



# 2017 Consolidated Financial Statements



FOR THE YEAR ENDED DECEMBER 31, 2017

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

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# MANAGEMENT'S RESPONSIBILITY

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 Audit Committee. The 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 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.



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

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KPMG LLP  
400 – 177 Victoria Street  
Prince George, BC  
V2L 5R8  
Telephone (250) 563-7151  
Fax (250) 563-5693  
www.kpmg.ca

## INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the City of Quesnel

### ***Report on Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of the City of Quesnel (the "City"), which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

### ***Auditors' Responsibility***

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

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



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

***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City of Quesnel as at December 31, 2017, and its consolidated results of operations, its changes in net consolidated financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

Chartered Professional Accountants

April 17, 2018

Prince George, Canada

# SIGNIFICANT ACCOUNTING POLICIES

## FOR THE YEAR ENDED DECEMBER 31, 2017

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, 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.



# SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED DECEMBER 31, 2017

## d. Inventories of Supplies

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

## e. Tangible Capital Assets

- i. Tangible capital assets purchased or constructed and work in progress are reported at cost less accumulated amortization and are classified according to their functional use. Amortization is recorded on a straight-line basis over the estimated useful life of the asset. For the first and last year of the asset's life, half the amortization is applied. Donated tangible capital assets are reported at fair value at the time of donation. Estimated useful lives are as follows:

	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		

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

### ii. Interest Capitalization

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

### iii. Works of art and cultural and historical assets

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

## f. Revenue Recognition

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

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

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

## g. Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Significant areas requiring the use of management estimates relate to the determination of collectability of accounts receivable, provisions for contingencies, landfill liabilities, sick leave accrual and prior years tangible capital asset historical costs and related amortization. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period they arise.

# SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED DECEMBER 31, 2017

## **h. 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. 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. future economic benefits will be given up, and
- v. a reasonable estimate of the amount can be made.

## **i. Landfill liability**

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

## **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 equivalents**

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

## **l. Long-term debt**

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

## **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.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017, WITH COMPARATIVE INFORMATION FOR 2016

	2017	2016
<b>Financial Assets</b>		
Cash and cash equivalents (note 2)	\$ 24,391,130	\$ 22,753,078
Taxes and accounts receivable (note 3)	4,449,835	4,109,381
Property acquired for taxes	91,574	692
MFA debt reserve (note 4)	192,201	188,525
	<u>29,124,740</u>	<u>27,051,676</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 5)	3,331,194	2,750,735
Landfill closure (note 6)	2,025,193	1,843,774
Deferred revenue (note 7)	1,840,584	1,559,390
MFA debt reserve	192,201	188,525
Municipal debt, net of sinking fund assets (note 8)	5,427,434	6,038,259
	<u>12,816,606</u>	<u>12,380,683</u>
<b>Net Financial Assets</b>	<u>16,308,134</u>	<u>14,670,993</u>
<b>Non-Financial Assets</b>		
Prepaid expenses	242,956	219,999
Inventory of supplies	323,139	339,679
Tangible capital assets (note 9)	90,167,220	86,403,641
	<u>90,733,315</u>	<u>86,963,319</u>
<b>Accumulated Surplus</b>	<u>\$ 107,041,449</u>	<u>\$ 101,634,312</u>
<b>Represented By:</b>		
Operating Fund	\$ 5,598,976	5,658,812
Statutory Reserves (Schedule 2)	16,702,687	15,610,118
Equity in tangible capital assets (note 10)	84,739,786	80,365,382
	<u>\$ 107,041,449</u>	<u>\$ 101,634,312</u>

See accompanying notes.



