,289)
Annual surplus, as restated	<u>\$2,615,512</u>

Adjustments to 2008 Tangible Capital Assets

Net book value of tangible capital assets, as previously reported	\$94,202,505
Add:	
Net book value of tangible capital assets resulting in the adjustment of opening 2008 surplus	(16,981,626)
Assets capitalized but previously expensed	1,182
Less:	
Increase in accumulated amortization	(3,020,312)
Assets expensed but previously capitalized	(76,070)
Net book value of tangible capital assets, as restated	<u>\$74,125,679</u>

2009 Financial Statements

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2009

15. NET TAXATION AND GRANTS IN LIEU

Taxes collected	<u>2009</u>	<u>2008</u>
Property Taxes	\$21,217,555	\$22,120,602
Special Assessments	24,652	25,249
1% Utility Tax	588,762	589,263
Grants in Lieu of Taxes	154,270	153,063
Penalties and Interest on taxes	135,097	140,430
	<u>\$22,120,336</u>	<u>\$23,028,607</u>

Less transfers to other governments	<u>2009</u>	<u>2008</u>
School District	\$4,309,039	\$5,108,360
Regional District	2,986,670	2,807,864
Regional Hospital District	1,063,616	1,048,968
Other	153,546	146,058
	<u>8,512,871</u>	<u>9,111,250</u>
Net Taxes available for municipal purposes	<u>\$13,607,465</u>	<u>\$13,917,357</u>

16. SALE OF SERVICES, USER RATES, RENTALS

	<u>2009</u>	<u>2008</u>
Transit user fees	\$114,592	\$113,286
Airport user fees	208,886	245,388
Airport fuel sales	332,534	499,681
Garbage Fees	530,953	546,048
Rentals, licenses and permits	518,895	539,091
Other	48,277	92,805
Total Sale of Services	<u>\$1,754,137</u>	<u>\$2,036,299</u>

Water user rates	\$835,240	\$843,420
Sewer user rates	733,019	562,247
Total Utility User Fees	<u>\$1,568,259</u>	<u>\$1,405,667</u>

2009 Financial Statements

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2009

17. GOVERNMENT TRANSFERS		<u>2009</u>	<u>2008</u>
Federal:	Conditional transfers	\$1,923,392	\$101,240
	Unconditional transfers		
Provincial:	Conditional transfers	1,073,326	511,458
	Unconditional transfers	928,509	449,165
Regional/Other:	Conditional transfers	7,500	653,373
	Unconditional transfers		129,883
		<u>\$3,932,727</u>	<u>\$1,845,119</u>

EXPENSES BY OBJECT

Goods and Services	\$6,509,015	\$7,164,767
Salary, Wages & Benefits	9,206,711	8,201,846
Amortization	3,069,210	3,020,312
Interest and Finance Charges	751,847	879,609
	<u>\$19,536,783</u>	<u>\$19,266,534</u>

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The City's financial instruments consist of cash and investments, accounts receivable, accounts payable and accrued liabilities and debt. Unless otherwise noted, it is management's opinion that the City is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The City is exposed to interest rate risk arising from fluctuations in interest rates on its cash and investments and does not hold any financial instruments that mitigate this risk.

19. COMMITMENTS AND CONTINGENCIES

a. The City is jointly and severally liable under the provisions of Sections 835 and 836 of the *Local Government Act* for any default on monies borrowed by the Cariboo Regional District.

b. Revitalization Tax Exemption Program:

The City is committed under Bylaw 1593, cited as City of Quesnel Revitalization Tax Exemption Program Bylaw and adopted under the provisions of Section 226 of the Community Charter, to provide municipal tax relief to West Fraser Mills Ltd. The Bylaw provides that the City may designate an area as a revitalization area and establish a tax revitalization program for that area.

The Bylaw provides tax relief for a period of 5 years, with a renewal period of a further 5 years. The City has agreed to give tax relief to a maximum of \$6,000,000, divided in equal amounts of \$600,000 over the 10 year term. The first fiscal year impacted by the tax relief program was 2007.

