

CITY OF
QUESNEL
Annual Report | 2010



Table of Contents

Mayor and Council	3
Message from the Mayor	4
The City at a Glance	5
2010 Highlights	6-7
2011 Council Strategic Plan	8-10
2010 City of Quesnel Financial Statements	11-31
Management's Responsibility for Financial Reporting	12
Independent Auditor's Report	13
Significant Accounting Policies	14-15
Consolidated Statement of Financial Position	16
Consolidated Statement of Operations	17
Consolidated Statement of Changes in Net Financial Assets (Debt)	18
Consolidated Statement of Cash Flow	19
Notes to the Consolidated Financial Statements	20-28
Consolidated Tangible Capital Assets	29
Consolidated Statement of Statutory Reserve Fund Activities	30
Segmented Statement	30
Property Tax Exemptions	31
2010 Status Update	32-38

Mayor and Council

Mayor Mary Sjostrom

Chair: Executive Committee, Community Sustainability Task Force

Director: Cariboo Regional District Board

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

Portfolios: Executive, First Nations Relations, Economic Development



Councillor Coralee Oakes

Representative: Executive Committee, Audit Committee

Portfolios: Safety and Protection, Education



Councillor Mike Cave

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

Representative: Audit Committee, Quesnel Airshed Roundtable

Portfolio: Environment



Councillor Ron Paul

Chair: Quesnel Volunteer Citizen of the Year Committee

Representative: Museum and Heritage Commission, Labour Relations

Portfolio: Transportation



Councillor Peter Couldwell

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

Portfolio: Affordable Housing



Councillor Laurey-Anne Roodenburg

Chair: Communities in Bloom Committee, North Cariboo Recreation and Parks Commission

Representative: Labour Relations, Business and Neighbourhood Associations, CRD Board Alternate Director, Canada Day Committee, Chamber of Commerce, Tourism

Portfolio: Community Involvement



Acting Mayor Schedule

December/January: Councillor Oakes

February/March: Councillor Paul

April/May: Councillor Thapar

June/July: Councillor Couldwell

August/September: Councillor Cave

October/November: Councillor Roodenburg

Councillor Sushil Thapar

Chair: Audit Committee, Finance

Representative: Family Day, North Cariboo Recreation and Parks

Portfolio: Finance



Message from the Mayor

On behalf of Quesnel City Council, I am pleased to present the City of Quesnel's 2010 Annual Report and Financial Statements. These documents will provide you with a progress report regarding our achievements in 2010 as well as a summary of our strategic plans for 2011.

Because we wanted to create a road map that expanded beyond a one-year envelope looking well into the future, this year's strategic planning process took a broader, longer-term approach. We believe it is more visionary, and allows us to identify strategies and action steps to achieve our goals while being even more accountable to you.

Some of our strategic objectives include overall sustainability in planning, community health and safety, (which includes the West Quesnel Land Stability Program), and the financial stability of the corporation.

Sustainability in all planning encompasses the financial, environmental, social and governance dimensions of our lives, and allows us to build in a much broader and more stable manner for the future. By fully integrating and ensuring the sustainability of our plans, and then referring to them frequently over the planning cycle, our initiatives become stronger and more inclusive.

Regarding the strategic objective of community health and safety, the West Quesnel Land Stability Program has moved from being the leading strategic priority for Council, to the City's top active project, now entering its first phase. This is a good example of strategic planning at work. Council identified a strategic goal, addressed it on multiple fronts (community engagement, analyzing the problem, lobbying for funding, securing funding) and has turned it into an achievable initiative. We spent much of 2010 working through the environmental approval phase for both the provincial and federal governments, and now look to implement the full-scale dewatering program in 2011. Council will seek more funds to allow phase two of the program, including additional permanent drainage and more monitoring work.

We continue to actively lobby senior government for financial support for the North Cariboo Multi-Centre, which is another action step and project within the community health and safety strategic objective. We've completed both our Wood First "Request for Proposals" and "Request for Qualifications" and are committed to the mandate that residents provided in the 2008 referendum which will see the project through to completion. This joint venture with the Cariboo Regional District has been made easier through the strong partnership we've developed collectively as locally-elected officials.

The financial stability of the corporation continues to be a focus for Council. We are committed to being a fiscally responsible entity. You'll see more detail regarding our strategic planning process on pages 8 to 10 of this report.

There are many other exciting projects and initiatives to speak about. Council has a continued commitment to the Quesnel Works Capital Reinvestment Program. This identifies our infrastructure needs and sets out a schedule for replacement that allows us to plan for timely and efficient reinvestment projects. In 2011, we'll invest more than \$1.4 million in City infrastructure.

The "**ourQuesnel** Sustainability Task Force" continues to move forward. From engaging the business community to promote all it does to be more sustainable, to hosting enlightening guest speakers or workshop opportunities, we're continuing to promote sustainability at every opportunity.

City Council is business oriented; we encourage all new investment opportunities in our community. We continue to develop positive relationships with senior levels of government and we constantly strive to obtain and capitalize on grant funding and investment opportunities as they present themselves. Our bulk water plant, for example, continues to provide a safe and secure source of water for our bulk water users, while providing additional revenues to support the operation and maintenance of the water utility.

On behalf of City Council, thank you for providing the opportunity to represent this wonderful community. I'm looking forward with much anticipation to 2011 as we celebrate 30 years of twinning with our sister city of Shiraoi Japan, the Royal Canadian Legion Branch 94's 85th anniversary, and Rocky Mountaineer Vacations' return for a sixth year of operations in Quesnel.

There's a positive spirit and a giving attitude that permeates the fabric of Quesnel; that's what I love about the community and why I am proud to call Quesnel home.

I am proud to be your Mayor and look forward to sharing our successes with all of you in the future.





The City at a glance . . .

Quesnel is a charming city with an area population of about 25,000 people, located at the confluence of the Fraser and Quesnel rivers in the heartland of beautiful British Columbia, Canada.

Entrepreneurial spirit, drive and a commitment to excellence are all critical characteristics of success; The City of Quesnel, both as a corporation and a community, embodies and fosters these characteristics.

We take pride in our City, an active, green and connected community that is working to diversify its economy, culture and people.

As an enthusiastic adopter of sustainability principles and practices, Quesnel is keen to be an active proponent of responsible projects that consider long-term ramifications during the business planning process. We believe in effective synergies between business, industry, local government and the community.

Our lifestyle is enviable. Within minutes you can travel from our downtown core to some of the best fishing, hiking and wilderness adventures in the world. Our renowned Riverfront Trail system affords its users a superb walking and cycling experience while being able to take in the breathtaking scenic vistas of the Fraser and Quesnel Rivers. We also have a flourishing appreciation for arts and culture, while maintaining strong roots to our heritage.

Quesnel is an affordable community, with very reasonable real estate costs and a municipal property tax rate that is the lowest



of communities with populations ranging from 6,000 to 50,000 people.

We have an extraordinary community of volunteers who go to remarkable lengths to make this community an even better place. We're a friendly place, where it's hard to walk down the street without having someone greet you warmly.

People who choose to live, work and play in Quesnel don't regret that choice, as the affordability of calling the North Cariboo home is outstanding.

Quesnel is, quite simply, a wonderful community in which to live, invest or vacation. We invite you to visit us in person, or online at www.quesnel.ca

You won't regret it!

2010 Highlights



Fraser River Footbridge restoration complete

The Fraser River Footbridge has become a community centrepiece following a \$1.9 million restoration in 2010.

