

An aerial photograph of the town of Quesnel, British Columbia, Canada. The town is situated along the banks of a wide river. A large, multi-span steel truss bridge crosses the river, with a modern concrete bridge visible in the foreground. The town features numerous commercial buildings, parking lots filled with cars, and some green spaces. The text "CITY OF QUESNEL" is overlaid on the left side of the image.

# CITY OF QUESNEL

*Consolidated Financial Statements  
for the year ended  
December 31, 2012*



## **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 4. 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.

PMT Chartered Accountants/Business Advisors LLP, 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, PMT Chartered Accountants/Business Advisors LLP, to review their activities and to discuss auditing, internal control, and financial reporting matters. PMT Chartered Accountants/Business Advisors LLP 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 Corporate and Financial Services



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## INDEPENDENT AUDITOR'S REPORT

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To the Mayor and Council, City of Quesnel

We have audited the accompanying consolidated financial statements of the City of Quesnel, which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statements of operations, changes in net financial assets and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Quesnel as at December 31, 2012 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.

Quesnel, BC  
April 23, 2013

*PMT*  
PMT CHARTERED ACCOUNTANTS /  
BUSINESS ADVISORS LLP

**CITY OF QUESNEL**  
**SIGNIFICANT ACCOUNTING POLICIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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. The Consolidated Financial Statements also reflect the combined results and activities of the reporting entity which comprises all organizations that are accountable for the administration and financial affairs and resources to the Council and are controlled or owned by the City. Controlled entities include the Quesnel Community and Economic Development (2002) Corporation. 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.

**CITY OF QUESNEL**  
**SIGNIFICANT ACCOUNTING POLICIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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 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.

**CITY OF QUESNEL**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>
<b>Financial Assets</b>		
Cash and investments - note 2	\$ 20,869,744	\$ 18,076,078
Taxes and accounts receivable - note 3	4,171,824	2,609,711
Property acquired for taxes	34,507	5,894
MFA debt reserve - note 4	165,706	169,348
	<u>25,241,781</u>	<u>20,861,031</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities - note 5	6,665,144	2,841,108
Landfill closure - note 6	715,871	829,919
Deferred revenue - note 7	2,159,202	2,132,730
MFA debt reserve	165,706	169,348
Municipal debt - note 10	8,223,231	8,839,257
	<u>17,929,154</u>	<u>14,812,362</u>
<b>Net Financial Assets</b>	<u>7,312,627</u>	6,048,669
<b>Non-Financial Assets</b>		
Prepaid expenses	222,331	193,823
Inventory of supplies	352,796	399,490
Tangible capital assets - note 11	80,731,500	76,824,422
	<u>81,306,627</u>	<u>77,417,735</u>
<b>Accumulated Surplus - page 7</b>	<u>\$ 88,619,254</u>	<u>\$ 83,466,404</u>
<b>Represented By:</b>		
Operating Fund	\$ 7,588,408	\$ 6,552,310
Allocated Surplus	1,326,820	1,045,998
Statutory Reserves - Schedule 2	7,195,759	7,882,933
Equity in tangible capital assets - note 12	72,508,267	67,985,163
	<u>\$ 88,619,254</u>	<u>\$ 83,466,404</u>

**Kari Bolton, CMA**  
**Director of Corporate and Financial Services**

See accompanying notes.



