

Consolidated Financial Statements 2023



FOR THE YEAR ENDED DECEMBER 31, 2023

PREPARED BY THE CITY OF QUESNEL FINANCE DEPARTMENT
QUESNEL, BRITISH COLUMBIA, CANADA

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The information in this Financial Report is the responsibility of management. The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards as outlined under "Significant Accounting Policies" on page 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 consolidated 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 Financial Sustainability & Audit Committee. The Financial Sustainability & Audit 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 Financial Sustainability & Audit Committee and Council. The Financial Sustainability & 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', is positioned above a horizontal line.

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



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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the City of Quesnel

Opinion

We have audited the consolidated financial statements of the City of Quesnel (the "City"), which comprise:

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended.
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "consolidated statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2023 and its consolidated results of operations, change in net consolidated financial assets, its consolidated remeasurement gains and losses and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.



Other Information

Management is responsible for the other information. The other information comprises:

- Information, other than the financial statements and the auditor's report thereon, included in Schedule 4 – Use of Covid Safe Restart Grant and Schedule 5 – Use of Growing Communities Fund

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Information, other than the financial statements and the auditor's report thereon, included in Schedule 4 – Use of Covid Safe Restart Grant and Schedule 5 – Use of Growing Communities Fund as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants

Prince George, Canada

April 23, 2024

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED DECEMBER 31, 2023

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 incorporated 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, Solid Waste, Water, Sewer, Transit, Airport, Forestry, 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. They have been prepared using guidelines issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. 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.

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

Inventory consists of supplies, repairs parts and materials consumed in operations and capital projects. Inventory is recorded at cost which is determined on a weighted average basis.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED DECEMBER 31, 2023

e. Tangible Capital Assets

- i. Tangible capital assets purchased or constructed and construction-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:

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

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.

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 related to the determination of collectability of accounts receivable, and provisions for contingencies, asset retirement obligations, accrued liabilities and useful lives of tangible capital assets. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period they arise.

h. Asset Retirement Obligations

An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset that the City will be required to settle. The City recognizes asset retirement obligations when there is a legal obligation to incur retirements costs in relation to a tangible capital asset, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made.

Asset retirement obligations are initially measured at the best estimate of the amount required to retire a tangible capital asset at the financial statement date. The estimate of a liability includes costs directly attributable to asset retirement activities.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED DECEMBER 31, 2023

Asset retirement obligations are recorded as liabilities with a corresponding increase to the carrying amount of the related tangible capital asset. Subsequently, the asset retirement costs are allocated to expenses over the useful life of the tangible capital asset. The obligation is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and for revisions to either the timing or the amount of the original estimate of the undiscounted cash flows or the discount rate.

i. Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the City of Quesnel is directly responsible; or accepts responsibility and
- iv. a reasonable estimate of the amount can be made.

j. 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.

k. Cash and investments

Cash and investments include, cash, short term bonds, intermediate funds, and money market funds.

l. Long-term debt

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

m. Related Party Transactions

Any Related Party transactions, unless disclosed separately, are considered to be in the normal course of operations and are recorded at the exchange amount.

n. Government Transfers

Government transfers, which include legislative grants, are recognized as revenue in the consolidated financial statement when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfer revenue is recognized in the statements of operations as the stipulations for liabilities are settled.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED DECEMBER 31, 2023

o. Financial instruments are classified into two categories: fair value or cost.

- i. Fair value category: portfolio investments quoted in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statements of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses.
- ii. Cost category: portfolio investment not quoted in an active market, financial assets and liabilities are recorded at cost or amortized cost. Gains and losses are recognized in the Statements of Operations and Accumulated Surplus when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of financial assets are included in the cost of the related instrument.

Financial assets are assessed for impairment on an annual basis. If there is an indicator of impairment, the City determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the City expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

p. Change in Accounting Policy

On January 1, 2023, the City adopted Public Accounting Standard PS 3280 Asset Retirement Obligations.

This new standard establishes standards for recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets and replaces PS 3270 Solid Waste Landfill Closure and Post-closure Liability. This standard is effective for fiscal periods beginning on or after April 1, 2023. The City has chosen prospective application of this standard.

An asset retirement obligation would be recognized when as at the financial reporting date all of the following criteria are met:

- i. There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- ii. The past transaction or event giving rise to the liability has occurred;
- iii. It is expected that future economic benefits will be given up; and
- iv. A reasonable estimate of the amount can be made.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023, WITH COMPARATIVE INFORMATION FOR 2022

