

NO: **R080**

COUNCIL DATE: **MAY 12, 2014**

REGULAR COUNCIL

TO: **Mayor and Council**

DATE: **May 1, 2014**

FROM: **General Manager, Finance & Technology**

FILE: **1880-20**

SUBJECT: **2013 Annual Financial Report**

RECOMMENDATION

The Finance & Technology Department recommends Council:

1. receive this report as information; and
2. accept the 2013 Audited Financial Statements as presented in Appendix "I".

INTENT

The purpose of this report is to provide Council with information about the results of the audit of the City of Surrey 2013 financial statements and to have Council accept such statements, which will then be included as part of the City's 2013 annual financial report.

DISCUSSION

Sections 98 and 167 of the Community Charter require that the City produce annual audited financial statements. The annual financial statements and the auditor's report for the year ended December 31, 2013 for the City of Surrey are attached to this report as **Appendix I**. These will be included in the City's 2013 Annual Financial Report that will be published by the end of June.

The statements that are included in **Appendix I** have been prepared in accordance with Canadian Public Sector Accounting Standards as prescribed by the Public Sector Accounting Board (PSAB) of The Canadian Institute of Chartered Accountants. The City maintains a comprehensive system of internal controls to safeguard City assets and to provide reliable financial information.

The accounting firm of KPMG was retained to conduct the 2013 audit and to express an opinion as to whether the consolidated financial statements present fairly, the financial position of the City of Surrey as at December 31, 2013 and the results of its operations for the year 2013.

Explanation of Variances between 'Budget' Amounts and Year End 'Actuals'

The audited financial statements included in **Appendix I**, are presented in the format required by the Canadian Institute of Chartered Accountants, which reports the amortization expense in each functional area.

The Consolidated Statement of Operations that follows, has been reclassified to remove the amortization expense from each functional area to better compare expenses to budget.

NOTE	<i>for the year ended December 31, 2013</i> <i>(in thousands of dollars)</i>	<i>2013</i> <i>Budget</i>	2013 Actuals	2012 Actuals
REVENUES				
1	Taxation revenue	\$ 295,185	\$ 293,292	\$ 274,001
2	Sales of goods and services	185,563	179,802	171,352
3	Development cost charges	134,533	68,383	36,405
4	Developer contributions	190,601	121,283	103,399
5	Investment income	18,155	19,867	19,410
6	Transfers from other governments	33,565	52,502	55,424
7	Other	44,928	53,394	42,599
		<u>902,530</u>	<u>788,523</u>	<u>702,590</u>
EXPENSES				
8	Police services	118,685	115,032	112,021
9	Parks, recreation and culture	60,553	66,632	60,230
10	General government	53,447	40,163	41,155
11	Water	57,846	54,832	54,662
12	Fire services	52,916	52,028	50,900
13	Sewer	42,723	38,977	38,626
14	Engineering	5,244	5,815	3,607
15	Drainage	12,078	10,478	10,105
16	Solid waste	23,800	26,727	27,590
17	Roads & traffic safety	30,582	24,178	25,620
18	Planning and development	23,383	22,647	22,359
19	Library services	11,993	12,541	13,613
20	Amortization	104,241	94,198	93,324
21	Interest, fiscal services & other	12,810	10,312	1,111
		<u>610,301</u>	<u>574,560</u>	<u>554,923</u>
22	Excess revenues over expenses	292,229	213,963	147,667
23	Contribution from (to) capital expenditures	(272,814)	(368,451)	(200,199)
24	Contribution from (to) reserves	86,302	154,488	87,183
		<u>105,717</u>	<u>0</u>	<u>34,651</u>
25	Equity, beginning of year	<u>7,549,945</u>	<u>7,549,945</u>	<u>7,402,278</u>
26	Equity, end of year	<u>\$ 7,842,174</u>	<u>\$7,763,908</u>	<u>\$ 7,549,945</u>

The lines in the table have been referenced numerically on the left side. An explanatory note on the variance related to each line is provided on the following pages with the notes numbered to match the line to which the note relates.

Revenue:

1. Taxation for City Purposes: The actual taxation revenue received was \$1.9 million less than budget. This difference was due to lower than anticipated growth and an increase in successful assessment appeals. The Parcel Tax was also lower than anticipated (\$978,000); however this was off-set by an increase in grants-in-lieu payments and local improvement agreements.
2. Sale of Goods & Services: Sales revenue is \$5.8 million lower than budget. This is partially due to the misalignment of the SCDC Dividend payment (\$4.5 million) as the budget is included in this line while the actual dividend payment is included in line 7, Other Revenue. The secondary suite revenue is also \$2.0 million less than anticipated, however this is partially off-set by an increase in PRC revenues.
3. Development Cost Charges: The 'Budget' figure includes the development cost charges that are available for the 2013 program (\$65.4 million), as well as the funding that was committed to projects in prior years but had not yet been spent (\$69.1 million), for a total of \$134.5 million. The 'Actual' column includes only the revenue required to match the costs of the capital constructed (\$68.4 million) in 2013. The variance between actual and budget (\$66.1 million) is due to the timing of construction and the related payments and will be used to complete projects that are currently in progress and that will be completed in future months.
4. Developer Contributions: The detailed breakdown of this variance is as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
▪ NCP Contributions	\$ 2.9 M	\$ 2.4 M	\$ 0.5 M
▪ Cash-in-Lieu Parkland	\$ 0.0 M	\$ 4.8 M	\$ (4.8)M
▪ Private Sector Contributions	\$ 87.7 M	\$ 23.2 M	\$ 64.5 M
▪ Contributed Assets	<u>\$100.0 M</u>	<u>\$ 90.9 M</u>	<u>\$ 9.1 M</u>
<i>Total</i>	<u><i>\$190.6 M</i></u>	<u><i>\$121.3 M</i></u>	<u><i>\$ 69.3 M</i></u>

The 'Budget' figure for NCP Contributions and the Cash-in-Lieu are determined based on the actual contributions received in the previous year (2012). The 'Actual' column includes only the revenue required to match the cost of capital constructed or acquired in 2013. The variances are primarily due to the timing of construction of park development projects and the purchase of parklands. The 'Budget' figure for private developers is an estimated amount in recognition of contributions that may be received and applied to capital projects within the year. "Actual" contributions are made up of various contributions towards projects such as the Roberts Bank projects (\$17.1 million from non-provincial & federal government partners), local area service agreements (\$1.8 million), pavement cut contributions (\$1.1 million) and a series of miscellaneous contributions to parks development and other capital projects.

Contributed Assets were added to the financial statements in 2009 and are indicative of development activity. The \$100 million budget for 2013 was established based on historical information. Actual asset contributions were \$90.9 million (\$70.8 million in 2012, \$74.3 million in 2011, \$111.7 million in 2010 and \$118 million in 2009). Staff will continue to monitor the activity in an effort to improve future budgeting estimates.

5. Investment Income: The variance between the 'Actual' figure (\$19.9 million) and the 'Budget' figure (\$18.2 million) of \$1.7 million is attributed to higher than anticipated interest earning in the general fund (\$2.5 million) as a result of additional borrowing proceeds. This increase is partially offset by slightly lower earnings in the utility funds due to lower than anticipated fund balances.