A three-and-a-half-month work program from January to April gave the Footbridge a significant facelift. The decking as well as many of the truss members and metal connectors were replaced. In October and November, a complete

makeover of the entrances to the bridge, including new flower planters, was completed. The lighting display, completed in December, provides a wide range of colour schemes designed to accentuate the architectural features of the bridge.

A series of seasonal light themes are pre-programmed, as well as special lighting themes for

special days, such as Canada Day.

The City received a special mention for the project as part of the 2010 International Communities in Bloom competition.

The City received \$1.5 million for all of this work from Western Economic Diversification Canada under the Community Economic Diversification Initiative (CEDI),

a component of the federal government's Mountain Pine Beetle Program. The Quesnel Community and Economic Development Corporation, a wholly owned subsidiary of the City of Quesnel, played a major role in securing the grant from the federal government. The City committed the remaining \$400,000 as its share of the funding. The project was completed under budget.

North Cariboo gets moving | Tremendous volunteers appreciated

QUESNEL, B.C. – North Cariboo residents continue to embrace Move For Health Day, with 6,468 people registering at least 10 minutes of activity on Saturday May 8. More than 25 different free activities promoting activity, fun, and improved health were offered, including a "try it out" afternoon at West Fraser Timber Park.

The North Cariboo defended its title of most active community after 5,387 people registered in the Central Cariboo.

Lynne Wright was named the 2009 Volunteer Citizen of the Year.

Wright, an exceptional community volunteer, is involved in a wide range of activities, including Billy Barker Days, the Girl Guides, the United Church, and the Bouchie Lake seniors lunch. She also helps with the costumes needed for Correlieu school productions, Kersley Musical Theatre, and the Youth Entertaining for Service group.

In addition, Mary Glassford was awarded the first Lifetime Achievement Award. Glassford is an exceptional community representative, both in her life as an elected official and as an advocate for many community projects.

2010 Highlights

Firefighters celebrate 100 years of dedicated community service

2010 marked the 100th anniversary of the Quesnel Volunteer Fire Department

The department hosted an open house and a celebratory banquet and awards ceremony.

In addition, local fire trucks and antiques from across B.C. took part in a downtown parade, and a display of those vehicles in conjunction with the Quesnel Fall Fair.

City develops province's first, Wood-First bylaw

The City of Quesnel was the first local government in the province to pass a "Wood First" bylaw designed to link to the Province of British Columbia's Wood First Act.

Bylaw No. 1675, endorsed by Council on May 10 encourages the use of wood first as a primary building material in the design and construction of City-funded buildings wherever practical and appropriate.

The Wood First Bylaw contains a number of requirements, including:

- All design proposals for City-funded buildings shall include a detailed description of how wood will be used as a primary building material.
- Favourable consideration may be given to:
 - Design proposals for City-funded buildings that demonstrate a more substantial and/or innovative use of wood.
 - Design proposals for City-funded buildings from proponents who demonstrate a greater degree of expertise in the use of wood.
 - Design proposals for City funded buildings that maximize the use of available local wood products.



City wins multiple awards in 2010

Quesnel was rewarded for another outstanding Communities in Bloom competition, receiving five out of five blooms in the International Challenge – Small Category. The community also received special mention for the restoration of the Fraser River Footbridge.

The judges wrote that "the citizens of Quesnel are proud of their heritage and concerned about the environment. The restoration of the Fraser River Footbridge celebrates an historic structure while offering a critical connection to Quesnel's extensive trail system. A 'mile of petunias' planted in the historic downtown . . . has inspired everyone to plant flowers in Quesnel. Hanging baskets, boxes, containers and beds are seen everywhere. The city glistens with colour."

UBCM awards

The City received an honourable mention in the Union of British Columbia Municipalities Community Excellence Awards - Best Practices for

its Bulk Water Distribution Plant. The award recognizes communities that improve upon an existing service.

The City of Quesnel also received an honourable mention in the partnerships category of the UBCM Community Excellence Awards. This was received for the work done by the Quesnel Community and Economic Development Corporation with the Lillooet economic development office on the Gold Rush Living partnership.

This partnership received a first place runner's up award at the International Economic Development Conference in Columbus Ohio, where it was recognized for its cooperative approach to marketing both communities by collaborating to reduce marketing costs and save time.

Finally, the City was a funding partner and participant in the Cariboo Regional District's BC Street initiative during the Olympics, which received an honourable mention in that same category.

2011 Strategic Plan

Section 98 of the Community Charter requires municipal councils to prepare an annual report regarding financial and operational information related to the municipality. Part of this report includes a high-level overview of Council's strategic objectives for the year.

Council meets annually to determine these objectives, with senior administration outlining a number of suggested actions to support those strategies.

The following strategies, in large type, are followed by actions that have been endorsed by Quesnel City Council.

Sustainability in all Planning

The provincial government's Integrated Community Sustainability Planning (ICSP) Initiative, originated from the federal government, provincial government and Union of British Columbia Municipalities Gas Tax Agreement, and encourages integrated community sustainability planning in B.C. The City's Strategic Plan



has primacy over several subordinate plans, each drawing authority therefrom, and each supportive of and consistent with same. An integrated, sustainability-based approach to the City's planning must balance the environmental, social, economic, cultural, physical and statutory dimensions of the City's existence in a way that can be achieved and sustained within the City's means. This approach, first and foremost, needs Council's support in the provision of a balanced strategic vision for the City.

Actions:

- Produce Sustainability Planning and Integration Guidelines for all plan leaders of Subordinate Plans.
- Apply to the Innovation fund for support to assist with ensuring the Sustainable Integration of all Corporate plans

Community Health and Safety

Actions:

- West Quesnel Land Stability Program
 - Finalize the work agreement contract with Western Economic Diversification, and all other relevant agencies and stakeholders
 - Finalize planning for Phase I of the full scale dewatering program.
 - Implement public information campaign.
 - Implement Phase I of the full scale dewatering program.
 - Monitor and analyze the results of Phase 1 of the full scale dewatering program.
 - Investigate tax strategy for WQLS area
- North Cariboo Multi-Center
 - Continue to implement the ongoing Communications Program.
 - Conduct public open house
 - Continue to revise and develop support materials (website, information packages, news releases, etc.)
 - Develop and implement Lobbying plan for Province and Federal Government
 - Develop and implement Lobbying plan with Cariboo Regional District with goal of securing NDI funding.
 - Start-up Fundraising Committee
 - Construct Multi-Center
- Quesnel Volunteer Fire Department volunteers
 - Conduct needs analysis in preparation for next budget cycle.
- Policing
 - Investigate developing First Nations Partnership for restorative justice
 - Investigate youth engagement regarding social/multi-media challenges
 - Continue with RCMP foot patrols and bicycle patrols
 - Investigate options for and ramifications of development of grow-op bylaw.
- Affordable housing
 - Engage with affordable housing groups from a lobbying support perspective to determine needs and appropriate next steps.

2011 Strategic Plan

Financial Stability of the Corporation

Actions

- Draft policy for Council consideration regarding gas tax usage
- Draft policy for Council consideration, to utilize fiscal and social scorecards for return on investment on major capital projects.
- Prepare report for Council consideration regarding bulk water revenue and options for use.
- Draft report to Council on the status of the City Hall debt and repayment options.