**CITY OF QUESNEL**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	2012 <u>BUDGET</u> (unaudited)	2012 <u>ACTUAL</u>	2011 <u>ACTUAL</u>
<b>Revenues</b>			
Property taxes and grants in lieu - note 13	\$ 14,809,769	\$ 14,930,495	\$ 13,700,696
Sale of services - note 14	1,663,765	2,033,601	2,173,645
Government grants - note 15	4,695,378	4,219,546	1,931,631
Donations	-	176,000	2,327
Services provided to other governments	935,065	1,014,971	956,205
Investment income	225,000	262,167	297,558
Utility user fees - note 14	1,929,256	1,852,687	1,749,302
Debt forgiven/reserve fund revenue	-	-	139,904
MFA actuarial adjustment	-	152,841	425,344
Other	484,196	384,477	398,763
	<u>24,742,429</u>	<u>25,026,785</u>	<u>21,775,375</u>
<b>Expenses</b>			
General government services	2,338,613	2,241,534	2,087,874
Protective services	4,901,359	4,842,645	4,603,935
Transportation services	3,010,297	2,776,855	3,062,167
Solid waste management and recycling	1,203,396	1,143,692	1,320,991
Development services and planning	822,600	827,110	734,381
Recreation and cultural services	1,206,326	1,179,060	1,176,686
Operations	3,394,803	3,043,638	2,798,816
Interest expense	489,063	483,242	639,848
Amortization	3,200,000	3,208,806	3,165,858
	<u>20,566,457</u>	<u>19,746,582</u>	<u>19,590,556</u>
<b>Subtotal</b>	4,175,972	5,280,203	2,184,819
<b>Loss on sale of tangible capital assets</b>	<u>-</u>	<u>(127,353)</u>	<u>(77,946)</u>
<b>Annual Surplus</b>	4,175,972	5,152,850	2,106,873
<b>Accumulated surplus at beginning of year</b>	<u>83,466,404</u>	<u>83,466,404</u>	<u>81,359,531</u>
<b>Accumulated surplus at end of year - page 6</b>	<u>\$ 87,642,376</u>	<u>\$ 88,619,254</u>	<u>\$ 83,466,404</u>

See accompanying notes.

**CITY OF QUESNEL**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	2012 <u>BUDGET</u> (unaudited)	<u>2012</u>	<u>2011</u>
<b>Annual Surplus</b>	\$ 4,175,972	\$ 5,152,850	\$ 2,106,873
<b>Tangible capital assets purchased</b>	(9,436,298)	<b>(7,246,237)</b>	(3,599,696)
<b>Amortization of tangible capital assets</b>	3,200,000	<b>3,208,806</b>	3,165,858
<b>Loss on sale of tangible capital assets</b>	-	<b>127,353</b>	77,946
<b>Proceeds on sale of tangible capital assets</b>	5,000	<b>3,000</b>	5,170
	<u>(2,055,326)</u>	<u><b>1,245,772</b></u>	<u>1,756,151</u>
 <b>Acquisition of supply inventory</b>	 -	 <b>46,694</b>	 (41,641)
<b>Use of prepaid expense</b>	-	<b>(28,508)</b>	5,562
	<u>-</u>	<u><b>18,186</b></u>	<u>(36,079)</u>
 <b>Increase (decrease) in net financial assets</b>	 (2,055,326)	 <b>1,263,958</b>	 1,720,072
 <b>Net financial assets at beginning of year</b>	 <u><b>6,048,669</b></u>	 <u><b>6,048,669</b></u>	 <u>4,328,597</u>
 <b>Net financial assets at end of year</b>	 <u><b>\$ 3,993,343</b></u>	 <u><b>\$ 7,312,627</b></u>	 <u>\$ 6,048,669</u>

See accompanying notes.



**CITY OF QUESNEL**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>
<b>Operating transactions</b>		
Annual surplus	\$ 5,152,850	\$ 2,106,873
Non-cash items:		
Amortization	3,208,806	3,165,858
(Increase) decrease in prepaid expenses	(28,508)	5,562
(Increase) decrease in supply inventory	46,694	(41,641)
Changes to financial assets/liabilities:		
(Increase) decrease in taxes and accounts receivable	(1,562,113)	1,848,211
Decrease in MFA cash deposits	3,642	74,755
Increase in property acquired for taxes	(28,613)	(4,526)
Increase (decrease) in accounts payable and accrued liabilities	3,824,036	(118,219)
Increase (decrease) in landfill closure	(114,048)	89,177
Increase in deferred revenue	26,472	516,252
Decrease in MFA debt reserve	(3,642)	(74,755)
Cash provided by operating transactions	<u>10,525,576</u>	<u>7,567,547</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(7,246,237)	(3,599,696)
Proceeds from the sale of tangible capital assets	3,000	5,170
Loss on the sale of tangible capital assets	127,353	77,946
Cash applied to capital transactions	<u>(7,115,884)</u>	<u>(3,516,580)</u>
<b>Financing transactions:</b>		
Debt repayment	(463,185)	(538,794)
Actuarial adjustments	(152,841)	(425,344)
Cash applied to financing transactions	<u>(616,026)</u>	<u>(964,138)</u>
<b>Increase in cash and investments</b>	<b>2,793,666</b>	<b>3,086,829</b>
<b>Cash and investments at beginning of year</b>	<b><u>18,076,078</u></b>	<b><u>14,989,249</u></b>
<b>Cash and investments end of year</b>	<b><u>\$ 20,869,744</u></b>	<b><u>\$ 18,076,078</u></b>

See accompanying notes.

