



# 2016 Consolidated Financial Statements



FOR THE YEAR ENDED DECEMBER 31, 2016

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

# TABLE OF CONTENTS

<b>Managements Responsibility</b>	4
<b>City of Quesnel Financial Statements</b>	5
Independent Auditor's Report	6
Significant Accounting Policies	8
Consolidated Statement of Financial Position	11
Consolidated Statement of Operations	12
Consolidated Statement of Changes in Net Financial Assets	13
Consolidated Statement of Cash Flows	14
Notes to the Consolidated Financial Statements	15
Schedule 1 - Consolidated Tangible Capital Assets	24
Schedule 2 - Consolidated Statement of Statutory Reserve Fund Activities	25
Schedule 3 - Segmented Statement	26

**Blank Page**

# 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 8. 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.



---

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

**Blank Page**



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, 2016, 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, 2016, 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.

**DRAFT**

Chartered Professional Accountants

April 25, 2017

Prince George, Canada

# SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED DECEMBER 31, 2016

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, Water, Sewer, Transit, Airport, Capital and Reserve Funds. The Consolidated Financial Statements also reflect the combined results and activities of the reporting entity which comprises all organizations that are accountable for the administration and financial affairs and resources to the Council and are controlled or owned by the City. Controlled entities include the Quesnel Community and Economic Development (2002) Corporation which ceased operations at the end of 2015. 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, 2016

## 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, 2016

## **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.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016, WITH COMPARATIVE INFORMATION FOR 2015

	2016	2015
<b>Financial Assets</b>		
Cash and cash equivalents <i>(note 2)</i>	\$ 22,753,078	\$ 23,955,683
Taxes and accounts receivable <i>(note 3)</i>	4,109,381	2,819,888
Property acquired for taxes	692	891
MFA debt reserve <i>(note 4)</i>	188,525	183,399
	<u>27,051,676</u>	<u>26,959,861</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities <i>(note 5)</i>	2,750,735	2,753,841
Landfill closure <i>(note 6)</i>	1,843,774	1,751,450
Deferred revenue <i>(note 7)</i>	1,559,390	1,421,185
MFA debt reserve	188,525	183,399
Municipal debt, net of sinking fund assets <i>(note 8)</i>	6,038,259	6,625,137
	<u>12,380,683</u>	<u>12,735,012</u>
<b>Net Financial Assets</b>	<u>14,670,993</u>	<u>14,224,849</u>
<b>Non-Financial Assets</b>		
Prepaid expenses	219,999	304,008
Inventory of supplies	339,679	382,551
Tangible capital assets <i>(note 9)</i>	86,403,641	80,245,869
	<u>86,963,319</u>	<u>80,932,428</u>
<b>Accumulated Surplus</b>	<u>\$ 101,634,312</u>	<u>\$ 95,157,277</u>
<b>Represented By:</b>		
Operating Fund	\$ 5,658,812	\$ 12,944,903
Statutory Reserves <i>(Schedule 2)</i>	15,610,118	8,591,642
Equity in tangible capital assets <i>(note 10)</i>	80,365,382	73,620,732
	<u>\$ 101,634,312</u>	<u>\$ 95,157,277</u>

See accompanying notes.