| | 2023 | 2022 |
|---|-----------------------|-----------------------|
| Financial Assets | | |
| Cash | \$ 12,844,394 | \$ 15,394,368 |
| Portfolio investments - <i>note 2</i> | 21,841,802 | 15,384,405 |
| Taxes and accounts receivable - <i>note 3</i> | 6,400,253 | 8,199,701 |
| Property acquired for taxes | 120,223 | 47,640 |
| Investment in Three Rivers Community Forest - <i>note 4</i> | 347,224 | - |
| MFA debt reserve - <i>note 5</i> | 214,247 | 207,789 |
| | 41,768,143 | 39,233,903 |
| Financial Liabilities | | |
| Accounts payable and accrued liabilities - <i>note 6</i> | 4,968,725 | 7,119,397 |
| Asset retirement obligation - <i>note 7</i> | 6,701,062 | 3,568,977 |
| Deferred revenue - <i>note 8</i> | 3,154,686 | 2,737,546 |
| Municipal debt, net of sinking fund assets - <i>note 9</i> | 12,469,701 | 12,863,545 |
| | 27,294,174 | 26,289,465 |
| Net Financial Assets | 14,473,969 | 12,944,438 |
| Non-Financial Assets | | |
| Prepaid expenses | 543,863 | 439,870 |
| Inventory of supplies | 398,268 | 398,927 |
| Tangible capital assets - <i>note 10</i> | 134,198,747 | 124,510,112 |
| | 135,140,878 | 125,348,909 |
| Accumulated Surplus | \$ 149,614,847 | \$ 138,293,347 |
| Represented By: | | |
| Operating Fund | \$ 9,556,204 | \$ 5,398,095 |
| Accumulated remeasurement losses | (313,984) | (427,278) |
| Investment in Three Rivers Community Forest - <i>note 4</i> | 347,224 | - |
| Statutory Reserves - Schedule 2 | 24,997,417 | 21,675,962 |
| Equity in tangible capital assets - <i>note 11</i> | 115,027,986 | 111,646,568 |
| | \$ 149,614,847 | \$ 138,293,347 |

Commitments and contingencies (note 17)

See accompanying notes.



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

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2023, WITH COMPARATIVE INFORMATION FOR 2022

| | 2023 BUDGET | 2023 ACTUAL | 2022 ACTUAL |
|--|-----------------------|-----------------------|-----------------------|
| Revenues | | | |
| Net taxation and grants in lieu - <i>note 12</i> | \$ 21,169,406 | \$ 21,398,822 | \$ 20,295,480 |
| Sale of services - <i>note 13</i> | 2,477,681 | 2,711,610 | 2,497,904 |
| Government grants - <i>note 14</i> | 12,048,629 | 10,946,042 | 15,029,699 |
| Donations | - | 15,304 | 397,000 |
| Services provided to other governments | 1,211,723 | 1,256,379 | 1,724,580 |
| Investment | 275,000 | 1,646,579 | 446,277 |
| Utility user fees - <i>note 13</i> | 3,189,237 | 3,108,703 | 2,848,516 |
| MFA actuarial adjustment | - | 140,826 | 145,061 |
| Other | 592,043 | 970,163 | 1,060,541 |
| Total Revenues | 40,963,719 | 42,194,428 | 44,445,058 |
| Expenses | | | |
| General government services | 2,969,724 | 2,718,073 | 2,946,694 |
| Protective services | 7,186,928 | 6,702,765 | 6,546,171 |
| Transportation services | 5,448,539 | 5,024,315 | 5,088,973 |
| Solid waste management and recycling | 1,514,093 | 1,581,054 | 430,706 |
| Development services and planning | 2,046,076 | 1,787,718 | 1,838,975 |
| Forestry Initiatives | 902,446 | 443,519 | 716,822 |
| Recreation and cultural services | 1,749,729 | 1,961,642 | 2,015,465 |
| Operations | 4,332,494 | 4,543,229 | 3,920,118 |
| Other | - | 60,139 | 19,846 |
| Interest | 344,148 | 382,984 | 333,487 |
| Amortization | 5,325,000 | 5,670,955 | 5,151,831 |
| Accretion | - | 70,005 | - |
| Total Expenses | 31,819,177 | 30,946,398 | 29,009,088 |
| Subtotal | 9,144,542 | 11,248,030 | 15,435,970 |
| (Loss) gain on sale of tangible capital assets | - | (387,048) | (128,490) |
| Annual Surplus before noted below | 9,144,542 | 10,860,982 | 15,307,480 |
| Gain on Three Rivers Community Forest | - | 347,224 | - |
| Annual Surplus | 9,144,542 | 11,208,206 | 15,307,480 |
| Accumulated surplus at beginning of year | 138,720,625 | 138,720,625 | 123,413,145 |
| Accumulated surplus at end of year | \$ 147,865,167 | \$ 149,928,831 | \$ 138,720,625 |

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2023, WITH COMPARATIVE INFORMATION FOR 2022

| | 2023 BUDGET | 2023 ACTUAL | 2022 ACTUAL |
|---|----------------|----------------|----------------|
| Annual Surplus | \$ 9,144,542 | \$ 11,208,206 | \$ 15,307,480 |
| Tangible capital assets purchased | (17,480,574) | (13,199,363) | (17,330,829) |
| Amortization of tangible capital assets | 5,325,000 | 5,670,955 | 5,151,831 |
| Increase in tangible capital assets due to asset retirement obligations | - | (3,062,080) | - |
| Loss on sale of tangible capital assets | - | 387,048 | 128,490 |
| Proceeds on sale of tangible capital assets | - | 514,805 | 34,597 |
| | (3,011,032) | 1,519,571 | 3,291,569 |
| Change in supply inventory | - | 659 | (24,853) |
| Change in prepaid expense | - | (103,993) | (97,210) |
| Net remeasurement | - | 113,294 | 33,101 |
| | - | 9,960 | (88,962) |
| (Decrease) increase in net financial assets | (3,011,032) | 1,529,531 | 3,202,607 |
| Net financial assets at beginning of year | 12,944,438 | 12,944,438 | 9,741,831 |
| Net financial assets at end of year | \$ 9,933,406 | \$ 14,473,969 | \$ 12,944,438 |

