

CITY OF
QUESNEL



Consolidated Financial Statements
for the year ended December 31, 2014

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 5. 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.

KPMG 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, KPMG LLP, to review their activities and to discuss auditing, internal control, and financial reporting matters. KPMG 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.

A handwritten signature in black ink, appearing to read "K Bolton". The signature is fluid and cursive, with a large initial "K" and a long, sweeping underline.

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



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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council

Report on Financial Statements

We have audited the accompanying consolidated financial statements of the City of Quesnel (the "City"), which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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 as at December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of the City taken as a whole. The supplementary information included in the statement of financial position, statement of operations, statement of changes in net financial assets and the statement of cash flow for the Quesnel Community and Economic Development (2002) Corporation is presented for purposes of additional analysis and is not a required part of the 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

April 13, 2015

Prince George, Canada

CITY OF QUESNEL

SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED DECEMBER 31, 2014

The City of Quesnel (the "City") is a municipality that was created on March 21, 1928 under the Community Charter, formerly the Village Municipalities Act, a statute of the Province of British Columbia. The City's principal activities include the provision of local government services to residents of the incorporate area. These services include police, fire, public works, planning, parks and recreation, economic development, airport, transit, sewer, water and other general government operations.

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.
- iv. Trust Funds
Trust funds and their related operations administered by the City are not included in these consolidated financial statements.
- v. Accounting for Region and School Board transactions
The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the Region and the School Board are not reflected in these consolidated financial statements.

CITY OF QUESNEL
SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED DECEMBER 31, 2014

b. Assets and Liabilities

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.

c. Accrual Accounting

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

d. Inventories of Supplies

Inventories are valued at the lower of cost and replacement cost with cost determined using a moving average basis.

e. Tangible Capital Assets

i. 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 and last 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

Tangible capital assets are tested annually for impairment in value based on continued usefulness of the assets and related carrying values. Any impairment in carrying value would be recorded in the period that the impairment occurs.

ii. Interest Capitalization

The City does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

iii. Works of art and cultural and historical assets:

Works of art and cultural and historical assets are not recorded as assets in these financial statements.

CITY OF QUESNEL
SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED DECEMBER 31, 2014

f. Revenue Recognition

Taxation and user fee revenues are recognized in accordance with the provisions of the Community Charter. The City is required to act as the agent for collection of certain taxes and fees imposed by other authorities. Collections for other authorities are excluded from the City's taxation revenues.

Revenue unearned in the current period is reported on the consolidated statement of financial position as deferred revenue or deposits.

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.

g. 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, landfill liabilities, sick leave accrual 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 they arise.

h. Landfill liability

The liability for closure of operational sites and post-closure costs has been recognized based on estimated future expenses, estimated inflation and the usage of the site's capacity during the year.

i. Investment income

Investment income is revenue in the period earned. When required by the funding agency or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

j. Cash equivalents

Cash equivalents include short-term, highly liquid investments which are redeemable within 90 days or less.

k. Long-term debt:

Long-term debt is recorded net of related sinking fund balances.

CITY OF QUESNEL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014, WITH COMPARATIVE INFORMATION FOR 2013

	<u>2014</u>	<u>2013</u>
Financial Assets		
Cash and cash equivalents - note 2	\$ 25,497,351	\$ 24,790,883
Taxes and accounts receivable - note 3	3,088,427	2,452,676
Property acquired for taxes	23,490	30,284
MFA debt reserve - note 4	178,820	173,783
	28,788,088	27,447,626
Liabilities		
Accounts payable and accrued liabilities - note 5	7,320,622	7,012,697
Landfill closure - note 6	1,425,991	763,374
Deferred revenue - note 7	1,154,557	2,849,017
MFA debt reserve	178,820	173,783
Municipal debt, net of sinking fund assets - note 8	7,180,258	7,712,644
	17,260,248	18,511,515
Net Financial Assets	11,527,840	8,936,111
Non-Financial Assets		
Prepaid expenses	343,085	88,421
Inventory of supplies	385,963	297,241
Tangible capital assets - note 9	81,153,244	81,168,490
	81,882,292	81,554,152
Accumulated Surplus	\$ 93,410,132	\$ 90,490,263
Represented By:		
Operating Fund	\$ 10,187,296	\$ 8,636,041
Allocated Surplus	1,770,318	969,387
Statutory Reserves - Schedule 2	7,479,532	7,428,988
Equity in tangible capital assets - note 10	73,972,986	73,455,847
	\$ 93,410,132	\$ 90,490,263



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

See accompanying notes.