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

# CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2016, WITH COMPARATIVE INFORMATION FOR 2015

	2016 BUDGET	2016 ACTUAL	2015 ACTUAL
<b>Revenues</b>			
Net taxation and grants in lieu <i>(note 11)</i>	\$ 16,339,345	\$ 16,632,152	\$ 16,193,833
Sale of services <i>(note 12)</i>	1,960,300	2,166,078	2,102,513
Government grants <i>(note 13)</i>	6,173,198	5,863,172	2,124,801
Donations	-	117,600	17,059
Services provided to other governments	981,836	1,440,053	1,239,878
Investment income	225,000	242,514	309,014
Utility user fees <i>(note 12)</i>	2,335,162	2,167,985	2,156,594
MFA actuarial adjustment	-	210,841	195,778
Other	414,067	346,650	485,678
<b>Total Revenues</b>	<b>28,428,908</b>	<b>29,187,045</b>	<b>24,825,148</b>
<b>Expenses</b>			
General government services	2,353,145	2,113,301	2,343,604
Protective services	5,481,082	5,199,577	5,065,255
Transportation services	3,372,842	3,371,298	3,453,418
Solid waste management and recycling	1,408,400	1,563,769	1,894,993
Development services and planning	1,259,665	926,165	947,451
Recreation and cultural services	1,159,243	1,374,081	1,288,120
Operations	3,386,560	3,671,146	3,884,417
Other	-	65,662	256,246
Interest expense	268,683	257,013	378,683
Amortization	3,550,000	3,721,748	3,558,110
<b>Total Expenses</b>	<b>22,239,618</b>	<b>22,263,760</b>	<b>23,070,297</b>
Subtotal	6,189,290	6,923,285	1,754,851
Loss on sale of tangible capital assets	-	(446,250)	(7,706)
<b>Annual Surplus</b>	<b>6,189,290</b>	<b>6,477,035</b>	<b>1,747,145</b>
Accumulated surplus at beginning of year	95,157,277	95,157,277	93,410,132
<b>Accumulated surplus at end of year</b>	<b>\$ 101,346,567</b>	<b>\$ 101,634,312</b>	<b>\$ 95,157,277</b>

See accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2016, WITH COMPARATIVE INFORMATION FOR 2015

	2016 BUDGET	2016 ACTUAL	2015 ACTUAL
<b>Annual Surplus</b>	\$ 6,189,290	\$ 6,477,035	\$ 1,747,145
Tangible capital assets purchased	(13,508,830)	(10,423,327)	(2,900,700)
Amortization of tangible capital assets	3,550,000	3,721,748	3,558,110
Loss on sale of tangible capital assets	-	446,250	7,706
Proceeds on sale of tangible capital assets	-	97,557	242,259
	(3,769,540)	319,263	2,654,520
Use (acquisition) of supply inventory	-	42,872	3,412
Use (acquisition) of prepaid expense	-	84,009	39,077
		126,881	42,489
Increase (decrease) in net financial assets	(3,769,540)	446,144	2,697,009
Net financial assets at beginning of year	14,224,849	14,224,849	11,527,840
<b>Net financial assets at end of year</b>	<b>\$ 10,455,309</b>	<b>\$ 14,670,993</b>	<b>\$ 14,224,849</b>

See accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016, WITH COMPARATIVE INFORMATION FOR 2015

	2016	2015
<b>Operating transactions</b>		
Annual surplus	\$ 6,477,035	\$ 1,747,145
<b>Non-cash items:</b>		
Amortization	3,721,748	3,558,110
Prepaid expenses	84,009	39,077
Supply inventory	42,872	3,412
Loss on the sale of tangible capital assets	446,250	7,706
Actuarial adjustments	(210,841)	(195,778)
<b>Changes to financial assets/liabilities:</b>		
Taxes and accounts receivable	(1,289,493)	268,539
MFA cash deposits	(5,126)	(4,579)
Property acquired for taxes	199	22,599
Accounts payable and accrued liabilities	(3,106)	(4,566,782)
Landfill closure	92,324	325,459
Deferred revenue	138,205	266,628
MFA debt reserve	5,126	4,579
<b>Cash provided by operating transactions</b>	<b>9,499,202</b>	<b>1,476,116</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(10,423,327)	(2,900,700)
Proceeds from the sale of tangible capital assets	97,557	242,259
<b>Cash applied to capital transactions</b>	<b>(10,325,770)</b>	<b>(2,658,441)</b>
<b>Financing transactions:</b>		
Debt repayment	(376,037)	(359,343)
<b>Cash applied to financing transactions</b>	<b>(376,037)</b>	<b>(359,343)</b>
Decrease in cash and cash equivalents	(1,202,605)	(1,541,668)
Cash and cash equivalents at beginning of year	23,955,683	25,497,351
<b>Cash and cash equivalents at end of year</b>	<b>\$ 22,753,078</b>	<b>\$ 23,955,683</b>

See accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

## 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, 2016, the balance of the funds was \$216,260 (2015-\$210,860). In accordance with PSAB guidelines, the cemetery perpetual care fund is excluded from the City's financial statements.