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023, WITH COMPARATIVE INFORMATION FOR 2022

| | 2023 | 2022 |
|--|----------------------|----------------------|
| Operating transactions | | |
| Annual surplus | \$ 11,208,206 | \$ 15,307,480 |
| Non-cash items: | | |
| Amortization | 5,670,955 | 5,151,831 |
| Accretion | 70,005 | - |
| Prepaid expenses | (103,993) | (97,210) |
| Supply inventory | 659 | (24,853) |
| (Loss) gain on the sale of tangible capital assets | 387,048 | 128,490 |
| Actuarial adjustments | (140,826) | (145,061) |
| Net remeasurement | 113,294 | 33,101 |
| Changes to financial assets/liabilities: | | |
| Taxes and accounts receivable | 1,799,448 | (1,620,626) |
| MFA cash deposits | (6,458) | 3,705 |
| Property acquired for taxes | (72,583) | (37,335) |
| Accounts payable and accrued liabilities | (2,150,672) | 453,521 |
| Asset retirement obligations | 3,062,080 | (991,905) |
| Deferred revenue | 417,140 | 196,231 |
| Cash provided by operating transactions | 20,254,303 | 18,357,369 |
| Capital transactions | | |
| Acquisition of tangible capital assets | (16,261,442) | (17,330,829) |
| Proceeds from the sale of tangible capital assets | 514,805 | 34,597 |
| Cash applied to capital transactions | (15,746,637) | (17,296,232) |
| Investing transactions | | |
| (Increase) decrease in portfolio investments | (6,457,397) | 131,430 |
| Increase in Three Rivers Community Forest | (347,224) | - |
| Cash applied to investing transactions | (6,804,621) | 131,430 |
| Financing transactions | | |
| Proceeds from debt issues | 630,000 | 320,000 |
| Debt repayment | (883,019) | (858,524) |
| Cash applied to financing transactions | (253,019) | (538,524) |
| Change in cash | (2,549,974) | 654,043 |
| Cash at beginning of year | 15,394,368 | 14,740,325 |
| Cash at end of year | \$ 12,844,394 | \$ 15,394,368 |

See accompanying notes.

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES

FOR THE YEAR ENDED DECEMBER 31, 2023, WITH COMPARATIVE INFORMATION FOR 2022

| | 2023 | 2022 |
|--|---------------------|---------------------|
| Accumulated remeasurement losses, beginning of year | \$ (427,278) | \$ (460,379) |
| Change in unrealized gain (loss) on portfolio investment | 113,294 | (411,689) |
| Remeasurement realized and reclassified to the Statement of Operations and Accumulated Surplus | - | 444,790 |
| Accumulated remeasurement losses, end of year | \$ (313,984) | \$ (427,278) |

See accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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, 2023, the balance of the funds was \$240,337 (2022-\$236,887).

2. Portfolio Investments

Portfolio investments are comprised of investments held with the Municipal Finance Authority ("MFA") in money market and intermediate pooled investment funds along with term deposits of varying maturity held with chartered banks. MFA Short Term Bond Fund and Intermediate Fund investments are quoted in an active market and therefore recorded at fair market value. Term deposits are recorded at costs.

The portfolio investments measured at fair value held within each investment are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination.

The different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Input for the asset or liability that are not based on observable market data (unobservable inputs).

| | Fair Value Hierarchy | | 2023 | 2022 |
|-----------------------|----------------------|----|------------|--------------|
| MFA Short Term Bond | 2 | \$ | 3,697,413 | \$ 3,509,959 |
| MFA Intermediate Fund | 2 | | 2,358,966 | 2,250,779 |
| MFA Money Market Fund | 2 | | 5,773,094 | 611,338 |
| | | \$ | 11,829,473 | \$ 6,372,076 |

| Royal Bank Non Redeemable GIC's | Due Date | Rate | | |
|---------------------------------|-----------|-------|---------------|---------------|
| | 05-May-23 | 3.00% | - | 1,000,000 |
| | 06-Nov-23 | 3.25% | - | 1,000,000 |
| | 24-Apr-23 | 5.19% | - | 5,000,000 |
| | 01-Nov-24 | 5.09% | 1,012,329 | 1,012,329 |
| | 06-May-24 | 5.77% | 1,000,000 | 1,000,000 |
| | 06-May-24 | 3.69% | 1,000,000 | - |
| | 29-Apr-24 | 5.91% | 5,000,000 | - |
| Integris Term Deposits | 03-Oct-24 | 5.85% | 1,000,000 | - |
| | 03-Apr-24 | 5.90% | 1,000,000 | - |
| | | | \$ 10,012,329 | \$ 9,012,329 |
| | | | Total | \$ 21,841,802 |
| | | | | \$ 15,384,405 |

3. Taxes and Accounts Receivable

| | 2023 | 2022 |
|--|---------------------|---------------------|
| Property taxes | \$ 1,668,584 | \$ 967,921 |
| Federal government | 355,747 | 1,728,966 |
| Provincial government | 821,022 | 2,545,529 |
| Regional government | 288,152 | 352,840 |
| General | 3,266,748 | 2,604,445 |
| Total taxes and accounts receivable | \$ 6,400,253 | \$ 8,199,701 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

4. Investment in Three Rivers Community Forest

During the year, the Three Rivers Community Forest Corporation and Limited Partnership were formed. These businesses are a partnership between the City of Quesnel, Lhtako Dene Nation, ?Esdilagh First Nation and Nazko First Nation. Funds previously held in escrow by the City for the formation of a Community Forest were turned over to the partnership in early 2024.