CITY OF QUESNEL
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014, WITH COMPARATIVE INFORMATION FOR 2013

	2014 <u>BUDGET</u>	2014 <u>ACTUAL</u>	2013 <u>ACTUAL</u>
Revenues			
Net taxation and grants in lieu - note 11	\$ 15,841,024	\$ 15,850,016	\$ 15,395,494
Sale of services - note 12	2,072,275	2,336,155	2,531,226
Government grants - note 13	2,026,463	4,073,629	1,610,403
Donations	-	1,000	1,000
Services provided to other governments	1,007,617	961,817	1,076,381
Investment income	225,000	290,689	237,114
Utility user fees - note 12	2,125,045	2,033,012	1,926,997
MFA actuarial adjustment	-	173,042	151,244
Other	393,665	760,966	375,124
	<u>23,691,089</u>	<u>26,480,326</u>	<u>23,304,983</u>
Expenses			
General government services	2,492,592	2,255,522	2,271,094
Protective services	5,290,728	4,918,967	4,906,819
Transportation services	3,325,231	3,598,555	3,170,152
Solid waste management and recycling	1,389,748	2,181,940	1,482,380
Development services and planning	1,028,567	965,131	970,518
Recreation and cultural services	1,225,445	1,275,486	1,217,314
Operations	3,631,757	3,644,723	3,472,848
Other	-	656,616	-
Interest expense	474,109	468,316	475,147
Amortization	3,500,000	3,491,895	3,376,570
	<u>22,358,178</u>	<u>23,457,151</u>	<u>21,342,842</u>
Subtotal	1,332,911	3,023,175	1,962,141
Loss on sale of tangible capital assets	<u>-</u>	<u>(103,306)</u>	<u>(91,132)</u>
Annual Surplus	1,332,911	2,919,869	1,871,009
Accumulated surplus at beginning of year	<u>90,490,263</u>	<u>90,490,263</u>	<u>88,619,254</u>
Accumulated surplus at end of year	<u>\$ 91,823,174</u>	<u>\$ 93,410,132</u>	<u>\$ 90,490,263</u>

See accompanying notes.

CITY OF QUESNEL
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014, WITH COMPARATIVE INFORMATION FOR 2013

	2014 <u>BUDGET</u>	<u>2014</u>	<u>2013</u>
Annual Surplus	\$ 1,332,911	\$ 2,919,869	\$ 1,871,009
Tangible capital assets purchased	(7,268,675)	(3,598,135)	(4,137,980)
Amortization of tangible capital assets	3,500,000	3,491,895	3,376,570
Loss on sale of tangible capital assets	-	103,306	91,132
Proceeds on sale of tangible capital assets	5,000	18,180	233,288
	<u>(2,430,764)</u>	<u>2,935,115</u>	<u>1,434,019</u>
Use (acquisition) of supply inventory	-	(88,722)	55,555
Use (acquisition) of prepaid expense	-	(254,664)	133,910
	<u>-</u>	<u>(343,386)</u>	<u>189,465</u>
Increase (decrease) in net financial assets	(2,430,764)	2,591,729	1,623,484
Net financial assets at beginning of year	<u>8,936,111</u>	<u>8,936,111</u>	<u>7,312,627</u>
Net financial assets at end of year	<u>\$ 6,505,347</u>	<u>\$ 11,527,840</u>	<u>\$ 8,936,111</u>

See accompanying notes.

