

City of Quesnel



2004 Annual Report and Financial Statements



TABLE OF CONTENTS



MESSAGE FROM THE MAYOR

COUNCIL OBJECTIVES & MEASURES – STATUS REPORT

FINANCIAL STATEMENTS FOR FISCAL YEAR 2004

PROPERTY TAX EXEMPTIONS FOR 2004

Council Objectives and Measures for 2004

Financial Sustainability of the City
Long-term Infrastructure Planning
West Quesnel Land Stability
Cost Leadership (previously Core Services Review)
Review of Economic Development Corporation
Relationship with Cariboo Regional District
Community Support – Review Grant-In-Aid Program
Council Relations
Emerging Council Objectives

Financial Statements for Fiscal Year Ended December 31, 2004

Management Statement
Auditor's Report
Significant Accounting Policies
Consolidated Statement of Financial Position
Consolidated Statement of Financial Activities
Consolidated Statement of Changes in Financial Position
Consolidated Capital Assets
Notes to the Consolidated Financial Statements

Message from the Mayor

Dear Citizens,

As a community, the council listens and responds to its citizens. As a corporation, the City of Quesnel runs in a businesslike fashion. The two functions are inseparable.

I am happy to present to you this Annual Report and Financial Statements for 2004. These reports outline how our city has established priorities and has seen progress in living up to them. We do not have the luxury of gazing from the sideline and enjoying the view. We must create our city. This means each and every year we must set priorities and charge administration with the task of making progress.

Throughout 2004, Council placed a strong focus on its key priorities, including financial management and sustainability, economic development, community safety and recreation.

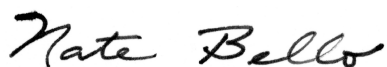
This past year a considerable amount of energy was spent on dealing with the West Quesnel Land Stability issue. This is our number one priority and will remain so until we find a lasting solution.

Also this last year, we went to referendum on the purchase of the John Ernst Building. After a thorough public dialogue leading up to the referendum, a majority of citizens approved the plan.

I want to thank my council colleagues, staff, our advisory committees and the residents of Quesnel for their hard work for the betterment of the city over the life of this council.

Please feel free to call me with any comments you may have. Only through your continued involvement will we continue to move forward.

Sincerely,

A handwritten signature in black ink that reads "Nate Bello". The script is cursive and fluid, with the first letters of "Nate" and "Bello" being capitalized and prominent.

Nate Bello
Mayor

COUNCIL OBJECTIVES AND MEASURES

Departments Impacted: Administration, Planning

Capital ☒

Name of Priority: Financial Sustainability of the City

Non-Capital ☒

Project Owner(s): Mayor & Council, City Mgr, QCEDC

Description of Priority:

The objective is to adopt measures that will enhance the financial health of the Corporation. As Quesnel is dependant on its heavy industrial tax base, the financial health of the Corporation is closely linked to the health of the forest industry. There are three components to this initiative:

- **New city hall financial plan including:**
 - Purchasing the John Ernst Building and adjoining lands (using reserves and long-term debt).
 - Achieving better utilization of JEB, improving its financial viability.
 - Disposal of old city hall on Barlow Avenue.
- **Capital visioning by QCEDC**
 - Developing strategies to attract new business ventures, and retain the existing ones.
- **Developing an industrial taxation policy**

Metric for tracking progress: City Hall expenditures red'n / Revenue growth

Major Risk Factors to achieving objectives:

- Outside economic factors (Mountain Pine Beetle) may limit Council's ability to achieve greater tax parity for the Class 4 group.

Implementation -- key achievements - 2004:

<u>mm/yy</u>	<u>Activity Description</u>
Sep-04	Council gave 3 readings to JEB loan authorization bylaw

Implementation -- key activities and timeline (2005 & beyond):

- | <u>mm/yy</u> | <u>Activity Description</u> |
|--------------|---|
| - Feb-05 | Public referendum on JEB loan authorization achieves voter approval. |
| - Feb-05 | Council resolution to assist in relocation of Wood Enterprise Center to industrial site |
| - Apr-05 | Council agrees in principle to a revitalization tax exemption for West Fraser Mills |
| - May-05 | Tax base change for Sub-Regional Rec. function lowering Class 4 taxes |
| - 2005 | Renegotiate lease with Gold's Gym |
| - 2005 | Explore new opportunities for utilizing remainder of JEB (potentially library, QCEDC, etc.) |

COUNCIL OBJECTIVES AND MEASURES

Departments Impacted: All Departments

Capital ☐

Name of Priority: Cost Leadership (previously Core Services Review)

Non-Capital ☒

Project Owner(s): Mayor & Council, City Mgr, Department Directors, Union

Description of Priority:

The City Manager was directed to design a gradual incremental approach for the ongoing and critical review of City Services in conjunction with City exempt staff and union personnel.

