



Consolidated Financial Statements 2020



FOR THE YEAR ENDED DECEMBER 31, 2020

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

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The information in this Financial Report is the responsibility of management. The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards as outlined under "Significant Accounting Policies" on page 5. These statements include some amounts based on management's best estimates and careful judgment.

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

KPMG LLP, the City's independent auditor, has audited the accompanying consolidated financial statements. The auditor's report is included as part of these statements.

Council carries out its responsibility for the consolidated financial statements principally through its Financial Sustainability & Audit Committee. The Financial Sustainability & Audit Committee meets annually with management and the City auditor, KPMG LLP, to review their activities and to discuss auditing, internal control, and financial reporting matters. KPMG LLP has unrestricted access to the City, the Financial Sustainability & Audit Committee and Council. The Financial Sustainability & Audit Committee reviews the consolidated financial statements with management prior to submission to Council for approval. It also reviews the recommendations of the independent auditor for improvements to controls as well as the actions of management to implement such recommendations.

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

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Independant Auditors report

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Independent Auditors report

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED DECEMBER 31, 2020

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.

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian Federal and Provincial governments, enacting emergency measures to combat the spread of the virus. The current economic climate may have a direct impact on the City’s operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the business is not known at this time. There have been no significant adverse impacts on the City’s business to date.

- The City has activated its Emergency Operations Centre (EOC) to coordinate a local response to the public health issue as required.
- Masks are required for everyone in all public indoor setting and workplaces, including all City facilities.
- The City holds electronic Council Meetings as required by Ministerial Orders.
- Commercial flights into the airport have been suspended by the airline.
- Casinos are currently closed due to Public Health Orders, reducing the Casino Revenue received by the City.

a. Basis of Presentation

It is the policy of the City of Quesnel to follow Canadian public sector accounting standards and to apply such principles consistently. These consolidated financial statements include the operations of the General, Solid Waste, Water, Sewer, Transit, Airport, Forestry, Capital and Reserve Funds. The Consolidated Financial Statements also reflect the combined results and activities of the reporting entity which comprises all organizations that are accountable for the administration and financial affairs and resources to the Council and are controlled or owned by the City. They have been prepared using guidelines issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The financial resources and operations of the City have been consolidated for financial statement purposes and include the accounts of all of the funds of the City of Quesnel.

The focus of Canadian public sector accounting standards is on the financial position of the City and the changes thereto. The Consolidated Statement of Financial Position reflects the combined results and activities of the City’s Operating, Capital and Reserve Funds. The purposes of these funds are:

i. Operating Funds

Operating Funds are used to record the costs associated with providing City services.

ii. Capital Funds

Capital Funds are used to account for the acquisition costs of the City’s Tangible Capital Assets, the accumulated amortization thereon, and the funding thereof including related long term debt.

iii. Reserve Funds

Under the *Community Charter* of British Columbia, the Mayor and Council of the City may, by bylaw, establish Reserve Funds for specific purposes. Money in a Reserve Fund and interest thereon must be used only for the purpose for which the fund was established. If the amount in a Reserve Fund is greater than required, the Mayor and Council may, by bylaw, transfer all or part of the balance to another Reserve Fund.

iv. Trust Funds

Trust funds and their related operations administered by the City are not included in these consolidated financial statements.

v. Accounting for Region and School Board Transactions

Operations of the Region and the School Board are not reflected in these consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED DECEMBER 31, 2020

b. Assets and Liabilities

Financial assets are economic resources controlled by a government as a result of past transactions from which future economic benefits may be obtained. Liabilities are present obligations of a government to others arising from past transactions, the settlement of which is expected to result in the future sacrifice of economic benefits.

c. Accrual Accounting

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

d. Inventories of Supplies

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

e. Tangible Capital Assets

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

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

ii. **Interest Capitalization**

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

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

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

f. Revenue Recognition

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED DECEMBER 31, 2020

g. Use of Estimates

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

h. Contaminated Sites

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 cost 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 and investments

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

l. Long-term debt

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

m. Related Party Transactions

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

n. Government Transfers

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

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020, WITH COMPARATIVE INFORMATION FOR 2019