CITY OF QUESNEL
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014, WITH COMPARATIVE INFORMATION FOR 2013

	<u>2014</u>	<u>2013</u>
Operating transactions		
Annual surplus	\$ 2,919,869	\$ 1,871,009
Non-cash items:		
Amortization	3,491,895	3,376,570
Prepaid expenses	(254,664)	133,910
Supply inventory	(88,722)	55,555
Loss on the sale of tangible capital assets	103,306	91,132
Actuarial adjustments	(173,042)	(151,243)
Changes to financial assets/liabilities:		
Taxes and accounts receivable	(635,751)	1,719,149
MFA cash deposits	(5,037)	(8,078)
Property acquired for taxes	6,794	4,223
Accounts payable and accrued liabilities	307,925	347,553
Landfill closure	662,617	47,502
Deferred revenue	(1,694,460)	689,815
MFA debt reserve	5,037	8,078
Cash provided by operating transactions	<u>4,645,767</u>	<u>8,185,175</u>
Capital transactions		
Acquisition of tangible capital assets	(3,598,135)	(4,137,980)
Proceeds from the sale of tangible capital assets	18,180	233,288
Cash applied to capital transactions	<u>(3,579,955)</u>	<u>(3,904,692)</u>
Financing transactions:		
Debt repayment	(359,344)	(359,344)
Cash applied to financing transactions	<u>(359,344)</u>	<u>(359,344)</u>
Increase in cash and cash equivalents	706,468	3,921,139
Cash and cash equivalents at beginning of year	<u>24,790,883</u>	<u>20,869,744</u>
Cash and cash equivalents at end of year	<u>\$ 25,497,351</u>	<u>\$ 24,790,883</u>

See accompanying notes.

CITY OF QUESNEL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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*. At December 31, 2014, the balance of the funds was \$207,140 (2013-\$204,449).

2 CASH AND CASH EQUIVALENTS

	<u>2014</u>	<u>2013</u>
Restricted cash and investments		
Statutory reserves	\$ 7,479,532	\$ 7,428,988
Deferred revenues	<u>1,154,557</u>	<u>2,849,017</u>
	8,634,088	10,278,004
Unrestricted cash and investments	16,863,263	14,512,880
Total cash and investments	<u>\$ 25,497,351</u>	<u>\$ 24,790,884</u>

3 TAXES AND ACCOUNTS RECEIVABLE

	<u>2014</u>	<u>2013</u>
Property taxes	\$ 576,192	\$ 637,387
Federal government	547,355	246,249
Provincial government	442,955	282,847
Regional government	465,756	582,409
General	<u>1,056,169</u>	<u>703,785</u>
Total taxes and accounts receivable	<u>\$ 3,088,427</u>	<u>\$ 2,452,676</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>2014</u>	<u>2013</u>
Cash deposits *	\$ 178,820	\$ 173,783
Demand notes	<u>345,819</u>	<u>345,819</u>
	<u>\$ 524,639</u>	<u>\$ 519,602</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, 2014

5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2014</u>	<u>2013</u>
Federal government	\$ 167	\$ 2,406
Provincial government	66,109	79,121
Recreation Grant/Donations to Cariboo Regional District	4,323,909	4,253,866
General	2,731,721	2,456,586
Accrued interest	72,781	77,970
Deposits	125,935	142,748
Total accounts payable and accrued liabilities	<u>\$ 7,320,622</u>	<u>\$ 7,012,697</u>

6 SANITARY LANDFILL

	<u>2014</u>	<u>2013</u>
Landfill closure liability	<u>\$ 1,425,991</u>	<u>\$ 763,374</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%. The estimated future closure and post closure costs have been updated as at December 31, 2014 based on a third party engineer's cost estimate dated April 11, 2014.

Operating Landfill	<u>2014</u>	<u>2013</u>
Estimated Future Closure and Post Closure Costs	\$ 6,161,062	\$ 3,514,978
Discount Rate	4.05%	4.05%
Present Value of Estimated Closure and Post Closure Costs	\$ 3,137,185	\$ 1,720,145
Expected year capacity will be reached	2031	2031
Capacity (tonnes)		
Used to Date	1,533,400	1,497,100
Remaining	693,100	729,400
Total	2,226,500	2,226,500
Percent Utilized	69%	67%
Liability Based on Percentage	<u>\$ 2,160,593</u>	<u>\$ 1,156,627</u>
City's Portion of Liability	66% <u>\$ 1,425,991</u>	<u>\$ 763,374</u>

CITY OF QUESNEL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

7 DEFERRED REVENUE

	<u>2014</u>	<u>2013</u>
Federal Gas Tax	\$ -	\$ 1,820,308
Development Cost Charges	752,567	736,504
Other	401,990	292,205
	<u>\$ 1,154,557</u>	<u>\$ 2,849,017</u>

a) 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. On April 1, 2014 this agreement was changed and reduced the restrictions on the funding. The restrictions no longer create a liability so in 2014 all gas tax funds received in 2014 and previous years were recorded as income.