6. Transfers from Other Governments: The detailed breakdown of this variance is as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
▪ Traffic Fine Revenue Sharing	\$ 6.4 M	\$ 4.0 M	\$ (2.4)M
▪ TransLink	\$ 4.5 M	\$ 10.2 M	\$ 5.7 M
▪ Gaming Revenue Sharing	\$ 3.0 M	\$ 3.6 M	\$ 0.6 M
▪ Other Sundry e.g.: Keep of Prisoners, Summer Student Program, & Libraries.	<u>\$ 2.8 M</u>	<u>\$ 2.6 M</u>	<u>\$ (0.2)M</u>
Sub Total	\$ 16.7 M	\$ 20.4 M	\$ 3.7 M
▪ Capital Infrastructure Grants	<u>\$ 16.9 M</u>	<u>\$ 32.1 M</u>	<u>\$ 15.2 M</u>
Total	<u>\$33.6 M</u>	<u>\$ 52.5 M</u>	<u>\$ 18.9 M</u>

The \$2.4 million deficit in Traffic Fine Revenue Sharing (TFRS) is a result of the Province's decision to advance part of the TFRS revenues as part of the renewal of the Strategic Community Investment Funds Agreement covering the years 2012 to 2014. The variance of \$2.4 million was previously reserved for use in this year and has been recognized as part of the transfers from appropriated surplus. The "Budget" for TransLink is an approximation of anticipated expenditures for which TransLink is providing funding; the "Actual" represents the funding that the City has received and spent on specific partnerships. Some of those major partnerships include the following:

- Arterial Bridge Improvements (\$4.6 million);
- Arterial Widening & Paving (\$5.0 million); and
- Traffic Signals, Bicycle Network & Transit Projects (\$650,000).

The City also received Capital Infrastructure Grants that included federal/provincial partnership funding for the Roberts Bank Railway Corridor project.

7. Other Revenue: This includes the following:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
▪ Permits, Licensing & Fines	\$24.2 M	\$22.9 M	\$ (1.3)M
▪ Leases & Rentals	\$ 5.5 M	\$ 5.2 M	\$ (0.3)M
▪ Penalties & Interest on Taxes	\$ 4.5 M	\$ 4.8 M	\$ 0.3 M
▪ Donation & Sponsorship	\$ 1.6 M	\$ 1.8 M	\$ 0.2 M
▪ Land Sales	\$ 3.1 M	\$ 6.2 M	\$ 3.1 M
▪ SCDC gain on disposals	<u>\$ 6.0 M</u>	<u>\$12.5 M</u>	<u>\$ 6.5 M</u>
Total	<u>\$44.9 M</u>	<u>\$53.4 M</u>	<u>\$ 8.5 M</u>

The variances in other revenue are the result of lower than anticipated (\$1.3 million) building permits recognized in 2013 and lower revenue sharing from Fraser Downs (\$300,000), which are off-set by increases City land sales and minor increases for penalties on taxes and donations. SCDC has generated a net gain of \$6.5 million as a result of land dispositions in Campbell Heights. As a result of SCDC's \$6.5 million gain, they have been able to contribute \$4.5 million to the City to help support the Build Surrey Program.

Expenses

8. Police Services: The \$3.6 million in savings in this area is directly related to the RCMP contract. These savings are the result of actions taken by the Federal Government to reduce health care and benefit costs for their members.
9. Parks, Recreation & Culture: The \$6.1 million increase in expenditures is attributed to a \$4.3 million increase in salaries stemming from the settlement of the CUPE contract as well as a \$3.3 million representing the PSAB 3150 requirement to include maintenance costs that had been previously captured as capital costs. These increases have been partially off-set by a \$1.8 million saving in operating costs undertaken to help off-set the impact of the CUPE contract settlement.
10. General Government: This includes the following:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
▪ Mayor, Council, Grants & Initiatives	\$ 8.6 M	\$ 5.4 M	\$ 3.2 M
▪ City Manager (Leg Serv., Legal, Bylaws, Econ Dev)	\$ 13.4 M	\$ 12.4 M	\$ 1.0 M
▪ Finance & Technology	\$ 21.7 M	\$ 20.1 M	\$ 1.6 M
▪ Human Resources	\$ 3.1 M	\$ 3.2 M	\$ (0.1)M
▪ Surrey City Development Corporation	\$ 7.0 M	\$ 4.2 M	\$ 2.8 M
▪ Build Surrey Program	\$ 3.8 M	\$ 2.8 M	\$ 1.0 M
▪ Other (Charge to Utilities, gain on asset disposal & contingency)	<u>\$ (4.2)M</u>	<u>\$ (7.9)M</u>	<u>\$ 3.7 M</u>
<i>Total</i>	<u>\$53.4 M</u>	<u>\$40.2 M</u>	<u>\$ 13.2 M</u>

The variance in the Mayor, Council, Grant's & Initiatives is due to the timing of the distribution of City Grants and Council Initiatives. City Manager area savings are a result of vacancies, the variance in the Finance & Technology department is the result of lower claims than anticipated and the variance in the Human Resources department is due to the need for additional resources to plan for the move to the New City Hall.

The budget for SCDC is based on an estimate of non-capitalized administrative activity while the 'actual' reflects their on-going administrative business expenses. Savings in the Build Surrey Program is due to timing in the delivery of that program. The 'Other' line is less than budget due to increases in intercompany allocations.

11. Water: The under expenditure (\$3.0 million) is the result of operational savings and increased recovered work.
12. Fire Services: Savings of \$888,000 in this area have been achieved through the delay in recruiting for vacant positions along with reductions in E-Comm fees.

13. Sewer: The expenditure savings (\$3.7 million) are the result of lower than anticipated consulting fees (\$1.3 million), lower than anticipated utility costs (\$1.6 million) and \$700,000 in Regional district costs.
14. Engineering: The \$571,000 expenditure variance is the result of increases in salary costs associated with the CUPE contract settlement.
15. Drainage: The \$1.6 million in savings are the result of operational savings in this area.
16. Solid Waste: The \$2.9 million over-expenditure in this area is the result of additional costs incurred in relation to the extended start-up of the new curbside collection service, Re-think Waste program and education, additional cart purchases and exchange program, and the accelerated bio-fuel RFP expenditures (\$1.4 million).
17. Roads & Traffic Safety: Savings in this area are the result of the milder than average winter, generating significant savings (\$6.0 million) in the winter maintenance area. Savings in this area will remain within the program to help support the on-going traffic and safety requirement in subsequent years.
18. Planning and Development: These under expenditures (\$736,000) are primarily the result of position vacancies.
19. Library services: The over expenditure in Library (\$548,000) is the result of salary increases from the CUPE contract settlement.
20. Amortization: This expense represents the annual consumption of City Assets. The 2013 Budget was estimated based on the actual assets owned by the City in 2012 as well as an estimate of the value of new assets that would be added in 2013. Although amortization for major upcoming projects was estimated, variances relate to the timing and mix of new assets added in each category during 2013. Amortization by asset type is as follows:

	<u>Budget</u>	<u>Actual</u>
Land Improvements	\$4.8 M	\$4.0 M
Building	\$10.1 M	\$10.4 M
Infrastructure	\$69.2 M	\$64.6 M
Equipment	\$20.1 M	\$15.2 M
	<u>\$ 104.2 M</u>	<u>\$ 94.2 M</u>

21. Interest, Bank Charges, Fiscal Services and other: This line item includes the principle and interest on long-term borrowing. The savings in this area (\$2.5 million), are the result of decisions to make use of internal financing as opposed to external and more favourable interest rates than budgeted.
22. Excess revenues over expenses: This item represents the current year's revenue that has been generated to support capital acquisitions and to contribute to statutory reserve funds.

23. Contribution (to) capital expenditures: As noted in the comments related to line 22, funding used to support capital expenditures is now included in the line titled “Excess revenues over expenses” in the financial statements. In 2013, capital expenditures totalled \$368.4 million, being funded by developer contributions (\$121.3 million), DCC’s (\$68.4 million), general contributions (\$38.7 million) and funding from other reserve funds, which include internal borrowing (\$140 million).
24. Contribution (to)/from reserves: This line represents the reduction to equity resulting from annual amortization (\$94.2 million) of assets and the change in debt funding received but not yet utilized (\$82.5 million), offset by contributions to reserves (\$22.2 million).
25. Equity, beginning of year: This item represents all City equity (monetary, property, other assets and infrastructure). This item is in essence the City’s net worth, which includes the historical cost of capital assets, net of amortization, and both committed and uncommitted reserve funds at the beginning of 2013. It reflects the balance under the “Accumulated Surplus” line of the City’s 2012 financial statements.
26. Equity, end of year: This item represents the City’s net worth which includes the cost of capital assets, net of amortization, and both committed and uncommitted reserve funds. Details of this balance can be found in **Appendix II**.