The purpose of the Company is restricted to managing and operating the Community Forest under the Community Forest Licence granted by the Province of British Columbia as represented by the Minister of Forests.

The City's ownership of the Partnership is 25% and the City's Partners' Equity at December 31, 2023 was \$347,224.

Three Rivers Community Forest Limited Partnership

Balance Sheet - December 31, 2023

2023

Assets

| | | |
|----------------|----|-----------|
| Current Assets | \$ | 1,396,569 |
| | \$ | 1,396,569 |

Liabilities and Partners' Equity

| | |
|---------------------|--------------|
| Current Liabilities | 7,500 |
| Partners' equity | 1,389,069 |
| | \$ 1,396,569 |

Income Statement - November 10, 2023 to December 31, 2023

| | | |
|---------------------|-----------|------------------|
| Revenue | \$ | 2,000,000 |
| Expenses | | 735,289 |
| Interest | | 116,357 |
| Net Earnings | \$ | 1,381,068 |

5. Deposit and Reserve - Municipal Finance Authority

The Municipal Finance Authority of British Columbia (the Authority) provides capital financing for regional districts and their member municipalities. The Authority is required to establish a Debt Reserve Fund. The Authority must then use this fund if at any time there are insufficient funds to meet payments on its obligations. If this occurs the regional districts and their member municipalities 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.

6. Accounts Payable and Accrued Liabilities

| | 2023 | 2022 |
|---|---------------------|---------------------|
| Provincial government | \$ 422,015 | \$ 331,652 |
| Trade | 3,158,454 | 5,213,206 |
| Payroll | 1,064,750 | 1,215,334 |
| Accrued interest | 64,585 | 63,035 |
| Deposits | 258,921 | 296,170 |
| Total accounts payable and accrued liabilities | \$ 4,968,725 | \$ 7,119,397 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

7. Asset Retirement Obligations

Legal liabilities exist for the removal and disposal of asbestos and other environmentally hazardous materials in some of the City buildings that will undergo major renovations or demolition in the future. Other end of life obligations exist to close water wells and landfills, including post closure costs. A reasonable estimate of the fair value of the obligation has been recognized using the prospective method. These costs have been capitalized as part of the assets' carrying value and are amortized over the assets' estimated useful lives.

| | 2023 |
|---|---------------------|
| Previously Recognized Asset Retirement Obligation (Landfill), January 1, 2023 | \$ 3,568,977 |
| Change in accounting policy (see policy p.) | 3,062,080 |
| Accretion of Asset Retirements | 70,005 |
| Settlements during the year | - |
| Asset Retirement Obligation, December 31, 2023 | \$ 6,701,062 |

8. Deferred Revenue

| | 2023 | 2022 |
|----------------------------------|---------------------|---------------------|
| Development Cost Charges | \$ 1,042,620 | \$ 953,099 |
| Deferred Grants | 1,304,974 | 1,064,955 |
| Utility/Property Tax Prepayments | 743,806 | 638,150 |
| Other | 63,286 | 81,342 |
| | \$ 3,154,686 | \$ 2,737,546 |

a. 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 | \$ 98,641 | \$ - | \$ 5,528 | \$ 1,884 | \$ 102,285 |
| Water | 457,909 | 21,513 | 26,137 | 13,420 | 492,139 |
| Storm | 217,364 | 11,285 | 12,618 | - | 241,267 |
| Roads | 160,563 | 4,199 | 9,203 | - | 173,965 |
| Parks | 18,622 | 12,923 | 1,419 | - | 32,964 |
| Total | \$ 953,099 | \$ 49,920 | \$ 54,905 | \$ 15,304 | \$ 1,042,620 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

9. Municipal Debt, Net of Sinking Fund Assets

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.

Also includes Short Term Debt issued by the Municipal Finance Authority under Section 175 of the *Community Charter* for the purpose of buying mobile equipment. Interest Rate in December 2023 was 5.61% (2022 - 4.51%).

| | Opening Balance | Additions | Principal Payments | Actuarial Adjustment* | Closing Balance |
|------------------------|----------------------|-------------------|-----------------------|--------------------------|----------------------|
| General Capital | | | | | |
| MFA | | | | | |
| 85 Fire Truck | \$ 451,613 | - | \$ 23,048 | \$ 32,418 | \$ 396,147 |
| 95 New City Hall | 2,537,489 | - | 181,481 | 103,875 | 2,252,134 |
| 115 Public Works | 8,298,556 | - | 201,444 | 4,533 | 8,092,579 |
| Equipment | 1,575,887 | 630,000 | 477,046 | - | 1,728,841 |
| Total | \$ 12,863,545 | \$ 630,000 | \$ 883,019 | \$ 140,826 | \$ 12,469,701 |

| | Gross Debt | Reduction Due To Sinking Fund Assets | Closing Balance |
|------------------------|----------------------|--|----------------------|
| General Capital | | | |
| MFA | | | |
| 85 Fire Truck | \$ 1,100,000 | \$ 703,853 | \$ 396,147 |
| 95 New City Hall | 6,000,000 | 3,747,866 | 2,252,134 |
| 115 Public Works | 8,500,000 | 407,421 | 8,092,579 |
| Equipment | 2,205,887 | 477,046 | 1,728,841 |
| Total | \$ 17,805,887 | \$ 5,336,186 | \$ 12,469,701 |

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

| | 2024 | 2025 | 2026 | 2027 | 2028 |
|--------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| General | \$ 405,974 | \$ 405,974 | \$ 405,974 | \$ 405,974 | \$ 405,974 |
| Equipment | 600,604 | 416,594 | 284,930 | 275,663 | 139,959 |
| Total | \$ 1,006,578 | \$ 822,568 | \$ 690,904 | \$ 681,637 | \$ 545,933 |

* 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.