	2020	2019
Financial Assets		
Cash	\$ 14,574,832	\$ 10,984,465
Portfolio investments - note 2	15,542,547	13,397,899
Taxes and accounts receivable - note 3	3,575,924	2,906,175
Property acquired for taxes	57,905	9,507
MFA debt reserve - note 4	123,352	182,904
	33,874,560	27,480,950
Financial Liabilities		
Accounts payable and accrued liabilities - note 5	6,989,672	3,516,729
Landfill closure - note 6	4,383,992	4,269,117
Deferred revenue - note 7	2,431,078	2,127,204
MFA debt reserve	-	182,904
Municipal debt, net of sinking fund assets - note 8	12,258,288	5,274,113
	26,063,030	15,370,067
Net Financial Assets	7,811,530	12,110,883
Non-Financial Assets		
Prepaid expenses	350,368	305,656
Inventory of supplies	379,027	405,726
Tangible capital assets (note 9)	108,321,547	98,426,641
	109,050,942	99,138,023
Accumulated Surplus	\$ 116,862,472	\$ 111,248,906
Represented By:		
Operating Fund	\$ 4,510,613	\$ 2,391,959
Accumulated remeasurement losses	(109,135)	(199,758)
Statutory Reserves - Schedule 2	16,397,732	15,904,175
Equity in tangible capital assets - note 10	96,063,262	93,152,530
	\$ 116,862,472	\$ 111,248,906

Commitments and contingencies (note 16)

See accompanying notes.

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

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2020, WITH COMPARATIVE INFORMATION FOR 2019

	2020 BUDGET	2020 ACTUAL	2019 ACTUAL
Revenues			
Net taxation and grants in lieu - note 11	\$ 18,849,777	\$ 18,859,075	\$ 18,112,731
Sale of services - note 12	2,604,406	2,318,036	2,404,217
Government grants - note 13	4,791,051	6,114,926	3,974,069
Donations	-	267,128	133,098
Services provided to other governments	715,962	1,713,978	1,142,147
Investment	225,000	365,513	542,631
Utility user fees - note 12	2,662,464	2,599,905	2,520,849
MFA actuarial adjustment	-	259,645	237,704
Other	599,229	394,375	541,118
Total Revenues	30,447,888	32,892,581	29,608,564
Expenses			
General government services	2,758,376	2,567,761	2,422,350
Protective services	6,350,101	6,139,121	6,012,585
Transportation services	4,507,951	4,123,960	4,259,926
Solid waste management and recycling	1,741,346	1,671,873	3,175,990
Development services and planning	2,285,336	1,607,266	1,475,006
Forestry Initiatives	1,430,680	997,150	835,492
Recreation and cultural services	1,529,741	1,676,655	1,616,850
Operations	3,906,220	3,566,677	4,131,161
Other	-	589,455	-
Interest	394,723	63,160	213,285
Amortization	4,600,000	4,384,479	4,297,529
Total Expenses	29,504,475	27,387,557	28,440,174
Subtotal	943,413	5,505,024	1,168,390
Gain on sale of tangible capital assets	-	17,921	71,016
Annual Surplus	943,413	5,522,945	1,239,406
Accumulated surplus at beginning of year	111,448,664	111,448,664	110,209,259
Accumulated surplus at end of year	\$ 112,392,077	\$ 116,971,608	\$ 111,448,664

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2020, WITH COMPARATIVE INFORMATION FOR 2019

	2020 BUDGET	2020 ACTUAL	2019 ACTUAL
Annual Surplus	\$ 943,413	\$ 5,522,945	\$ 1,239,406
Tangible capital assets purchased	(20,036,910)	(14,501,936)	(6,788,557)
Amortization of tangible capital assets	4,600,000	4,384,479	4,297,529
Gain on sale of tangible capital assets	-	(17,921)	(71,016)
Proceeds on sale of tangible capital assets	-	240,471	373,826
	(14,493,497)	(4,371,962)	(948,813)
Use of supply inventory	-	26,698	-
Acquisition of supply inventory	-	-	(102,940)
Acquisition of prepaid expense	-	(44,712)	(208,479)
Net remeasurement	-	90,623	15,275
		72,609	(296,144)
Decrease in net financial assets	(14,493,497)	(4,299,353)	(1,244,956)
Net financial assets at beginning of year	12,110,883	12,110,883	13,355,839
Net financial assets at end of year	\$ (2,382,614)	\$ 7,811,530	\$ 12,110,883

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020, WITH COMPARATIVE INFORMATION FOR 2019