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

# CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2017, WITH COMPARATIVE INFORMATION FOR 2016

	2017 BUDGET	2017 ACTUAL	2016 ACTUAL
<b>Revenues</b>			
Net taxation and grants in lieu <i>(note 11)</i>	\$ 16,681,730	\$ 16,849,869	\$ 16,632,152
Sale of services <i>(note 12)</i>	2,157,783	2,396,833	2,166,078
Government grants <i>(note 13)</i>	10,615,050	4,831,905	5,863,172
Donations	-	24,401	117,600
Services provided to other governments	1,069,901	1,330,198	1,440,053
Investment income	225,000	229,232	242,514
Utility user fees <i>(note 12)</i>	2,409,403	2,277,492	2,167,985
MFA actuarial adjustment	-	234,787	210,841
Other	389,822	732,138	346,650
<b>Total Revenues</b>	<b>33,548,689</b>	<b>28,906,855</b>	<b>29,187,045</b>
<b>Expenses</b>			
General government services	2,449,590	2,148,553	2,113,301
Protective services	5,442,338	5,448,408	5,199,577
Transportation services	3,663,771	3,777,217	3,371,298
Solid waste management and recycling	1,522,256	1,692,245	1,563,769
Development services and planning	1,189,925	1,040,078	926,165
Recreation and cultural services	1,506,092	1,291,430	1,374,081
Operations	3,459,803	3,832,053	3,671,146
Other	-	-	65,662
Interest expense	233,523	227,138	257,013
Amortization	3,550,000	3,941,211	3,721,748
<b>Total Expenses</b>	<b>23,017,298</b>	<b>23,398,333</b>	<b>22,263,760</b>
Subtotal	10,531,391	5,508,522	6,923,285
Loss on sale of tangible capital assets	-	(101,385)	(446,250)
<b>Annual Surplus</b>	<b>10,531,391</b>	<b>5,407,137</b>	<b>6,477,035</b>
Accumulated surplus at beginning of year	101,634,312	101,634,312	95,157,277
<b>Accumulated surplus at end of year</b>	<b>\$ 112,165,703</b>	<b>107,041,449</b>	<b>101,634,312</b>

See accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2017, WITH COMPARATIVE INFORMATION FOR 2016

	2017 BUDGET	2017 ACTUAL	2016 ACTUAL
<b>Annual Surplus</b>	\$ 10,531,391	\$ 5,407,137	\$ 6,477,035
Tangible capital assets purchased	(16,948,524)	(7,876,867)	(10,423,327)
Amortization of tangible capital assets	3,550,000	3,941,211	3,721,748
Loss on sale of tangible capital assets	-	101,385	446,250
Proceeds on sale of tangible capital assets	-	70,691	97,557
	(2,867,133)	1,643,558	319,263
Use (acquisition) of supply inventory	-	16,540	42,872
Use (acquisition) of prepaid expense	-	(22,957)	84,009
		(6,417)	126,881
Increase (decrease) in net financial assets	(2,867,133)	1,637,141	446,144
Net financial assets at beginning of year	14,670,993	14,670,993	14,224,849
<b>Net financial assets at end of year</b>	<b>\$ 11,803,860</b>	<b>\$ 16,308,134</b>	<b>\$ 14,670,993</b>

See accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017, WITH COMPARATIVE INFORMATION FOR 2016

	2017	2016
<b>Operating transactions</b>		
Annual surplus	\$ 5,407,137	\$ 6,477,035
<b>Non-cash items:</b>		
Amortization	3,941,211	3,721,748
Prepaid expenses	(22,957)	84,009
Supply inventory	16,540	42,872
Loss on the sale of tangible capital assets	101,385	446,250
Actuarial adjustments	(234,787)	(210,841)
<b>Changes to financial assets/liabilities:</b>		
Taxes and accounts receivable	(340,453)	(1,289,493)
MFA cash deposits	(3,676)	(5,126)
Property acquired for taxes	(90,882)	199
Accounts payable and accrued liabilities	580,459	(3,106)
Landfill closure	181,419	92,324
Deferred revenue	281,194	138,205
MFA debt reserve	3,676	5,126
<b>Cash provided by operating transactions</b>	<b>9,820,266</b>	<b>9,499,202</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(7,876,867)	(10,423,327)
Proceeds from the sale of tangible capital assets	70,691	97,557
<b>Cash applied to capital transactions</b>	<b>(7,806,176)</b>	<b>(10,325,770)</b>
<b>Financing transactions:</b>		
Debt repayment	(376,038)	(376,037)
<b>Cash applied to financing transactions</b>	<b>(376,038)</b>	<b>(376,037)</b>
Decrease in cash and cash equivalents	1,638,051	(1,202,605)
Cash and cash equivalents at beginning of year	22,753,078	23,955,683
<b>Cash and cash equivalents at end of year</b>	<b>\$ 24,391,130</b>	<b>\$ 22,753,078</b>

See accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

## 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, 2017, the balance of the funds was \$219,921 (2016-\$216,260).

## 2. Cash and Cash Equivalents

	2017	2016
<b>Restricted cash and investments</b>		
Statutory reserves	\$ 16,702,687	\$ 15,610,118
Deferred revenues	1,840,584	1,559,390
	<hr/> 18,543,271	<hr/> 17,169,508
Unrestricted cash and investments	5,847,859	5,583,570
<b>Total cash and investments</b>	<hr/> <b>\$ 24,391,130</b>	<hr/> <b>22,753,078</b>

## 3. Taxes and Accounts Receivable

	2017	2016
Property taxes	\$ 681,473	\$ 988,732
Federal government	1,235,177	943,715
Provincial government	364,707	431,122
Regional government	1,291,544	898,710
General	876,934	847,102
<b>Total taxes and accounts receivable</b>	<hr/> <b>\$ 4,449,835</b>	<hr/> <b>\$ 4,109,381</b>

## 4. Deposit and Reserve - Municipal Finance Authority

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

Each regional district, through its member municipalities who share in the proceeds of a debt issue, is required to pay into the Debt Reserve Fund certain amounts set out in the financing agreements. The interest earned on the Debt Reserve Fund, less administrative expenses, becomes an obligation of the Authority to the regional districts.

Upon the maturity of the debt issue, the unused portion of the Debt Reserve Fund established for that issue will be discharged to the City. The proceeds from these discharges will be credited to income in the year they are received. As of December 31, the total of the Debt reserve fund was comprised of:

	2017	2016
Cash deposits *	\$ 192,201	\$ 188,525
Demand notes	345,819	345,819
	<hr/> <b>\$ 538,020</b>	<hr/> <b>\$ 534,344</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

## 5. Accounts Payable and Accrued Liabilities

	2017	2016
Federal government	\$ -	\$ -
Provincial government	35,799	80,306
General	3,090,021	2,523,086
Accrued interest	34,516	34,516
Deposits	170,858	112,827
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 3,331,194</b>	<b>\$ 2,750,735</b>

## 6. Sanitary Landfill

	2017	2016
Landfill closure liability	\$ 2,025,193	\$ 1,843,774

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

The City of Quesnel has a Memorandum of Understanding with the Cariboo Regional District for the operation of this landfill. As per the MOU the Cariboo Regional District is responsible for 34% of the post closure costs and the City is responsible for the remaining 66%. The estimated future closure and post closure costs have been updated as at December 31, 2014 based on a third party engineer's cost estimate dated April 11, 2014.

<b>Operating Landfill</b>	2017	2016
Estimated Future Closure and Post Closure Costs	\$ 6,161,062	\$ 5,921,821
Discount Rate	3.00%	3.00%
Present Value of Estimated Closure and Post Closure Costs	\$ 4,073,188	\$ 3,800,991
Expected year capacity will be reached	2031	2031
Capacity (tonnes)		
Used to Date	1,677,300	1,636,400
Remaining	549,200	590,100
Total	2,226,500	2,226,500
Percent Utilized	75%	73%
<b>Liability Based on Percentage</b>	<b>\$ 3,068,474</b>	<b>\$ 2,793,596</b>
<b>City's Portion of Liability</b>	66% <b>\$ 2,025,193</b>	<b>\$ 1,843,774</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

## 7. Deferred Revenue

	2017	2016
Development Cost Charges	\$ 821,104	\$ 798,934
Other	1,019,480	760,456
	<u>\$ 1,840,584</u>	<u>\$ 1,559,390</u>