Gas Tax Agreement Funds

	<u>2014</u>	<u>2013</u>
Opening Balance of unspent funds	\$ 1,820,308	\$ 1,444,070
Add: Amount received during the year	459,179	425,772
Interest earned	31,322	21,807
Less: Amount spent on projects	(112,214)	(71,341)
Less: Amount allocated to grant income in 2014	(2,198,595)	
Closing Balance of unspent funds	<u>\$ -</u>	<u>\$ 1,820,308</u>

b) 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.

	Opening Balance	Receipts	Interest	Transfers Out	Closing Balance
Sanitary	\$ 92,322	\$ 89	\$ 1,451	\$ -	\$ 93,862
Water	351,226	1,611	5,530		358,367
Storm	161,129	1,820	2,546		165,495
Roads	126,283	938	1,991		129,212
Parks	5,544	-	87		5,631
	<u>\$ 736,504</u>	<u>\$ 4,458</u>	<u>\$ 11,605</u>	<u>\$ -</u>	<u>\$ 752,567</u>

CITY OF QUESNEL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

8 MUNICIPAL DEBT

Long-term debt is in the form of debentures issued through the Municipal Finance Authority of British Columbia ("MFA") pursuant to security issuing bylaws under authority of Section 179 of the Community Charter to finance certain capital expenditures. Sinking fund balances, managed by MFA, are used to reduce municipal debt.

	Opening Balance	Additions	Principal Payments	Actuarial Adjustment *	Closing Balance
General Capital					
MFA					
85 Fire Truck	\$ 845,863	\$ -	\$ 23,048	\$ 12,706	\$ 810,109
95 New City Hall	4,672,490	-	144,072	53,100	4,475,318
99 Johnston Bridge	569,221	-	79,863	25,230	464,128
	<u>6,087,574</u>	<u>-</u>	<u>246,983</u>	<u>91,036</u>	<u>5,749,555</u>
Water Capital					
73 Southills Water	1,381,531	-	99,447	72,834	1,209,250
77 Southills Water	243,539	-	12,914	9,172	221,453
	<u>1,625,070</u>	<u>-</u>	<u>112,361</u>	<u>82,006</u>	<u>1,430,703</u>
TOTAL	<u>\$ 7,712,644</u>	<u>\$ -</u>	<u>\$ 359,344</u>	<u>\$ 173,042</u>	<u>\$ 7,180,258</u>

	Gross Debt	Reduction Due To Sinking Fund Assets	Closing Balance
General Capital			
MFA			
85 Fire Truck	\$ 1,100,000	\$ 289,891	\$ 810,109
95 New City Hall	6,000,000	1,524,682	4,475,318
99 Johnston Bridge	1,200,000	735,872	464,128
	<u>8,300,000</u>	<u>2,550,444</u>	<u>5,749,555</u>
Water Capital			
73 Southills Water	3,000,000	1,790,751	1,209,250
77 Southills Water	427,000	205,547	221,453
	<u>3,427,000</u>	<u>1,996,297</u>	<u>1,430,703</u>
TOTAL	<u>\$ 11,727,000</u>	<u>\$ 4,546,741</u>	<u>\$ 7,180,258</u>

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

	2015	2016	2017	2018	2019
General	\$ 246,983	\$ 246,983	\$ 246,983	\$ 246,983	\$ 167,121
Water Funds	112,361	112,361	112,361	112,361	112,361
	<u>\$ 359,344</u>	<u>\$ 359,344</u>	<u>\$ 359,344</u>	<u>\$ 359,344</u>	<u>\$ 279,482</u>

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

CITY OF QUESNEL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

9 TANGIBLE CAPITAL ASSETS

	<u>2014</u>	<u>2013</u>
Land	\$ 11,741,741	\$ 11,402,421
Land Improvements	12,821,059	12,808,745
Buildings	11,739,013	11,861,085
Roads	16,639,390	16,699,626
Machinery & Equipment	3,522,812	3,381,801
Water Systems	13,557,627	14,080,968
Sewer Systems	3,274,364	3,287,441
Drainage Systems	5,314,129	5,504,821
Furniture & Eqpt & Technology	617,767	593,513
Motor Vehicles	1,730,524	1,171,350
Construction in Progress	194,818	376,719
	\$ 81,153,244	\$ 81,168,490