Economic Diversification

Actions:

- City's Economic Diversification strategies and Action Steps to become integral elements of the QCEDC Strategic Plan.
- Council to meet with QCEDC Board and EDO to determine next steps.
- QCEDC to work with SD 28 in the context of the Asian trade mission(s) and to support ESL.
- QCEDC to investigate renewed Tourism Strategy for Aviation Tourism (to include work currently underway for airport lands development strategy), Accessible Tourism, and Agricultural Tourism.
- QCEDC to develop information report regarding investigating a local correctional institution for the QCEDC Board and for Council.
- QCEDC, in concert with City staff, draft report to Council regarding options around implementing a food security bylaw in support of the local agricultural sector

Infrastructure re-investment

Actions:

- Conduct analysis of broadening the application of the Quesnel Works: Capital Reinvestment Program, starting the process with a workshop led by Urban Systems for Council.
- Assess Implementation of Quesnel Works for broader group of assets than current application.
- Collect relevant densification policies of other jurisdictions, analyze same, and report findings to Council.
- Seek funding to develop more detailed shovel-ready plans for specific areas not having water service within City limits; establish shovel-ready plans.
- Continue with Quesnel Works projects as approved during the 2011 budget process.
 - Complete the revitalization of St. Laurent Avenue
 - Implement the City's annual paving program



2011 Strategic Plan

Environmental Stewardship

Actions:

- Investigate community composting
- Investigate the options for and potential impacts of developing and implementing an anti-idling bylaw.
- Continued involvement in the Quesnel Air Quality Round Table.
- Investigate pros and cons of water metering versus flat rate for all classes
- Investigate alternative renewable energy sources, such as run-of-river independent power production for City of Quesnel

Governance

Actions:

- Investigate NDI Trust interns assisting with bylaw review process
- Develop Council Orientation program and policy
- Establish protocol to manage Mayor and Council requests
- Amend the Code of Conduct for elected officials, and in addition to any areas in need of revision, focus on the issue of attendance
- Communication project regarding customer service





THE CITY OF
QUESNEL

Consolidated Financial Statements
for the year ended December 31, 2010

2010 Financial Statements



CITY OF
QUESNEL

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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 Canadian public sector accounting standards 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

2010 Financial Statements

R.E. RASMUSSEN
CHARTERED ACCOUNTANT
(incorporated professional)

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council,
City of Quesnel,

I have audited the accompanying financial statements of the City of Quesnel, which comprise the Consolidated Statement of Financial Position as at December 31, 2010 and the Consolidated Statements of Operations, Changes in Net Financial Assets and Cash Flow 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 financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the 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 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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, 2010, and the results of its operations, changes in net financial assets and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

R. E. Rasmussen

Quesnel, B.C.
April 11, 2011

Chartered Accountant

2010 Financial Statements

Significant Accounting Policies as at December 31, 2010

a. Basis of Presentation

It is the policy of the City of Quesnel to follow Canadian public sector accounting standards 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.

The focus of Canadian public sector accounting standards is on the financial position of the City and the changes thereto. The Consolidated Statement of Financial Position reflects the combined results and activities of the City's Operating, Capital and Reserve Funds. The purposes of these funds are:

- i. Operating Funds
Operating Funds are used to record the costs associated with providing City services.
- ii. Capital Funds
Capital Funds are used to account for the acquisition costs of the City's Tangible Capital Assets, the accumulated amortization thereon, and the funding thereof including related long term debt.
- iii. Reserve Funds
Under the *Community Charter* of British Columbia , the Mayor and Council of the City may, by bylaw, establish Reserve Funds for specific purposes. Money in a Reserve Fund and interest thereon must be used only for the purpose for which the fund was established. If the amount in a Reserve Fund is greater than required, the Mayor and Council may, by bylaw, transfer all or part of the balance to another Reserve Fund.

Financial assets are economic resources controlled by a government as a result of past transactions from which future economic benefits may be obtained. Liabilities are present obligations of a government to others arising from past transactions, the settlement of which is expected to result in the future sacrifice of economic benefits.

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

2010 Financial Statements

Significant Accounting Policies as at December 31, 2010

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 Canadian public sector accounting standards 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.

2010 Financial Statements

Consolidated Statement of Financial Position as at December 31, 2010

	<u>2010</u>	<u>2009</u>
Financial Assets		
Cash and investments - note 2	\$14,975,170	\$13,429,754
Taxes and accounts receivable - note 3	4,420,200	4,324,979
Investment in subsidiary - note 4	30,546	38,160
Property acquired for taxes	1,368	15,222
MFA debt reserve - note 5	244,103	236,422
	<u>19,671,387</u>	<u>18,044,537</u>
Liabilities		
Accounts payable and accrued liabilities - note 6	2,935,412	3,177,206
Landfill closure - note 7	740,742	655,811
Deferred revenue - note 8	1,616,478	1,007,158
MFA debt reserve	244,103	236,422
Municipal debt - note 11	9,803,395	10,543,927
	<u>15,340,130</u>	<u>15,620,524</u>
Net Financial Assets	<u>4,331,257</u>	<u>2,424,013</u>
Non-Financial Assets		
Prepaid expenses	196,748	202,316
Inventory of supplies	357,849	274,726
Tangible capital assets - note 12	76,473,677	74,775,583
	<u>77,028,274</u>	<u>75,252,625</u>
Accumulated Surplus - page 17	<u>\$81,359,531</u>	<u>\$77,676,638</u>
Represented By:		
Operating Fund	\$5,837,274	\$5,419,429
Allocated Surplus	576,696	641,645
Statutory Reserves	8,275,281	7,377,224
Equity in tangible capital assets - note 13	66,670,280	64,238,340
	<u>\$81,359,531</u>	<u>\$77,676,638</u>

See accompanying notes.

2010 Financial Statements

Consolidated Statement of Operations for the Year Ended December 31, 2010

	2010 BUDGET (unaudited)	2010 ACTUAL	2009 ACTUAL
Revenues			
Property taxes and grants in lieu - note 14	\$13,368,696	\$14,045,087	\$13,607,465
Sale of services - note 15	1,845,508	2,100,754	1,754,137
Government grants - note 16	6,202,726	3,474,450	3,932,727
Donations	-	18,478	52,084
Services provided to other governments	758,932	931,103	835,586
Investment Income	300,000	193,939	355,868
Utility user fees - note 15	1,640,000	1,561,285	1,568,259
Net results of subsidiary	-	(7,614)	14,199
MFA Actuarial Adjustment	-	201,739	175,090
Other	500,000	427,091	478,506
	<u>24,615,862</u>	<u>22,946,312</u>	<u>22,773,921</u>
Expenses			
General government services	2,214,632	2,195,380	2,356,111
Protective services	4,777,144	4,325,692	4,974,188
Transportation services	2,750,180	2,611,799	2,522,882
Environmental and health services	1,241,152	1,334,656	1,320,081
Development services and planning	541,750	766,495	590,824
Recreation and cultural services	1,206,152	1,225,181	1,324,980
Operations	2,956,681	2,945,408	2,624,531
Interest expense	663,121	665,399	751,847
Amortization	3,100,000	3,148,436	3,069,210
Other	-	-	2,129
	<u>19,450,812</u>	<u>19,218,446</u>	<u>19,536,783</u>
Subtotal	5,165,050	3,727,866	3,237,138
(Loss) on sale of tangible capital assets	-	(44,973)	(117,036)
Annual Surplus	5,165,050	3,682,893	3,120,102
Accumulated surplus at beginning of year	<u>77,676,638</u>	<u>77,676,638</u>	<u>74,556,536</u>
Accumulated surplus at end of year - page 16	<u>\$82,841,688</u>	<u>\$81,359,531</u>	<u>\$77,676,638</u>

See accompanying notes.