## 2. Cash and Cash Equivalents

	2016	2015
<b>Restricted cash and investments</b>		
Statutory reserves	\$ 15,610,118	\$ 8,591,642
Deferred revenues	1,559,390	1,421,185
	17,169,508	10,012,827
Unrestricted cash and investments	5,583,570	13,942,856
<b>Total cash and investments</b>	<b>\$ 22,753,078</b>	<b>\$ 23,955,683</b>

## 3. Taxes and Accounts Receivable

	2016	2015
Property taxes	\$ 988,732	\$ 866,756
Federal government	943,715	208,142
Provincial government	431,122	194,879
Regional government	898,710	672,177
General	847,102	877,934
<b>Total taxes and accounts receivable</b>	<b>\$ 4,109,381</b>	<b>\$ 2,819,888</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:

	2016	2015
Cash deposits *	\$ 188,525	\$ 183,399
Demand notes	345,819	345,819
	\$ 534,344	\$ 529,218

*\*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, 2016

## 5. Accounts Payable and Accrued Liabilities

	2016	2015
Federal government	\$ -	\$ -
Provincial government	80,306	187
General	2,523,086	2,659,378
Accrued interest	34,516	42,004
Deposits	112,827	52,272
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 2,750,735</b>	<b>\$ 2,753,841</b>

## 6. Sanitary Landfill

	2016	2015
Landfill closure liability	\$ 1,843,774	\$ 1,751,450

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>	2016	2015
Estimated Future Closure and Post Closure Costs	\$ 5,921,821	\$ 6,040,257
Discount Rate	3.00%	3.00%
Present Value of Estimated Closure and Post Closure Costs	\$ \$3,800,991	\$ 3,764,089
Expected year capacity will be reached	2031	2031
Capacity (tonnes)		
Used to Date	1,636,400	1,569,700
Remaining	590,100	656,800
Total	2,226,500	2,226,500
Percent Utilized	73%	71%
<b>Liability Based on Percentage</b>	<b>\$ 2,793,596</b>	<b>\$ 2,653,712</b>
<b>City's Portion of Liability</b>	66% <b>\$ 1,843,774</b>	<b>\$ 1,751,450</b>

## 7. Deferred Revenue

	2016	2015
Development Cost Charges	\$ 798,934	\$ 784,333
Other	760,456	636,852
	<b>\$ 1,559,390</b>	<b>\$ 1,421,185</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

## 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	\$ 95,370	\$ -	966	\$ -	\$ 96,337
Water	371,929	2,607	3,781		378,317
Storm	175,612	2,559	1,792		179,963
Roads	134,232	1,456	1,367		137,055
Parks	7,190	-	73		7,263
<b>Total</b>	<b>\$ 784,333</b>	<b>\$ 6,622</b>	<b>\$ 7,979</b>	<b>\$ -</b>	<b>\$ 798,934</b>

## 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	\$ 772,567	\$ -	\$ 23,047	\$ 16,372	\$ 733,148
95 New City Hall	4,270,259	-	160,766	60,541	4,048,952
99 Johnston Bridge	354,830	-	79,863	33,806	241,161
	5,397,656	-	263,676	110,719	5,023,261
<b>Water Capital</b>					
73 Southills Water	1,029,219	-	99,447	88,685	841,087
77 Southills Water	198,262	-	12,914	11,437	173,911
	1,227,481	-	112,361	100,122	1,014,998
<b>Total</b>	<b>\$ 6,625,137</b>	<b>\$ -</b>	<b>\$ 376,037</b>	<b>\$ 210,841</b>	<b>\$ 6,038,259</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Gross Debt	Reduction Due To Sinking Fund Assets	Closing Balance
<b>General Capital</b>			
<b>MFA</b>			
85 Fire Truck	\$ 1,100,000	\$ 366,852	\$ 733,148
95 New City Hall	6,000,000	1,951,048	4,048,952
99 Johnston Bridge	1,200,000	958,839	241,161
	8,300,000	3,276,739	5,023,261
<b>Water Capital</b>			
73 Southhills Water	3,000,000	2,158,913	841,087
77 Southhills Water	427,000	253,089	173,911
	3,427,000	2,412,002	1,014,998
<b>Total</b>	\$ 11,727,000	\$ 5,688,741	\$ 6,038,259