### 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	\$ 96,337	\$ 50	\$ 792	\$ -	\$ 97,179
Water	378,317	15,923	3,179	-	397,419
Storm	179,963	1,810	1,488	-	183,261
Roads	137,055	4,996	1,149	-	143,200
Parks	7,263	2	30	7,250	45
<b>Total</b>	<u>\$ 798,935</u>	<u>\$ 22,781</u>	<u>\$ 6,638</u>	<u>\$ 7,250</u>	<u>\$ 821,104</u>

## 8. Municipal Debt

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

	Opening Balance	Additions	Principal Payments	Actuarial Adjustment*	Closing Balance
<b>General Capital</b>					
<b>MFA</b>					
85 Fire Truck	\$ 733,148	\$ -	\$ 23,048	\$ 18,343	\$ 691,757
95 New City Hall	4,048,952	-	160,766	68,286	3,819,900
99 Johnston Bridge	241,161	-	79,863	38,353	122,945
	<u>5,023,261</u>	<u>-</u>	<u>263,677</u>	<u>124,982</u>	<u>4,634,602</u>
<b>Water Capital</b>					
73 Southhills Water	841,087	-	99,447	97,151	644,489
77 Southhills Water	173,911	-	12,914	12,654	148,343
	<u>1,014,998</u>	<u>-</u>	<u>112,361</u>	<u>109,805</u>	<u>792,832</u>
<b>Total</b>	<u>\$ 6,038,259</u>	<u>\$ -</u>	<u>\$ 376,038</u>	<u>\$ 234,787</u>	<u>\$ 5,427,434</u>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Gross Debt	Reduction Due To Sinking Fund Assets	Closing Balance
<b>General Capital</b>			
<b>MFA</b>			
85 Fire Truck	\$ 1,100,000	\$ 408,243	\$ 691,757
95 New City Hall	6,000,000	2,180,100	3,819,900
99 Johnston Bridge	1,200,000	1,077,055	122,945
	8,300,000	3,665,398	4,634,602
<b>Water Capital</b>			
73 Southills Water	3,000,000	2,355,511	644,489
77 Southills Water	427,000	278,657	148,343
	3,427,000	2,634,168	792,832
<b>Total</b>	\$ 11,727,000	\$ 6,299,566	\$ 5,427,434

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

	2018	2019	2020	2021	2022
General	\$ 263,676	\$ 183,813	\$ 183,813	\$ 183,813	\$ 183,813
Water Funds	112,361	112,361	112,361	12,913	12,913
<b>Total</b>	\$ 376,037	\$ 296,174	\$ 296,174	\$ 196,726	\$ 196,726

## 9. Tangible Capital Assets

	2017	2016
Land	\$ 11,880,880	\$ 11,856,283
Land Improvements	13,933,387	13,478,549
Buildings	11,398,346	10,984,236
Roads	19,172,704	18,699,699
Machinery & Equipment	3,491,857	3,466,179
Water Systems	13,169,259	13,256,110
Sewer Systems	2,878,512	2,988,164
Drainage Systems	9,889,502	8,405,748
Furniture & Eqpt & Technology	896,033	823,295
Motor Vehicles	1,387,333	1,650,039
Construction in Progress	2,069,406	795,339
<b>Total Tangible Capital Assets</b>	\$ 90,167,220	\$ 86,403,641

### Works of Art/Historical Treasures

The City owns a number of works of art/historical treasures which include all historical items in the museum, the Gold Pan, the Caboose at West Fraser Timber Park and the various artifacts on the River Walk including the steam shovel, waterwheel and the bulldozer.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

## 10. 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:

	2017	2016
<b>Equity in TCA, beginning of year</b>	\$ 80,365,382	\$ 73,620,732
Add: Capital Acquisitions	7,876,867	10,423,327
Debt principal payment	376,038	376,037
Actuarial Adjustment	234,787	210,841
Less: Dispositions at NBV	(172,076)	(543,807)
Amortization	(3,941,211)	\$ (3,721,748)
<b>Equity in TCA, end of year</b>	<b>\$ 84,739,786</b>	<b>80,365,382</b>