2010 Financial Statements

Consolidated Statement of Changes in Net Financial Assets (Debt) for the Year Ended December 31, 2010

	2010 BUDGET (unaudited)	2010	2009
Annual Surplus	\$5,165,050	\$3,682,893	\$3,120,102
Tangible capital assets purchased	(11,506,302)	(4,909,326)	(4,907,495)
Amortization of tangible capital assets	3,100,000	3,148,436	3,069,210
Loss on sale of tangible capital assets	-	44,973	117,036
Proceeds on sale of tangible capital assets	25,000	17,823	1,071,345
	<u>(3,216,252)</u>	<u>1,984,799</u>	<u>2,470,198</u>
Acquisition of supply inventory	-	(83,123)	-
Consumption of supply inventory	-	-	21,588
Use of prepaid expense	-	5,568	78,506
		<u>(77,555)</u>	<u>100,094</u>
Increase (decrease) in net financial assets	(3,216,252)	1,907,244	2,570,292
Net financial assets (debt) at beginning of year	<u>(2,424,013)</u>	<u>2,424,013</u>	<u>(146,279)</u>
Net financial assets (debt) at end of year	<u><u>\$(792,239)</u></u>	<u><u>\$4,331,257</u></u>	<u><u>\$2,424,013</u></u>

See accompanying notes.

2010 Financial Statements

Consolidated Statement of Cash Flow for the Year Ended December 31, 2010

	<u>2010</u>	<u>2009</u>
Operating transactions		
Annual surplus	\$3,682,893	\$3,120,102
Non-cash items:		
Amortization	3,148,436	3,069,210
Decrease in prepaid expenses	5,568	78,506
(Increase) decrease in supply inventory	(83,123)	21,588
Changes to financial assets/liabilities:	-	-
(Increase) in receivables	(95,221)	(406,013)
(Increase) in MFA cash deposits	(7,680)	(6,549)
(Increase) decrease in other financial assets	21,468	(26,054)
Increase (decrease) in accounts payable	(241,794)	(378,693)
Increase in landfill closure	84,931	80,886
Increase (decrease) in deferred revenue	609,320	(193,059)
Increase in MFA debt reserve	7,680	6,549
Cash provided by operating transactions	<u>7,132,478</u>	<u>5,366,473</u>
Capital transactions		
Acquisition of tangible capital assets	(4,909,326)	(4,907,495)
Proceeds from the sale of tangible capital assets	17,823	1,071,345
Loss on the sale of tangible capital assets	44,973	117,036
Cash applied to capital transactions	<u>(4,846,530)</u>	<u>(3,719,114)</u>
Financing transactions:		
Debt repayment	(538,795)	(530,074)
Actuarial adjustments	(201,737)	(175,090)
Cash applied to financing transactions	<u>(740,532)</u>	<u>(705,164)</u>
Increase in cash and investments	1,545,416	942,195
Cash and investments at beginning of year	<u>13,429,754</u>	<u>12,487,559</u>
Cash and investments end of year	<u>\$14,975,170</u>	<u>\$13,429,754</u>

See accompanying notes.

2010 Financial Statements

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2010

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, 2010, the balance of the funds was \$193,887 (2009 - \$190,443).

2. CASH AND INVESTMENTS

	<u>2010</u>	<u>2009</u>
Restricted cash and investments		
Statutory Reserves	\$8,275,281	\$7,377,224
Restricted Revenues	1,616,478	1,007,158
	9,891,759	8,384,382
Unrestricted cash and investments	5,083,411	5,045,372
Total cash and investments	\$14,975,170	\$13,429,754

3. TAXES AND ACCOUNTS RECEIVABLE

	<u>2010</u>	<u>2009</u>
Property taxes	\$832,498	\$787,109
Federal government	1,687,956	801,635
Provincial government	252,806	345,071
Regional government	851,870	734,733
General	795,070	1,656,431
Total taxes and accounts receivable	\$4,420,200	\$4,324,979

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.

2010 Financial Statements

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2010

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>2010</u>	<u>2009</u>
Cash deposits *	\$244,103	\$236,422
Demand notes	539,673	539,673
	<u>\$783,776</u>	<u>\$776,095</u>

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

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2010</u>	<u>2009</u>
Federal government	\$58,045	\$5
Provincial government	148,863	105,433
Regional government	-	(1,214)
General	2,543,377	2,905,714
Accrued interest	104,903	104,903
Deposits	80,224	62,365
Total accounts payable and accrued liabilities	<u>\$2,935,412</u>	<u>\$3,177,206</u>

7. SANITARY LANDFILL

	<u>2010</u>	<u>2009</u>
Landfill closure liability	<u>\$740,742</u>	<u>\$655,811</u>

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.

The costs associated with the landfill closure and post-closure care are determined as outlined in Section PS 3270 Solid Waste Landfill Closure and Post Closure Liability of the PSAB Handbook.

2010 Financial Statements

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2010

8. DEFERRED REVENUE

	<u>2010</u>	<u>2009</u>
Federal Gas Tax	\$910,693	\$378,560
Development Cost Charges	669,340	628,598
Other	36,445	-
	<u>\$1,616,478</u>	<u>\$1,007,158</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.

Gas Tax Agreement Funds

	<u>2010</u>	<u>2009</u>
Opening Balance of unspent funds	\$374,060	\$596,140
Add: Amount received during the year	546,929	431,845
Interest Earned	7,978	13,828
Less: Amount spent on projects	(128,274)	(557,753)
Amount Accrued	110,000	(110,000)
Closing Balance of unspent funds	<u>\$910,693</u>	<u>\$374,060</u>

Public Transit Agreement Funds

	<u>2010</u>	<u>2009</u>
Opening Balance of unspent funds	\$4,500	\$17,836
Interest Earned	-	287
Less: Amount spent on projects	(4,500)	(13,623)
Closing Balance of unspent funds	<u>\$-</u>	<u>\$4,500</u>

Public Transit Infrastructure Program Funds

	<u>2010</u>	<u>2009</u>
Opening Balance of unspent funds	\$-	\$84,082
Interest Earned	-	1,090
Less: Amount spent on projects	-	(85,172)
Closing Balance of unspent funds	<u>\$-</u>	<u>\$-</u>

TOTAL GAS TAX FUNDS

<u>\$910,693</u>	<u>\$378,560</u>
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2010 Financial Statements

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2010

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 public sector accounting standards, 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
Sanitary	\$105,628	\$584	\$1,331	\$-	\$107,543
Water	290,876	14,461	3,746		309,083
Storm	129,846	7,899	1,681		139,426
Roads	100,675	7,710	1,313		109,698
Parks	1,573	1,985	32		3,590
	\$628,598	\$32,639	\$8,103	\$-	\$669,340

11. MUNICIPAL DEBT

	Opening Balance	Additions	Principal Payments	Actuarial Adjustment *	Closing Balance
General Capital MFA					
53 R.C.M.P. Building	\$546,303	\$-	\$75,607	\$97,685	\$373,011
85 Fire Truck	972,646		23,048	6,367	943,231
95 New City Hall	5,388,205		144,072	24,472	5,219,661
97 Soccer Fields	364,631		103,843	12,966	247,822
99 Johnston Bridge	950,700		79,863	9,971	860,866
	8,222,485	-	426,433	151,461	7,644,591
Water Capital					
73 Southills Water	1,999,585		99,448	45,019	1,855,118
77 Southills Water	321,857		12,914	5,257	303,686
	2,321,442	-	112,362	50,276	2,158,804
TOTAL	\$10,543,927	\$-	\$538,795	\$201,737	\$9,803,395

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

	2011	2012	2013	2014	2015
General	\$426,433	\$426,433	\$246,983	\$246,983	\$246,983
Water Funds	112,361	112,361	112,361	112,361	112,361
	\$538,794	\$538,794	\$359,344	\$359,344	\$359,344

* 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.