This project was broken into 3 phases, as follows:

1. Consultation with key stakeholders, design a format, develop an inventory of City services
2. Evaluating existing benchmark data, list cost saving opportunities, evaluate the key opportunities
3. Implement projects with high potential impact, establish a process of continual cost improvement

Metric for tracking progress: expenditure reductions, revenue enhancement

Major Risk Factors to achieving objectives:

- Continued demands for more Municipal services to Council and City Departments

Implementation -- key achievements - 2004:

- | <u>mm/yy</u> | <u>Activity Description</u> |
|--------------|---|
| - Mar 04 | Held meetings with key stakeholders (Mayor & council, union, senior mgmt, industrial ratepayers) to solicit input into process. |
| - Apr 04 | Cost leadership opportunity list developed |

Implementation -- key activities and timeline (2005 & beyond):

- | <u>mm/yy</u> | <u>Activity Description</u> |
|--------------|---|
| - Apr 05 | Signed off on 5-year contract with CUPE 1050, which included some cost savings measures |
| - Apr 05 | Agreed to form Joint Benefits committee with CUPE 1050, to review employee benefit options, with the goal of capping benefits costs, despite cost pressures on existing benefits. |
| - 2005 | Council to confirm its commitment to this objective. |

Key Resources required to achieve objectives:

- Committed participation by all stakeholders.

COUNCIL OBJECTIVES AND MEASURES

Departments Impacted:

Council Projects

Capital ☐

Name of Priority: Review of Economic Development Corporation

Non-Capital ☒

Project Owner(s): Mayor & Council, City Mgr.

Description of Priority:

The Quesnel Community and Economic Development Corporation (QCEDC) is a wholly owned subsidiary of the City. While pleased with the functioning of the QCEDC, Council believes there are some improvements to be made in regular communications between the organizations. In addition, it is felt that the City needs to recognize other economic development initiatives.

To improve communications the QCEDC is to:

- Provide copy of minutes of meetings to Council
- City Mgr exploring possibility of QCEDC moving into City Hall building

To help with recognition of all economic development initiatives:

- the City Mgr to consider holding a forum with all key economic development groups in City
- ensure that all tourism opportunities are represented at development forum.

Metric for tracking progress: Job growth, new businesses locating in Quesnel, increased tax base

Major Risk Factors to achieving objectives:

- Uncertain economic environment in forestry sector.

Implementation -- key achievements - 2004:

- | <u>mm/yy</u> | <u>Activity Description</u> |
|--------------|--|
| - Dec 04 | Letter sent to QCEDC advising the corporation of Council's strategic objectives in respect to economic developments. |

Implementation -- key activities and timeline (2005 & beyond):

- | <u>mm/yy</u> | <u>Activity Description</u> |
|--------------|---|
| - Mar 05 | QCEDC presented 2005-06 Action plan, City staff provided comments on plan, Council approved various components of plan. |
| - May 05 | Joint meeting between Council and QCEDC Board to review staff comments on annual plan. |

Key Resources required to achieve objectives:

COUNCIL OBJECTIVES AND MEASURES

Departments Impacted: Sub-regional Recreation, Library services, Transit, Airport

Capital ☐

Name of Priority: Relationship with Cariboo Regional District

Non-Capital ☒

Project Owner(s): Mayor & Council, City Mgr.

Description of Priority :

In April 2003, council notified the CRD of its intent to undertake a statutory service review pertaining to the sub-regional recreation function and the regional library service. Our relationship with the CRD touches on a broad range of activities including recreation, the library service, transit and the airport. The goal is for the process to be fair and equitable to both parties relating to governance and funding and to ensure that our residents enjoy high quality services.