10. Tangible Capital Assets

| | 2023 | 2022 |
|--------------------------------------|-----------------------|-----------------------|
| Land | \$ 11,507,379 | \$ 11,996,991 |
| Land Improvements | 32,131,951 | 26,879,561 |
| Buildings | 31,407,059 | 23,502,995 |
| Roads | 21,124,249 | 21,106,998 |
| Machinery & Equipment | 4,701,954 | 4,855,431 |
| Water Systems | 16,603,155 | 15,118,349 |
| Sewer Systems | 3,551,635 | 3,718,861 |
| Drainage Systems | 8,392,530 | 8,412,596 |
| Furniture, Equipment & Technology | 1,037,463 | 1,098,250 |
| Motor Vehicles | 2,561,554 | 2,485,818 |
| Construction-in-Progress | 1,179,818 | 5,334,262 |
| Total Tangible Capital Assets | \$ 134,198,747 | \$ 124,510,112 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Construction in progress having a value of \$1,179,818 (2022 - \$5,334,262) have not been amortized. Amortization of these assets will commence when the asset is put into service.

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 and waterwheel. These items are not recorded as an asset in these consolidated financial statements.

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

11. 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:

| | 2023 | 2022 |
|---|-----------------------|----------------|
| Equity in TCA, beginning of year | \$ 111,646,568 | \$ 98,947,073 |
| Add: | | |
| Capital Acquisitions | 13,199,363 | 17,330,829 |
| Capital Acquisitions - ARO | 3,062,080 | - |
| Debt principal payment | 883,019 | 858,524 |
| Debt forgiven | - | - |
| Actuarial Adjustment | 140,826 | 145,061 |
| Less: | | |
| Dispositions at NBV | (901,853) | (163,088) |
| Additional Debt | (630,000) | (320,000) |
| Capitalized ARO | (6,631,057) | - |
| Accretion | (70,005) | - |
| Amortization | (5,670,955) | (5,151,831) |
| Equity in TCA, end of year | \$ 115,027,986 | \$ 111,646,568 |

12. Net Taxation and Grants in Lieu

| Taxes collected | 2023 | 2022 |
|---|----------------------|---------------|
| Property Taxes | \$ 29,417,651 | \$ 27,966,709 |
| Special Assessments | 190,380 | 189,000 |
| 1% Utility Tax | 692,235 | 687,833 |
| Grants in Lieu of Taxes | 202,458 | 187,891 |
| Penalties and Interest on taxes | 236,111 | 191,012 |
| Total Taxes Collected | \$ 30,738,835 | \$ 29,222,445 |
| Less transfers to other governments | 2023 | 2022 |
| School District | \$ 4,294,275 | \$ 4,132,334 |
| Regional District | 3,233,993 | 3,241,417 |
| Regional Hospital District | 1,690,003 | 1,435,465 |
| Other | 121,742 | 117,749 |
| | 9,340,013 | 8,926,965 |
| Net Taxes Available for Municipal Purposes | \$ 21,398,822 | \$ 20,295,480 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

13. Sale of Services and Utility User Fees

| | 2023 | 2022 |
|--------------------------------|---------------------|---------------------|
| Transit user fees | \$ 152,970 | \$ 139,901 |
| Airport user fees | 258,241 | 169,761 |
| Airport fuel sales | 338,393 | 202,375 |
| Landfill, Garbage Fees | 1,010,448 | 1,143,111 |
| Rentals, licenses and permits | 558,548 | 591,127 |
| Other | 393,010 | 251,629 |
| Total Sale of Services | \$ 2,711,610 | \$ 2,497,904 |
| Water user rates | \$ 1,875,310 | \$ 1,680,999 |
| Sewer user rates | 1,233,393 | 1,167,517 |
| Total Utility User Fees | \$ 3,108,703 | \$ 2,848,516 |

14. Government Transfers

| | 2023 | 2022 |
|--|----------------------|----------------------|
| Federal: Conditional transfers | \$ 779,554 | \$ 7,606,647 |
| Unconditional transfers | - | - |
| Provincial: Conditional transfers | 6,895,461 | 4,664,240 |
| Unconditional transfers | 553,082 | 675,082 |
| Regional/Other: Conditional transfers | 2,717,945 | 2,083,730 |
| Unconditional transfers | - | - |
| Total Government Transfers | \$ 10,946,042 | \$ 15,029,699 |

15. Expenses by Object

| | 2023 | 2022 |
|-------------------------------------|----------------------|----------------------|
| Goods and Services | \$ 4,144,101 | \$ 4,467,829 |
| Salary, Wages & Benefits | 11,576,098 | 10,790,878 |
| RCMP Contract | 3,196,733 | 3,256,176 |
| Contractors/Subcontractors | 3,682,610 | 3,914,406 |
| Utilities - Electricity/Natural Gas | 900,815 | 900,196 |
| Fuel | 819,324 | 783,804 |
| Other/Change in Landfill Liability | 130,144 | (972,059) |
| Amortization | 5,670,955 | 5,151,831 |
| Insurance | 442,634 | 382,540 |
| Interest and Finance Charges | 382,984 | 333,487 |
| Total Expenses | \$ 30,946,398 | \$ 29,009,088 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