Audit, Accounting and Reporting Matters

Surrey City Development Corporation (“SCDC”)

During the year, SCDC completed construction of a build-to-suit project and included this property in its income property portfolio. The corporation also partially disposed of one income property. Three development properties were fully disposed of, while an additional development property was partially sold. SCDC continued activity on their partnership arrangements for the development of properties. The partnerships are considered “government partnerships” under PSAB, which are accounted for on a proportionate consolidation basis.

SCDC is considered to be economically dependent on the City of Surrey and therefore is classified as an “other government organization”, which is fully consolidated into the City’s financial statements on a line by line basis as it is wholly owned by the City. As SCDC moves towards independence, staff will need to monitor this on an annual basis to ensure that the appropriate accounting and consolidation treatment is in place.

Additional External Debt Financing

On September 26, 2013, the City of Surrey obtained an additional \$67.3 million loan from the Municipal Finance Authority to finance the Grandview Heights Indoor Pool (\$51.9 million) and the Fleetwood Recreation Centre Addition (\$15.4 million). The interest rate has been set at 3.85% for 10 years with the borrowing to be retired over a 30-year period.

Audit Adjustments

The financial statements were adjusted to reflect the following items:

- Some land values were reclassified as properties for sale to reflect the intended treatment of these assets by SCDC. These properties include a portion of the previous Brick site, the remaining lots in Campbell Heights North Phase 2 and the remaining lots of the Schmit Berg properties.
- Correction of the treatment of the Bosa Partnership as a cost project rather than a joint venture as the partnership does not include joint control.

PSAB Reporting Standards – Current Developments

To ensure the City is prepared for future financial statement changes as mandated by the Public Sector Accounting Board (PSAB), staff attempt to stay abreast of new and evolving initiatives. New standards that may affect financial reporting in the future include the following:

Liabilities for Contaminated Sites

Section PS 3260 of the PSA Handbook will require governments to recognize a liability related to the remediation costs associated with contaminated sites, where the government is responsible for the site and the contamination exceeds the existing environmental standards. This standard becomes effective for years commencing on or after April 1, 2014, although early adoption is encouraged.

Staff have been actively working on identifying City-owned contaminated sites and on determining any potential liability. It is expected that this standard will be adopted for the 2014 financial year.

Related Party Transactions

The PSA Handbook currently does not have a specific accounting standard for 'Related Party Transactions'. PSAB has issued an exposure draft for this new standard. This standard would require disclosure about transactions between related parties. Disclosure would include information on which parties were related, the extent the relationship would need to be recognized in the financial statements and the appropriate measures for recognized transactions. This standard would also address the reporting of goods and services, cost allocation and the value for which the exchange amounts are recorded.

Staff anticipates that this new standard will have minimal impact on the City's financial statements; however, staff will review the impact once the standards are adopted and the commencement date has been set.

Financial Instruments and Foreign Currency Translation

Section PS 3450 and PS 2601 of the PSA Handbook requires the City to recognize equity instruments quoted in an active market and free-standing derivatives at fair value. All other financial instruments, including bonds can be carried at cost or fair value depending on the government's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable. This standard becomes effective for years commencing on or after

April 1, 2015, although early adoption is encouraged. In accordance with the City's investment policy, the City does not invest in equity instruments or free-standing derivatives.

Staff anticipates that this new standard will have minimal impact, however will review the impact, with an expectation to adopt during the 2015 calendar year.

Revenue

PSAB is proposing a single framework to categorize revenues that would improve the consistency of revenue recognition and its measurement. A Statement of Principles was issued in 2013 and comments are currently under deliberation. Adoption of these principles would result in a need to assess current accounting policies and revenue treatment practises. An exposure draft is under development and is expected to be released in the fall of 2014.

Assets

PSAB issued a Statement of Principles that proposes additional guidance on the definition of assets, disclosure requirements for assets and definitions of, and standards on disclosure requirements for contingent assets and contractual rights. An exposure draft is currently under development and expected to be released in the 3rd quarter of 2014 for discussion. Adoption of these principles would result in a need to assess current accounting policies and revenue treatment practises.

Asset Retirement Obligations

A Statement of Principles is under development to address the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of long-lived tangible capital assets currently in productive use. Recognition and measurement of the liability are expected to be a major issue, as well as accounting for the related expense. The Statement of Principles is expected for release in the 2nd quarter of 2014.

General Comment

The City continues to maintain a strong financial position. Reserve balances have reduced over time as the City makes use of these to internally borrow for capital initiatives that are included in the Build Surrey program. The City's current reserve balances and commitments have been summarized in Appendix II to provide further clarification on the City's financial position. Staff will provide Council with financial information on a quarterly basis during 2014 through the Quarterly Financial Reporting process.

Auditors Comments

KPMG has indicated that they are satisfied that the City's financial statements have been fairly stated in all material respects. The audit included a consideration of internal controls relevant to the preparation and fair presentation of the financial statements. Staff will continue to monitor the City's financial controls as to their effectiveness in protecting the City's assets and will make adjustments where appropriate.

CONCLUSION

The financial statements that are included in *Appendix I* have been prepared in accordance with Canadian Public Sector Accounting Standards as prescribed by PSAB of the Canadian Institute of Chartered Accountants. The City maintains a comprehensive system of internal controls to safeguard City assets and to provide reliable financial information. These statements will be included in the published version of the City of Surrey 2013 Annual Financial Report that will be distributed to Council by June 23rd, 2014.

All of the variances outlined in this report will be incorporated into the 2015 Five Year Financial Plan. The City's current reserve balances and commitments have been summarized in *Appendix II* to provide further clarification on the City's financial position.

Vivienne Wilke, CGA
General Manager,
Finance & Technology

Attachments:

Appendix I: 2013 City of Surrey Financial Statements
Appendix II: Reserve Balance Summary

City of Surrey

Consolidated Statement of Financial Position

*As of December 31, 2013, with comparative figures for 2012
(in thousands of dollars)*

	2013	2012
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 70,402	\$ 82,051
Accounts receivable (note 2)	139,246	140,748
Properties held-for-sale (note 3)	15,237	14,788
Investments (note 4)	674,126	663,551
	<u>899,011</u>	<u>901,138</u>
LIABILITIES		
Accounts payable & accrued liabilities (note 5)	160,594	153,855
Deposits and prepayments (note 6)	153,878	154,026
Deferred revenue (note 7)	50,307	48,044
Deferred development cost charges (note 8)	219,008	216,298
Debt (note 9)	245,579	175,478
	<u>829,366</u>	<u>747,701</u>
NET FINANCIAL ASSETS	<u>69,645</u>	<u>153,437</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 11)	7,689,954	7,392,537
Inventories of supplies	1,010	1,030
Prepaid expenses	3,299	2,941
	<u>7,694,263</u>	<u>7,396,508</u>
ACCUMULATED SURPLUS (note 12)	<u>\$ 7,763,908</u>	<u>\$ 7,549,945</u>

Commitments and contingencies (note 13)

City of Surrey
Consolidated Statement of Operations

*For the year ended December 31, 2013, with comparative figures for 2012
(in thousands of dollars)*