Metric for tracking progress:

Major Risk Factors to achieving objectives:

Implementation -- key achievements - 2004:

- | <u>mm/yy</u> | <u>Activity Description</u> |
|--------------|--|
| - 2004 | A consultant was retained to review the current relationship re: recreation. |
| - 2004 | A bylaw was passed moving the City residents to the Hospital assessment base for the Sub-regional rec. function to equalize what rural and municipal residents pay in tax. |

Implementation -- key activities and timeline (2005 & beyond):

- | <u>mm/yy</u> | <u>Activity Description</u> |
|--------------|---|
| - 2005 | Meetings held to discuss consultant's report. |
| - 2005 | Invitation to CRD to hold Board meeting in Quesnel. |
| - 2005 | Host a meeting of the Cariboo Chilcotin municipalities. |

COUNCIL OBJECTIVES AND MEASURES

Departments Impacted: Council Projects

Capital ☐

Name of Priority: Community Support - Review Grant-In-Aid Program

Non-Capital ☒

Project Owner(s): Mayor & Council

Description of Priority:

Review the current Grants-In-Aid policy and make recommendations for changes.

The review was completed in the Spring of 2004, with the final policy approved on March 22nd, 2004. The new policy includes the following changes:

- An application must meet all the criteria set by policy, and the deadlines in order to be considered.
- An appeals process has been added to allow applicants to challenge a rejected application.
- Council must rank all the valid applications and rank by priority (similar to the capital allocation process).

Metric for tracking progress: New policy in place, objective completed

Major Risk Factors to achieving objectives:

Implementation -- key achievements - 2004:

- | | <u>mm/yy</u> | <u>Activity Description</u> |
|---|--------------|--|
| - | Mar 04 | Review completed, new policy approved by Council |

COUNCIL OBJECTIVES AND MEASURES

Departments Impacted: Public Works

Capital ☒

Name of Priority: Long-Term Infrastructure Planning

Non-Capital ☐

Project Owner(s): Mayor & Council, Dir. Of Public Works, City Mgr.

Description of Priority:

This priority is focused on developing and implementing an orderly, scheduled replacement plan for the City's infrastructure capital assets. Under our current operating and financial model, as our infrastructure ages (ie. roads, sidewalks, water and sewer systems) it is replaced on an as-needed, piece-meal basis, with funding coming from our current annual capital allocation. With the exception of public works mobile equipment, we do not provide for reserves to ensure that funding is available for the replacements.

The key objectives of this project are as follows:

- Develop an estimate of the replacement value of the infrastructure.
- Estimate remaining life of infrastructure based on industry standards.
- Establish infrastructure levels, service goals, and any additional needs.
- Develop an economic timeline for replacement and the capital allowance required.

Metric for tracking progress: Need to develop a plan before implementation can occur.

Major Risk Factors to achieving objectives:

- Economic issues that affect ability to fund project.

Implementation -- key achievements - 2004:

- | <u>mm/yy</u> | <u>Activity Description</u> |
|--------------|---|
| - Oct 04 | Council Workshop to review progress to date by Urban Sytems |

Implementation -- key activities and timeline (2005 & beyond):

- | <u>mm/yy</u> | <u>Activity Description</u> |
|--------------|---|
| - 2005 | Urban Systems analysis outlining replacement plan expected by Fall. |
| - 2005 | Replacement plan developed for City, agreed upon by Council, with funding/taxing options. |
| - 2005 | Even though full replacement model not agreed upon, Council has approved the upgrade of the Johnston Bridge (\$1350M), Upgrading Marsh Drive (\$550M), and other paving projects (\$100M). These infrastructure projects are slated for 2005. |

Key Resources required to achieve objectives:

- Engineered replacement analysis.

COUNCIL OBJECTIVES AND MEASURES

Departments Impacted: Public Works

Name of Priority: West Quesnel Land Stability

Project Owner(s): Mayor & Council, Dir of Public Works, City Mgr.

Capital ☒ Y
Non-Capital ☒ Y

Description of Priority:

Council's response to this issue has included the following key objectives:

- Develop a mitigation strategy to stop or significantly slow the progress of land slippage.
- Develop a communication strategy to keep all stakeholders informed.
- Develop a lobbying strategy to secure funding from senior levels of government to resolve the issue.