**CITY OF QUESNEL**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**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, 2012, the balance of the funds was \$198,700 (2011-\$196,045).

**2 CASH AND INVESTMENTS**

	<u><b>2012</b></u>	<u><b>2011</b></u>
Restricted cash and investments		
Statutory reserves	\$ 7,195,759	\$ 7,882,933
Deferred revenues	<u>2,159,202</u>	<u>2,132,730</u>
	<b>9,354,961</b>	10,015,663
Unrestricted cash and investments	<u>11,514,783</u>	<u>8,060,415</u>
<b>Total cash and investments</b>	<u><b>\$ 20,869,744</b></u>	<u><b>\$ 18,076,078</b></u>

**3 TAXES AND ACCOUNTS RECEIVABLE**

	<u><b>2012</b></u>	<u><b>2011</b></u>
Property taxes	\$ 670,102	\$ 753,957
Federal government	<b>1,401,667</b>	388,672
Provincial government	<b>1,070,705</b>	251,850
Regional government	<b>467,173</b>	336,580
General	<u>562,177</u>	<u>878,652</u>
<b>Total taxes and accounts receivable</b>	<u><b>\$ 4,171,824</b></u>	<u><b>\$ 2,609,711</b></u>

**4 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.

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><b>2012</b></u>	<u><b>2011</b></u>
Cash deposits *	\$ 165,706	\$ 169,348
Demand notes	<u>406,557</u>	<u>406,557</u>
	<u><b>\$ 572,263</b></u>	<u><b>\$ 575,905</b></u>

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

**CITY OF QUESNEL**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u><b>2012</b></u>	<u><b>2011</b></u>
Federal government	\$ <b>1,263</b>	\$ 199,992
Provincial government	<b>78,368</b>	(23,240)
Regional government	<b>827</b>	827
Multicentre Grant to Cariboo Regional District	<b>4,065,771</b>	-
General	<b>2,288,303</b>	2,418,050
Accrued interest	<b>77,970</b>	84,252
Deposits	<b>152,642</b>	161,227
<b>Total accounts payable and accrued liabilities</b>	<u><u><b>\$ 6,665,144</b></u></u>	<u><u><b>\$ 2,841,108</b></u></u>

**6 SANITARY LANDFILL**

	<u><b>2012</b></u>	<u><b>2011</b></u>
Landfill closure liability	<u><u><b>\$ 715,871</b></u></u>	<u><u><b>\$ 829,919</b></u></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 City of Quesnel has a Memorandum of Understanding with the Cariboo Regional District for the operation of this landfill. As per the MOU the Cariboo Regional District is responsible for 34% of the post closure costs and the City is responsible for the remaining 66%.

**Operating Landfill**

	<u><b>2012</b></u>
Estimated Future Closure and Post Closure Costs over the next 50 years	\$ <b>3,514,978</b>
Discount Rate	<b>4.05%</b>
Present Value of Estimated Closure and Post Closure Costs	\$ <b>1,653,191</b>
Expected year capacity will be reached	<b>2031</b>
Capacity (tonnes)	
Used to Date	<b>1,460,800</b>
Remaining	<b>765,700</b>
Total	<b>2,226,500</b>
Percent Utilized	<b>66%</b>
Liability Based on Percentage	<u><u><b>\$ 1,084,654</b></u></u>
City's Portion of Liability	66% <u><u><b>\$ 715,871</b></u></u>



**CITY OF QUESNEL**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**7 DEFERRED REVENUE**

	<u><b>2012</b></u>	<u><b>2011</b></u>
Federal Gas Tax	\$ <b>1,444,070</b>	\$ 1,409,220
Development Cost Charges	<b>708,659</b>	679,566
Other	<b>6,473</b>	43,944
	<u><b>\$ 2,159,202</b></u>	<u><b>\$ 2,132,730</b></u>

**8 FEDERAL GAS TAX**

Gas Tax Agreement funding is provided by the Government of Canada. 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.