	2013 <i>Budget</i>	2013	2012
REVENUES			
Taxation revenue (note 15)	\$ 295,185	\$ 293,292	\$ 274,001
Sales of goods and services	185,563	179,802	171,352
Development cost charges (note 8)	134,533	68,383	36,405
Developer contributions	190,601	121,283	103,399
Investment income	18,155	19,867	19,410
Transfers from other governments (note 21)	33,565	52,502	55,424
Other	44,928	53,394	42,599
TOTAL REVENUES	902,530	788,523	702,590
EXPENSES			
Police services	119,954	116,146	113,211
Parks, recreation and culture	73,589	79,552	72,781
General government	79,520	59,691	52,497
Water	67,227	63,216	61,810
Fire services	54,906	53,969	52,681
Sewer	54,144	49,638	49,574
Engineering	5,244	8,970	6,182
Drainage	32,065	28,812	28,798
Solid waste	23,800	26,727	27,590
Roads & traffic safety	62,207	50,598	51,636
Planning and development	23,387	22,651	22,363
Library services	14,258	14,590	15,800
TOTAL EXPENSES	610,301	574,560	554,923
ANNUAL SURPLUS	292,229	213,963	147,667
Accumulated Surplus, beginning of year	7,549,945	7,549,945	7,402,278
Accumulated Surplus, end of year	\$ 7,842,174	\$ 7,763,908	\$ 7,549,945

To be read in conjunction with the Notes to the Consolidated Financial Statements

City of Surrey

Consolidated Statement of Changes in Net Financial Assets

As at December 31, 2013, with comparative figures for 2012

(in thousands of dollars)

	2013 Budget	2013	2012
ANNUAL SURPLUS	\$ 292,229	\$ 213,963	\$ 147,667
Acquisition of tangible capital assets	(539,058)	(423,764)	(393,958)
Amortization of tangible capital assets	104,241	94,198	93,324
Loss (gain) on disposal of tangible capital assets	-	(3,568)	2,311
Proceeds on disposal of tangible capital assets	-	9,904	4,231
	<u>(142,588)</u>	<u>(109,267)</u>	<u>(146,425)</u>
Acquisition of inventories of supplies	-	(1,010)	(1,030)
Consumption of inventories of supplies	-	1,030	1,012
Acquisition of prepaid expenses	-	(3,299)	(2,941)
Use of prepaid expenses	-	2,941	1,725
Transfer to properties held-for-sale	-	25,813	33,391
	<u>-</u>	<u>25,475</u>	<u>32,157</u>
CHANGE IN NET FINANCIAL ASSETS	<u>(142,588)</u>	<u>(83,792)</u>	<u>(114,268)</u>
Net financial assets, beginning of year	<u>153,437</u>	<u>153,437</u>	<u>267,705</u>
Net financial assets, end of year	<u>\$ 10,849</u>	<u>\$ 69,645</u>	<u>\$ 153,437</u>

To be read in conjunction with the Notes to the Consolidated Financial Statements

City of Surrey
Consolidated Statement of Cash Flows

*For the year ended December 31, 2013, with comparative figures for 2012
(in thousands of dollars)*

	2013	2012
<i>Cash provided by (used in):</i>		
OPERATING TRANSACTIONS		
Annual Surplus	\$ 213,963	\$ 147,667
Non-Cash charges to operations:		
Amortization expense	94,198	93,324
Loss on disposal of tangible capital assets	3,171	5,294
Developer contributions of tangible capital assets (note 11(b))	(90,854)	(70,859)
Change in non-cash operating working capital:		
Accounts receivable	1,502	(4,903)
Inventories of supplies	20	(18)
Prepaid expenses	(358)	(1,216)
Accounts payable and accrued liabilities	6,739	26,592
Deposits and prepayments	(148)	12,748
Deferred revenue	2,263	4,262
Deferred development cost charges	2,710	32,409
Net change in cash from operating transactions	233,206	245,300
FUNDING TRANSACTIONS		
Proceeds from issuance of debt	67,335	45,000
Repayment of debt	(3,579)	(2,400)
Proceeds from issuance of loan payable	7,302	3,256
Repayment on loan payable	(957)	(59)
Cash provided (used) by financing transactions	70,101	45,797
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(332,910)	(293,418)
Acquisition of properties held-for-sale	(719)	(80)
Disposal of properties held-for-sale	26,083	27,394
Proceeds on disposal of tangible capital assets	3,165	1,248
Cash provided (used) by financing transactions	(304,381)	(264,856)
INVESTING TRANSACTIONS		
Decrease (increase) in investments	(10,575)	12,198
Cash provided (used) by investing transactions	(10,575)	12,198
Increase (decrease) in cash and cash equivalents	(11,649)	38,439
Cash and cash equivalents, beginning of year	82,051	43,612
Cash and cash equivalents, end of year	\$ 70,402	\$ 82,051
Supplementary cash flow information:		
NON-CASH TRANSACTIONS:		
Transfer of lands to reduce amounts owing to joint venture partners	\$ -	\$ 1,255
Exchange of land	6,739	2,983
Acquisition of tangible capital assets financed by external mortgages	-	29,681
	\$ 6,739	\$ 33,919

To be read in conjunction with the Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

GENERAL

The City of Surrey (the "City") is incorporated under the Local Government Act of British Columbia. The City's principal activities include the provision of local government services to residents of the incorporated area. These include administrative, protective, infrastructure, environmental, recreational, water, sewer and drainage services.

1. Significant accounting policies

The consolidated financial statements of the City are prepared in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

(a) Basis of consolidation

The consolidated financial statements are comprised of the City's Operating, Capital and Reserve Funds plus the Surrey Public Library (the "Library"), Surrey City Development Corporation ("SCDC") and Surrey Homelessness and Housing Society ("SHHS"). The Library, SHHS and SCDC are consolidated as they are considered to be controlled by the City, by virtue of their Board being appointed by the City. Inter-fund transactions, fund balances and activities are eliminated on consolidation.

i) Operating Funds

These funds include the General, Solid Waste, Roads & Traffic Safety, Water, Sewer and Drainage Operating Funds as well as the Surrey Public Library. They are used to record the operating costs of the services provided by the City.

ii) Capital Funds

These funds include the General, Solid Waste, Roads & Traffic Safety, Water, Sewer and Drainage, Capital Funds and Surrey Public Library Capital. They are used to record the acquisition costs of tangible capital assets and any related debt outstanding. All the capital funds are combined on the financial statements.

iii) Reserve Funds

Under the Community Charter of British Columbia, City Council may, by by-law, establish reserve funds for specified purposes. Money in a reserve fund and interest earned thereon must be expended only for the purpose for which the fund was established. If the amount in a reserve fund is greater than required for the purposes for which it was established, City Council may transfer all or part of the amount to another reserve fund.

Notes to the Consolidated Financial Statements

*For the year ended December 31, 2013
(tabular amounts in thousands of dollars)*

1. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

iv) Surrey City Development Corporation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of Surrey City Development Corporation ("SCDC"). All inter-departmental and inter-entity accounts and transactions between SCDC and the City are eliminated upon consolidation. SCDC has the following government partnerships, which are accounted for as follows:

(i) Surrey City Investment Corporation ("SCIC") - (100% owned and fully consolidated)

SCIC has a 50% ownership in nine holding companies that are proportionately consolidated.

SCIC has a 29.4% ownership in the following entities (proportionately consolidated) referred to as the "Surrey Centre Limited Partnerships":

- Surrey Centre Office Limited Partnership
- Surrey Centre Hotel Limited Partnership
- Surrey Centre Residential Partnership

(ii) Grove Limited Partnership and Grove (G.P.) Inc. - (50% owned and proportionately consolidated)

(iii) The Croydon Drive Development Limited Liability Partnership ("Croydon") - (50% owned and proportionately consolidated)

v) Surrey Homelessness and Housing Society

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the Surrey Homelessness and Housing Society ("SHHS"). All inter-departmental and inter-entity accounts and transactions between SHHS and the City are eliminated upon consolidation.

The City provided seed money to the Surrey Homelessness and Housing Society and oversees their operations.

vi) Trust Funds

These funds account for assets which must be administered as directed by agreement or statute for certain beneficiaries. In accordance with PSAB recommendations on financial statement presentation for local governments, trust funds are not included in the City's consolidated financial statements. Trust funds administered by the City are presented in note 17.