Works of Art/Historical Treasures

The City owns a number of works of art/historical treasures which include 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)

10 EQUITY IN TANGIBLE 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>2014</u>	<u>2013</u>
Equity in TCA, beginning of year	\$ 73,455,847	\$ 72,508,267
Add: Capital Acquisitions	3,598,135	4,137,980
Debt principal payment	359,344	359,344
Actuarial Adjustment	173,042	151,243
Less: Dispositions at NBV	(121,487)	(324,417)
Amortization	(3,491,895)	(3,376,570)
Equity in TCA, end of year	\$ 73,972,986	\$ 73,455,847

11 NET TAXATION AND GRANTS IN LIEU

Taxes collected	<u>2014</u>	<u>2013</u>
Property Taxes	\$ 22,700,554	\$ 22,073,683
Special Assessments	180,707	199,272
1% Utility Tax	706,718	660,636
Grants in Lieu of Taxes	146,820	156,340
Penalties and Interest on taxes	140,208	153,507
	\$ 23,875,007	\$ 23,243,438

CITY OF QUESNEL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

11 NET TAXATION AND GRANTS IN LIEU (continued)

Less transfers to other governments	<u>2014</u>	<u>2013</u>
School District	\$ 4,092,545	\$ 4,109,884
Regional District	2,707,400	2,705,739
Regional Hospital District	1,088,083	892,951
Other	<u>136,963</u>	<u>139,370</u>
	<u>8,024,991</u>	<u>7,847,944</u>
Net Taxes available for municipal purposes	<u>\$ 15,850,016</u>	<u>\$ 15,395,494</u>

12 SALE OF SERVICES, USER RATES, RENTALS

	<u>2014</u>	<u>2013</u>
Transit user fees	\$ 133,115	\$ 115,064
Airport user fees	246,782	240,459
Airport fuel sales	562,505	762,940
Garbage Fees	831,681	712,014
Rentals, licenses and permits	338,421	352,377
Other	<u>223,651</u>	<u>348,372</u>
Total Sale of Services	<u>\$ 2,336,155</u>	<u>\$ 2,531,226</u>
Water user rates	\$ 1,131,296	\$ 1,069,756
Sewer user rates	901,716	857,241
Total Utility User Fees	<u>\$ 2,033,012</u>	<u>\$ 1,926,997</u>

13 GOVERNMENT TRANSFERS

	<u>2014</u>	<u>2013</u>
Federal: Conditional transfers	\$ 418,275	\$ 270,009
Provincial: Conditional transfers	818,841	898,922
Unconditional transfers	302,636	304,481
Regional/Other: Conditional transfers	<u>2,533,877</u>	<u>136,991</u>
	<u>\$ 4,073,629</u>	<u>\$ 1,610,403</u>

14 EXPENSES BY OBJECT

	<u>2014</u>	<u>2013</u>
Goods and Services	\$ 4,803,491	\$ 4,101,355
Salary, Wages & Benefits	8,787,316	8,409,371
RCMP Contract	2,139,978	2,178,111
Contractors/Subcontractors	1,955,405	1,734,425
Utilities - Electricity/Natural Gas	793,750	736,082
Other	656,616	-
Amortization	3,491,895	3,376,570
Insurance	360,384	331,781
Interest and Finance Charges	<u>468,316</u>	<u>475,147</u>
	<u>\$ 23,457,151</u>	<u>\$ 21,342,842</u>

CITY OF QUESNEL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

15 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.

16 COMMITMENTS AND CONTINGENCIES

a. The City is jointly and severally liable under the provisions of Sections 826 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 trusteesd pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 182,000 active members and approximately 75,000 retired members. Active members include approximately 36,000 contributors from local government.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available later in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

The City of Quesnel paid \$737,246 for employer contributions to the Plan in fiscal 2014 (\$682,939 - 2013).

CITY OF QUESNEL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

16 COMMITMENTS AND CONTINGENCIES (continued)

e. Co-ownership Agreement for the Quesnel Library:

The City and the Cariboo Regional District (the "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 24% 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 24% interest was \$1,145,000. 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 \$1,145,000, 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 \$1,145,000.