	2020	2019
Operating transactions		
Annual surplus	\$ 5,522,945	\$ 1,239,406
Non-cash items:		
Amortization	4,384,479	4,297,529
Prepaid expenses	(44,712)	(208,479)
Supply inventory	26,698	(102,940)
(Gain) loss on sale of tangible capital assets	(17,921)	(71,016)
Actuarial adjustments	(259,644)	(237,704)
Net remeasurement	90,623	15,275
Changes to financial assets/liabilities:		
Taxes and accounts receivable	(669,749)	(49,814)
MFA cash deposits	59,552	13,479
Property acquired for taxes	(48,398)	(1,203)
Accounts payable and accrued liabilities	3,472,943	5,920
Landfill closure	114,875	1,305,360
Deferred revenue	303,874	492,896
MFA debt reserve	(182,904)	(13,479)
Cash provided by operating transactions	12,752,661	6,685,229
Capital transactions		
Acquisition of tangible capital assets	(14,501,936)	(6,788,557)
Proceeds from the sale of tangible capital assets	240,471	373,826
Cash applied to capital transactions	(14,261,465)	(6,414,731)
Investing transactions		
Decrease (Increase) in portfolio investments	(2,144,648)	1,767,634
Cash applied to investing transactions	(2,144,648)	1,767,634
Financing transactions		
Proceeds from debt issues	7,760,000	1,016,325
Debt repayment	(516,181)	(296,174)
Cash applied to financing transactions	7,243,819	720,151
Change in cash	3,590,366	2,758,283
Cash at beginning of year	10,984,465	8,226,182
Cash at end of year	\$ 14,574,832	\$ 10,984,465

See accompanying notes.

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES

FOR THE YEAR ENDED DECEMBER 31, 2020, WITH COMPARATIVE INFORMATION FOR 2019

	2020	2019
Accumulated remeasurement losses, beginning of year	\$ (199,758)	\$ (215,033)
Change in unrealized gain (loss) on portfolio investment	90,623	15,275
Remeasurement realized and reclassified to the Statement of Operations and Accumulated Surplus	-	-
Accumulated remeasurement losses, end of year	\$ (109,135)	\$ (199,758)

See accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020, the balance of the funds was \$232,451 (2019-\$229,002).

2. Portfolio Investments

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

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

The different levels are defined as follows:

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

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

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

	Fair Value Hierarchy	2020	2019
Term Deposit - Integrus Credit Union	1	\$ -	\$ 3,189,785
MFA Short Term Bond	2	3,661,543	3,440,112
MFA Intermediate Fund	2	9,303,901	4,212,545
MFA Money Market Fund	1	2,577,103	2,555,457
Total portfolio investments		\$ 15,542,547	\$ 13,397,899

3. Taxes and Accounts Receivable

	2020	2019
Property taxes	\$ 856,519	\$ 808,760
Federal government	369,935	265,461
Provincial government	845,647	209,110
Regional government	448,500	-
General	1,055,322	1,622,844
Total taxes and accounts receivable	\$ 3,575,924	\$ 2,906,175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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:

	2020	2019
Cash deposits *	\$ 123,352	\$ 182,904
Demand notes	-	345,819
	\$ 123,352	\$ 528,723

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

5. Accounts Payable and Accrued Liabilities

	2020	2019
Provincial government	\$ 1,026,933	\$ 217
Trade	4,636,034	2,438,712
Payroll	1,154,638	893,133
Accrued interest	22,234	30,074
Deposits	149,834	154,593
Total accounts payable and accrued liabilities	\$ 6,989,672	\$ 3,516,729

6. Landfill Closure and Post Closure Costs

	2020	2019
Landfill closure liability	\$ 4,383,992	\$ 4,269,117

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, 2020 based on a third party engineer's cost estimate dated October 7, 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Operating Landfill	2020	2019
Estimated Future Closure and Post Closure Costs	\$ 11,253,528	\$ 11,253,528
Discount Rate	2.40%	2.40%
Present Value of Estimated Closure and Post Closure Costs	\$ 9,558,118	\$ 9,483,428
Expected year capacity will be reached	2048	2048
Capacity (tonnes)		
Used to Date	1,758,084	1,725,500
Remaining	771,716	804,300
Total	2,529,800	2,529,800
Percent Utilized	69.5%	68.2%
Liability Based on Percentage	\$ 6,642,412	\$ 6,468,359
City's Portion of Liability	66% \$ 4,383,992	\$ 4,269,117

7. Deferred Revenue

	2020	2019
Development Cost Charges	\$ 909,195	\$ 881,157
Deferred Grants	996,369	740,661
Utility/Property Tax PrePayments	487,645	430,611
Other	37,869	74,775
	\$ 2,431,078	\$ 955,932

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	\$ 94,433	\$ 305	\$ 2,209	\$ -	\$ 96,947
Water	432,467	6,337	10,073	8,650	440,227
Storm	197,543	4,829	4,670	-	207,042
Roads	146,134	4,553	3,466	-	154,153
Parks	10,579	-	247	-	10,826
Total	\$ 881,157	\$ 16,023	\$ 20,665	\$ 8,650	\$ 909,195

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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.