2010 Financial Statements

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2010

12. TANGIBLE CAPITAL ASSETS

	<u>2010</u>	<u>2009</u>
Land	\$10,946,522	\$10,912,029
Land Improvements	12,753,578	12,420,888
Buildings	12,770,058	13,091,255
Roads	14,961,337	13,628,230
Machinery & Equipment	2,888,171	3,022,035
Water Systems	13,193,340	13,047,659
Sewer Systems	3,545,753	3,443,707
Drainage Systems	2,485,334	2,641,352
Furniture & Eqpt & Technology	500,284	495,082
Motor Vehicles	1,220,980	1,413,335
Construction in Progress	1,208,320	660,011
	<u>\$76,473,677</u>	<u>\$74,775,583</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 \$17,745 (2009 \$50,707).

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.

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>2010</u>	<u>2009</u>
Equity in TCA, beginning of year	\$64,238,340	\$62,883,272
Add: Capital Acquisitions	4,909,326	4,907,495
Debt principal payment	538,795	530,074
Actuarial Adjustment	201,737	175,090
Less: Dispositions at NBV	(62,796)	(1,188,381)
Amortization	(3,148,436)	(3,069,210)
Adjustment	(6,686)	-
Equity in TCA, end of year	<u>\$66,670,280</u>	<u>\$64,238,340</u>

2010 Financial Statements

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2010

14. NET TAXATION AND GRANTS IN LIEU

Taxes collected

	<u>2010</u>	<u>2009</u>
Property Taxes	\$21,500,766	\$21,217,555
Special Assessments	29,216	24,652
1% Utility Tax	518,860	588,762
Grants in Lieu of Taxes	150,743	154,270
Penalties and Interest on taxes	149,075	135,097
	<u>\$22,348,660</u>	<u>\$22,120,336</u>

Less transfers to other governments

School District	4,317,257	\$4,309,039
Regional District	2,801,476	2,986,670
Regional Hospital District	1,033,787	1,063,616
Other	151,053	153,546
	<u>8,303,573</u>	<u>8,512,871</u>

Net Taxes available for municipal purposes

	<u>\$14,045,087</u>	<u>\$13,607,465</u>
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15. SALE OF SERVICES, USER RATES, RENTALS

	<u>2010</u>	<u>2009</u>
Transit user fees	\$117,134	\$114,592
Airport user fees	241,348	208,886
Airport fuel sales	510,046	332,534
Garbage Fees	509,200	530,953
Rentals, licenses and permits	548,436	518,895
Other	174,590	48,277
Total Sale of Services	<u>\$2,100,754</u>	<u>\$1,754,137</u>

Water user rates	\$822,524	\$835,240
Sewer user rates	738,761	733,019
Total Utility User Fees	<u>\$1,561,285</u>	<u>\$1,568,259</u>

2010 Financial Statements

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2010

16. GOVERNMENT TRANSFERS

		<u>2010</u>	<u>2009</u>
Federal:	Conditional transfers	\$2,079,632	\$1,923,392
Provincial:	Conditional transfers	607,585	1,073,326
	Unconditional transfers	643,686	928,509
Regional/Other:	Conditional transfers	143,547	7,500
		<u>\$3,474,450</u>	<u>\$3,932,727</u>

17. EXPENSES BY OBJECT

Goods and Services	\$3,656,923	\$3,889,007
Salary, Wages & Benefits	9,252,562	9,206,711
Contractors/Subcontractors	1,511,819	1,685,639
Utilities - Electricity/Natural Gas	671,642	625,693
Amortization	3,148,436	3,069,210
Insurance	311,665	308,676
Interest and Finance Charges	665,399	751,847
	<u>\$19,218,446</u>	<u>\$19,536,783</u>

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The City's financial instruments consist of cash and investments, taxes and accounts receivable, accounts payable and accrued liabilities and municipal 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.

2010 Financial Statements

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2010

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 trustee 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 163,000 active members and approximately 60,000 retired members. Active members include approximately 35,000 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, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available later in 2013. The actuary does not attribute portions of the plan surplus to individual employers. The City of Quesnel paid \$560,507 for employer contributions to the plan in fiscal 2010.

e. Co-ownership Agreement for the Quesnel Library:

The City and the Cariboo Regional District completed a co-ownership agreement for the Quesnel Library in 2009, which is now housed in City Hall.

Under the agreement, the District purchased a 1/5 undivided fee simple interest in the building which enabled the occupation by the District of the first floor for use as a regional library. The price for this 1/5 interest was \$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.

2010 Financial Statements

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2010

20. 2010 BUDGET

The budget amounts presented throughout these financial statements are unaudited and represent the five year financial plan approved by the Mayor and Council on May 10, 2010.

21. SEGMENTED INFORMATION

The City of Quesnel is a diversified local government providing a wide range of services to approximately 10,000 residents, including general government, water, sewer, transit and airport services. For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment as well as amounts that are allocated on a reasonable basis.

Segmentation has been determined on a functional basis with consideration to service delivery and departmental accountabilities. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed on pages 14 and 15. The segments include:

- General Government which provides services for transportation, fire protection, policing, planning and development, solid waste management, recreation and cultural services, cemetery and general administration.
- Water which provides water services.
- Sewer which provides sewer services.
- Transit which administers all transit operations in Quesnel.
- Airport which operates the City's airport.

22. CAPITAL MANAGEMENT

The City's objectives when managing capital are:

1. To safeguard the City's ability to operate as a going concern; and
2. To maintain a flexible capital structure.

The City reviews its credit facilities annually to ensure that sufficient funds are available to meet operational needs.

2010 Financial Statements

Consolidated Tangible Capital Assets as at December 31, 2010

	Land		Buildings	Roads	Machinery & Equipment	Engineering Structures		
	Land	Improvements				Water	Sewer	Drainage
Historical Cost:								
Opening Balance	\$10,912,029	\$19,065,465	\$17,436,228	\$25,007,967	\$5,271,132	\$24,442,400	\$7,635,760	\$7,092,666
Additions	34,493	859,138	116,431	2,076,113	205,083	652,417	259,738	23,172
Disposals		(2,224)	(58,781)	(322,171)	(249,242)	(3,864)		
Closing Balance End of Year	10,946,522	19,922,379	17,493,878	26,761,909	5,226,973	25,090,953	7,895,498	7,115,838

Accumulated Amortization:								
Opening Balance		6,644,577	4,344,973	11,379,737	2,249,097	11,394,741	4,192,053	4,451,314
Amortization Expense		526,003	398,833	740,675	318,947	505,511	157,692	179,190
Effects of Disposals		(1,779)	(19,986)	(319,840)	(229,242)	(2,639)		
Closing Balance End of Year		7,168,801	4,723,820	11,800,572	2,338,802	11,897,613	4,349,745	4,630,504

NET BOOK VALUE								
End of Year	\$10,946,522	\$12,753,578	\$12,770,058	\$14,961,337	\$2,888,171	\$13,193,340	\$3,545,753	\$2,485,334

	Furniture Equipment & Technology	Motor Vehicles	Construction in Progress	2010 Total	2009 Total
Historical Cost:					
Opening Balance	\$927,211	\$5,134,355	\$660,011	\$123,585,224	\$120,975,017
Additions	109,032	25,400	548,309	4,909,326	4,907,495
Disposals	(45,389)			(681,671)	(2,297,288)
				-	-
Closing Balance End of Year	990,854	5,159,755	1,208,320	127,812,879	123,585,224