2009 Financial Statements

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2009

c. Municipal Insurance Association:

The City is a subscribed member of the Municipal Insurance Association of British Columbia (The "Exchange") as provided by section 3.02 of the *Insurance Act* of the Province of British Columbia. The main purpose of the Exchange is to pool the risks of liability so as to lessen the impact upon any subscriber. Under the Reciprocal Insurance Exchange Agreement, the City is assessed a premium and specific deductible for its claims based on population. The obligation of the City with respect to the Exchange and/or contracts and obligations entered into by the Exchange on behalf of its subscribers in connection with the Exchange are in every case several, not joint and several. The City irrevocably and unconditionally undertakes and agrees to indemnify and save harmless the other subscribers against liability losses and costs which the other subscriber may suffer.

d. Municipal Pension Plan:

The City and its employees contribute to the Municipal Pension Plan (the plan), a jointly trusteesd pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 158,000 active members and approximately 57,000 retired members. Active members include approximately 33,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available later in 2010. The actuary does not attribute portions of the plan surplus to individual employers. The City of Quesnel paid \$559,580 for employer contributions to the plan in fiscal 2009.

e. Co-ownership Agreement for the Quesnel Library:

The City and the Cariboo Regional District have completed a co-ownership agreement for the Quesnel Library, which is now housed in City Hall.

Under the agreement, the District purchased a 1/5 undivided fee simple interest in the building which will enable the occupation by the District of the first floor for use as a regional library. The price for this 1/5 interest was set at \$1,100,000. The City purchased the existing library site from the District for \$122,000.

If the City opts out of the library function within 10 years, it will repurchase the District's interest for \$1,100,000, together with tenant improvements incurred by the District. If the City opts out of the library function after 10 years, the repurchase price will be determined by an independent appraiser but will not exceed the original purchase price of \$1,100,000.

If the District opts to leave within 10 years, the City will repurchase the District's interest for \$1,100,000. If the District opts to leave after 10 years, the City will repurchase the interest for a price to be determined by an independent appraiser, but not in excess of \$1,100,000.

f. The City is involved in various litigation, regulatory and environmental matters in the ordinary course of business. In management's opinion, an adverse resolution of these matters would not have a material impact on financial position or financial activities.

g. Greenhouse Gas Reduction Targets

The Province of British Columbia has enacted the *Greenhouse Gas Reduction Targets Act*. The Act sets targets of reducing greenhouse gas emissions by at least 33% below 2007 levels by 2020. The Act requires that local governments comply with the Act commencing in 2010.

Management has taken the necessary steps to comply with the Act. Cost of the compliance will be recorded in the years such costs are incurred.

2009 Financial Statements

Consolidated Tangible Capital Assets as at December 31, 2009

	Land	Land Improvements	Buildings	Roads	Machinery & Equipment	Engineering Structures		
						Water	Sewer	Drainage
Historical Cost:								
Opening Balance	\$10,867,527	\$17,622,919	\$18,685,052	\$24,195,058	\$4,110,215	\$24,365,846	\$6,825,780	\$7,082,152
Additions	147,640	1,442,546		993,417	1,531,208	83,563	939,102	15,774
Disposals	(103,138)		(1,248,824)	(180,508)	(370,291)	(7,009)	(129,122)	(5,260)
Closing Balance Dec. 31, 2009	10,912,029	19,065,465	17,436,228	25,007,967	5,271,132	24,442,400	7,635,760	7,092,666

Accumulated Amortization:

Opening Balance		6,139,877	4,107,992	10,867,859	2,342,549	10,901,447	4,148,419	4,261,703
Amortization Expense		504,700	400,562	692,386	276,839	500,303	172,756	194,871
Effects of Disposals			(163,581)	(180,508)	(370,291)	(7,009)	(129,122)	(5,260)
Closing Balance Dec. 31, 2009	-	6,644,577	4,344,973	11,379,737	2,249,097	11,394,741	4,192,053	4,451,314

NET BOOK VALUE for the year ended Dec. 31, 2009

	\$10,912,029	\$12,420,888	\$13,091,255	\$13,628,230	\$3,022,035	\$13,047,659	\$3,443,707	\$2,641,352
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	Furniture Equipment & Technology	Motor Vehicles	Construction in Progress	2009 Total	2008 Total
Historical Cost:					
Opening Balance	\$810,745	\$5,330,119	\$1,079,604	\$120,975,017	\$117,133,875
Additions	173,838		(419,593)	4,907,495	3,841,142
Disposals	(57,372)	(195,764)		(2,297,288)	
Closing Balance Dec 31, 2009	927,211	5,134,355	660,011	123,585,224	120,975,017