Our 2005 workplan is as follows:

- Geotechnical work, including more dewatering wells and monitoring instrumentation.
- Drainage work, including the Abbott Drive trunk main and Beaubien storm main.
- Baker Creek bank protection.
- Continuation of the public engagement and communications process.

The 2005 plan is dependent upon getting interim funding of \$3 to \$4 million from the Province.

Our long-range plan includes the installation of more dewatering wells at a cost of \$2.4 million and installing and upgrading the storm drainage system for the affected area at an estimated cost of \$8 million.

Metric for tracking progress: Long term reduction of slippage to manageable amounts.

Major Risk Factors to achieving objectives:

- Lack of funding to enact drainage plan

Implementation -- key achievements - 2004:

- | <u>mm/yy</u> | <u>Activity Description</u> |
|---------------|---|
| - 2nd/3rd qtr | Urban systems completing mapping of drainage patterns, developing drainage plan. |
| - 2nd/3rd qtr | AMEC completing plotting of geotechnical aspects of slippage area (tomography survey). |
| - Sep-04 | Lobbying strategy developed, Aspen Comm. hired as communication consultants. |
| - 2004 | Pilot dewatering project completed in Spring, monitored over the remainder of the year. |

Implementation -- key activities and timeline (2005 & beyond):

- | <u>mm/yy</u> | <u>Activity Description</u> |
|---------------|---|
| - 1st Qtr | Public meetings re: West Quesnel land slippage for all Quesnel residents. |
| - Apr/May | Met with Provincial gov't (MCAWS & PEP) to lobby for funding, initially \$3 to \$4 million. |
| - July 05 | Expect to receive decision on funding request. |
| - 3rd/4th qtr | Develop drainage plan and funding request to cover balance of project. |

Key Resources required to achieve objectives:

- Engaged Quesnel residents to assist with lobbying efforts.
- Significant financial resources to accomplish mitigation objective (estimated at \$13 million).

PROPERTY TAX EXEMPTIONS 2004

Roll #	Organization	Assessed Value	Class 1 14.08122 5.13079	Class 6 27.76362 11.85985	Class 8 19.44035 11.25841
87.000	Quesnel Masonic Temple Society	\$ 130,000			\$ 127,900
206.000	Salvation Army Governing Council	\$ 280,400			\$ 76,400
220.000	Synod of Diocese of Cariboo	\$ 264,000			\$ 77,000
247.000	Quesnel Womens Resource Centre	\$ 88,300	\$ 88,300		
248.000	Quesnel Womens Resource Centre	\$ 30,800	\$ 30,800		
267.000	Amata Transition House Society	\$ 120,500	\$ 120,500		
314.000	Fraser Village Homes Society	\$ 2,519,000	\$ 2,519,000		
328.000	St Andrews United Church	\$ 169,300			\$ 95,700
329.000	St Andrews United Church	\$ 83,100		\$ 83,100	
332.000	Royal Canadian Legion Branch 94	\$ 1,036,000		\$ 395,000	
357.001	Online Leasing	\$ 3,924,400		\$ 3,139,000	
357.003	Online Leasing / Greta Ernst	\$ 165,600	\$ 165,600		
369.500	Online Leasing	\$ 60,300		\$ 60,300	
370.000	Online Leasing	\$ 60,300		\$ 60,300	
371.000	Online Leasing	\$ 60,300		\$ 60,300	
418.010	Quesnel & District Seniors Society	\$ 1,090,000		\$ 1,090,000	
419.000	Quesnel Curling Club	\$ 810,000		\$ 810,000	
548.000	Ques. & Dist. Community Health	\$ 5,123,000	\$ 5,123,000		
900.000	Quesnel & District Daycare	\$ 84,700	\$ 84,700		
961.000	Roman Catholic Bishop of Kamloops	\$ 1,857,000			\$ 164,600
1200.890	Northstar Fellowship Baptist Church	\$ 1,146,000			\$ 118,000
1549.000	City / CRD - 500 North Star Rd	\$ 6,018,000		\$ 6,018,000	
1550.080	Quesnel & District SPCA	\$ 134,600		\$ 134,600	
2025.000	Trinity Lutheran Church	\$ 358,900			\$ 23,900
2135.000	Quesnel & District Child Dev Centre	\$ 55,300		\$ 55,300	
2137.000	Quesnel & District Child Dev Centre	\$ 364,000		\$ 364,000	
2189.000	Quesnel Tillicum Society	\$ 564,000	\$ 564,000		
2193.000	Quesnel Tillicum Society	\$ 26,800		\$ 26,800	
2602.000	Cariboo Gur Sikh Temple Society	\$ 533,200			\$ 30,900
2703.000	Guru Darbar Society Inc	\$ 157,700			\$ 26,200
3600.000	Congregation of Jehovahs Witnesses	\$ 519,800			\$ 47,300
4013.083	Royal Canadian Legion Branch 94	\$ 233,300	\$ 213,200		
4208.000	Quesnel Elks Club	\$ 71,600			\$ 71,600
4210.000	Quesnel Elks Club	\$ 157,900			\$ 157,900
4211.000	Victory Way Baptist Church	\$ 86,100			\$ 53,800
4659.000	Lighthouse Pentecostal Church	\$ 240,700			\$ 16,300
5045.954	Cariboo Vasa Lodge	\$ 54,900			\$ 54,900
5047.309	Bethel Pentecostal Tabernacle	\$ 709,200			\$ 63,200
5862.500	Quesnel Auto Racing Association	\$ 319,000			\$ 319,000
		\$ 29,708,000	\$ 8,909,100	\$ 12,296,700	\$ 1,524,600
Total Taxes Per Class		\$ 496,491	\$ 125,451	\$ 341,401	\$ 29,639
Municipal Portion of Taxes		\$ 208,712	\$ 45,711	\$ 145,837	\$ 17,165