Also includes Short Term Debt issued by the Municipal Finance Authority under Section 175 of the Community Charter for the purpose of buying mobile equipment. Interest Rate in December 2019 was 1.24% (2019 - 2.48%).

		Opening Balance	Additions	Principal Payments	Actuarial Adjustment*	Closing Balance
General Capital MFA						
85	Fire Truck	\$ 602,664	\$ -	\$ 23,048	\$ 24,867	\$ 554,749
95	New City Hall	3,337,464	-	160,765	93,189	3,083,510
	Equipment	1,016,325	760,000	220,007	-	1,556,318
	Short Term - Public Works	-	7,000,000	-	-	7,000,000
		4,956,453	7,760,000	403,820	118,056	12,194,577
Water Capital						
73	Southills Water	224,353	-	99,448	124,905	-
77	Southills Water	93,307	-	12,913	16,684	63,710
		560,540	-	112,361	141,589	63,710
Total		\$ 5,274,113	\$ 7,760,000	\$ 516,181	\$ 259,644	\$ 12,258,288

		Gross Debt	Reduction Due To Sinking Fund Assets	Closing Balance
General Capital MFA				
85	Fire Truck	\$ 1,100,000	\$ 545,251	\$ 554,749
95	New City Hall	6,000,000	2,916,490	3,083,510
	Equipment	1,776,325	220,007	1,556,318
	Short Term - Public Works	7,000,000	-	7,000,000
		15,876,325	3,461,741	12,194,577
Water Capital				
73	Southills Water	3,000,000	3,000,000	-
77	Southills Water	427,000	363,290	63,710
		3,427,000	3,363,290	63,710
Total		\$ 19,303,325	\$ 6,825,031	\$ 12,258,288

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

	2021	2022	2023	2024	2024
General	\$ 7,183,813	\$ 183,813	\$ 183,813	\$ 183,813	\$ 183,813
Water Funds	12,914	12,914	-	-	-
Equipment	346,417	353,597	360,935	368,435	104,687
Total	\$ 7,543,144	\$ 550,324	\$ 544,748	\$ 552,248	\$ 288,500

* 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, 2020

On October 23, 2018, Council adopted the "City of Quesnel New Public Works Facility Loan Authorization Bylaw No. 1854 of 2018" after elector assent was received October 20, 2018 that enables the City to borrow a sum not to exceed \$8,500,000 for the construction of a new public works facility. This loan will be entered into in spring 2021.

9. Tangible Capital Assets

	2020	2019
Land	\$ 11,975,374	\$ 11,975,374
Land Improvements	16,498,849	16,524,407
Buildings	10,532,884	11,040,947
Roads	21,076,821	21,584,609
Machinery & Equipment	4,036,768	4,558,057
Water Systems	15,781,476	16,151,607
Sewer Systems	2,823,608	2,608,097
Drainage Systems	9,037,261	9,427,492
Furniture, Equipment & Technology	803,953	866,468
Motor Vehicles	2,171,633	1,792,727
Construction-in-Progress	13,582,919	1,896,856
Total Tangible Capital Assets	\$ 108,321,547	\$ 98,426,641

Construction in progress having a value of \$13,582,919 (2019 - \$1,896,856) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Works of Art/Historical Treasures

The City owns a number of works of art/historical treasures which include all historical items in the museum, the Gold Pan, the Caboose at West Fraser Timber Park and the various artifacts on the River Walk including the steam shovel, waterwheel and the bulldozer. These items are not recorded as an asset in these consolidated financial statements.