<b>Gas Tax Agreement Funds</b>	<u><b>2012</b></u>	<u><b>2011</b></u>
Opening Balance of unspent funds	\$ <b>1,409,220</b>	\$ 910,693
Add: Amount received during the year	<b>425,948</b>	475,009
Interest earned	<b>21,179</b>	23,518
Less: Amount spent on projects	<b>(412,277)</b>	-
Closing Balance of unspent funds	<u><b>\$ 1,444,070</b></u>	<u><b>\$ 1,409,220</b></u>

**9 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.

	<b>Opening Balance</b>	<b>Receipts</b>	<b>Interest</b>	<b>Transfers Out</b>	<b>Closing Balance</b>
Sanitary	\$ 89,372	\$ 29	\$ 1,319	\$ -	\$ 90,720
Water	321,811	10,210	4,826		336,847
Storm	148,561	4,517	2,226		155,304
Roads	116,158	4,166	1,746		122,070
Parks	3,664	0	54		3,718
	<u><b>\$ 679,566</b></u>	<u><b>\$ 18,922</b></u>	<u><b>\$ 10,171</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 708,659</b></u>

**CITY OF QUESNEL**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**10 MUNICIPAL DEBT**

	<b>Opening Balance</b>	<b>Additions</b>	<b>Principal Payments</b>	<b>Actuarial Adjustment *</b>	<b>Closing Balance</b>
<b>General Capital</b>					
MFA					
85 Fire Truck	\$ 912,345	\$ -	\$ 23,048	\$ 9,382	\$ 879,915
95 New City Hall	5,044,375		144,070	38,226	4,862,079
97 Soccer Fields	126,341		103,843	22,498	0
99 Johnston Bridge	767,438		79,863	17,302	670,273
	<u>6,850,499</u>	<u>-</u>	<u>350,824</u>	<u>87,408</u>	<u>6,412,267</u>
<b>Water Capital</b>					
73 Southills Water	1,704,151		99,447	58,314	1,546,390
77 Southills Water	284,607		12,914	7,119	264,574
	<u>1,988,758</u>	<u>-</u>	<u>112,361</u>	<u>65,433</u>	<u>1,810,964</u>
<b>TOTAL</b>	<b><u>\$ 8,839,257</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 463,185</u></b>	<b><u>\$ 152,841</u></b>	<b><u>\$ 8,223,231</u></b>

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General	\$ 246,983	\$ 246,983	\$ 246,983	\$ 246,983	\$ 246,983
Water Funds	112,361	112,361	112,361	112,361	112,361
	<b><u>\$ 359,344</u></b>	<b><u>\$ 359,344</u></b>	<b><u>\$ 359,344</u></b>	<b><u>\$ 359,344</u></b>	<b><u>\$ 359,344</u></b>

\* 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.

**11 TANGIBLE CAPITAL ASSETS**

	<u>2012</u>	<u>2011</u>
Land	\$ 11,143,469	\$ 10,965,153
Land Improvements	12,777,784	12,817,557
Buildings	12,196,340	12,431,329
Roads	15,793,765	15,347,549
Machinery & Equipment	3,170,210	3,221,071
Water Systems	13,653,162	12,877,888
Sewer Systems	3,393,818	3,543,466
Drainage Systems	5,681,227	2,494,756
Furniture & Eqpt & Technology	460,476	509,348
Motor Vehicles	1,313,870	1,007,656
Construction in Progress	1,147,379	1,608,649
	<b><u>\$ 80,731,500</u></b>	<b><u>\$ 76,824,422</u></b>

**CITY OF QUESNEL**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**11 TANGIBLE CAPITAL ASSETS (continued)**

Contributed capital assets received and recognized from developers, for various infrastructure works and related land and parks, and recorded on the financial statements is \$0 (2011 \$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)

**12 EQUITY IN TANGIBLE CAPITAL ASSETS**

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

	<u><b>2012</b></u>	<u><b>2011</b></u>
Equity in TCA, beginning of year	\$ <b>67,985,163</b>	\$ 66,670,303
Add: Capital Acquisitions	<b>7,246,237</b>	3,599,696
Debt principal payment	<b>463,185</b>	538,794
Actuarial Adjustment	<b>152,841</b>	425,344
Less: Dispositions at NBV	<b>(130,353)</b>	(83,116)
Amortization	<b>(3,208,806)</b>	(3,165,858)
Equity in TCA, end of year	<u><u><b>\$ 72,508,267</b></u></u>	<u><u><b>\$ 67,985,163</b></u></u>