Notes to the Consolidated Financial Statements

*For the year ended December 31, 2013
(tabular amounts in thousands of dollars)*

1. Significant accounting policies (continued)

(b) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impractical.

The City is required to act as the agent for the collection of certain taxes and fees imposed by other authorities. Collections for other authorities are excluded from the City's taxation revenues.

Revenue recognition on sale of properties occurs when the City has transferred the significant risks and rewards of ownership. Property lease revenue includes all amounts earned from tenants including property tax and operating cost recoveries. Lease revenues are recognized on a straight-line basis over the term of the lease. Consulting revenue is needed at the time when services are provided.

Restricted transfers from governments are deferred and recognized as revenue as the related expenditures are incurred or the stipulations in the related agreement are met. Unrestricted transfers are recognized as revenue when received or if the amount to be received can be reasonably estimated and collection is reasonably assured.

(c) Deferred revenue

The City defers the portion of the revenue collected from permits, licenses and other fees relating to services not yet rendered. This revenue is recognized in the year in which related inspections are performed or other related services are provided.

(d) Investment income

Investment income is reported as revenue in the period earned.

(e) Expenses

Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay. Interest expense is accrued as the obligation is incurred.

(f) Properties held-for-sale

Properties held for sale include real estate properties which are ready and available to be sold and for which there is an available market. They are valued at the lower of cost or expected net realizable value. No amortization is recorded for properties held-for-sale. Properties held-for-sale are presented in note 3.

Notes to the Consolidated Financial Statements

*For the year ended December 31, 2013
(tabular amounts in thousands of dollars)*

1. Significant accounting policies (continued)

(g) Investments

Investments consist of demand deposits, short-term investments, bonds and debentures, which are recorded at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments on a straight line basis.

(h) Employee future benefits

The City and its employees participate in a Municipal Pension Plan. The Municipal Pension Plan is a multi-employer contributory defined benefit pension plan. Payments in the year are expensed.

Sick leave and post-employment benefits also accrue to the City's employees. The liability relating to these benefits is actuarially determined based on length of service, best estimates of retirement ages and expected future salary and wage increases. The liabilities under these benefit plans are accrued based on projected benefits pro-rated as employees render services necessary to earn the future benefits.

Actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

The liability for event driven benefits, such as disability benefits, is calculated after the event occurs. The expense is recognized in the year the event occurs.

(i) Budget data

The budget data presented in these consolidated financial statements was included in the City of Surrey 2013 – 2017 Consolidated Financial Plan and was adopted through By-law #17819 on December 17, 2012.

(j) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

(j) Non-financial assets (continued)

(i) Tangible capital assets (continued)

Asset	Useful life – Years
Land improvements	12 – 60
Buildings and improvements	10 – 50
Infrastructure	10 – 100
Machinery and equipment	5 – 40

Annual amortization is charged commencing on the date the asset is acquired or available for use. Work-in-progress amounts are not amortized until the asset is put into service.

ii) Interest capitalization

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

iii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are recorded as revenue. These assets include some land, road infrastructure, water and wastewater infrastructure, machinery and equipment assets.

iv) Intangible assets

Intangible assets, including works of art and historic assets are not recorded as assets in these financial statements.

v) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all the benefits and risks incidental to ownership of the property are accounted for as capital leases and the related asset and obligation are recorded on the statement of financial position. All other leases are accounted for as operating leases and the related lease payments are expensed as incurred.

vi) Inventories of supplies

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

(k) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating contributed tangible capital assets, developer contributions, useful life for amortization, provisions for accrued liabilities, contingencies and in performing actuarial valuations of employee future benefits.

Actual results could differ from these estimates.

(l) Segment disclosure

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The City of Surrey has provided definitions of segments used by the City (note 1(a)) as well as presented financial information in segmented format (note 20).

2. Accounts receivable

	<u>2013</u>	<u>2012</u>
General accounts receivable	\$ 47,257	\$ 55,472
Development cost charges	44,733	39,092
Property taxes	20,868	20,137
Utility rates	12,142	11,330
Due from joint venture partners	6,913	8,681
Due from other authorities	4,908	3,984
Debenture debt guarantee	2,274	1,511
Tax sale properties	151	541
	<u>\$ 139,246</u>	<u>\$ 140,748</u>

3. Properties held-for-sale

	<u>2013</u>	<u>2012</u>
Opening balance	\$ 14,788	\$ 8,711
Transfer from tangible capital assets	25,813	33,391
Disposal on sale	(26,083)	(27,394)
Additions	719	80
	<u>\$ 15,237</u>	<u>\$ 14,788</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

4. Investments

	<u>2013</u>	<u>2012</u>
Investments maturing within one year	\$ 388,953	\$ 334,620
Investments maturing within two years	88,760	66,969
Investments maturing within ten years	195,713	261,962
Investment in partnership	700	-
	<u>\$ 674,126</u>	<u>\$ 663,551</u>

Average portfolio yield 2.70% (2012 – 3.05%). All investments can be liquidated on demand, but may have associated penalties on liquidation.

During 2013, SCDC invested \$700,000 for a 20% ownership of Bosa Properties (Bright A.1) Limited Partnership (“Bosa”). SCDC does not share control of Bosa and accordingly, this has been accounted for as a portfolio investment, carried at cost.

5. Accounts payable and accrued liabilities

	<u>2013</u>	<u>2012</u>
Trade accounts payable	\$ 58,127	\$ 71,662
Due to Federal Government	26,392	25,024
Employee future benefits (note 10)	23,881	21,968
Due to joint venture partners	4,940	4,940
Contractors' holdbacks	28,536	15,877
Due to Regional Districts	9,115	6,834
Due to Province of British Columbia	5,673	4,562
Due to other government entities	1,915	1,575
Interest on debt	2,015	1,413
	<u>\$ 160,594</u>	<u>\$ 153,855</u>

6. Deposits and prepayments

	<u>2013</u>	<u>2012</u>
Deposits		
Future works	\$ 34,903	\$ 33,064
Planning and permits	39,774	35,255
Engineering	28,442	29,168
Capital deposits	3,742	11,443
Pavement cuts	4,127	4,504
Boulevard trees	2,690	2,689
Latecomer	680	928
Tenant deposits	542	1,146
Other deposits	3,119	1,906
Developer works agreement	640	505
Amenities	263	284
Total Deposits	<u>\$ 118,922</u>	<u>\$ 120,892</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

6. Deposits and prepayments (continued)

Prepayments		
Taxes	\$ 32,192	\$ 30,313
Utilities	1,950	1,622
Tax sale private purchase payment	813	1,187
Other prepayments	1	12
Total Prepayments	<u>34,956</u>	<u>33,134</u>
Total Deposits and Prepayments	<u>\$ 153,878</u>	<u>\$ 154,026</u>

7. Deferred revenue

	<u>2013</u>	<u>2012</u>
Neighbourhood Concept Plans	\$ 23,545	\$ 21,426
Development/Building Permits	16,379	16,006
Deferred gains on land sales to joint ventures	4,765	4,765
Deferred lease revenue	3,963	4,054
Other	1,655	1,793
	<u>\$ 50,307</u>	<u>\$ 48,044</u>

8. Deferred development cost charges

Development Cost Charges (DCC's) are collected to pay for 95% of the general capital costs due to development and 90% of utility capital costs on specified projects. In accordance with the Local Government Act, these funds must be deposited into a separate reserve fund. DCC's are deferred and recognized as revenue when the related costs are incurred.