If the District opts to leave within 10 years, the City will repurchase the District's interest for \$1,145,000. 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 \$1,145,000.

f. Recreation Infrastructure Project

In 2012, the City of Quesnel received a \$4.0 million grant from the Province of British Columbia for the construction of recreation infrastructure. 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. The City is obligated to collect and transmit property taxes levied on City of Quesnel property owners in respect of the following bodies:

Ministry of Finance, Province of British Columbia
Cariboo Regional District
Cariboo Regional Hospital District
Cariboo - Chilcotin Regional Hospital District
British Columbia Assessment Authority
Municipal Finance Authority

17 2014 BUDGET

The budget amounts presented throughout these financial statements represent the five year financial plan approved by the Mayor and Council on May 5, 2014. The budget for QCEDC was approved by their Board on December 9, 2013 and forwarded to the City for Council's approval and incorporation into the five year financial plan approved May 5, 2014.

On November 3, 2014, an amendment to the five year financial plan was adopted by Council to reflect the purchase of Cariboo Fields.

18 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.

CITY OF QUESNEL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

18 SEGMENTED INFORMATION (continued)

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. Segmented information has been presented in Schedule 3. 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.

Quesnel Community and Economic Development (2002) Corporation
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014, WITH COMPARATIVE INFORMATION FOR 2013
(UNAUDITED)

	<u>2014</u>	<u>2013</u>
Financial Assets		
Cash and cash equivalents	\$ 57,015	\$ 58,788
Accounts receivable	<u>108,760</u>	<u>64,356</u>
	<u>165,775</u>	<u>123,144</u>
Liabilities		
Credit Union advances	-	-
Accounts payable and accrued liabilities	19,973	9,679
Deferred Income		
	<u>19,973</u>	<u>9,679</u>
Net Financial Assets	<u>145,802</u>	<u>113,465</u>
Non-Financial Assets		
Prepaid expenses	-	-
Tangible capital assets	<u>2,891</u>	<u>4,839</u>
	<u>2,891</u>	<u>4,839</u>
Shareholder's Equity	<u>\$ 148,693</u>	<u>\$ 118,304</u>
Represented By:		
Share Capital	\$ 1	\$ 1
Retained Earnings	145,801	113,464
Equity in tangible capital assets	<u>2,891</u>	<u>4,839</u>
	<u>\$ 148,693</u>	<u>\$ 118,304</u>



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

Quesnel Community and Economic Development (2002) Corporation
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014, WITH COMPARATIVE INFORMATION FOR 2013
(UNAUDITED)

	2014 <u>BUDGET</u>	2014 <u>ACTUAL</u>	2013 <u>ACTUAL</u>
Revenues			
City of Quesnel	\$ 155,000	\$ 155,000	\$ 155,000
Cariboo Regional District	17,000	35,512	51,844
Grants	58,875	71,431	42,500
Rent	7,200	4,430	8,381
Project Administration	62,500	75,139	148,988
Other	15,790	10,647	8,750
	<u>316,365</u>	<u>352,159</u>	<u>415,463</u>
Expenses			
Board Expenses	2,650	2,336	2,501
General Administration	210,115	159,515	160,103
Project Administration	123,600	157,971	236,678
Amortization	-	1,948	1,567
Other	-	-	-
	<u>336,365</u>	<u>321,770</u>	<u>400,849</u>
Subtotal	(20,000)	30,389	14,614
Loss on sale of tangible capital assets	-	-	(9)
Annual Surplus	(20,000)	30,389	14,605
Shareholder's Equity at beginning of year	<u>118,304</u>	<u>118,304</u>	<u>103,699</u>
Shareholder's Equity at end of year	<u>\$ 98,304</u>	<u>\$ 148,693</u>	<u>\$ 118,304</u>

Quesnel Community and Economic Development (2002) Corporation
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014, WITH COMPARATIVE INFORMATION FOR 2013
(UNAUDITED)