CITY OF QUESNEL

INDEX TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

Auditor's Report	1
Significant Accounting Policies	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Financial Activities	4
Consolidated Statement of Changes in Financial Position	5
Consolidated Capital Assets	6
Notes to the Consolidated Financial Statements	7

CITY OF QUESNEL

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

Council carries out its responsibility for the consolidated financial statements principally through its Audit Committee. The Committee meets annually with management and the City auditor, R. E. Rasmussen, CA, to review their activities and to discuss auditing, internal control, and financial reporting matters. R. E. Rasmussen, CA, 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.

Byron Johnson, CGA
Director of Finance & Administration

Charles Hamilton, BA, MPA
City Manager

CITY OF QUESNEL
SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED DECEMBER 31, 2004

a. Basis of Presentation

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

b. Accrual Accounting

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

c. Inventories

Inventories are valued at cost on a moving average basis.

d. Capital Assets

Capital assets purchased or constructed and work in progress are reported as capital expenditures and are classified according to their functional use. Capital assets donated are reported at fair market value at the time of the donation. Accumulated capital expenditures are reported at historical costs on the Schedule of Consolidated Capital Assets - page 6. Amounts reported do not reflect replacement values. Amortization and asset disposals are not recorded.

e. Restricted and Deferred Revenues

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

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

f. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted for local governments requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the reporting period. Significant areas requiring the use of management estimates relate to the determination of collectability of accounts receivable and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

CITY OF QUESNEL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2004

	<u>2004</u>	<u>2003</u>
Financial Assets		
Cash and investments	8,397,988	7,502,337
Taxes and accounts receivable - note 2	2,196,229	2,812,294
Prepaid expenses	38,943	43,494
Investment in subsidiary - note 3	8,606	37,087
MFA debt reserve	839,991	828,748
	<u>11,481,757</u>	<u>11,223,960</u>
Financial Liabilities		
Accounts payable and accrued liabilities - note 4	2,086,864	1,757,810
Deferred revenue	31,163	33,141
MFA debt reserve	839,991	828,748
Municipal debt - note 5	14,493,758	14,071,936
	<u>17,451,776</u>	<u>16,691,635</u>
Net Financial Liabilities	<u>(5,970,019)</u>	<u>(5,467,675)</u>
Physical Assets		
Inventory of supplies	183,050	178,159
Property acquired for taxes	30,941	20,631
Capital assets - page 6	79,353,934	75,075,011
	<u>79,567,925</u>	<u>75,273,801</u>
Net Position	<u>73,597,906</u>	<u>69,806,126</u>
Municipal Position		
Equity in Operating Funds	3,598,035	3,560,430
Equity in Reserve Funds	5,133,002	5,235,928
Fund Balances - page 4	8,731,037	8,796,358
Equity in Physical Assets	64,866,869	61,009,768
	<u>73,597,906</u>	<u>69,806,126</u>