	<u>2013</u>	<u>2012</u>
Deferred DCC's:		
Arterial roads	\$ 49,389	\$ 54,088
Parkland	53,714	49,467
Drainage/storm water detention	37,497	36,743
Sanitary sewer	22,751	22,595
Collector roads	13,912	13,904
Water	13,722	12,885
Area specific	24,815	24,151
Park development	3,208	2,465
	<u>\$ 219,008</u>	<u>\$ 216,298</u>
Deferred DCC's, beginning of year	<u>\$ 216,298</u>	<u>\$ 183,889</u>
DCC's levied for the year	68,438	65,808
Investment income	2,655	3,006
Total DCC's deferred	<u>71,093</u>	<u>68,814</u>
Revenue recognized for General Capital Fund	(53,054)	(31,482)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

8. Deferred development cost charges (continued)

Revenue recognized for Water Capital	(3,823)	(2,913)
Revenue recognized for Sewer & Drainage Capital	(11,506)	(2,010)
Total DCC's recognized as revenue	<u>(68,383)</u>	<u>(36,405)</u>
Net increase for the year	<u>2,710</u>	<u>32,409</u>
Deferred DCC's, end of year	<u>\$ 219,008</u>	<u>\$ 216,298</u>

9. Debt

	<u>2013</u>	<u>2012</u>
Debenture debt	\$ 206,356	\$ 142,600
Loans payable	39,223	32,878
	<u>\$ 245,579</u>	<u>\$ 175,478</u>

Pursuant to security issuing by-laws under authority of the Community Charter, the City obtains debt instruments through the Municipal Finance Authority of British Columbia (MFA) to finance certain capital expenditures.

Gross amount of the debt less repayments and actuarial adjustments to date are as follows:

	<i>Gross debt</i>	<i>Repayments and actuarial adjustments</i>	<i>Net debt 2013</i>	<i>Net debt 2012</i>
General Capital Fund	\$ 212,335	\$ 5,979	\$ 206,356	\$ 142,600

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

9. Debt (continued)

In addition, loans payable by Surrey City Development Corporation are as follows:

	2013	2012
Demand loan, Grove Limited Partnership, in the form of bankers' acceptances bearing a stamping fee of 2.25% plus interest at the monthly bankers' acceptance rate, secured by the underlying property and repayable on the sale of the development	\$ 3,496	\$ 3,014
Croydon Drive Development LLP Loan payable, RBC, bearing interest at RBP plus 0.75% per annum, secured by the underlying property and repayable on the earlier of the receipt of commercial financing and September 30, 2014	2,395	-
Murray Latta loan payable, Bank of Montreal, 7-year term maturing May 1, 2020, payable in monthly payments of \$22,942, including interest calculated at a rate of 3.86% per annum, secured by a mortgage on the commercial property	4,363	-
Boundary Park loan payable, Citizen's Bank of Canada, 10-year term maturing January 1, 2023, payable in monthly payments of \$77,625, including interest calculated at a rate of 4.05% per annum, secured by a mortgage on the commercial property	14,361	14,681
Cedar Hills loan payable, Citizen's Bank of Canada, 10-year term maturing November 1, 2022, payable in monthly payments of \$78,497, including interest calculated at a rate of 3.95% per annum, secured by a mortgage on the commercial property	14,608	14,941
Line of credit, Grove Limited Partnership, through TD Canada Trust, bearing interest at prime plus 0.75% per annum	-	242
	\$ 39,223	\$ 32,878

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

9. Debt (continued)

Current borrowing includes:

MFA Issue	Issue Date	Term (yrs.)	Maturity	Interest Rate	* Refinancing Date
116	April 4, 2011	25	April 4, 2036	4.20%	April 4, 2021
121	October 4, 2012	25	October 4, 2037	2.90%	October 4, 2022
126	September 26, 2013	30	September 26, 2043	3.85%	September 26, 2023

*On the Refinancing Date, the City has the option to retire the debt early or refinance the borrowing at a new interest rate.

Repayments and mortgage payments on net outstanding debenture debt and loans payable over the next five years and thereafter are as follows:

	Repayments and actuarial adjustments	Mortgage payments	Total
2014	\$ 4,922	\$ 848	\$ 5,770
2015	5,118	882	6,000
2016	5,323	917	6,240
2017	5,536	954	6,490
2018	5,757	993	6,750
2019 and thereafter	179,700	28,738	208,438
Payable on demand	-	5,891	5,891
Total	\$ 206,356	\$ 39,223	\$ 245,579

Interest charges on debt are as follows:

	2013	2012
Cash for interest payments	\$ 4,454	\$ 3,398
Interest accrued at December 31	1,327	1,413
Less: Capitalized Interest	(276)	(115)
Total interest expense	\$ 5,505	\$ 4,696

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

10. Employee future benefits

The City provides certain post-employment and sick leave benefits to its employees. These benefits include accumulated non-vested sick leave, post-employment service pay and post-retirement top-ups for dental, life insurance and accidental death, dismemberment insurance, vacation deferral, supplementary vacation and benefit continuation for disabled employees. The liability associated with these benefits is calculated based on the present value of expected future payments pro-rated for services, and is included in accounts payable and accrued liabilities.

	<u>2013</u>	<u>2012</u>
Accrued benefit liability:		
Balance, beginning of year	\$ 21,968	\$ 19,839
Current service cost	1,688	1,834
Interest cost	941	975
Amortization of actuarial loss	630	633
Benefits paid	<u>(1,346)</u>	<u>(1,313)</u>
Balance, end of year	<u>\$ 23,881</u>	<u>\$ 21,968</u>

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2013. The difference between the actuarially determined accrued benefit obligation of \$21.1 million and the accrued benefit liability of \$23.9 million as at December 31, 2013 is an unamortized actuarial gain of \$2.8 million. The actuarial gain is amortized over a period equal to the employees' average remaining service lifetime of 11 years.

	<u>2013</u>	<u>2012</u>
Actuarial benefit obligation:		
Accrued benefit liability, end of year	\$ 23,881	\$ 21,968
Unamortized actuarial loss (gain)	<u>(2,753)</u>	<u>4,867</u>
Actuarial benefit obligation, end of year	<u>\$ 21,128</u>	<u>\$ 26,835</u>

Actuarial assumptions used to determine the City's accrued benefit obligation are as follows:

	<u>2013</u>	<u>2012</u>
Discount rate	4.00%	3.50%
Expected future inflation rate	2.50%	2.00% - 2.50%
Expected wage and salary range increases	0.50%	0.50%
Employee average remaining service life (years)	11.0	9.0

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

11. Tangible capital assets

Cost	Balance at December 31, 2012	Additions	Disposals / WIP Allocations	Balance at December 31, 2013
Land and land improvements	\$ 1,667,268	\$ 40,024	\$ 3,193	\$ 1,704,099
Buildings	332,310	20,543	99	352,754
Infrastructure	3,944,114	68,009	2,827	4,009,296
Machinery and equipment	172,373	14,954	5,735	181,592
Land under road	2,482,973	64,968	-	2,547,941
Work-in-Progress	328,917	424,368	237,971	515,314
Total	\$ 8,927,955	\$ 632,866	\$ 249,825	\$ 9,310,996

Accumulated Amortization	Balance at December 31, 2012	Amortization	Accumulated Amortization on Disposals	Balance at December 31, 2013
Land and land improvements	\$ 64,918	\$ 4,042	\$ 1,121	\$ 67,839
Buildings	158,539	10,389	99	168,829
Infrastructure	1,227,459	64,627	1,667	1,290,419
Machinery and equipment	84,502	15,140	5,687	93,955
Total	\$ 1,535,418	\$ 94,198	\$ 8,574	\$ 1,621,042

Net Book Value by category	December 31, 2012	December 31, 2013
Land and land improvements	\$ 1,602,350	\$ 1,636,260
Buildings	173,771	183,925
Infrastructure	2,716,655	2,718,877
Machinery and equipment	87,871	87,637
Land under road	2,482,973	2,547,941
Work-in-Progress	328,917	515,314
Total	\$ 7,392,537	\$ 7,689,954

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

11. Tangible capital assets (continued)

Net Book Value by fund	December 31, 2012	December 31, 2013
General capital	\$ 1,939,747	\$ 2,069,836
Transportation capital	3,185,652	3,339,184
Water capital	572,749	583,796
Sewer capital	528,415	535,864
Drainage capital	1,054,395	1,054,335
Library capital	5,940	5,835
Surrey City Development Corp.	105,639	101,104
Total	\$ 7,392,537	\$ 7,689,954

a) Work-in-progress

Work-in-progress is comprised of costs related to projects currently under planning, development or construction that will result in a finished asset at a future date. Such costs are capitalized until such time as the property is ready for use or sale.