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

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:

	2020	2019
Equity in TCA, beginning of year	\$ 93,152,530	\$ 91,446,759
Add: Capital Acquisitions	14,501,936	6,788,557
Debt principal payment	516,181	296,174
Actuarial Adjustment	259,644	237,704
Less: Dispositions at NBV	(222,550)	(302,810)
Additional Debt	(7,760,000)	(1,016,325)
Amortization	(4,384,479)	(4,297,529)
Equity in TCA, end of year	\$ 96,063,262	\$ 93,152,530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

11. Net Taxation and Grants in Lieu

Taxes collected	2020	2019
Property Taxes	\$ 25,170,454	\$ 24,794,673
Special Assessments	187,000	186,000
1% Utility Tax	764,050	769,861
Grants in Lieu of Taxes	171,762	154,579
Penalties and Interest on taxes	188,431	173,911
Total Taxes Collected	\$ 26,481,696	\$ 26,079,025
Less transfers to other governments	2020	2019
School District	\$ 3,240,187	\$ 3,728,433
Regional District	3,047,273	2,971,964
Regional Hospital District	1,217,635	1,154,508
Other	117,526	111,388
	7,622,621	7,966,293
Net Taxes Available for Municipal Purposes	\$ 18,859,075	\$ 18,112,731

12. Sale of Services and Utility User Fees

	2020	2019
Transit user fees	\$ 108,848	\$ 154,028
Airport user fees	120,699	260,693
Airport fuel sales	136,241	298,962
Garbage Fees	1,172,399	954,206
Rentals, licenses and permits	544,225	529,918
Other	235,624	206,410
Total Sale of Services	\$ 2,318,036	\$ 2,404,217
Water user rates	\$ 1,520,980	\$ 1,471,450
Sewer user rates	1,078,925	1,049,399
Total Utility User Fees	\$ 2,599,905	\$ 2,520,849

13. Government Transfers

	2020	2019
Federal: Conditional transfers	\$ 651,872	\$ 159,435
Provincial: Conditional transfers	3,973,802	1,755,804
Unconditional transfers	500,606	496,162
Regional/Other: Conditional transfers	988,645	1,562,668
Total Government Transfers	\$ 6,114,926	\$ 3,974,069

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

14. Expenses by Object

	2020	2019
Goods and Services	\$ 3,584,045	\$ 4,624,512
Salary, Wages & Benefits	10,597,672	10,130,154
RCMP Contract	3,052,145	2,952,902
Contractors/Subcontractors	3,806,454	3,783,930
Utilities - Electricity/Natural Gas	867,391	837,733
Other	704,330	1,305,360
Amortization	4,384,479	4,297,529
Insurance	327,882	294,769
Interest and Finance Charges	63,160	213,285
Total Expenses	\$ 27,387,557	\$ 28,440,174

15. Financial Instruments and Risk Management

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

a. Credit Risk

Credit risk primarily arises from the City's cash and investments and accounts receivable. The risk exposure is limited to their carrying amounts at the date of the statement of financial position. Accounts receivable primarily consist of amounts receivable from government organizations, residents, landfill and airport users. To reduce the risk, the City regularly reviews the collectability of its accounts receivable and if needed, will establish an allowance based on its best estimate of potentially uncollectible amounts. As at December 31, 2020, the amount of allowance for doubtful debts was \$30,546 (2019 - nil). The City historically has not had difficulty collecting receivables.

b. Market and Interest Rate Risk

Market risk is the risk that changes in market prices and inputs, such as interest rates, will affect the City's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk. The City manages market risk by holding cash balances with top rated Canadian Schedule I and 2 financial Institutions and local credit unions. The portfolio investments are managed following the investment policy which is approved by the City's Council. The City periodically reviews its investments and is satisfied that the investments are being managed in accordance with the investment policy. Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the fair value of investments have parallel changes in unrealized gains or losses until realized changes in the market interest rates. The City's investments are disclosed in Note 2. There has been no change to the market and interest rate risk exposure from 2019.

c. Liquidity Risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

16. Commitments and Contingencies

- a. The MFA holds demand notes related to the City's debenture debt in the amount of \$180,355 (2019 -\$291,426). The demand notes are not recorded in the financial statements as they will only be called upon if the MFA does not have sufficient funds to meet its payment obligations.
- b. The City is jointly and severally liable under the provisions of Sections 826 of the Local Government Act for any default on monies borrowed by the Cariboo Regional District.