**13 NET TAXATION AND GRANTS IN LIEU**

<b>Taxes collected</b>	<u><b>2012</b></u>	<u><b>2011</b></u>
Property Taxes	\$ <b>21,772,804</b>	\$ 20,648,875
Special Assessments	<b>199,277</b>	199,115
1% Utility Tax	<b>615,539</b>	564,534
Grants in Lieu of Taxes	<b>155,739</b>	157,631
Penalties and Interest on taxes	<b>146,546</b>	160,657
	<u><u><b>\$ 22,889,905</b></u></u>	<u><u><b>\$ 21,730,812</b></u></u>
<b>Less transfers to other governments</b>		
School District	\$ <b>4,083,254</b>	\$ 4,168,853
Regional District	<b>2,797,887</b>	2,756,326
Regional Hospital District	<b>939,983</b>	961,912
Other	<b>138,286</b>	143,025
	<u><u><b>7,959,410</b></u></u>	<u><u><b>8,030,116</b></u></u>
<b>Net Taxes available for municipal purposes</b>	<u><u><b>\$ 14,930,495</b></u></u>	<u><u><b>\$ 13,700,696</b></u></u>



**CITY OF QUESNEL**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**14 SALE OF SERVICES, USER RATES, RENTALS**

	<u><b>2012</b></u>	<u><b>2011</b></u>
Transit user fees	\$ 124,565	\$ 120,406
Airport user fees	243,877	240,099
Airport fuel sales	535,867	473,796
Garbage Fees	568,111	580,927
Rentals, licenses and permits	365,492	519,291
Other	195,689	239,126
<b>Total Sale of Services</b>	<u><u>\$ 2,033,601</u></u>	<u><u>\$ 2,173,645</u></u>
 Water user rates	 \$ 1,031,579	 \$ 972,935
Sewer user rates	821,108	776,367
<b>Total Utility User Fees</b>	<u><u>\$ 1,852,687</u></u>	<u><u>\$ 1,749,302</u></u>

**15 GOVERNMENT TRANSFERS**

	<u><b>2012</b></u>	<u><b>2011</b></u>
Federal: Conditional transfers	\$ 1,202,584	\$ 337,406
Provincial: Conditional transfers	866,291	837,001
Unconditional transfers	1,695,749	674,489
Regional/Other Conditional transfers	454,922	82,735
	<u><u>\$ 4,219,546</u></u>	<u><u>\$ 1,931,631</u></u>

**16 EXPENSES BY OBJECT**

	<u><b>2012</b></u>	<u><b>2011</b></u>
Goods and Services	\$ 3,851,958	\$ 3,453,183
Salary, Wages & Benefits	7,404,624	7,651,852
RCMP Contract	2,258,085	2,125,629
Contractors/Subcontractors	1,501,846	1,584,251
Utilities - Electricity/Natural Gas	718,706	655,808
Amortization	3,208,806	3,165,858
Insurance	319,315	314,127
Interest and Finance Charges	483,242	639,848
	<u><u>\$ 19,746,582</u></u>	<u><u>\$ 19,590,556</u></u>

**17 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.

**CITY OF QUESNEL**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**18 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.

- 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 is 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 subscribers 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 Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

The latest 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. Defined contribution plan accounting is applied to the Plan as the Plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, Plan assets and cost to individual entities participating in the Plan.

The City of Quesnel paid \$655,870 for employer contributions to the Plan in fiscal 2012 (\$628,853 - 2011).

- 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.

**CITY OF QUESNEL**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

18 COMMITMENTS AND CONTINGENCIES (continued)

Co-ownership Agreement for the Quesnel Library (continued):

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. Multi-Centre Project

In 2012, the City of Quesnel received a \$4.0 million grant from the Province of British Columbia for the construction of the North Cariboo Multi-Centre. This is a Cariboo Regional District project that will be funded through the North Cariboo Recreation Service Area. Once the project proceeds, these funds and interest will be forwarded to the Cariboo Regional District.

g. During the course of the year, the City may be a defendant in a lawsuit. The City reviews any claims or potential claims made against it on a yearly basis to determine if they would be covered by insurance, and if not, whether a claim that would not be successfully defended would have a material effect on the consolidated financial statements.