Work-in-progress having a value of \$515.3 million (2012 - \$328.9 million) has not been amortized. Amortization of these assets will commence when each specific asset is put into service.

b) Contributed Tangible Capital Assets

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$90.9 million (2012 - \$70.9 million) comprised of roads infrastructure in the amount of \$69.3 million (2012 - \$49.9 million), water and wastewater infrastructure in the amount of \$13.4 million (2012 - \$13.4 million) and land in the amount of \$8.2 million (2012 - \$7.6 million), including improvements.

c) Tangible Capital Assets Disclosed at Nominal Values

Where an estimate of fair value is not determinable, the tangible capital asset is recognized at a nominal value.

Notes to the Consolidated Financial Statements

*For the year ended December 31, 2013
(tabular amounts in thousands of dollars)*

11. Tangible capital assets (continued)

d) Intangible Assets

The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

e) Write-down of Tangible Capital Assets

Tangible capital assets are written down when conditions indicate that they no longer contribute to the City's ability to provide goods and services. Any impairment is accounted for as an expense in the consolidated statement of operations. No impairments were identified or recorded during the year ended December 31, 2013 and 2012.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

12. Accumulated surplus

Accumulated surplus consists of individual fund surplus and reserves. Operating surplus for the City is as follows:

	2013	2012
Accumulated Surplus per Statement of Financial Position	\$ 7,763,908	\$ 7,549,945
Less:		
Tangible Capital Assets	7,689,954	7,392,537
Unexpended Borrowing	(158,199)	(86,044)
	<u>7,531,755</u>	<u>7,306,493</u>
Reserves set aside by Council		
Equipment and Building Replacement	34,836	36,653
Capital Legacy	23,998	12,757
Local Improvement Financing	14,654	14,273
Municipal Land	(1,378)	(8,205)
Environmental Stewardship	6,558	6,580
Park Land Acquisition	5,186	2,984
Water Claims	1,299	1,280
Parking Space	1,244	1,226
Affordable Housing	33	18
	<u>86,430</u>	<u>67,566</u>
Restricted Reserves		
Infrastructure Replacement	49,376	46,154
Self-Insurance	16,138	14,755
Revenue Stabilization	12,661	12,661
Operating Emergencies	7,042	7,042
Environmental Emergencies	2,852	5,928
Prepaid Expenses	3,299	2,941
Inventories of Supplies	1,010	1,030
Committed Funds	128,562	128,180
	<u>220,940</u>	<u>218,691</u>
Other Entities		
Surrey City Development Corporation (net of interfund borrowings)	(90,106)	(56,523)
Surrey Homelessness and Housing Society	8,380	8,692
	<u>(81,726)</u>	<u>(47,831)</u>
Total Restricted Funds	<u>7,757,399</u>	<u>7,544,919</u>
Unappropriated Surplus	<u>\$ 6,509</u>	<u>\$ 5,026</u>

Notes to the Consolidated Financial Statements

*For the year ended December 31, 2013
(tabular amounts in thousands of dollars)*

13. Commitments and contingencies

- a) The City has significant future contractual commitments for incomplete capital acquisitions and capital construction projects in progress. The City records the capital costs incurred to the end of the year on these projects as tangible capital assets. To provide for the completion of the projects, unexpended budget money for incomplete projects is appropriated as Committed Funds (see note 12). The Financial Plan, updated annually, provides for the financing of these and future obligations within the estimated financial resources of the City.
- b) The City has a contingent liability with respect to debentures of the Greater Vancouver Water District, Greater Vancouver Sewerage and Drainage District and Greater Vancouver Regional District, to the extent provided in their respective Enabling Acts, Acts of Incorporation and Amending Acts. Management does not consider payment under this contingency to be likely and therefore no amounts have been accrued.
- c) The City is a shareholder of the Emergency Communications for Southwest British Columbia Incorporated (E-Comm) whose services provided include: regional 9-1-1 call centre for the Greater Vancouver Regional District; Wide Area Radio network; dispatch operations; and records management. The City holds 2 Class "A" shares and 1 Class "B" share (of a total of 28 Class "A" and 23 Class "B" shares issued and outstanding as at December 31, 2013). As a Class "A" shareholder, the City shares in both funding the future operations and capital obligations of E-Comm (in accordance with a cost sharing formula), including any lease obligations committed to by E-Comm up to the shareholder's withdrawal date. As a Class "B" shareholder, the City is obligated to share in funding of the ongoing operating costs. In accordance with the members' agreement, upon withdrawal from E-Comm, class A shareholders shall be obligated to pay to the withdrawal date as requested by E-Comm their share of the class A shareholders' obligation to any long-term capital obligations, including any lease obligations. This includes any lease obligations or repayments thereof committed to by E-Comm up to the withdrawal date.
- d) The City entered into an agreement with the YMCA of Greater Vancouver for the joint development of a facility in Surrey. The City contributed \$5.5 million towards the completion of the project, which was matched by the YMCA. The City has also provided a guarantee through an \$8.0 million pledge agreement in connection with a non-recourse first collateral mortgage expiring October 15, 2014, in favour of the Royal Bank of Canada that is registered against the land and facility, which can be renewed annually. The City does not expect to make any payments on the guarantee and no amounts have been accrued in the financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

0. Commitments and contingencies (continued)

- e) The City insures itself through a combination of insurance policies and self-insurance. The City has a funded self-insurance appropriation (note 12). Based on estimates, this appropriation reasonably provides for all outstanding claims.
- f) There are several lawsuits pending in which the City is involved. The outcome and amounts that may be payable, if any, under some of these claims, cannot be determined and accordingly only those claims in which a payment is considered likely and the amounts can be estimated have been accrued based on the best estimate of management.
- g) Debt Reserve Fund Demand Note

The City has a contingent liability with respect to the Municipal Finance Authority of BC's (MFA) Debt Reserve Fund Demand Notes. This contingent liability is a condition of the borrowings undertaken by the City through:

- (i) MFA Debenture Issue No. 116 April 4, 2011;
(ii) MFA Debenture Issue No. 121 October 4, 2012; and
(iii) MFA Debenture Issue No. 126 September 26, 2013.

For each debenture issue, The City was required to contribute to the MFA Debt Reserve Fund through a demand note. The demand note will only be recorded as an asset and liability if a local government, under the joint and several agreement of the regional district, defaults on their loan obligation. Upon this action of default, the MFA may call the outstanding demand notes of the deficient regional district at which point the demand notes then become an asset and a liability of the associated members. Once the defaulting local government repays in full the defaulted position, the MFA will refund all called demand notes. It is generally unlikely that the funds will be demanded by the MFA.

Demand note amounts are as follows:

Issue	LA	SI	Rgn SI	Purpose	Term	DRF Demand Note
116	17173	R10-2022	1139	Other	25	\$ 319
116	17180	R10-2357	1141	Other	25	\$ 637
116	17231	R11-124	1142	Other	25	\$1,035
121	17231	R11-124	1142	Other	25	\$ 743
126	17928	R13-1059	1188	Other	30	\$ 943
126	17929	R13-1061	1188	Other	30	\$ 280
Total						\$3,957

Notes to the Consolidated Financial Statements

*For the year ended December 31, 2013
(tabular amounts in thousands of dollars)*

0. Commitments and contingencies (continued)

h) Policing services

The City entered into a contract with the Provincial Government which provides for the Royal Canadian Mounted Police ("RCMP") to continue to deliver policing services for the City through to March 31, 2032.