16. Financial Instruments and Risk Management

The City is potentially exposed to credit risk, market and interest rate risk, and liquidity risk from the City's financial instruments. Qualitative and quantitative analysis of the significant risks from the City's financial instruments is provided below by type of risk.

a. Credit Risk

Credit risk primarily arises from the City's cash and investments and accounts receivable. The risk exposure is limited to their carrying amounts at the date of the statement of financial position. Accounts receivable primarily consist of amounts receivable from government organizations, residents, landfill and airport users. To reduce the risk, the City regularly reviews the collectability of its accounts receivable and if needed, will establish an allowance based on its best estimate of potentially uncollectible amounts. As at December 31, 2023, the amount of allowance for doubtful debts was nil (2022 - nil). The City historically has not had difficulty collecting receivables.

b. Market and Interest Rate Risk

Market risk is the risk that changes in market prices and inputs, such as interest rates, will affect the City's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk. The City manages market risk by holding cash balances with top rated Canadian Schedule I and 2 financial institutions and local credit unions. The portfolio investments are managed following the investment policy which is approved by the City's Council. The City periodically reviews its investments and is satisfied that the investments are being managed in accordance with the investment policy. Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the fair value of investments have parallel changes in unrealized gains or losses until realized changes in the market interest rates. The City's investments are disclosed in Note 2. There has been no change to the market and interest rate risk exposure from 2022.

c. Liquidity Risk

Liquidity risk is the risk that the City will not be able to meet its financial obligations as they become due. The City manages liquidity risk by continually monitoring actual and forecasted cash flows from operations, anticipated investing, and financial activities to ensure that its financial obligations are met.

17. Commitments and Contingencies

- a. The MFA holds demand notes related to the City's debenture debt in the amount of \$283,283 (2022 - \$283,283). The demand notes are not recorded in the financial statements as they will only be called upon if the MFA does not have sufficient funds to meet its payment obligations.
- b. 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.
- 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 (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

2022, the plan has about 240,000 active members and approximately 124,000 retired members. Active members include approximately 43,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation as at December 31, 2021 indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

The City of Quesnel paid \$933,860 (2022-\$849,724) for employer contributions to the plan in fiscal 2023.

The next valuation will be as at December 31, 2024, with results available in 2025.

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, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

- e. 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 - Chilcotin Regional Hospital District
British Columbia Assessment Authority
Municipal Finance Authority
- f. The City has entered into various agreements and contracts for the provision of services that extend beyond the current year. Based on the agreements and contracts in place at December 31, 2023, future contractual obligations are estimated as follows:

| | | |
|--------------|-----------|----------------|
| 2024 | \$ | 460,563 |
| 2025 | | - |
| 2026 | | - |
| 2027 | | - |
| 2028 | | - |
| Total | \$ | 460,563 |

18. 2023 Budget

The budget amounts presented throughout these financial statements represent the five year financial plan approved by the Mayor and Council on May 2, 2023.

19. Contractual Rights

The City entered into a contract for various services with the Cariboo Regional District to provide services to the provision of joint municipal services within the City and the service area. The term of the contract commenced on January 2020 and terminates December 31, 2024. The total revenue associated with fiscal year 2024 is \$1,058,874.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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. Segmented information has been presented in Schedule 3. The segments include:

General Government which provides services for transportation, fire protection, policing, planning and development, recreation and cultural services, cemetery and general administration.

Solid Waste which provides services for residential and commercial garbage collection, landfill, recycling and zero waste education.

Water which provides water production and distribution services.

Sewer which provides waste water collection and maintains a contract with Cariboo Pulp and Paper for wastewater treatment.

Transit which administers all transit operations in Quesnel, including a fixed bus route service and a handiDart Service.

Airport which operates the City's airport, which currently has one major carrier operating flights to Vancouver.

Forestry Initiatives which administers all the forestry initiatives that City is engaged in, including various grant programs.

21. Litigation

The City is involved from time to time in litigation, which arises in the normal course of operations. Liabilities arising from any litigation are recognized in the consolidated financial statements when the outcome becomes reasonably determinable. In management's judgement, there is no material negative exposure at this time from existing litigations.