The management of the City is not aware of any claims or potential claims that if not successfully defended would have a material effect on the consolidated financial statements. If a claim was paid as a result of the outcome of litigation it would be treated as an expenditure.

19 2012 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 14, 2012. The budget for QCEDC was approved by their Board on November 14, 2011 and forwarded to the City for Council's approval and incorporation into the five year financial plan approved May 14, 2012.

20 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 Page 4. 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.



**CITY OF QUESNEL**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

20 SEGMENTED INFORMATION (continued)

Transit which administers all transit operations in Quesnel.

Airport which operates the City's airport.

21 RECENT ACCOUNTING PRONOUNCEMENTS

Liability for Contaminated Sites (PS 3260)

In June 2010, the Public Sector Accounting Board (PSAB) issued PS 3260 Liability for Contaminated Sites to establish recognition, measurement and disclosure standards for liabilities associated with the remediation of contaminated sites. The new section defines activities included in a liability for remediation, and provides the related financial statement presentation and disclosure requirements. PS 3260 is effective for fiscal years beginning on or after April 1, 2014. The City has not yet determined the effect of the new section on its consolidated financial statements.



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Mayor and Council,  
**City of Quesnel,**

We have audited and reported separately herein on the consolidated financial statements of the **City of Quesnel** as at and for the year ended December 31, 2012.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information included in pages twenty through twenty-six is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Quesnel, B.C.

April 23, 2013

  
**PMT CHARTERED ACCOUNTANTS /  
BUSINESS ADVISORS LLP**

# Quesnel Community and Economic Development (2002) Corporation

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
<b>Financial Assets</b>		
Cash and investments	\$ 60,042	\$ -
Accounts receivable	<u>45,092</u>	<u>72,491</u>
	<u>105,134</u>	<u>72,491</u>
<b>Liabilities</b>		
Credit Union advances	-	3,198
Accounts payable and accrued liabilities	<u>5,230</u>	<u>2,258</u>
	<u>5,230</u>	<u>5,456</u>
<b>Net Financial Assets</b>	<u>99,904</u>	<u>67,035</u>
<b>Non-Financial Assets</b>		
Prepaid expenses	420	-
Tangible capital assets	<u>3,375</u>	<u>2,788</u>
	<u>3,795</u>	<u>2,788</u>
<b>Shareholder's Equity - page 21</b>	<u>\$ 103,699</u>	<u>\$ 69,823</u>
<b>Represented By:</b>		
Share Capital	\$ 1	\$ 1
Retained Earnings	100,323	67,034
Equity in tangible capital assets	<u>3,375</u>	<u>2,788</u>
	<u>\$ 103,699</u>	<u>\$ 69,823</u>

  
 Kari Bolton, CMA  
 Director of Corporate and Financial Services

# Quesnel Community and Economic Development (2002) Corporation

## STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2012

	2012 <u>BUDGET</u> (unaudited)	2012 <u>ACTUAL</u>	2011 <u>ACTUAL</u>
<b>Revenues</b>			
City of Quesnel	\$ 155,000	\$ 163,366	\$ 152,118
Cariboo Regional District	77,000	66,404	17,000
Grants	42,500	36,627	47,575
Rent	2,400	1,575	2,220
Project Administration	50,000	41,369	44,729
Other	-	2,927	2,209
	<u>326,900</u>	<u>312,268</u>	<u>265,851</u>
<b>Expenses</b>			
Board Expenses	3,150	1,454	1,258
General Administration	180,550	164,562	143,841
Project Administration	143,200	111,386	81,064
Amortization	-	990	396
	<u>326,900</u>	<u>278,392</u>	<u>226,559</u>
<b>Subtotal</b>	-	33,876	39,292
<b>Loss on sale of tangible capital assets</b>	-	-	(16)
<b>Annual Surplus</b>	-	33,876	39,276
<b>Shareholder's Equity at beginning of year</b>	<u>69,823</u>	<u>69,823</u>	<u>30,547</u>
<b>Shareholder's Equity at end of year - page 20</b>	<u>\$ 69,823</u>	<u>\$ 103,699</u>	<u>\$ 69,823</u>