Accumulated Amortization:

Opening Balance	385,077	3,694,415	-	46,849,338	43,829,026
Amortization Expense	104,424	222,369		3,069,210	3,020,312
Effects of Disposals	(57,372)	(195,764)		(1,108,907)	
Closing Balance Dec 31, 2009	432,129	3,721,020	-	48,809,641	46,849,338

NET BOOK VALUE for the year ended December 31, 2009

	\$495,082	\$1,413,335	\$660,011	\$74,775,583	\$74,125,679
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2009 Financial Statements

Consolidated Statement of Statutory Reserve Fund Activities Year Ended December 31, 2009

	Capital Reinvestment	General Capital	Land Sales	Tax Stabilization	Park Reserve	2009 Total	2008 Total
Opening Balance	\$1,908,715	\$3,676,280	\$287,366	\$204,910	\$51,454	\$6,128,725	\$5,692,680
Transfers In	1,269,232	1,033,165	854,500	100,000	42,450	3,299,347	3,161,664
Interest Earned	57,882	98,213	19,866	7,086	2,020	185,067	234,032
Transfers Out	(915,907)	(1,320,008)				(2,235,915)	(2,959,651)
Closing Balance, Dec 31	\$2,319,922	\$3,487,650	\$1,161,732	\$311,996	\$95,924	\$7,377,224	\$6,128,725

Segmented Statement - Year Ended December 31, 2009

	GENERAL	WATER	SEWER	TRANSIT	AIRPORT	TOTAL
Revenues						
Property Taxes and grants in lieu	\$12,712,849	\$234,883	\$208,447	\$203,445	\$247,841	\$13,607,465
Sale of services	1,068,837	17,229	12,060	114,592	541,419	1,754,137
Government grants	3,457,507	121,693	353,527	-	-	3,932,727
Donations	52,084	-	-	-	-	52,084
Services provided to other governments	775,658	-	-	59,928	-	835,586
Investment Income	260,940	62,793	27,787	3,881	467	355,868
Utility user fees	-	835,240	733,019	-	-	1,568,259
Net results of subsidiary	14,199	-	-	-	-	14,199
MFA Acturial Adj/Debt Forgiveness	127,380	47,710	-	-	-	175,090
Other	449,784	(11,734)	-	4,500	35,956	478,506
	18,919,238	1,307,814	1,334,840	386,346	825,683	\$22,773,921
Expenditures						
General government services	2,356,111	-	-	-	-	2,356,111
Protective services	4,974,188	-	-	-	-	4,974,188
Transportation services	2,522,882	-	-	-	-	2,522,882
Environmental and health services	1,320,081	-	-	-	-	1,320,081
Development services and planning	590,824	-	-	-	-	590,824
Recreation and cultural services	1,324,980	-	-	-	-	1,324,980
Operations	-	921,658	545,615	365,403	791,855	2,624,531
Interest Expense	543,086	208,761	-	-	-	751,847
Amortization	2,012,599	507,279	178,592	-	370,740	3,069,210
Other	2,129	-	-	-	-	2,129
	15,646,880	1,637,698	724,207	365,403	1,162,595	\$19,536,783
Gain/(Loss) on sale of tangible capital assets	(117,036)					(117,036)
Annual Surplus	\$3,155,322	\$(329,884)	\$610,633	\$20,943	\$(336,912)	\$3,120,102

PROPERTY TAX EXEMPTIONS 2009

Charitable, Philanthropic or other not-for-profit corporations

Roll #	Organization	Total Exemption Amount
87.000	Quesnel Masonic Temple Society	\$2,197
218.000	Quesnel & District Child Dev Centre	\$9,927
247.000	Quesnel Womens Resource Centre	\$1,656
248.000	Quesnel Womens Resource Centre	\$412
267.000	Amata Transition House Society	\$2,294
314.000	Fraser Village Homes Society	\$9,157
332.000	Royal Canadian Legion Branch 94	\$5,086
418.010	Quesnel & District Seniors Society	\$22,834
419.000	Quesnel Curling Club	\$18,068
1550.080	Quesnel & District SPCA	\$2,961
2135.000	Quesnel & District Child Dev Centre	\$709
2137.000	Quesnel & District Child Dev Centre	\$6,027
2189.000	Quesnel Tillicum Society	\$4,583
2193.000	Quesnel Tillicum Society	\$428
4013.083	Royal Canadian Legion Branch 94	\$2,567
4208.000	Quesnel Elks Club	\$1,416
4210.000	Quesnel Elks Club	\$2,261
5045.954	Cariboo Vasa Lodge	\$1,217
5862.500	Quesnel Auto Racing Association	\$8,041
		<hr/> \$101,840