	<u>2014</u> <u>BUDGET</u>	<u>2014</u>	<u>2013</u>
Annual Surplus	\$ (20,000)	\$ 30,389	\$ 14,605
Tangible capital assets purchased	-	-	(3,040)
Amortization of tangible capital assets	-	1,948	1,567
Loss on sale of tangible capital assets	-	-	9
Proceeds on sale of tangible capital assets	-	-	-
Writedowns on tangible capital assets	-	-	-
	(20,000)	32,337	13,141
Acquisition of supply inventory	-	-	-
Acquisition of prepaid expense	-	-	-
Consumption of supply inventory	-	-	-
Use of prepaid expense	-	-	420
	-	-	420
	-	-	-
Increase (decrease) in net financial assets	(20,000)	32,337	13,561
Net financial assets at beginning of year	113,465	113,465	99,904
Net financial assets at end of year	\$ 93,465	\$ 145,802	\$ 113,465

Quesnel Community and Economic Development (2002) Corporation

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2014, WITH COMPARATIVE INFORMATION FOR 2013

(UNAUDITED)

	<u>2014</u>	<u>2013</u>
Operating transactions		
Annual surplus	\$ 30,389	\$ 14,605
Non-cash items:		
Amortization	1,948	1,567
Decrease in prepaid expenses	-	420
Loss on the sale of tangible capital assets	-	9
Changes to financial assets/liabilities:		
Decrease in accounts receivable	(44,404)	(19,264)
Increase in accounts payable	10,294	4,449
Decrease in due to City of Quesnel	-	-
Cash provided by (used in) operating transactions	(1,773)	1,786
Capital transactions		
Acquisition of tangible capital assets	-	(3,040)
Proceeds from the sale of tangible capital assets	-	-
Write down of tangible capital assets	-	-
Cash applied to capital transactions	-	(3,040)
Financing transactions:		
Proceeds from debt issues	-	-
Increase (decrease) in credit union advances	-	-
Debt forgiven	-	-
Cash applied to financing transactions	-	-
Increase (decrease) in cash and cash equivalents	(1,773)	(1,254)
Cash and cash equivalents at beginning of year	58,788	60,042
Cash and cash equivalents end of year	\$ 57,015	\$ 58,788

**CITY OF QUESNEL
CONSOLIDATED TANGIBLE CAPITAL ASSETS
AS AT DECEMBER 31, 2014**

Schedule 1

	Land		Buildings		Roads		Machinery & Equipment		Water		Engineering Structures		Drainage	
	Land	Improvements	Buildings	Roads	Machinery & Equipment	Water	Engineering Structures	Drainage						
Historical Cost:														
Opening Balance	\$ 11,402,421	\$ 21,489,989	\$ 17,782,065	\$ 29,975,876	\$ 6,421,173	\$ 27,574,129	\$ 8,072,523	\$ 10,746,123						
Additions	341,191	604,466	303,920	730,333	551,527	50,084	147,241	90,645						
Disposals	(1,871)	(48,824)	(1,863)	(151,148)	(30,018)	(2,076)	(14,205)	(79)						
Closing Balance End of Year	11,741,741	22,045,631	18,084,122	30,555,061	6,942,682	27,622,137	8,205,559	10,836,689						
Accumulated Amortization:														
Opening Balance	-	8,681,244	5,920,980	13,276,250	3,039,372	13,493,161	4,786,082	5,241,302						
Amortization Expense	-	567,280	425,992	714,295	410,516	573,207	157,478	281,337						
Effects of Disposals	-	(23,952)	(1,863)	(74,874)	(30,018)	(1,858)	(11,365)	(79)						
Closing Balance End of Year	-	9,224,572	6,345,109	13,915,671	3,419,870	14,064,510	4,931,195	5,522,560						
NET BOOK VALUE	\$ 11,741,741	\$ 12,821,059	\$ 11,739,013	\$ 16,639,390	\$ 3,522,812	\$ 13,557,627	\$ 3,274,364	\$ 5,314,129						
Historical Cost:														
Opening Balance	\$ 1,287,727	\$ 5,532,705	\$ 376,719	\$ 140,661,450	\$ 137,426,998	\$ 4,137,980	\$ 4,903,528	\$ 140,661,450						
Additions	177,093	783,535	(181,901)	3,598,134	3,598,134	4,137,980	(903,528)	4,137,980						
Disposals	(77,019)	(255,851)	-	(582,954)	(582,954)	(903,528)	-	(903,528)						
Closing Balance End of Year	1,387,801	6,060,389	194,818	143,676,630	140,661,450	140,661,450	140,661,450	140,661,450						
Accumulated Amortization:														
Opening Balance	694,214	4,361,355	-	59,492,960	56,695,498	3,376,571	3,376,571	3,376,571						
Amortization Expense	137,428	224,361	-	3,491,894	3,491,894	3,376,571	3,376,571	3,376,571						
Effects of Disposals	(61,608)	(255,851)	-	(461,468)	(461,468)	(579,109)	(579,109)	(579,109)						
Closing Balance End of Year	770,034	4,329,865	-	62,523,386	59,492,960	59,492,960	59,492,960	59,492,960						
NET BOOK VALUE	\$ 617,767	\$ 1,730,524	\$ 194,818	\$ 81,153,244	\$ 81,168,490	\$ 81,168,490	\$ 81,168,490	\$ 81,168,490						