## 11. Net Taxation and Grants in Lieu

<b>Taxes collected</b>	<b>2017</b>	<b>2016</b>
Property Taxes	\$ 23,643,813	\$ 23,555,626
Special Assessments	184,000	183,000
1% Utility Tax	737,457	732,502
Grants in Lieu of Taxes	143,849	141,530
Penalties and Interest on taxes	132,384	151,434
<b>Total Taxes Collected</b>	<b>\$ 24,841,503</b>	<b>\$ 24,764,092</b>
<b>Less transfers to other governments</b>	<b>2016</b>	<b>2015</b>
School District	\$ 3,847,676	\$ 4,042,275
Regional District	2,925,827	2,877,538
Regional Hospital District	1,100,662	1,083,957
Other	117,469	128,170
Total Transfers	7,991,634	8,131,940
<b>Net Taxes Available for Municipal Purposes</b>	<b>\$ 16,849,869</b>	<b>\$ 16,632,152</b>

## 12. Sale of Services and Utility User Rates

	2017	2016
Transit user fees	\$ 137,363	\$ 129,856
Airport user fees	378,271	289,523
Airport fuel sales	370,501	268,840
Garbage Fees	802,058	808,220
Rentals, licenses and permits	499,309	467,159
Other	209,331	202,480
<b>Total Sale of Services</b>	<b>\$ 2,396,833</b>	<b>\$ 2,166,078</b>
Water user rates	\$ 1,272,100	\$ 1,166,691
Sewer user rates	1,005,392	1,001,294
<b>Total Utility User Fees</b>	<b>\$ 2,277,492</b>	<b>\$ 2,167,985</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

## 13. Government Transfers

		2017	2016
<b>Federal:</b>	Conditional transfers	\$ 1,390,967	\$ 1,987,602
	Unconditional transfers	-	-
<b>Provincial:</b>	Conditional transfers	1,365,061	2,694,314
	Unconditional transfers	460,137	452,443
<b>Regional/Other:</b>	Conditional transfers	1,615,740	728,813
	Unconditional transfers	-	-
<b>Total Government Transfers</b>		<b>\$ 4,831,905</b>	<b>\$ 5,863,172</b>

## 14. Expenses by Object

		2017	2016
Goods and Services		\$ 3,863,856	\$ 3,475,308
Salary, Wages & Benefits		8,939,870	8,865,955
RCMP Contract		2,579,845	2,346,587
Contractors/Subcontractors		2,471,906	2,346,763
Utilities - Electricity/Natural Gas		902,874	754,600
Other		181,419	157,986
Amortization		3,941,211	3,721,748
Insurance		290,214	337,800
Interest and Finance Charges		227,138	257,013
<b>Total Expenses</b>		<b>\$ 23,398,333</b>	<b>\$ 22,263,760</b>

## 15. Financial Instruments and Risk Management

The City's financial instruments consist of cash and investments, taxes and accounts receivable, accounts payable and accrued liabilities and municipal debt. Unless otherwise noted, it is management's opinion that the City is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The City is exposed to interest rate risk arising from fluctuations in interest rates on its cash and investments and does not hold any financial instruments that mitigate this risk.

## 16. Commitments and Contingencies

a. The City is jointly and severally liable under the provisions of Sections 826 of the *Local Government Act* for any default on monies borrowed by the Cariboo Regional District.

### b. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

## c. 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, 2016, the plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 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 is then adjusted to the extent there is amortization of any funding deficit.

The most recent actuarial valuation as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The City of Quesnel paid \$834,298 for employer contributions to the plan in fiscal 2017.

The next valuation will be as at December 31, 2018, with results available in 2019.

Employers participating in the plan record their pension expense as the amount of the 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.

## d. Co-ownership Agreement for the Quesnel Library

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

Under the agreement, the District purchased a 24% undivided fee simple interest in the building which enabled the occupation by the District of the first floor for use as a regional library. The price for this 24% interest was \$1,145,000. The City purchased the existing library site from the District for \$122,000.