Church Land and land surrounding statutory exemptions

Church Owned Lands - 224 (2)(f)

206.000	Salvation Army	\$1,471
220.000	Fraser Basin	\$3,633
329.000	United Church of Canada	\$1,796
328.000	United Church of Canada	\$1,990
961.000	Roman Catholic Bishop	\$1,606
1200.890	Northstar Fellowship Baptist Church	\$1,840
2025.000	Trinity Luthern Church	\$587
2602.000	Cariboo Gur Sikh Temple Society	\$665
2703.000	Guru Dabar Society	\$568
3600.000	Congregation of Quesnel Jehovah's Witnesses	\$1,087
4211.000	Victory Way Baptist Church	\$1,098
4659.000	Lighthouse Pentecostal Church of Quesnel	\$451
5047.309	Bethel Pentecostal Tabernacle of Quesnel	\$2,597

Lands surrounding statutory exemptions - 224 (2)(h)

314.000	Fraser Village Homes Society	\$18,831
961.000	Roman Catholic Bishop	\$125
		<hr/> \$38,348

2009 Status Update

1. *West Quesnel Land Stability*

2009 Objective

To reduce land movement to a manageable level and then relax or remove the building restrictions that are currently in place. This will take multiple years to achieve.

Actions

1. Submit for grant opportunities that may arise, including the new Building Canada infrastructure program.
2. Intensive lobbying efforts by Mayor and Council.
3. Complete year one of the two-year proposed full-scale mitigation plan, including surface dewatering, subsurface dewatering and leak detection.

Action Summary:

1. The City applied to the Building Canada Program for \$11.9 million in March 2009. Immediately following this application, significant political lobbying efforts took place during the spring and summer, with Quesnel representatives repeatedly raising the application's status with both provincial and federal government representatives at both the staff and political level.
2. On June 12, 2009, the City hosted an Open House for residents to learn more about the status of the WQLS Program. The general tone of the residents was that they were pleased with the progress, but also eager to see the beginning of full-scale remediation efforts.
3. On August 26, a City contingent travelled to Victoria at the request of the Ministry of Transportation and Infrastructure. This group included the Mayor, staff and engineers working on the program. During this meeting, the City was able to clarify some points and present some viable options for funding the program.
4. On September 25, the City of Quesnel received \$3.14 million from the Building Canada Program to go towards a full-scale dewatering program for the West Quesnel Land Stability Program. The City is responsible for providing \$1.57 million as its share of the project funding. The City's engineers began revising the work plan for Phase 1 to find the most effective use of the available funds.



City Manager's Comment

Outstanding progress was made in 2009. The successful grant application to the Building Canada Fund - Communities Component was the highlight of the year. This allows the City to finalize a full-scale dewatering program and begin remediation efforts in 2010. If funding is released early in the year, all vertical wells, horizontal drains and initial storm drainage work could be completed in 2010. The City will need to see significant data before any decisions about relaxing building restrictions may be made.

The City's grant application was originally in the amount of \$11.9 million. While the \$4.71 million secured in 2009 is a good start, there will be other phases to this program, including extensive storm drainage work and water metering, that will require the cooperation of senior levels of government. More lobbying efforts will be required once the initial results are in.

2009 Status Update

2. *Financial Sustainability of the Corporation*

Objective

Develop financial plans and strategies to address current and future infrastructure needs.

Actions

1. Develop a five-year plan with regards to tax shifting to address the imbalance between the tax rates for various tax classes.
2. Identify and develop more non-taxation revenue sources.
3. Focus on core service delivery and core capital requirements, such as continued commitment to the Quesnel Works: Capital Reinvestment Program.
4. Incorporate succession planning initiatives as part of further enhancing financial sustainability.