CITY OF QUESNEL
 Consolidated Statement of Statutory Reserve Fund Activities
 Year Ended December 31, 2014

Schedule 2

	Capital Reinvestment	Other Capital Reserves	General Capital	Land Sales	West Quesnel Land Stability	Tax Stabilization	Park Reserve	2014 Total	2013 Total
Opening Balance	\$ 1,474,557	\$ 292,303	\$ 3,523,318	\$ 1,115,758	\$ 205,673	\$ 715,460	\$ 101,919	\$ 7,428,988	\$ 7,195,759
Transfers In	959,719	250,000	1,275,322	263,000	260,009	92,292	-	3,100,342	3,413,218
Interest Earned	25,692	6,522	50,026	17,861	3,279	11,965	816	116,161	99,535
Transfers Out	(637,909)	(4,296)	(1,949,173)	(220,679)	(253,902)	-	(100,000)	(3,165,959)	(3,279,524)
Closing Balance	\$ 1,822,059	\$ 544,529	\$ 2,899,493	\$ 1,175,940	\$ 215,059	\$ 819,717	\$ 2,735	\$ 7,479,532	\$ 7,428,988

CITY OF QUESNEL
Segmented Statement
Year Ended December 31, 2014

Schedule 3

	GENERAL	QCEDC	WATER	SEWER	TRANSIT	AIRPORT	TOTAL
Revenues							
Property taxes and grants in lieu	\$ 14,193,970	\$ -	\$ 742,144	\$ 216,545	\$ 380,652	\$ 316,705	\$ 15,850,016
Sale of services	1,215,228	90,216	66,109	22,199	133,115	809,288	2,336,155
Government grants	3,742,438	71,431	-	-	-	259,760	4,073,629
Donations	1,000	-	-	-	-	-	1,000
Services provided to other governments	718,221	190,512	-	-	53,084	-	961,817
Investment income	198,829	-	59,320	28,439	4,101	-	290,689
Utility user fees	-	-	1,131,296	901,716	-	-	2,033,012
MFA actuarial adjustment	91,036	-	82,006	-	-	-	173,042
Other	339,199	-	1,226	-	(101)	420,642	760,966
	20,499,921	352,159	2,082,101	1,168,899	570,851	1,806,395	\$ 26,480,326
Expenses							
General government services	2,255,522	-	-	-	-	-	2,255,522
Protective services	4,918,967	-	-	-	-	-	4,918,967
Transportation services	3,598,555	-	-	-	-	-	3,598,555
Solid waste management and recycling	2,181,940	-	-	-	-	-	2,181,940
Development services and planning	645,310	319,821	-	-	-	-	965,131
Recreation and cultural services	1,275,486	-	1,120,913	669,239	572,259	-	1,275,486
Operations	127,309	-	-	-	-	-	1,155,003
Other	656,616	-	104,934	-	-	-	656,616
Interest expense	363,382	-	584,322	-	-	-	468,316
Amortization	2,357,029	1,948	-	169,220	-	379,376	3,491,895
	18,380,116	321,769	1,810,169	838,459	572,259	1,534,379	23,457,151
Subtotal	2,119,805	30,390	271,932	330,440	(1,408)	272,016	3,023,175
Loss on sale of tangible capital assets	(100,248)	-	(218)	(2,840)	-	-	(103,306)
Annual Surplus	\$ 2,019,557	\$ 30,390	\$ 271,714	\$ 327,600	\$ (1,408)	\$ 272,016	\$ 2,919,869

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