Byron Johnson, CGA
Director of Finance & Administration

See accompanying notes

CITY OF QUESNEL
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

	2004 <u>BUDGET</u>	2004 <u>ACTUAL</u>	2003 <u>ACTUAL</u>
Revenues			
Taxation	10,956,870	10,970,984	10,308,907
Sale of services	1,061,139	1,196,329	1,011,777
Other revenue from own sources	1,682,075	2,123,479	1,894,395
Government grants	590,285	1,263,864	1,792,018
Services provided to other government	584,072	590,372	649,810
Interest	-	141,273	279,131
Utility user fees	1,067,700	1,142,615	1,080,602
Proceeds on long-term deb	9,100,000	1,396,978	1,978
Net results of subsidiary	-	-	37,087
	<u>25,042,141</u>	<u>18,825,894</u>	<u>17,055,705</u>
Expenditures			
General government services	2,506,282	2,791,855	2,931,614
Protective services	4,389,650	4,143,581	4,120,009
Transportation services	2,421,080	2,441,754	2,116,382
Environmental and health services	1,114,666	1,141,721	1,157,801
Development services and planning	487,202	408,314	418,248
Recreation and cultural services	887,410	820,739	1,096,479
Water utility operations	651,120	678,145	652,923
Sewer utility operations	390,580	369,811	473,220
Airport operations	566,200	613,736	510,479
Transit operations	195,050	194,765	192,717
Short term interest	4,500	3,388	5,719
Net results of subsidiary	-	28,481	-
Debt services	1,114,164	976,002	1,117,271
Capital expenditures	11,887,263	4,278,923	2,722,159
Recovery of equipment costs	-	-	(39,074)
	<u>26,615,167</u>	<u>18,891,215</u>	<u>17,475,947</u>
Deficiency of Revenues over Expenditure	(1,573,026)	(65,321)	(420,242) _
Transfers from Capital Reserves	<u>-</u>	<u>-</u>	<u>518,210</u>
Change in Fund Balances	(1,573,026)	(65,321)	97,968
Opening Balance	<u>8,796,358</u>	<u>8,796,358</u>	<u>8,698,390</u>
Closing Balance - to page 3	<u>7,223,332</u>	<u>8,731,037</u>	<u>8,796,358</u>

See accompanying notes

CITY OF QUESNEL
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u>	<u>2003</u>
Cash Provided By (Used In)		
Operating Activities		
Change in fund balances	(65,321)	97,968
Changes in non-cash balances		
(Increase) decrease in receivables	616,065	(411,295)
Decrease in prepaids	4,551	123,757
Increase (decrease) in payables and accruals	329,054	(144,229)
Decrease in deferred revenue	(1,978)	(176,874)
Capital assets purchased through operations	2,883,923	2,722,159
(Increase) decrease in inventories	(4,891)	20,796
Increase in property acquired for taxes	(10,310)	(837)
Transfer from reserves	-	(559,210)
	<u>3,751,093</u>	<u>1,672,235</u>
Financing Activities		
Proceeds from municipal debt	1,395,000	-
Repayment of cash advance	-	(266,033)
	<u>1,395,000</u>	<u>(266,033)</u>
Investing Activities		
Increase (decrease) in investment in subsidiary	28,481	(37,087)
Increase in capital assets	(4,278,923)	(2,722,159)
	<u>(4,250,442)</u>	<u>(2,759,246)</u>
Net Change in Cash	895,651	(1,353,044)
Cash, Beginning of the Year	<u>7,502,337</u>	<u>8,855,381</u>
Cash, End of the Year	<u><u>8,397,988</u></u>	<u><u>7,502,337</u></u>