Action Summary

1. As part of the budget process, a five-year taxation shifting strategy was determined, with a shift of 1% of total municipal taxes being shifted from Class 4 Major Industry to Class 1 Residential taxpayers each year.
2. Continued focus on developing the Community Heating and Energy Project to develop new non-tax revenue streams for the City while working towards our sustainability goal of reducing fossil fuel consumption and greenhouse gas emissions.
3. Continued development of the Bulk Water Sales project to develop a new non-tax revenue stream while improving the City's sustainability goal of water conservation.
4. Proceeding with changing the fee structure for the cemetery function to ensure more of a user-pay funding formula.
5. Sold excess City lands (Grace Young Centre).
6. Leased excess City Hall space to generate non-tax revenue.
7. Budget 2009 featured significant infrastructure reinvestment, much of it through the Quesnel Works: Capital Reinvestment Program, including:
 - More than \$880,000 spent on road paving and rehabilitation.
 - More than \$1.24 million on trails and walking paths (more than \$1 million received in grants).
 - More than \$1.4 million in water and sewer system projects.
 - More than \$1 million reinvested in the Quesnel Works: Capital Reinvestment Program Fund.
 - More than \$163,000 for fire department projects.
8. In 2009, the City completed the process of inventorying and valuing all of its tangible capital assets to comply with the new section 3150 of the Public Sector Accounting Board Handbook. This process enabled the City to come to a better understanding of its current infrastructure deficit. This was an important starting point to enable the City to make long-term financial plans and strategic decisions about how future capital replacements will be funded. Like most Canadian municipalities, the City does not have adequate reserves in place to fund future capital replacement needs.

City Manager's Comments

The City is in a strong financial position with healthy reserves. Although the City is still vulnerable to declining major industry property assessments, tax shifting away from industry is gradually reducing that vulnerability, while not placing an undue burden on other taxation classes. Council needs to continue the focus on generating non-tax revenues and maintaining strict cost control over operations. Grant funds for capital projects must be aggressively pursued to leverage taxation dollars.

2009 Status Update

3. North Cariboo Multi-Centre

Objective

To replace an aging facility with contemporary buildings that take environmental, economical and social considerations into account. This includes construction of a 2,000- seat arena, 450-seat performing arts theatre and accompanying event and assembly space.

Actions

1. By working with the Cariboo Regional District, secure funding that will allow the North Cariboo Multi-Centre to enter the construction phase.
2. Complete the work required to issue a comprehensive Request For Proposals as part of the overall Design-Build process.
3. Issue the RFP to interested firms once \$15 million in funding from sources other than the North Cariboo Recreation and Parks tax base have been secured.



Action Summary:

1. The Multi-Centre Design Advisory Committee was formed to provide input into the design of the Multi-Centre.
2. An application was submitted by the CRD to Building Canada for \$20 million. Unfortunately the application was not successful.
3. MHPM Project Managers was selected as project managers to lead the development of the Design-Build Request for Proposals and related documents.
4. Cannon Design Ltd. was hired as the Bridging/Compliance Architect to work with MHPM to develop the functional space program and performance specifications to be included in the Design/Build RFP
5. Cannon Design and MHPM held a series of public consultation meetings with stakeholder groups, as well as a design charrette with members of the community-at-large to obtain community input into the design development.
6. The North Cariboo Joint Planning Committee passed a resolution that the Multi-Centre would be constructed utilizing a substantial and meaningful use of wood. WoodWorks was engaged to provide their expertise regarding the use of wood into the Design Build process.

City Manager's Comment

The Multi-Centre project has made a lot of progress, especially in 2009. With grant funding secured to support the costs of preparing a RFQ, RFP as well as a fundraising/marketing plan, much of the work required to proceed with a Design-Build project will be complete by early 2010. Clearly, the main focus for the City of this file will be to lobby senior governments with a goal of securing at least \$15 million. No work will be able to proceed until that funding is in place.

2009 Status Update

4. Economic Development and Diversification

Objective

To facilitate the growth and diversification of the Quesnel economy, with the aim of maximizing employment opportunities, tax base, and quality of life.

Actions

1. Review the existing economic development model of the Quesnel Community and Economic Development Corporation (QCEDC).
2. Institute more checks and balances into the workings of QCEDC to ensure Council's priorities and objectives are being met.
3. Work on continually improving the relations between QCEDC and Council.
4. Continue to encourage the QCEDC in its highly successful search for grant opportunities, and attraction of new business ventures either starting up or relocating to Quesnel.