CONSOLIDATED TANGIBLE CAPITAL ASSETS

AS AT DECEMBER 31, 2023 | SCHEDULE I

| | Cost | | | | | Accumulated Amortization | | | | | Net Book Value 2023 | Net Book Value 2022 |
|--------------------------|-----------------|---------------|----------------|----------------|----------------|--------------------------|--------------|----------------|----------------|----------------|---------------------|---------------------|
| | Opening Balance | Additions | ARO Adjustment | Disposals | Ending Balance | Open Balance | Amortization | ARO Adjustment | Disposals | Ending Balance | | |
| Land | \$ 11,996,991 | \$ 95,388 | \$ - | \$ (585,000) | \$ 11,507,379 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 11,507,379 | \$ 11,996,991 |
| Land Improvements | 38,245,942 | 4,075,390 | 5,910,288 | (2,170) | 44,660,473 | 11,366,381 | 1,164,311 | 3,568,977 | (2,170) | 12,528,522 | 32,131,951 | 26,879,561 |
| Buildings | 34,046,579 | 8,784,456 | 224,903 | (560,819) | 42,495,119 | 10,543,584 | 995,739 | - | (451,263) | 11,088,060 | 31,407,059 | 23,502,995 |
| Roads | 40,322,487 | 980,391 | - | (108,328) | 41,194,550 | 19,215,489 | 958,276 | - | (103,464) | 20,070,301 | 21,124,249 | 21,106,998 |
| Machinery & Equipment | 10,022,771 | 439,069 | - | (105,949) | 10,355,891 | 5,167,340 | 592,546 | - | (105,949) | 5,653,937 | 4,701,954 | 4,855,431 |
| Water Systems | 33,543,034 | 2,040,940 | 363,015 | (906,168) | 35,040,821 | 18,424,685 | 719,792 | - | (706,811) | 18,437,666 | 16,603,155 | 15,118,349 |
| Sewer Systems | 9,548,390 | 20,934 | - | - | 9,569,324 | 5,829,529 | 188,160 | - | - | 6,017,689 | 3,551,635 | 3,718,861 |
| Drainage Systems | 16,843,008 | 285,328 | 132,851 | - | 17,261,188 | 8,430,412 | 438,244 | - | - | 8,868,657 | 8,392,531 | 8,412,596 |
| Furniture, Eqpt & Tech | 1,950,437 | 151,895 | - | (106,654) | 1,995,678 | 852,187 | 209,605 | - | (103,577) | 958,215 | 1,037,463 | 1,098,250 |
| Motor Vehicles | 6,722,251 | 480,016 | - | (87,763) | 7,114,504 | 4,236,433 | 404,282 | - | (87,763) | 4,552,950 | 2,561,554 | 2,485,818 |
| Construction in Progress | 5,334,262 | (4,154,444) | - | - | 1,179,818 | - | - | - | - | - | 1,179,818 | 5,334,262 |
| | \$ 208,576,152 | \$ 13,199,363 | \$ 6,631,057 | \$ (2,462,851) | \$ 225,943,721 | \$ 84,066,040 | \$ 5,670,955 | \$ 3,568,977 | \$ (1,560,998) | \$ 91,744,974 | \$ 134,198,747 | \$ 124,510,112 |

Construction-in-progress represents capital projects at year-end that have not been completed and are not ready for their intended use or to be amortized.

CONSOLIDATED STATEMENT OF STATUTORY RESERVE FUND ACTIVITIES

YEAR ENDED DECEMBER 31, 2023 | SCHEDULE 2

| | | Opening Balance | Transfers In | Interest Earned | Transfers Out | Closing Balance |
|-----------------------------|----|--------------------|-----------------|--------------------|------------------|----------------------|
| Capital Reinvestment | \$ | 6,024,209 | \$ 2,775,636 | \$ 285,708 | \$ (4,389,630) | \$ 4,695,923 |
| General Capital | | 3,591,390 | 1,843,138 | 219,013 | (1,284,081) | 4,369,460 |
| Water | | 5,117,852 | - | 269,388 | (713,173) | 4,674,067 |
| Sewer | | 4,531,155 | 447,464 | 269,027 | - | 5,247,646 |
| West Quesnel Land Stability | | 306,432 | 180,887 | 20,993 | (51,676) | 456,636 |
| Gas Tax | | 1,198,778 | 514,304 | 57,375 | (883,722) | 886,735 |
| Tax Stabilization | | 861,765 | 292,136 | 49,691 | (259,166) | 944,426 |
| Growing Communities Fund | | - | 3,217,000 | 91,007 | - | 3,308,007 |
| Land Sales | | 41,316 | 430,361 | 11,683 | (100,000) | 383,360 |
| Park Reserve | | 3,065 | 27,150 | 942 | - | 31,157 |
| | \$ | 21,675,962 | \$ 9,728,076 | \$ 1,274,827 | \$ (7,681,448) | \$ 24,997,417 |