# Quesnel Community and Economic Development (2002) Corporation

## STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2012

	2012 <u>BUDGET</u> (unaudited)	<u>2012</u>	<u>2011</u>
<b>Annual Surplus</b>	\$ -	\$ 33,876	\$ 39,276
<b>Tangible capital assets purchased</b>	-	<b>(1,577)</b>	(3,175)
<b>Amortization of tangible capital assets</b>	-	<b>990</b>	396
<b>Loss on sale of tangible capital assets</b>	-	-	16
	<u>-</u>	<u>33,289</u>	<u>36,513</u>
<b>Use of prepaid expense</b>	-	<b>(420)</b>	2,637
<b>Increase in net financial assets</b>	-	<b>32,869</b>	39,150
<b>Net financial assets at beginning of year</b>	<u>67,035</u>	<u>67,035</u>	<u>27,885</u>
<b>Net financial assets at end of year</b>	<u><u>\$ 67,035</u></u>	<u><u>\$ 99,904</u></u>	<u><u>\$ 67,035</u></u>

# Quesnel Community and Economic Development (2002) Corporation

## STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
<b>Operating transactions</b>		
Annual surplus	\$ 33,876	\$ 39,276
Non-cash items:		
Amortization	990	396
Decrease in prepaid expenses	(420)	2,637
Changes to financial assets/liabilities:		
Decrease in accounts receivable	27,399	122,447
Increase (decrease) in accounts payable	2,972	(21,657)
Decrease in due to City of Quesnel	-	(157,216)
Cash provided by (used in) operating transactions	<u>64,817</u>	<u>(14,117)</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(1,577)	(3,175)
Loss on the sale of tangible capital assets	-	16
Cash applied to capital transactions	<u>(1,577)</u>	<u>(3,159)</u>
<b>Financing transactions:</b>		
Increase (decrease) in credit union advances	(3,198)	3,198
Cash applied to financing transactions	<u>(3,198)</u>	<u>3,198</u>
<b>Increase (decrease) in cash and investments</b>	<b>60,042</b>	<b>(14,078)</b>
<b>Cash and investments at beginning of year</b>	<b>-</b>	<b>14,078</b>
<b>Cash and investments end of year</b>	<b>\$ 60,042</b>	<b>\$ 0</b>

**CITY OF QUESNEL**  
**CONSOLIDATED TANGIBLE CAPITAL ASSETS**  
**AS AT DECEMBER 31, 2012**

Schedule 1

Historical Cost:	Land		Land Improvements		Buildings		Roads		Machinery & Equipment		Engineering Structures			
	Land		Improvements		Buildings		Roads		Equipment		Water	Sewer	Drainage	
Opening Balance	\$	10,965,153	\$	20,496,543	\$	17,540,683	\$	27,689,514	\$	5,706,791	\$	25,282,706	\$	7,265,101
Additions		178,316		552,525		217,515		1,099,765		334,203		1,304,673		3,411,682
Disposals				(92,547)		(58,633)		(202,129)		(48,275)				(16,380)
Closing Balance End of Year		11,143,469		20,956,521		17,699,565		28,587,150		5,992,719		26,587,379		10,660,403
Accumulated Amortization:														
Opening Balance		-		7,678,986		5,109,354		12,341,965		2,485,720		12,404,818		4,770,345
Amortization Expense				543,109		412,389		612,886		385,064		529,399		224,825
Effects of Disposals				(43,358)		(18,518)		(161,466)		(48,275)				(15,994)
Closing Balance End of Year		-		8,178,737		5,503,225		12,793,385		2,822,509		12,934,217		4,979,176
NET BOOK VALUE														
End of Year	\$	11,143,469	\$	12,777,784	\$	12,196,340	\$	15,793,765	\$	3,170,210	\$	13,653,162	\$	5,681,227
Historical Cost:														
Opening Balance	\$	1,069,944	\$	4,971,102	\$	1,608,649			\$	130,663,738	\$	127,833,861		
Additions		71,425		516,612		(461,270)				7,246,237		3,599,696		
Disposals		(49,658)		(15,355)						(482,977)		(769,819)		
Closing Balance End of Year		1,091,711		5,472,359		1,147,379				137,426,998		130,663,738		
Accumulated Amortization:														
Opening Balance		560,596		3,963,446		-				53,839,316		51,360,161		
Amortization Expense		120,297		210,398						3,208,806		3,165,858		
Effects of Disposals		(49,658)		(15,355)						(352,624)		(686,703)		
Closing Balance End of Year		631,235		4,158,489		-				56,695,498		53,839,316		
NET BOOK VALUE														
End of Year	\$	460,476	\$	1,313,870	\$	1,147,379			\$	80,731,500	\$	76,824,422		