- c. **Municipal Insurance Association**

The City is a subscribed member of the Municipal Insurance Association of British Columbia (the "Exchange") as provided by section 3.02 of the Insurance Act of the Province of British Columbia. The main purpose of the Exchange is to pool the risks of liability so as to lessen the impact upon any subscriber. Under the Reciprocal Insurance Exchange Agreement, the City is assessed a premium and specific deductible for its claims based on population. The obligation of the City with respect to the Exchange and/or contracts and obligations entered into by the Exchange on behalf of its subscribers in connection with the Exchange is in every case several, not joint and several. The City irrevocably and unconditionally undertakes and agrees to indemnify and save harmless the other subscribers against liability losses and costs which the other subscribers may suffer.

- d. **Municipal Pension Plan**

The City and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2019, the plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 contributors from local governments.

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

The most recent actuarial valuation as at December 31, 2018 indicated a \$2,886 million funding surplus for basic pension benefits on a going concern basis.

The City of Quesnel paid \$908,177 (2019 -\$888,612) for employer contributions to the plan in fiscal 2020.

The next valuation will be as at December 31, 2021, with results available in 2022.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

- e. The City is obligated to collect and transmit property taxes levied on City of Quesnel property owners in respect of the following bodies:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

- f. The City entered into various agreements and contracts for the provision of services that extend beyond the current year. Based on the agreements and contracts in place at December 31, 2020, future contractual obligations are estimated as follows:

2021	\$ 3,820,850
2022	122,800
2023	125,870
2024	128,940
2025	-
Total	\$ 4,198,460

17. 2020 Budget

The budget amounts presented throughout these financial statements represent the five year financial plan approved by the Mayor and Council on May 5, 2020.

18. Contractual Rights

The City entered into a contract for various services with the Cariboo Regional District to provide services to the provision of joint municipal services within the City and the service area. The term of the contract commenced on January 2020 and terminates December 31, 2024. The total revenue associated with fiscal year 2021 is \$1,135,693.

19. 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 waste water collection and maintains a contract with Cariboo Pulp and Paper for wastewater treatment. Transit which administers all transit operations in Quesnel, including a fixed bus route service and a handiDart Service.

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

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

20. Litigation

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

CONSOLIDATED TANGIBLE CAPITAL ASSETS

AS AT DECEMBER 31, 2020 | SCHEDULE I

	Cost				Accumulated Amortization				Net Book Value 2020	Net Book Value 2019
	Opening Balance	Additions	Disposals	Ending Balance	Open Balance	Amortization	Disposals	Ending Balance		
Land	\$ 11,975,374	\$ -	\$ -	\$ 11,975,374	\$ -	\$ -	\$ -	\$ -	\$ 11,975,374	\$ 11,975,374
Land Improvements	27,747,531	604,748	(27,257)	28,325,022	11,223,124	630,117	(27,068)	11,826,173	16,498,849	16,524,407
Buildings	19,757,465	32,749	-	19,790,214	8,716,518	540,812	-	9,257,330	10,532,884	11,040,947
Roads	38,388,738	520,137	(159,213)	38,749,662	16,804,129	916,903	(48,191)	17,672,841	21,076,821	21,584,609
Machinery & Equipment	9,096,627	79,866	(345,888)	8,830,605	4,538,571	528,676	(273,410)	4,793,837	4,036,768	4,558,057
Water Systems	32,690,906	306,413	-	32,997,319	16,539,299	676,544	-	17,215,843	15,781,476	16,151,607
Sewer Systems	8,263,915	371,906	-	8,635,821	5,655,818	156,395	-	5,812,213	2,823,608	2,608,097
Drainage Systems	16,591,646	44,252	-	16,635,898	7,164,154	434,483	-	7,598,637	9,037,261	9,427,492
Furniture, Eqpt & Tech	1,888,349	117,518	(90,260)	1,915,606	1,021,880	180,033	(90,260)	1,111,653	803,953	866,468
Motor Vehicles	6,141,743	738,283	(885,579)	5,994,445	4,349,016	320,516	(846,720)	3,822,812	2,171,633	1,792,727
Construction in Progress	1,896,856	11,686,063	-	13,582,919	-	-	-	-	13,582,919	1,896,856
	\$ 174,439,15	\$ 14,501,936	\$ (1,508,197)	\$ 187,432,888	\$ 76,012,50	\$ 4,384,479	\$ (1,285,649)	\$ 79,111,339	\$ 108,321,547	\$ 98,426,641