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

	2017	2018	2019	2020	2021
General	\$ 246,983	\$ 246,983	\$ 167,121	\$ 167,121	\$ 167,121
Water Funds	112,361	112,361	112,361	112,361	12,913
<b>Total</b>	\$ 359,344	\$ 359,344	\$ 279,482	\$ 279,482	\$ 180,034

## 9. Tangible Capital Assets

	2016	2015
Land	\$ 11,856,283	\$ 11,707,963
Land Improvements	13,478,549	12,731,738
Buildings	10,984,236	11,421,773
Roads	18,699,699	16,892,542
Machinery & Equipment	3,466,179	3,474,993
Water Systems	13,256,110	13,113,785
Sewer Systems	2,988,164	3,129,451
Drainage Systems	8,405,748	5,098,705
Furniture & Eqpt & Technology	823,295	597,618
Motor Vehicles	1,650,039	1,506,810
Construction in Progress	795,339	570,491
<b>Total Tangible Capital Assets</b>	\$ 86,403,641	\$ 80,245,869

### 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, 2016

## 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:

	2016	2015
<b>Equity in TCA, beginning of year</b>	\$ 73,620,732	\$ 73,972,986
Add: Capital Acquisitions	10,423,327	2,900,700
Debt principal payment	376,037	359,343
Actuarial Adjustment	210,841	195,778
Less: Dispositions at NBV	(543,807)	(249,965)
Amortization	(3,721,748)	(3,558,110)
<b>Equity in TCA, end of year</b>	<b>\$ 80,365,382</b>	<b>\$ 73,620,732</b>

## 11. Net Taxation and Grants in Lieu

<b>Taxes collected</b>	<b>2016</b>	<b>2015</b>
Property Taxes	\$ 23,555,626	\$ 23,328,468
Special Assessments	183,000	182,000
1% Utility Tax	732,502	707,517
Grants in Lieu of Taxes	141,530	146,332
Penalties and Interest on taxes	151,434	136,224
<b>Total Taxes Collected</b>	<b>\$ 24,764,092</b>	<b>\$ 24,500,541</b>
<b>Less transfers to other governments</b>	<b>2016</b>	<b>2015</b>
School District	\$ 4,042,275	\$ 4,082,537
Regional District	2,877,538	3,024,431
Regional Hospital District	1,083,957	1,068,598
Other	128,170	131,142
Total Transfers	8,131,940	8,306,708
<b>Net Taxes Available for Municipal Purposes</b>	<b>\$ 16,632,152</b>	<b>\$ 16,193,833</b>

## 12. Sale of Services and Utility User Rates

	2016	2015
Transit user fees	\$ 129,856	\$ 121,299
Airport user fees	289,523	248,854
Airport fuel sales	268,840	365,906
Garbage Fees	808,220	784,521
Rentals, licenses and permits	467,159	429,710
Other	202,480	152,224
<b>Total Sale of Services</b>	<b>\$ 2,166,078</b>	<b>\$ 2,102,513</b>
Water user rates	\$ 1,166,691	\$ 1,202,968
Sewer user rates	1,001,294	953,626
<b>Total Utility User Fees</b>	<b>\$ 2,167,985</b>	<b>\$ 2,156,594</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

## 13. Government Transfers

		2016	2015
<b>Federal:</b>	Conditional transfers	\$ 1,987,602	\$ 118,539
	Unconditional transfers	-	
<b>Provincial:</b>	Conditional transfers	2,694,314	795,669
	Unconditional transfers	452,443	466,545
<b>Regional/Other:</b>	Conditional transfers	728,813	744,048
	Unconditional transfers	-	
<b>Total Government Transfers</b>		<b>\$ 5,863,172</b>	<b>\$ 2,124,801</b>

## 14. Expenses by Object

		2016	2015
Goods and Services		\$ 3,475,308	\$ 3,846,166
Salary, Wages & Benefits		8,865,955	9,161,200
RCMP Contract		2,346,587	2,230,853
Contractors/Subcontractors		2,346,763	2,171,267
Utilities - Electricity/Natural Gas		754,600	796,196
Other		157,986	581,705
Amortization		3,721,748	3,558,110
Insurance		337,800	346,117
Interest and Finance Charges		257,013	378,683
<b>Total Expenses</b>		<b>\$ 22,263,760</b>	<b>\$ 23,070,297</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, 2016

## 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, 2015, the plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 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.