SEGMENTED STATEMENT

YEAR ENDED DECEMBER 31, 2023 | SCHEDULE 3

| | General Government | Solid Waste | Water | Sewer | Transit | Airport | Forestry Initiatives | Total |
|---|-----------------------|---------------------|---------------------|---------------------|--------------------|---------------------|-------------------------|----------------------|
| Revenues | | | | | | | | |
| Property taxes and grants in lieu | \$ 19,897,696 | \$ - | \$ 524,013 | \$ 216,078 | \$ 348,649 | \$ 412,386 | \$ - | \$ 21,398,822 |
| Sale of services | 654,907 | 1,103,274 | 183,196 | 20,629 | 152,970 | 596,634 | - | 2,711,610 |
| Government grants | 10,075,681 | - | - | 1,294 | - | 494,330 | 374,737 | 10,946,042 |
| Donations | 15,304 | - | - | - | - | - | - | 15,304 |
| Services provided to other governments | 725,664 | 313,511 | - | - | 111,204 | 71,000 | 35,000 | 1,256,379 |
| Investment income | 1,593,299 | - | - | 19,433 | 9,179 | 24,668 | - | 1,646,579 |
| Utility user fees | - | - | 1,875,310 | 1,233,393 | - | - | - | 3,108,703 |
| MFA actuarial adjustment | 140,826 | - | - | - | - | - | - | 140,826 |
| Other | 891,020 | - | - | - | - | 78,290 | 853 | 970,163 |
| Total Revenues | \$ 33,994,397 | \$ 1,416,785 | \$ 2,582,519 | \$ 1,490,827 | \$ 622,002 | \$ 1,677,308 | \$ 410,590 | \$ 42,194,428 |
| Expenses | | | | | | | | |
| General government services | 2,718,073 | - | - | - | - | - | - | 2,718,073 |
| Protective services | 6,702,765 | - | - | - | - | - | - | 6,702,765 |
| Transportation services | 5,024,315 | - | - | - | - | - | - | 5,024,315 |
| Solid waste management and recycling | - | 1,581,054 | - | - | - | - | - | 1,581,054 |
| Development services and planning | 1,787,718 | - | - | - | - | - | - | 1,787,718 |
| Recreation and cultural services | 1,961,642 | - | - | - | - | - | - | 1,961,642 |
| Operations | 237,622 | - | 1,657,888 | 970,645 | 646,789 | 1,030,285 | - | 4,543,229 |
| Forestry | - | - | - | - | - | - | 443,519 | 443,519 |
| Other | 60,139 | - | - | - | - | - | - | 60,139 |
| Interest expense | 382,984 | - | - | - | - | - | - | 382,984 |
| Amortization | 4,258,401 | 42,231 | 736,567 | 197,151 | - | 436,605 | - | 5,670,955 |
| Accretion | 18,914 | 43,700 | 6,116 | - | - | 1,275 | - | 70,005 |
| Total Expenses | 23,152,573 | 1,666,985 | 2,400,571 | 1,167,796 | 646,789 | 1,468,165 | 443,519 | 30,946,398 |
| Subtotal | 10,841,824 | (250,200) | 181,948 | 323,031 | (24,787) | 209,143 | (32,929) | 11,248,030 |
| Loss on sale of tangible capital assets | (187,691) | - | (199,357) | - | - | - | - | (387,048) |
| Annual surplus (deficit) | \$ 10,654,133 | \$ (250,200) | \$ (17,409) | \$ 323,031 | \$ (24,787) | \$ 209,143 | \$ (32,929) | \$ 10,860,982 |

CITY OF QUESNEL USE OF COVID SAFE RESTART GRANT

YEAR ENDED DECEMBER 31, 2023 | SCHEDULE 4 (UNAUDITED)

In November 2020, the City was the recipient of a \$2,503,000 grant under the COVID-19 Safe Restart for Local Governments program from the Province of BC. The funding was to support local governments as they deal with increased operating costs and lower revenue due to COVID-19. Eligible costs for the funding include:

- addressing revenue shortfalls
- facility reopening and operating costs
- emergency planning and response costs
- bylaw enforcement and protective services
- computer and other electronic technology costs
- services for vulnerable persons; and
- other related costs

Due to the conditions of the grant being fairly broad and open to allowing the local government to use the funding where they felt there was the greatest need, the entire \$2,503,000 was considered revenue in 2020 and included in grant revenue on the Statement of Operations and Accumulated Surplus.

| | |
|---|---------------------|
| Grant received by City Nov 2020 | \$ 2,503,000 |
| Replace Lost Casino Funds 2020 | 405,000 |
| Replace Lost Airport Revenue 2020 | 129,631 |
| Used in 2020 | 534,631 |
| Grant Remaining December 31, 2020 | \$ 1,968,369 |
| Replace Lost Casino Funds 2021 | 269,312 |
| Technology Updates including Council Chambers | 175,000 |
| Extra Cleaning due to COVID | 75,000 |
| Funds to Support North Cariboo Seniors Society | 33,333 |
| Funds to Support Food Hub | 39,000 |
| Strategic Review and Economic Development Support | 175,106 |
| Washrooms | 89,840 |
| Used in 2021 | 856,591 |
| Grant Remaining December 31, 2021 | \$ 1,111,778 |
| Replace Lost Income North Cariboo Rec | 100,000 |
| Computer & Other Electronic Technology Costs | 70,031 |
| Funds to Support Emergency Planning | 26,236 |
| Funds to Support Bylaw | 82,373 |
| Funds to Support North Cariboo Seniors Society | 33,333 |
| Organization Review and Operational Supplies | 24,195 |
| First Nations Recognition Project | 23,951 |
| Used in 2022 | 360,119 |
| Grant Remaining December 31, 2022 | \$ 751,659 |
| Funds to Support North Cariboo Seniors Society | 33,334 |
| Vulnerable Persons Review | 100,000 |
| First Nations Recognition Project | 171,006 |
| Bylaw Funding | 80,000 |
| Airport Funding | 100,000 |
| Used in 2023 | 484,340 |
| Grant Remaining December 31, 2023 | \$ 267,319 |

GROWING COMMUNITIES FUND

YEAR ENDED DECEMBER 31, 2023 | SCHEDULE 5 (UNAUDITED)

In March 2023, the City was the recipient of a \$3,217,000 grant under the Growing Communities Fund (GCF) for Local Governments program from the Province of BC. The funding was to support local governments in addressing the multiple funding and financing constraints to aid in the construction of infrastructure and amenities. The principle objective of the GCF is to increase the local housing supply with investments in community infrastructure and amenities.

Due to the conditions of the grant being fairly broad and open to allowing the local government to use the funding where they felt there was the greatest need, the entire \$3,217,000 was considered revenue in 2023 and included in grant revenue on the Statement of Operations and Accumulated Surplus. As per conditions of the grant, the funding was placed in a segregated reserve fund by bylaw City of Quesnel Growing Communities Reserve Fund Bylaw No. 1945 of 2023.

| | |
|--|---------------------|
| Grant received by City March 2023 | \$ 3,217,000 |
| Interest Earned 2023 | 91,007 |
| Used in 2023 | - |
| Grant Remaining December 31, 2023 | \$ 3,308,007 |