See accompanying notes

CITY OF QUESNEL
CONSOLIDATED CAPITAL ASSETS
AS AT DECEMBER 31, 2004

	LAND	BUILDINGS	ENGINEERING STRUCTURES	MACHINERY & EQUIPMENT	2004 TOTAL	2003 TOTAL
GENERAL GOVERNMENT						
Old City Hall - 405 Barlow	6,500	600,624		909,186	1,516,310	1,516,310
Leased - John Ernst Building	742,700	4,047,100		246,867	5,036,667	5,023,835
Leased - Leasehold Improvements		3,583,321			3,583,321	3,583,321
Land held for development	499,829	76,013			575,842	571,465
PROTECTIVE SERVICES						
Fire department	145,995	1,086,095	10,311	2,889,297	4,131,698	3,021,936
Street and traffic lights				326,912	326,912	309,646
Policing		2,946,473		99,225	3,045,698	3,045,698
TRANSPORTATION SERVICES						
Workshops and yard	197,114	359,507	200,270	5,209,199	5,966,090	5,276,526
Drains, ditches and dikes	56,737		1,936,275	5,774	1,998,786	1,998,786
Sidewalks			2,345,816		2,345,816	2,294,097
Streets, roads and lanes	687,785		8,454,663		9,142,448	8,527,263
Bridges			1,109,025		1,109,025	1,056,059
Downtown revitalization			439,081		439,081	439,081
Bus shelters			55,717		55,717	45,224
ENVIRONMENTAL HEALTH						
Garbage and waste collection	308,576		145,914	504,792	959,282	959,282
Recycling		112,982		76,038	189,020	189,020
West Quesnel geotechnical survey			165,386		165,386	165,386
RECREATION SERVICES						
Parks and playgrounds	120,241	24,777	6,268,614	227,587	6,641,219	6,380,701
Skating rink and arena	30	761,891	13,697	152,779	928,397	928,397
West Quesnel Recreation Centre		38,046			38,046	38,046
Historic equipment park			38,147		38,147	38,147
COMMUNITY SERVICES						
Museum and tourist bureau		674,727	24,288	22,148	721,163	694,989
Cemetery	10,025	11,977	234,636	36,935	293,573	293,573
Hudson Bay building		117,361			117,361	117,361
Gold pan			22,490		22,490	22,490
Forestry interpretation centre			90,864		90,864	90,864
Shiraoi House		643,462			643,462	223,504
Off-street parking	634,121				634,121	634,121
WATER SERVICES						
Water	498,987		16,046,543	315,262	16,860,792	15,984,934
SEWER SERVICES						
Sewer	22,037	3,961	4,557,486	351,468	4,934,952	4,820,284
AIRPORT SERVICES						
Airport facilities	170,906	4,035,988	1,823,099	772,255	6,802,248	6,784,665
TOTAL - to page 3	4,101,583	19,124,305	43,982,322	12,145,724	79,353,934	75,075,011

CITY OF QUESNEL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

1 CASH AND INVESTMENTS

Included in cash and investments are restricted amounts that can be expended only in accordance with the terms of the reserve funds.

The City holds trust funds under British Columbia law for the purposes of maintaining a public cemetery. This fund is included in the consolidated statement of financial activities and is comprised of the following:

	<u>2003</u> <u>Balance</u>	<u>Interest</u>	<u>Receipts</u>	<u>Transfer to</u> <u>General</u> <u>Operating Fund</u>	<u>2004</u> <u>Balance</u>
Cemetery care fund	<u>170,521</u>	<u>3,917</u>	<u>2,545</u>	<u>(3,917)</u>	<u>173,066</u>

2 TAXES AND ACCOUNTS RECEIVABLE

	<u>2004</u>	<u>2003</u>
Property taxes	494,474	473,967
Federal government	412,860	266,129
Provincial government	214,875	776,707
Regional government	522,498	303,133
General	545,922	986,408
Debt recoverable	<u>5,600</u>	<u>5,950</u>
	<u>2,196,229</u>	<u>2,812,294</u>