Accumulated Amortization:					
Opening Balance	432,129	3,721,020	-	48,809,641	46,849,338
Amortization Expense	103,830	217,755		3,148,436	3,069,210
Effects of Disposals	(45,389)	-		(618,875)	(1,108,907)
				-	-
Closing Balance End of Year	490,570	3,938,775	-	51,339,202	48,809,641

NET BOOK VALUE					
End of Year	\$500,284	\$1,220,980	\$1,208,320	\$76,473,677	\$74,775,583

2010 Financial Statements

Consolidated Statement of Statutory Reserve Fund Activities
Year Ended December 31, 2010

	Capital Reinvestment	General Capital	Land Sales	West Quesnel Land Stability	Tax Stabilization	Park Reserve	2010 Total	2009 Total
Opening Balance	\$2,319,922	\$3,487,650	\$1,161,732	\$-	\$311,996	\$95,924	\$7,377,224	\$6,128,725
Transfers In	605,442	1,009,055	-	1,570,000	250,000	-	3,434,497	3,299,347
Interest Earned	30,232	41,856	8,860	9,603	5,491	1,206	97,248	185,067
Transfers Out	(426,559)	(1,252,589)	(913,163)	(41,377)			(2,633,688)	(2,235,915)
Closing Balance, Dec 31	\$2,529,037	\$3,285,972	\$257,429	\$1,538,226	\$567,487	\$97,130	\$8,275,281	\$7,377,224

Segmented Statement - Year Ended December 31, 2010

	GENERAL	WATER	SEWER	TRANSIT	AIRPORT	TOTAL
Revenues						
Property taxes and grants in lieu	\$12,617,304	\$725,194	\$208,416	\$214,808	\$279,365	\$14,045,087
Sale of services	1,127,462	70,909	33,855	117,134	751,394	2,100,754
Government grants	2,875,505	533,307	65,638	-	-	3,474,450
Donations	18,478	-	-	-	-	18,478
Services provided to other governments	865,105	-	-	65,998	-	931,103
Investment Income	163,003	26,936	1,737	1,765	498	193,939
Utility user fees	-	822,524	738,761	-	-	1,561,285
Net results of subsidiary	(7,614)	-	-	-	-	(7,614)
MFA Actuarial adjustment	151,463	50,276	-	-	-	201,739
Other	393,052	1,226	-	960	31,853	427,091
	18,203,758	2,230,372	1,048,407	400,665	1,063,110	\$22,946,312
Expenses						
General government services	2,195,380	-	-	-	-	2,195,380
Protective services	4,325,692	-	-	-	-	4,325,692
Transportation services	2,611,799	-	-	-	-	2,611,799
Solid waste management and recycling	1,334,656	-	-	-	-	1,334,656
Development services and planning	766,495	-	-	-	-	766,495
Recreation and cultural services	1,225,181	-	-	-	-	1,225,181
Operations	138,877	913,042	572,276	412,049	909,164	2,945,408
Interest expense	545,023	120,376	-	-	-	665,399
Amortization	2,095,161	512,657	166,034	-	374,584	3,148,436
	15,238,264	1,546,075	738,310	412,049	1,283,748	\$19,218,446
Subtotal	2,965,494	684,297	310,097	(11,384)	(220,638)	3,727,866
(Loss) on sale of tangible capital assets	(43,748)	(1,225)	-	-	-	(44,973)
Annual Surplus	\$2,921,746	\$683,072	\$310,097	\$(11,384)	\$(220,638)	\$3,682,893

2010 Financial Statements

PROPERTY TAX EXEMPTIONS 2010

Charitable, Philanthropic or other not-for-profit corporations

Roll #	Organization	Total Exemption Amount
87.000	Quesnel Masonic Temple Society	\$2,583
206.00	Salvation Army	\$6,665
218.000	Quesnel & District Child Development Centre	\$12,388
247.000	Quesnel Women's Resource Centre	\$1,923
248.000	Quesnel Women's Resource Centre	\$415
267.000	Amata Transition House Society	\$2,649
314.000	Fraser Village Homes Society	\$13,782
332.000	Royal Canadian Legion Branch 94	\$8,835
418.010	Quesnel & District Seniors Society	\$27,210
419.000	Quesnel Curling Club	\$17,621
1550.080	Quesnel & District SPCA	\$3,037
2189.000	Quesnel Tillicum Society	\$5,202
2193.000	Quesnel Tillicum Society	\$287
4013.083	Royal Canadian Legion Branch 94	\$3,336
4208.000	Quesnel Elks Club	\$1,661
4210.000	Quesnel Elks Club	\$2,126
5045.954	Cariboo Vasa Lodge	\$1,741
5862.500	Quesnel Auto Racing Association	\$10,078
		<u>\$121,539</u>

Church Land and land surrounding statutory exemptions

Church Owned Lands - 224 (2)(f)

220.000	Fraser Basin	\$4,879
329.000	United Church of Canada	\$1,497
328.000	United Church of Canada	\$3,544
961.000	Roman Catholic Bishop	\$1,796
1200.890	Northstar Fellowship Baptist Church	\$2,382
2025.000	Trinity Luthern Church	\$578
2602.000	Cariboo Gur Sikh Temple Society	\$746
2703.000	Guru Dabar Society	\$623
3600.000	Congregation of Quesnel Jehovah's Witnesses	\$1,219
4211.000	Victory Way Baptist Church	\$647
4659.000	Lighthouse Pentecostal Church of Quesnel	\$467
5047.309	Bethel Pentecostal Tabernacle of Quesnel	\$3,255
		<u>\$21,633</u>

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

314.000	Fraser Village Homes Society	\$19,914
961.000	Roman Catholic Bishop	\$124
		<u>\$20,038</u>
		<u>\$163,210</u>

2010 Status Update

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

January - Submit Environmental Assessment Document to Federal Government for review

On February 25, 2010, the City of Quesnel submitted a completed Environmental Assessment to Western Economic Diversification for review by all appropriate stakeholders, including the federal Department of Fisheries and Oceans, Environment Canada, the BC Ministry of Environment and the Canadian Wildlife Service.

March - Review of EAD completed by Federal Government

On April 8, the DFO provided approval. Approval from other stakeholders took far longer than originally anticipated to obtain. On October 6, a City-led delegation travelled to Vancouver in an attempt to expedite the process. While some level of progress occurred immediately following that meeting, as of Dec. 31 2010, final approval of the EA has not been granted.

Complete design and estimate for full-scale dewatering program

On March 3, the West Quesnel Land Stability Advisory Committee was presented with a cost estimate and initial plans for the full-scale dewatering program. It was noted at that time, that a full design package will not be completed until the EA is dealt with.

April - Finalize Phase 1 of mitigation plan

As the EA and design work had not been completed, Phase 1 of the mitigation plan was delayed. The City worked throughout 2010 providing all information requested by stakeholders to hasten the approval of the EA.

Conduct public information campaign as soon as possible

Conducting a full-scale public information campaign was deemed not necessary until the EA was complete and a design and costing was in place for Phase 1 of the mitigation plan. As the delays in the EA approval mounted, however, staff prepared frequent updates for the community on the project's process. These included brief mentions in the May and December issues of the QCity News (delivered to each home and business within City limits) as well

as frequent mentions on the Mayor's weekly radio and television shows, and in newspaper columns. A full-scale public information campaign will proceed as soon as the EA and work plans are complete.

Determine funding formula (e.g.: general taxation versus parcel taxes)

The City received a grant of \$3.14 million from the Building Canada Program to

fund WQLS dewatering program work. The City is responsible for providing an additional \$1.57 million as its share of the \$4.71 million project. Quesnel City Council opted to contribute approximately \$250,000 over five years to fund its portion. Council chose to fund the 2010 contribution from general taxation, while indicating a desire to investigate the use of parcel taxes in the future to support WQLS funding.