The City of Quesnel paid \$817,887 for employer contributions to the plan in fiscal 2016.

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 employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

## 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, 2016

## 17. 2016 Budget

The budget amounts presented throughout these financial statements represent the five year financial plan approved by the Mayor and Council on April 19, 2016.

On November 15, 2016, an amendment to the five year financial plan was adopted by Council to reflect additional funds used for capital projects including the abbott water main, gymnastics building design and playground design and consultation work.

## 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.

## 19. Quesnel Community and Economic Development 2002 Corporation

On January 12, 2015, the City of Quesnel, as the sole shareholder of Quesnel Community and Economic Development (2002) passed a motion to dissolve the Quesnel Community and Economic Development Corporation as a corporate entity and replace it with an in-house economic development function.

On July 26, 2016, the Quesnel Community and Economic Development (2002) Corporation was dissolved by way of voluntary dissolution under the Business Corporations Act.

## 20. Comparative Information

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.

**Blank Page**

# CONSOLIDATED TANGIBLE CAPITAL ASSETS

AS AT DECEMBER 31, 2016 | SCHEDULE I

	Land	Land Improvements	Buildings	Roads	Machinery & Equipment	Engineering Structures		
						Water	Sewer	Drainage
<b>Historical Cost</b>								
Opening Balance	\$ 11,707,963	\$ 22,218,212	\$ 18,202,884	\$ 31,384,168	\$ 7,097,405	\$ 27,718,184	\$ 8,205,559	\$ 10,901,689
Additions	148,320	1,402,887	-	2,932,883	496,208	736,509	2,750	3,682,493
Disposals	-	(327,509)	-	(825,299)	(65,794)	(43,793)	-	(226,872)
Closing Balance End of Year	11,856,283	23,313,535	18,202,884	33,491,752	7,527,818	28,410,900	8,208,309	14,357,310
<b>Accumulated Amortization</b>								
Opening Balance	-	9,486,474	6,781,111	14,491,626	3,622,412	14,604,399	5,076,108	5,802,984
Amortization Expense	-	570,836	437,537	786,244	445,807	580,660	144,037	332,025
Effects of Disposals	-	(242,269)	-	(485,816)	(6,579)	(30,269)	-	(183,447)
Closing Balance End of Year	-	9,815,041	7,218,648	14,792,054	4,061,639	15,154,790	5,220,145	5,951,562
<b>Net Book Value</b>								
<b>End of Year</b>	\$ 11,856,283	\$ 13,478,549	\$ 10,984,236	\$ 18,699,699	\$ 3,466,179	\$ 13,256,110	\$ 2,988,164	\$ 8,405,748

	Furniture, Equipment, & Technology	Motor Vehicles	Construction in Progress	2016 Total		2015 Total	
<b>Historical Cost</b>							
Opening Balance	\$ 1,415,850	\$ 6,089,024	\$ 570,491	\$ 145,511,430	\$ 143,676,630		
Additions	383,439	412,991	224,848	10,423,327	2,900,700		
Disposals	(120,527)	(203,183)	-	(1,812,977)	(1,065,900)		
Closing Balance End of Year	1,678,762	6,298,832	795,339	154,121,780	145,511,430		
<b>Accumulated Amortization</b>							
Opening Balance	818,232	4,582,214	-	65,265,561	62,523,386		
Amortization Expense	154,841	269,762	-	3,721,748	3,558,110		
Effects of Disposals	(117,606)	(203,183)	-	(1,269,170)	(815,935)		
Closing Balance End of Year	855,467	4,648,793	-	67,718,139	65,265,561		
<b>Net Book Value</b>							
<b>End of Year</b>	\$ 823,295	\$ 1,650,039	\$ 795,339	\$ 86,403,641	\$ 80,245,869		