Action Summary

1. Council reviewed the structure of the QCEDC Board, the membership of the board, and the funding arrangements for the corporation. Council requested the following changes:
 - The Mayor is a voting board member.
 - The City Manager is an ex-officio board member.
2. The QCEDC will develop three-year strategic plans for presentation and input by Council
3. In conjunction with the three-year strategic plan, the QCEDC will develop a three-year service agreement that includes funding formulas.
4. Council approved the submission of every grant that was put before them; some excellent grant awards were achieved.

City Manager's Comments

The relationship between City Council and QCEDC improved in 2009. The QCEDC role is changing now that the grant administration focus is ending with the completion of most grant programs. The QCEDC will focus more on the more traditional economic development roles, such as business retention and attraction, offering services to small and home-based businesses and acting as a liaison with other business groups such as the Quesnel and District Chamber of Commerce and the various business improvement associations.

5. Community Safety

Objective

To address crime-related issues and education, towards the goal of reducing crime and enhancing community safety and well-being.

Actions

1. Continued focus on prolific offenders by the RCMP.
2. Continued enhancements to the Community Policing program.

2009 Status Update

Action Summary

1. The Prolific Offender program showed positive results.
2. Bike and foot patrols were successful and well-received in the downtown and West Quesnel area.
3. A Community safety committee meeting was held in October to set the parameters for meetings with a broader stakeholder representation from the community.
4. On November 24, a multi-stakeholder community safety meeting was held. The City, RCMP and Community Policing were represented as well as Northern Health, the Ministry of Children and Families, School District 28, the Court system, including the local judge, and the media. The intent was to build communication channels between the attendees and to provide updates regarding RCMP activities.
5. Improved downtown cameras were installed.



City Manager's Comment

Council recognizes that to be successful in making our community a safer place it will take a multi-stakeholder approach. The RCMP, while continuing as the lead agency, needs input from other service providers in the City, including Northern Health, School District 28, the Ministry of Children and Family Development, the City of Quesnel and others. The City has brought these groups together in ongoing community safety meetings. This attempts to identify and connect any groups in the service delivery model. The City has also invested funding in more public surveillance cameras as well as an improved data retention system.

6. Environmental Policy

Objective

The City of Quesnel's goal is to become a leader in municipal environmental management.

Actions

1. Develop an environmental policy statement that encompasses the broad range of environmental initiatives being undertaken by the City (energy conservation, composting, bioenergy, etc.)

Action Summary

1. Developed terms of reference and implemented a City of Quesnel Sustainability Committee.
2. Hosted a two-day climate change boot camp, the first in the province, facilitated by the Community Energy Association & BC Healthy Communities.

2009 Status Update

3. Initiated a landfill gas inventory.
4. Completed a Community Assessment.
5. Formed a Corporate Project Group to begin work towards becoming Carbon Neutral.
6. Completed an Energy Assessment with BC Hydro.

City Manager's Comment

Clearly, environmental awareness and sustainability continues to be a major focus for the City of Quesnel. As a signatory to the BC Climate Action Charter, which commits the City to becoming carbon neutral in respect to our operations by 2012 (not including solid waste facilities regulated under the Environmental Management Act, such as the municipal landfill), the City has undertaken a significant project that will lead to broader community sustainability planning. This will remain a priority for years to come.



7. City Governance

Objective

To provide outstanding and cost-effective services to the taxpayers of the City of Quesnel through effective and efficient leadership.

Action

1. Provide outstanding services to current City residents before considering any City boundary expansions, which creates more service expectations.
2. Focus on building strong relations with the Cariboo Regional District to further strengthen regional initiatives.

Action Summary

1. Improved relations with the CRD
 - MOU's for shared services finalized and approved
 - Library MOU's finalized
 - The City is a contracted participant of the CRD Invasive Plant.
2. The 2009 Budget process resulted in a five-year tax plan that shows leadership in reducing the dependency on Industrial taxes.
3. Focus on improving City communications with residents.
4. Significant savings of more than 30% to the administration fee allocation from the CRD to the City.
5. The Red Bluff Sewer has been reinstated as a CRD function; the contract with the City ended on December 31, 2009.

City Manager's Comment

The City will continue to focus on building relationships with the CRD to build stronger regional services.