May - Implement work plan for drilling and drainage work

December - Complete field work

The completion of these items was contingent upon approval of the EA by the multiple stakeholders mentioned above in a timely manner. As of December 31, this approval had not been granted.



2010 Status Update

Financial Sustainability of the Corporation

Objective

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

Actions

January to April - Complete budget process with a focus on spending reductions and downsizing the budget to match declines to the tax base.

2010 was a challenging budget year for the City of Quesnel. Due to significant changes in industrial assessment combined with very little in the way of new construction, the City was forced to cut close to \$1 million from its initial operating and capital budgets to achieve an average property tax increase of 4.3 per cent.

January - Complete city lands inventory project & present to Council for consideration.

On January 18th, the City Planner presented to Council a report reviewing City owned lands, to identify surplus lands suitable for consideration of donating for affordable housing projects, or to liquidate for investment in other City projects. At that time, the City had 222 parcels of land, the majority of which are not considered surplus. The four types not considered surplus were lots within the West Quesnel Land Stability Study Area, lots with City facilities, parks and downtown parking lots.

June - Completion of Bulk Water Sales project.

The City opened the Bulk Water Distribution Plant on May 3. An information campaign geared towards bulk water haulers and users was conducted, including an Open House and presentation, newsletter and advertising. In 2010, approximately \$61,000 in revenues was collected. Revenues are placed in the water fund to support the operation and maintenance of the City's water distribution system.

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



The City continues to review its five-year financial plan, including capital spending, in view of declining and shifting taxation. The West Quesnel Land Stability Program remains the top priority of the City and funds for the City's portion of the first phase of the project are available from reserves. The City recognizes the need to continue to invest more in infrastructure replacement. In the fall of 2010, utility rates were increased to make more funds available for capital replacement of utilities assets.

2010 Status Update

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

Complete the public consultation process and finalize the Design Build Request for Proposals and related documents

The North Cariboo Multi-Centre project reached a milestone in 2010. The Request for Qualifications and Request for Proposals documents to support a Design-Build method of facility procurement were completed in April and presented to the North Cariboo Joint Planning Committee. The RFP, at more than 300 pages, lays out the building program and operational needs required to be met by the Design-Builder. The one significant change of scope that was made to keep the budget at \$30 million was to reduce the arena spectator seating to 1,600 fixed seats, with room for 200 "standing room" spots.

Form the Multi-Centre Fundraising Committee and develop the fundraising strategy for the Multi-Centre

Steps were taken to form a fundraising committee for the multi-centre project however community volunteers were not responsive at this time. The City and Regional District continue to direct their energies toward securing Provincial and Federal Government grants.

Complete the Operational, Marketing, and Financing Plans for the Multi-Centre project

The Operational, Marketing and Financing Plan, developed through the Quesnel Community and Economic Development

Corporation and Community Smart Consulting, was completed in 2010.

Work with the Cariboo Regional District to secure funding that will allow the Multi-Centre project to enter the construction phase in 2011

The City and CRD worked closely together to lobby aggressively for funding commitments from senior levels of government. New information packages were designed to reflect the

project's progress and distributed to multiple senior government leaders, including the Prime Minister of Canada and the Premier of British Columbia. Local government officials also met personally with Cariboo-Prince George MP Dick Harris, Ben Stewart, then Minister of Community and Rural Development, Minister of Forests and Range Pat Bell and Minister of Transportation and Infrastructure Shirley Bond.

Issue the Design/Build RFP when funding for the project is secured

As funding has not been secured for the project, the RFP and RFQ have not been issued.



2010 Status Update

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

January/February 2010 - Review the Quesnel Community and Economic Development Corporation three-year strategic plan.

The three-year strategic plan was reviewed and approved, with Council approving a new two-year contract in November 2010.

booth. A media day, with outlets such as Global TV, showcased the region. Media from around the world, including from as far away as Russia, visited our booth. City staff also worked at the booth for four days in the spirit of co-operation and regional support. The QCEDC also hosted, in partnership with Lillooet, an investment evening at the 2010 Commerce Centre in Robson Square.

February/March 2010 - Change the structure of the QCEDC staff.

A structure change was investigated, and changes were made. The executive director position was dissolved, with a current employee stepping into the role of

economic development officer. That employee's prior position was not backfilled on a permanent basis, although various grant opportunities have allowed the QCEDC to have support

staff in place on a contractual basis.

March 2010 - Determine the City's role in the Quesnel Community Energy System project and its next steps.

On July 7th, Terasen Gas, the City of Quesnel, BC Hydro and West Fraser announced the potential innovative partnership that would bring community based heating to Quesnel. The City of Quesnel and Terasen had signed a letter of intent to conduct more engineering feasibility work on the combined heat and power system. In April 2009, the

City of Quesnel, through its Economic Development Corporation, had secured grant funding of \$4.13 million from B.C.'s Innovative Clean Energy Fund, with Terasen funding the balance of the project. Throughout the fall and winter of 2010, the engineering feasibility study took place.

Focus on working with other levels of government to deliver worthwhile projects (especially Wood First opportunities).

Significant opportunities for wood-first projects are limited due to the massive infusion of capital required to complete them (the North Cariboo Multi-Centre for example). The City continues, however, to deliver many services and initiatives with the support of senior government funding. Some examples of projects or services that were enhanced in 2010 thanks to senior government funding include: the Fraser River Footbridge rehabilitation; ongoing work on the Quesnel Community Energy System; improvements to the municipal landfill; and various infrastructure projects funded through casino and small community funding programs.

Utilize twinning grant to foster economic development activities.

The City incorporated links from its corporate website to provide information about Quesnel in five languages (Japanese, Mandarin, Punjabi, French and German) targeting business and tourism interests in the Pacific Rim. The City committed to an economic development trade mission to Japan in the spring/summer of 2011 to coincide with the 30th anniversary of its twinning relationship with Shiraoi Japan.

Consider the opportunity to encourage international students at the new college facilities.

This project was not formally acted upon.



February 2010 - City involvement with BC Street

The Cariboo Regional District took the lead to secure a spot on BC Street, a series of displays that highlighted the best of various tourism regions. The City was one of four municipalities included in the CRD's booth featuring the Cariboo-Chilcotin area. Between 7,500 and 12,500 people visited BC Street every day. Many different types of visitors, from investors and business people to potential tourists and people looking to relocate to take advantage of lifestyle opportunities, came through the

2010 Status Update

Community Safety

Objective

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

Actions

Develop video surveillance/privacy policy for Council consideration.

A new video surveillance and privacy policy was prepared by the Community Policing Manager and approved by Quesnel City Council on April 26, 2010.

Encourage continuation of DARE and PARTY program in schools.

Both programs continued to operate in 2010. Several DARE classes are expected to be conducted in 2011. In addition, the RCMP Traffic Services unit has commenced work on the PARTY program.

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.

Several initiatives on this front took place in 2010. Multiple community safety meetings with these key stakeholders were held to discuss various crime-related issues. In addition to this committee, RCMP representatives made several presentations in the community and schools involving drug use and drug trends. Several presentations were made in schools regarding sexting and bullying. A working group is planned to manage high risk violence in relationship incidents. A sexual assault investigation protocol with Northern Health was also initiated.

Closer working relationship desired for Business Improvement Associations with RCMP.

The Quesnel RCMP's staff sergeant addressed this through meetings with the various business associations. RCMP liaisons were also named for each BIA.