If the City opts out of the library function within 10 years, it will repurchase the District's interest for \$1,145,000, together with tenant improvements incurred by the District. If the City opts out of the library function after 10 years, the repurchase price will be determined by an independent appraiser but will not exceed the original purchase price of \$1,145,000.

If the District opts to leave within 10 years, the City will repurchase the District's interest for \$1,145,000. If the District opts to leave after 10 years, the City will repurchase the interest for a price to be determined by an independent appraiser, but not in excess of \$1,145,000.

## 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

## 17. 2017 Budget

The budget amounts presented throughout these financial statements represent the five year financial plan approved by the Mayor and Council on April 4, 2017.

On November 7, 2017, an amendment to the five year financial plan was adopted by Council to reflect additional funds used for capital projects and grants not received.

## 18. Segmented Information

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

Segmentation has been determined on a functional basis with consideration to service delivery and departmental accountabilities. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements. Segmented information has been presented in Schedule 3. The segments include:

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

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 wastewater 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.

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# CONSOLIDATED TANGIBLE CAPITAL ASSETS

AS AT DECEMBER 31, 2017 | SCHEDULE I

	Land	Land Improvements	Buildings	Roads	Machinery & Equipment	Engineering Structures		
						Water	Sewer	Drainage
<b>Historical Cost</b>								
Opening Balance	\$ 11,856,283	\$ 23,313,535	\$ 18,202,884	\$ 33,491,752	\$ 7,527,818	\$ 28,410,900	\$ 8,208,309	\$ 14,357,310
Additions	24,597	1,035,843	883,509	1,386,196	560,507	508,813	34,700	1,896,880
Disposals		(68,456)		(197,706)	(211,596)	(38,105)		(59,665)
Closing Balance End of Year	11,880,880	24,280,922	19,086,393	34,680,242	7,876,729	28,881,608	8,243,009	16,194,525
<b>Accumulated Amortization</b>								
Opening Balance	-	9,834,986	7,218,648	14,792,054	4,061,639	15,154,790	5,220,145	5,951,562
Amortization Expense	-	571,095	469,399	813,573	477,606	590,339	144,352	413,126
Effects of Disposals	-	(58,546)		(98,089)	(154,373)	(32,780)		(59,665)
Closing Balance End of Year	-	10,347,535	7,688,047	15,507,538	4,384,872	15,712,349	5,364,497	6,305,023
<b>Net Book Value</b>								
End of Year	\$ 11,880,880	\$ 13,933,387	\$ 11,398,346	\$ 19,172,704	\$ 3,491,857	\$ 13,169,259	\$ 2,878,512	\$ 9,889,502

	Furniture, Equipment, & Technology	Motor Vehicles	Construction in Progress	2017 Total		2016 Total	
<b>Historical Cost</b>							
Opening Balance	\$ 1,678,762	\$ 6,298,832	\$ 795,339	\$ 154,141,725	\$ 145,511,430		
Additions	240,045	31,708	1,274,067	7,876,865	10,443,272		
Disposals	(236,121)	(108,168)		(919,817)	(1,812,977)		
Closing Balance End of Year	1,682,686	6,222,372	2,069,406	161,098,773	154,141,725		
<b>Accumulated Amortization</b>							
Opening Balance	855,467	4,648,793	-	67,738,084	65,265,561		
Amortization Expense	167,307	294,414	-	3,941,211	3,741,595		
Effects of Disposals	(236,121)	(108,168)	-	(747,742)	(1,269,072)		
Closing Balance End of Year	786,653	4,835,039	-	70,931,553	67,738,084		
<b>Net Book Value</b>							
End of Year	\$ 896,033	\$ 1,387,333	\$ 2,069,406	\$ 90,167,220	\$ 86,403,641		