3 INVESTMENT IN SUBSIDIARY

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

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

CITY OF QUESNEL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u>	<u>2003</u>
4 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		
Federal government	415,639	76,781
Provincial government	2,802	14,127
Regional government	7,947	62,638
General	1,404,676	1,371,427
Accrued interest	106,158	80,116
Deposits	<u>149,642</u>	<u>152,721</u>
	<u><u>2,086,864</u></u>	<u><u>1,757,810</u></u>
5 MUNICIPAL DEBT		
Debenture debt		
General capital fund	2,396,562	1,425,875
Water capital fund	3,772,741	4,161,593
Sewer capital fund	<u>783,065</u>	<u>861,868</u>
	6,952,368	6,449,336
Mortgage - Lawlor Developments Ltd.		
Well #9 property repayable over three years plus interest at 5 % per annum.	295,000	-
Capital Leases		
Municipal Finance Authority		
John Ernst Building repayable in monthly payments of \$49,197 including interest at variable rates.	<u>7,246,390</u>	<u>7,622,600</u>
	<u><u>14,493,758</u></u>	<u><u>14,071,936</u></u>

Principal repayments required on committed debt, including anticipated future leases, in each of the next five years are approximately as follows:

2005	772,644
2006	792,644
2007	777,644
2008	712,644
2009	727,644

The lease for the land and building are up for renewal during this period. The above repayment amounts assume the lease payments will continue at the current amounts.

CITY OF QUESNEL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

6 CONTINGENT LIABILITIES

- a. The City is jointly and severally liable under the provisions of Sections 835 and 836 of the ***Local Government Act*** for any default on monies borrowed by the Cariboo Regional District.
- b. In the normal course of a year, the City is faced with lawsuits for damages of diverse nature. At year end, the City's estimated exposure to such liabilities is not significant.
- c. The City and its employees contribute to the Municipal Pension Plan in accordance with the *BC Public Sector Pension Plans Act*. The Pension Plan (the plan), is a jointly trustee pension plan governed by the BC Public Sector Pension Plans Act. The pension is a multi-employer contributory defined benefit pension plan with about 125,000 active contributors, including approximately 26,000 contributors from over 180 local governments. Joint trusteeship was established effective April 5, 2003. The board of trustees, representing plan members and employees, is fully responsible for the management of the pension plan, including investment of the assets and administration of the plan. The British Columbia Pension Corporation provides benefit administration services and the British Columbia Investment Management Corporation provides investment management services for the pension plan.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2001 indicates a surplus of \$436 million, an improved position of 9% surplus of covered payroll from a 14% unfunded liability of covered payroll as at the previous valuation of December 1997. The Joint Trust Agreement specifies how surplus assets can be used. The actuary does not attribute portions of the surplus to individual employers. Each employer expenses contributions to the plan in the year in which payments are made.

CITY OF QUESNEL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

7 COMPARATIVE STATISTICS

EXPENDITURE BY FUNCTION	<u>2004</u>	<u>2003</u>
General government services	2,795,243	2,937,333
Protective services	4,143,581	4,120,009
Transportation services	2,441,754	2,116,382
Environmental and health services	1,141,721	1,157,801
Development services and planning	408,314	418,248
Recreation and cultural services	820,739	1,096,479
Water and sewer operations	1,047,956	1,126,143
Airport operations	613,736	510,479
Transit	194,765	192,717
Net equipment recoveries	-	(39,074)
Net results of subsidiary	28,481	-
Capital expenditures	4,278,923	2,722,159
Debt services	<u>976,002</u>	<u>1,117,271</u>
	<u>18,891,215</u>	<u>17,475,947</u>
EXPENDITURE BY OBJECT		
Salaries, wages and benefits	6,209,561	6,410,629
Service and supplies	<u>12,681,654</u>	<u>11,065,318</u>
	<u>18,891,215</u>	<u>17,475,947</u>

8 FINANCIAL INSTRUMENTS

The City of Quesnel's financial instruments recognized in the consolidated financial statements consist of cash and investments, taxes and accounts receivable, accounts payable and accrued liabilities and municipal debt. The fair values of these financial instruments approximate their carrying amounts due to the short-term maturity or current market rate associated with these instruments.

CITY OF QUESNEL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

9 SANITARY LANDFILL

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

The current landfill site has an estimated remaining capacity of 967,100 m³, which is expected to be sufficient for 19 years.

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

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

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

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

Effective in the 2000 fiscal year, the City commenced allocating funds to meet future obligations for final cover and post-closure care at the landfill site.

The landfill closure reserve has a balance of \$647,388 at December 31, 2004 (\$555,718 - 2003).