Expanded use of video cameras.

In consideration of the new video surveillance policy, a new video camera system was put in place. The City employs two cameras on the Fraser River Footbridge, one at the skateboard park in West Quesnel and two at the Spirit Square at the corner of Reid Street and St. Laurent Avenue.

Continuation of foot patrols downtown.

Foot patrols were well received by the community in 2010. Police visibility in the downtown core, in West Quesnel and at special events was welcomed. These patrols are planned to continue, with the inclusion of bicycle patrols a potential as well.

City cleanup, with a focus on burned-out homes and unsightly properties.

The City investigated a number of properties, with varying degrees of actions taken. Due to personnel changes at the City, as well as winter's early onset, the project was put on hold until spring of 2011.

2010 Status Update

Environmental Policy

Objective

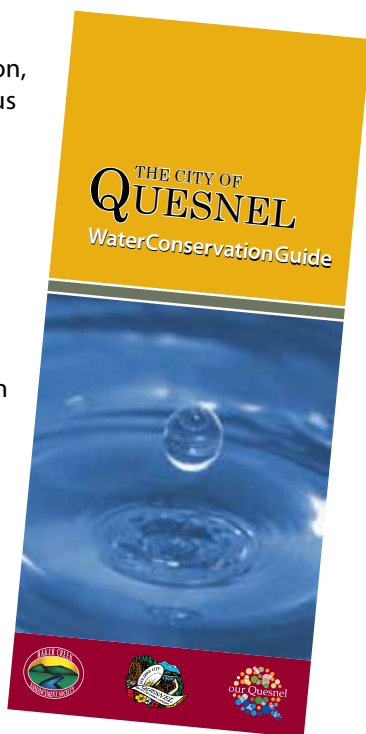
To become a leader in municipal environmental management.

Actions

Identify and implement short-term policies and actions that will raise community awareness and begin reducing community emissions.

A number of actions were taken in 2010 to raise community awareness and reduce community emissions. They included:

- Promoted Earth Hour on March 26, when the City achieved a 1.7% reduction in hydro consumption.
- Distributed information at events in the community including an Earth Celebration, a Farmers' Market, and various community meetings.
- Achieved and promoted recognition as a SolarBC community.
- Celebrated BC Solar Days with tours and information sessions on the solar hot water system at the Quesnel and District Arts & Recreation Centre.
- Partnered with the Baker Creek Enhancement Society on the development and distribution of a water conservation brochure.
- Organized and held an event to educate people regarding the need for long-term comprehensive sustainability planning (the Futures Game).



Determine the volume of methane gas generated by the landfill and determine appropriate mitigation strategies.

The City of Quesnel completed a landfill gas inventory. The amount of gas emitted from the site is below that required to initiate landfill gas capture methods. The City, however, continues with a number of initiatives to mitigate the amount of material

entering the landfill, including promotion and delivery of recycling programs, movement towards increasing composting services, and implementation of weigh scales to better assess the rate of filling and compaction density and therefore reduce methane emissions.

Develop a report card to inform our residents about our sustainability initiatives.

Work on an annual sustainability report began in 2010, which is expected to be presented to City Council in early 2011.

Set targets, actions and policies regarding greenhouse gas reductions for the City.

Quesnel City Council approved Official Community Plan amendments designed to meet the requirements of Bill 27. This act required the City to add greenhouse gas reduction targets, policies and actions to its OCP by May 31. Council, in consultation with its Sustainable Community Task Force, reviewed many options before adopting targets that align with those of the provincial government: 33% below 2007 levels by 2020 and 80% by 2050. Nine new policies and actions supporting progression to a sustainable community were also added.

Develop a strategic action plan for corporate operations.

A staff strategic planning session was completed in May.

Partner with community stakeholders to take advantage of BC Hydro Grant Opportunities.

Staff have been working with representatives of BC Hydro to identify opportunities for the community and corporation to benefit from BC Hydro programs to increase energy efficiency. In addition an Energy Assessment through BC Hydro was completed for the corporation and a green team (our Team) to promote a corporate conservation ethic was established.

Review our commitment to complete Integrated Community Sustainability Planning by 2015 under the Gas Tax Agreement

A Sustainability Task Force was developed at the beginning of 2010 to begin looking at the commitment to complete integrated sustainability planning. The Task Force engaged in the following capacity building exercises in 2010:

- Climate Action Bootcamp facilitated by the Community Energy Association and the BC Healthy Communities Initiative
- Sustainability Planning Overview presented by Smart Communities Facilitator Joan Chess
- Futures Game facilitated by Leslie Lax of the Ministry of Community and Rural Development
- Quesnel 2020 update by Jim Savage

2010 Status Update

- District Energy System update by Jim Savage
- Lessons Learned from other communities presented by April Cheng
- City Corporation Fiscal Sustainability presentation by Kari Bolton

Additionally the Task Force reviewed and discussed a number of initiatives that have been completed to advance sustainability in the community including:

- The Community Assessment completed by the City
- The Energy and Emissions Options Report completed for the community
- The Sustainability Indicators reporting completed by the Fraser Basin Council for the Community
- The Quesnel 2020 process and the resulting Prosperity Report
- The Community Energy and Emissions Inventories released by the province

The following initiatives were undertaken by the task force:

- Recommendations on the adoption of targets, actions and policies to reduce greenhouse gas emissions were recommended to Council and adopted into the Official Community Plan.
- Branding sustainability initiatives in Quesnel under the “our Quesnel” banner.
- Application for Solar Community recognition
- Promotion of participation in Earth Hour
- Task Force members attended a two day community-based social marketing seminar to increase capacity in this area

Quesnel through effective and efficient leadership.

Actions

Continue to strengthen the City’s relationship with the Cariboo Regional District:

BC Street project participation

The Cariboo Regional District took the lead to secure a spot on BC Street, a series of displays that highlighted the best of various tourism regions. The City was one of four municipalities included in the CRD’s booth featuring the Cariboo-Chilcotin area. Between 7,500 and 12,500 people visited BC Street every day. Visitors, from investors and business people to potential tourists, and people looking to relocate to take advantage of lifestyle opportunities, came through the booth. A media day, with outlets such as Global TV, showcased the region. Media from around the world, including from as far away as Russia, visited our booth. City staff also worked at the booth for four days in the spirit of co-operation and regional support.

Finalize a new Emergency Social Services Memorandum Of Understanding

A five-year agreement was entered into with the Cariboo Regional District for the provision of Emergency Social Services to the North Cariboo. The agreement provides for a financial contribution toward the ongoing operating costs of the service and provides for reimbursement of City expenses during a disaster event. The agreement worked effectively during the forest fires of the summer of 2010 when the City’s ESS team provided assistance to 186 First Nations and Regional District evacuees over 29 consecutive days.

Build more effective relationships with local First Nations bands:

- Sign governance grant with Nazko

First Nations

- Work towards signing a MOU in cooperation with Nazko focusing on governance.
- Set a Community to Community Forum for the City and the Alexandria Band.
- Continue to work with the Red Bluff Indian Band on projects of mutual interest.

Relationships continued to evolve with local First Nations, with a desire to work together on a number of projects identified. While specific projects were not completed in 2010, preliminary discussions, as well as a continued interest in liaising, were demonstrated by all parties. One good example of a successful partnership was the installation of two wooden carvings, one of a bear and one of a salmon, in the downtown core through the cooperation of the Lhtako Dene First Nation, City of Quesnel and the Quesnel Downtown Association.

Governance

Objective

To provide outstanding and cost-effective services to the taxpayers of the City of