# CONSOLIDATED STATEMENT OF STATUTORY RESERVE FUND ACTIVITIES

YEAR ENDED DECEMBER 31, 2017 | SCHEDULE 2

	Capital Reinvestment	Other Capital Reserves	General Capital	Gas Tax	Water	Sewer	Land Sales	WQLS
<b>Opening Balance</b>	\$ 3,776,511	\$ 558,261	\$ 1,906,305	\$ 2,029,197	\$ 3,666,924	\$ 2,249,490	\$ 215,196	\$ 168,621
Transfers In	2,577,310	85,000	1,548,493	480,508	297,369	580,241	-	337,000
Interest Earned	33,932	4,945	17,503	12,858	31,402	20,901	927	989
Transfers Out	(1,874,862)	-	(1,108,197)	(1,414,261)			(205,000)	(434,211)
<b>Closing Balance</b>	\$ 4,512,891	\$ 648,206	\$ 2,364,104	\$ 1,108,302	\$ 3,995,695	\$ 2,850,632	\$ 11,123	\$ 72,399

	Tax Stabilization	Park Reserve	2017 Total	2016 Total
<b>Opening Balance</b>	\$ 1,036,812	\$ 2,801	\$ 15,610,118	\$ 8,591,643
Transfers In	90,792	-	5,996,713	12,742,248
Interest Earned	8,906	23	132,386	135,361
Transfers Out	-	-	(5,036,530)	(5,859,134)
<b>Closing Balance</b>	\$ 1,136,510	\$ 2,824	\$ 16,702,687	\$ 15,610,118

# SEGMENTED STATEMENT

YEAR ENDED DECEMBER 31, 2017 | SCHEDULE 3

	Actual 2017						
	General	Solid Waste	Water	Sewer	Transit	Airport	Total
<b>Revenues</b>							
Property taxes and grants in lieu	\$ 15,310,352	\$ -	\$ 742,695	\$ 216,649	\$ 378,471	\$ 201,702	\$ 16,849,869
Sale of services	545,181	802,058	139,758	23,700	137,363	748,773	2,396,833
Government grants	3,475,722	-	1,356,183	-	-	-	4,831,905
Donations	24,401	-	-	-	-	-	24,401
Services provided to other governments	656,014	402,377	-	181,228	90,579	-	1,330,198
Investment income	186,116	-	21,938	16,409	2,491	2,278	229,232
Utility user fees	-	-	1,272,100	1,005,392	-	-	2,277,492
MFA actuarial adjustment	124,982	-	109,805	-	-	-	234,787
Other	718,573	-	-	-	-	13,565	732,138
<b>Total Revenues</b>	<b>\$ 21,041,341</b>	<b>\$ 1,204,435</b>	<b>\$ 3,642,479</b>	<b>\$ 1,443,378</b>	<b>\$ 608,904</b>	<b>\$ 966,318</b>	<b>\$ 28,906,855</b>
<b>Expenses</b>							
General government services	2,148,553	-	-	-	-	-	2,148,553
Protective services	5,448,408	-	-	-	-	-	5,448,408
Transportation services	3,777,217	-	-	-	-	-	3,777,217
Solid waste management and recycling	-	1,692,245	-	-	-	-	1,692,245
Development services and planning	1,040,078	-	-	-	-	-	1,040,078
Recreation and cultural services	1,291,430	-	-	-	-	-	1,291,430
Operations	197,864	-	1,390,832	765,869	615,373	862,115	3,832,053
Other	-	-	-	-	-	-	-
Interest expense	156,665	-	70,473	-	-	-	227,138
Amortization	2,861,953	-	603,516	157,391	-	318,351	3,941,211
<b>Total Expenses</b>	<b>16,922,168</b>	<b>1,692,245</b>	<b>2,064,821</b>	<b>923,260</b>	<b>615,373</b>	<b>1,180,466</b>	<b>23,398,333</b>
Subtotal	4,119,173	(487,810)	1,577,658	520,118	(6,469)	(214,148)	5,508,522
Loss on sale of tangible capital assets	(96,060)	-	(5,325)	-	-	-	(101,385)
<b>Annual surplus (deficit)</b>	<b>\$ 4,023,113</b>	<b>\$ (487,810)</b>	<b>\$ 1,572,333</b>	<b>\$ 520,118</b>	<b>\$ (6,469)</b>	<b>\$ (214,148)</b>	<b>\$ 5,407,137</b>