## CITY OF QUESNEL

Schedule 2

Consolidated Statement of Statutory Reserve Fund Activities  
Year Ended December 31, 2012

	Capital Reinvestment	Other Capital Reserves	General Capital	Land Sales	West Quesnel Land Stability	Tax Stabilization	Park Reserve	2012 Total	2011 Total
Opening Balance	\$ 1,736,358	\$ 750,598	\$ 3,114,214	\$ 503,512	\$ 1,514,220	\$ 164,912	\$ 99,119	\$ 7,882,933	\$ 8,275,281
Transfers In	1,276,153	8,580	948,742	257,000	-	357,603	-	2,848,078	2,908,926
Interest Earned	24,893	8,176	47,850	9,329	13,815	5,074	1,463	110,600	163,800
Transfers Out	(1,376,219)	(51,351)	(1,061,644)	-	(1,156,638)	-	-	(3,645,852)	(3,465,074)
Closing Balance	\$ 1,661,185	\$ 716,003	\$ 3,049,162	\$ 769,841	\$ 371,397	\$ 527,589	\$ 100,582	\$ 7,195,759	\$ 7,882,933

**CITY OF QUESNEL**  
**Segmented Statement**  
**Year Ended December 31, 2012**

Schedule 3

	GENERAL	QCEDC	WATER	SEWER	TRANSIT	AIRPORT	TOTAL
<b>Revenues</b>							
Property taxes and grants in lieu	\$ 13,413,564	\$ -	\$ 741,811	\$ 216,605	\$ 312,662	\$ 245,853	\$ 14,930,495
Sale of services	981,047	45,871	89,119	13,254	124,565	779,745	2,033,601
Government grants	4,182,919	36,627	-	-	-	-	4,219,546
Donations	176,000	-	-	-	-	-	176,000
Services provided to other governments	720,269	229,770	-	-	64,932	-	1,014,971
Investment income	196,606	-	45,089	14,468	2,845	3,159	262,167
Utility user fees	-	-	1,031,579	821,108	-	-	1,852,687
MFA actuarial adjustment	87,411	-	65,430	-	-	-	152,841
Other	346,535	-	1,226	-	1,800	34,916	384,477
	<b>20,104,351</b>	<b>312,268</b>	<b>1,974,254</b>	<b>1,065,435</b>	<b>506,804</b>	<b>1,063,673</b>	<b>\$ 25,026,785</b>
<b>Expenses</b>							
General government services	2,241,534	-	-	-	-	-	2,241,534
Protective services	4,842,645	-	-	-	-	-	4,842,645
Transportation services	2,776,855	-	-	-	-	-	2,776,855
Solid waste management and recycling	1,143,692	-	-	-	-	-	1,143,692
Development services and planning	549,708	277,402	-	-	-	-	827,110
Recreation and cultural services	1,179,060	-	-	-	-	-	1,179,060
Operations	116,090	-	979,921	514,356	441,012	992,259	3,043,638
Interest expense	375,718	-	107,524	-	-	-	483,242
Amortization	2,101,764	990	536,376	179,961	-	389,715	3,208,806
	<b>15,327,066</b>	<b>278,392</b>	<b>1,623,821</b>	<b>694,317</b>	<b>441,012</b>	<b>1,381,974</b>	<b>19,746,582</b>
<b>Subtotal</b>	4,777,285	33,876	350,433	371,118	65,792	(318,301)	5,280,203
<b>Loss on sale of tangible capital assets</b>	(105,571)	-	-	-	-	(21,782)	(127,353)
<b>Annual Surplus</b>	<b>\$ 4,671,714</b>	<b>\$ 33,876</b>	<b>\$ 350,433</b>	<b>\$ 371,118</b>	<b>\$ 65,792</b>	<b>\$ (340,083)</b>	<b>\$ 5,152,850</b>

Note: QCEDC stands for the Quesnel Community and Economic Development (2002) Corporation