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

CONSOLIDATED STATEMENT OF STATUTORY RESERVE FUND ACTIVITIES

YEAR ENDED DECEMBER 31, 2020 | SCHEDULE 2

		Opening Balance	Transfers In	Interest Earned	Transfers Out	Closing Balance
Capital Reinvestment	\$	3,811,864	\$ 2,996,503	\$ 86,643	\$ (3,201,004)	\$ 3,694,005
General Capital		2,065,506	1,445,481	57,903	(618,254)	2,950,637
Water		3,580,313	536,641	84,051	(500,000)	3,701,005
Sewer		3,822,982	333,458	85,488	(500,000)	3,741,928
West Quesnel Land Stability		54,470	61,378	1,989	-	117,837
Gas Tax		1,450,572	472,263	32,250	(625,907)	1,329,178
Tax Stabilization		1,099,760	180,000	22,437	(458,200)	843,998
Land Sales		15,764	-	368	-	16,132
Park Reserve		2,944	-	69	-	3,013
	\$	15,904,175	\$ 6,025,724	\$ 371,198	\$ (5,903,365)	\$ 16,397,732

SEGMENTED STATEMENT

YEAR ENDED DECEMBER 31, 2020 | SCHEDULE 3

	Actual 2020							
	General Government	Solid Waste	Water	Sewer	Transit	Airport	Forestry Initiatives	Total
Revenues								
Property taxes and grants in lieu	\$ 17,427,498	\$ -	\$ 563,400	\$ 216,182	\$ 392,622	\$ 259,373	\$ -	\$ 18,859,075
Sale of services	625,783	1,177,649	130,393	18,423	108,848	256,940	-	2,318,036
Government grants	4,828,635	-	115,194	-	-	129,631	1,041,466	6,114,926
Donations	107,128	-	-	160,000	-	-	-	267,128
Services provided to other governments	1,185,660	357,038	-	-	105,280	66,000	-	1,713,978
Investment income	349,248	-	6,675	6,643	2,947	-	-	365,513
Utility user fees	-	-	1,520,980	1,078,925	-	-	-	2,599,905
MFA actuarial adjustment	118,056	-	141,589	-	-	-	-	259,645
Other	297,782	-	-	-	-	18,888	77,705	394,375
Total Revenues	\$ 24,939,790	\$ 1,534,687	\$ 2,478,231	\$ 1,480,173	\$ 609,697	\$ 730,832	\$ 1,119,171	\$ 32,892,581
Expenses								
General government services	2,567,761	-	-	-	-	-	-	2,567,761
Protective services	6,139,121	-	-	-	-	-	-	6,139,121
Transportation services	4,123,960	-	-	-	-	-	-	4,123,960
Solid waste management and recycling	-	1,671,873	-	-	-	-	-	1,671,873
Development services and planning	1,607,266	-	-	-	-	-	-	1,607,266
Recreation and cultural services	1,676,655	-	-	-	-	-	-	1,676,655
Operations	160,794	-	1,359,795	870,754	526,502	648,832	-	3,566,677
Forestry	-	-	-	-	-	-	997,150	997,150
Other	-	-	-	-	-	-	-	63,160
Interest expense	9,705	-	53,455	-	-	-	-	213,285
Amortization	3,288,107	-	689,483	167,267	-	239,622	-	4,384,479
Total Expenses	20,162,824	1,671,873	2,102,733	1,038,021	526,502	888,454	997,150	27,387,557
Subtotal	4,776,966	(137,186)	375,498	442,152	83,195	(157,622)	122,021	5,505,024
Loss on sale of tangible capital assets	17,921	-	-	-	-	-	-	17,921
Annual surplus (deficit)	\$ 4,794,887	\$ (137,186)	\$ 375,498	\$ 442,152	\$ 83,195	\$ (157,622)	\$ 122,021	\$ 5,522,945

CITY OF QUESNEL USE OF COVID SAFE RESTART GRANT

YEAR ENDED DECEMBER 31, 2020 | SCHEDULE 4 (UNAUDITED)

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

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

At the November 18, 2020 meeting Council approved \$405,000 to be used for replacing lost casino funds and \$129,631 to replace lost airport revenue. Due to the conditions of the grant being fairly broad and open to allowing the local government to use the funding where they felt there was the greatest need, the entire \$2,503,000 was considered revenue in 2020 and included in grant revenue on the Statement of Operations and Accumulated Surplus.

Grant received by City Nov 2020	\$ 2,503,000
Replace Lost Casino Funds 2020	405,000
Replace Lost Airport Revenue 2020	129,631
 Used in 2020	 (534,631)
Total Grant remaining	\$ 1,968,369