# CONSOLIDATED STATEMENT OF STATUTORY RESERVE FUND ACTIVITIES

YEAR ENDED DECEMBER 31, 2016 | SCHEDULE 2

	Capital Reinvestment	Other Capital Reserves	General Capital	Gas Tax	Water	Sewer	Land Sales	WQLS
<b>Opening Balance</b>	\$ 2,894,500	\$ 532,100	\$ 2,293,215	\$ -	\$ -	\$ -	\$ 213,038	\$ 1,851,245
Transfers In	2,187,871	50,000	1,008,082	3,129,943	3,648,442	2,238,152	-	257,000
Interest Earned	33,622	5,495	21,166	23,610	18,482	11,338	2,158	10,180
Transfers Out	(1,339,482)	(29,334)	(1,416,158)	(1,124,356)	-	-	-	(1,949,804)
<b>Closing Balance</b>	\$ 3,776,511	\$ 558,261	\$ 1,906,305	\$ 2,029,197	\$ 3,666,924	\$ 2,249,490	\$ 215,196	\$ 168,621

	Tax Stabilization	Park Reserve	2016 Total	2015 Total
<b>Opening Balance</b>	\$ 804,772	\$ 2,773	\$ 8,591,643	\$ 7,479,532
Transfers In	222,758	-	12,742,248	5,326,624
Interest Earned	9,282	28	135,361	110,329
Transfers Out	-	-	(5,859,134)	(4,324,843)
<b>Closing Balance</b>	\$ 1,036,812	\$ 2,801	\$ 15,610,118	\$ 8,591,642

# SEGMENTED STATEMENT

YEAR ENDED DECEMBER 31, 2015 | SCHEDULE 3

	Actual 2016								
	General	QCEDC	Solid Waste	Water	Sewer	Transit	Airport	Total	
<b>Revenues</b>									
Property taxes and grants in lieu	\$ 15,058,446	\$ -	\$ -	\$ 742,783	\$ 216,649	\$ 375,196	\$ 239,078	\$ 16,632,152	
Sale of services	563,365	-	808,220	85,188	21,086	129,856	558,363	2,166,078	
Government grants	5,756,313	359	-	-	-	-	106,500	5,863,172	
Donations	117,600	-	-	-	-	-	-	117,600	
Services provided to other governments	567,660	-	394,162	-	390,441	87,790	-	1,440,053	
Investment income	164,842	-	-	43,600	28,873	2,916	2,283	242,514	
Utility user fees	-	-	-	1,166,691	1,001,294	-	-	2,167,985	
MFA actuarial adjustment	110,719	-	-	100,122	-	-	-	210,841	
Other	316,792	-	-	-	-	250	29,608	346,650	
<b>Total Revenues</b>	<b>\$ 22,655,737</b>	<b>\$ 359</b>	<b>\$ 1,202,382</b>	<b>\$ 2,138,384</b>	<b>\$ 1,658,343</b>	<b>\$ 596,008</b>	<b>\$ 935,832</b>	<b>\$ 29,187,045</b>	
<b>Expenses</b>									
General government services	\$ 2,113,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,113,301	
Protective services	5,199,577	-	-	-	-	-	-	5,199,577	
Transportation services	3,371,298	-	-	-	-	-	-	3,371,298	
Solid waste management and recycling	-	-	1,563,769	-	-	-	-	1,563,769	
Development services and planning	926,241	(76)	-	-	-	-	-	926,165	
Recreation and cultural services	1,374,081	-	-	-	-	-	-	1,374,081	
Operations	136,927	-	-	1,058,144	1,121,580	581,069	773,426	3,671,146	
Other	65,662	-	-	-	-	-	-	65,662	
Interest expense	184,221	-	-	72,792	-	-	-	257,013	
Amortization	2,590,892	-	-	594,875	157,077	-	378,904	3,721,748	
<b>Total Expenses</b>	<b>\$ 15,962,200</b>	<b>\$ (76)</b>	<b>\$ 1,563,769</b>	<b>\$ 1,725,811</b>	<b>\$ 1,278,656</b>	<b>\$ 581,069</b>	<b>\$ 1,152,330</b>	<b>\$ 22,263,760</b>	
Subtotal	6,693,537	435	(361,387)	412,573	379,687	14,939	(216,498)	6,923,285	
Loss on sale of tangible capital assets	(432,727)	-	-	(13,524)	-	-	-	(446,250)	
<b>Annual surplus (deficit)</b>	<b>\$ 6,260,810</b>	<b>\$ 435</b>	<b>\$ (361,387)</b>	<b>\$ 399,049</b>	<b>\$ \$379,687</b>	<b>\$ 14,939</b>	<b>\$ (216,498)</b>	<b>\$ 6,477,035</b>	