RCMP members and the federal government are currently in legal proceedings regarding pay raises for 2009 and 2010 that were retracted for RCMP members. As the final outcome of the legal action and the potential financial impact to the City is not determinable, the City has not recorded any provision for this matter in the financial statements as at December 31, 2013.

14. Pension plan

The City and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusted pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits are based on a formula. The Plan has about 179,000 active members, approximately 71,000 retired members.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. 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.

The City paid \$14.5 million (2012 - \$13.8 million) for employer contributions while employees contributed \$12.0 million (2012 - \$11.3 million) to the Plan in Fiscal 2013.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

15. Taxation revenue

	2013	2012
Tax collected:		
Property taxes	\$ 248,683	\$ 235,146
Collections for other authorities	268,633	253,144
Sewer frontage taxes	29,116	25,390
Grants-in-lieu of taxes	15,219	13,240
Other	249	225
	561,900	527,145
Less transfers to other authorities:		
Province of BC - School Taxes	203,664	192,665
Greater Vancouver Regional District	6,180	10,891
BC Assessment Authority	6,593	6,201
Greater Vancouver Transportation Authority	41,413	39,760
Other	10,758	3,627
	268,608	253,144
Taxation revenue	\$ 293,292	\$ 274,001

16. Significant taxpayers

The City is not reliant upon the revenue from any specific large property taxpayers or businesses. Tax revenues received from the seven largest properties amount to less than three percent of the City's annual gross taxation revenues.

17. Trust funds

These funds account for assets, which must be administered as directed by agreement or statute for certain beneficiaries. In accordance with PSAB recommendations on financial statement presentation for local governments, trust funds are not included in the City's Consolidated Financial Statements. Amounts administered by the City as trust funds are as follows:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

17. Trust funds (continued)

			<u>2013</u>	<u>2012</u>
Assets				
Cash and short term investments			<u>\$ 3,067</u>	<u>\$ 2,957</u>
Equity				
	<u>Employee Benefits Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 656	\$ 2,301	\$ 2,957	\$ 2,818
Employment insurance rebate	85	-	85	90
Contributions	-	116	116	88
Interest revenue	10	-	10	56
Benefits purchased	(35)	-	(35)	(29)
Refunded to employees	(66)	-	(66)	(66)
Balance, end of year	<u>\$ 650</u>	<u>\$ 2,417</u>	<u>\$ 3,067</u>	<u>\$ 2,957</u>

18. Surrey Homelessness and Housing Society

On June 22, 2007, the City of Surrey incorporated the Surrey Homelessness and Housing Society. The purposes of the Society are to raise funds for financing programs and projects that address homelessness in Surrey; conduct and provide financial assistance to homelessness housing initiatives; manage the disbursements of grants for projects and programs that address homelessness in Surrey and act to raise funds for these purposes. As the majority of members in the Society consist of City officials, the City is considered to have control over the Society's functions and the Society's financial information is fully consolidated within the City's financial statements.

19. Surrey City Development Corporation

On April 24, 2007 the City of Surrey incorporated a Development Corporation with broad powers to advance the commercial, industrial, institutional and residential development of the City. The City is the sole shareholder of the Development Corporation and has provided financing to sustain operations and the development. The Corporation's financial information is fully consolidated within the City's financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

19. Surrey City Development Corporation (continued)

As at December 31, 2013, the Surrey City Development Corporation ("SCDC") has entered into Government Partnerships as follows:

a) The Grove Limited Partnership

The Grove Limited Partnership ("Grove") is a partnership between SCDC and Townline Grove Limited Partnership ("Townline") for the development of 141 three-level townhomes located in the East Clayton area of Surrey. SCDC mutually contributed a beneficial interest in lands valued at \$2,844,000 and cash consideration of \$1,341,597, for a 50% interest in the Grove. The proportionate amounts included in the consolidated financial statements at December 31, 2013 are as follows:

Assets	\$ 351
Liabilities	(3,925)
Tangible capital assets	7,711
Prepays	<u>56</u>
Accumulated surplus	<u>\$4,192</u>

b) Croydon Drive Limited Partnership

Croydon Drive Limited Partnership ("Croydon") is a partnership between SCDC and Back Lot Holdings LLP for the development of two office buildings. The SCDC is an equal partner in Croydon and has and will provide equal capital contributions to fund the operations of Croydon in the form of land, financial and intellectual capital. Croydon's financial results are proportionately consolidated with SCDC based upon the 50% share of total contributions. The proportionate amounts included in the financial statements at December 31, 2013 are as follows:

Assets	\$ 382
Liabilities	(3,979)
Tangible capital assets	4,204
Prepays	<u>1</u>
Accumulated surplus	<u>\$ 608</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

19. Surrey City Development Corporation (continued)

c) Surrey Centre Partnerships

Surrey Centre Partnerships ("Surrey Centre") are various partnerships with Century Group and Delta West Developments Inc., through SCDC's wholly-owned subsidiary, Surrey City Investment Corporation ("SCIC"), for the development of a tower which will include retail, residential and office spaces. SCDC mutually agreed to contribute assets totalling \$13.6 million in exchange for partnership units, resulting in an ownership interest on 29.4%. The liability of SCDC is limited to the cash and land which it will contribute to the SCP through SCIC. The proportionate amounts included in the financial statements at December 31, 2013 are as follows:

Assets	\$ 6,759
Liabilities:	
Payable to partners	(4,940)
Deferred gain	(3,542)
Accounts payable	<u>(297)</u>
	<u>(8,778)</u>
Tangible capital assets	<u>2,982</u>
Accumulated surplus	<u>\$ 963</u>

20. Segmented information

The City of Surrey is a diversified municipal government institution that provides a wide range of services to the citizens of Surrey, including Fire and Police Services; Parks, Recreation and Culture Services; General Government Services; Engineering Services; Solid Waste Management Services; Planning and Development Services; Water, Sewer and Drainage Services; and Surrey Public Library Services. For management reporting purposes the Government's operations and activities are organized and reported by Service Area. Service Areas were created for the purpose of recording specific activities and related objectives in accordance with legislated requirements.

City Departments and the activities for which they are responsible are reported in these Service Areas. The Departments listed in the Segmented Information, along with the services that each Department provides are listed below:

Police Services

The mandate of the Police Department includes enforcing laws, preventing crime, and maintaining peace, order and security.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

20. Segmented information (continued)

Parks, Recreation and Culture Services – Parks, Recreation and Culture Department

The Parks, Recreation and Culture Department is responsible for planning, facilitating the development of, operating and maintaining high quality parks, recreation facilities, and cultural services.

General Government Services – Mayor & Councillor’s Department, City Manager’s Department, Finance & Technology Department, Human Resources Department, Surrey City Development Corporation, and Surrey Homelessness and Housing Society

General Government Services includes those elements of the organization with responsibility for adopting by-laws, adopting administrative policy, levying taxes, acquiring, disposing and managing City assets, ensuring effective financial management, monitoring performance and ensuring that high quality City service standards are met. The Surrey City Development Corporation, which engages in the provision of consulting services, land development activities, property acquisition/disposal and asset management and the Surrey Homelessness and Housing Society, which focuses on addressing homelessness in Surrey through raising funds and the provision of grants to worthy projects also form part of General Government Services.

Water Services – Water Department

The Water Utility operates the water system and its primary responsibility, in partnership with the Operations Division and Metro Vancouver, is to supply clean, safe drinking water to the residences and businesses of Surrey.

Fire Services

The mandate of the Fire Department is to enforce codes and maintain security by protecting life, property and the environment through the provision of emergency response services.

Sewer Services – Sewer Department

The Sewer Utility operates the network of sewer mains, to collect sewage and convey such sewage to treatment plants. The utility also plans, designs, and constructs sanitary sewer infrastructure; manages inflow and infiltration controls; and undertakes initiatives in support of the region’s Integrated Liquid Waste Resource Management Plan.

Engineering Services – Engineering Department

The Engineering Department is responsible for providing timely and effective services relating to water, sewer, drainage, garbage collection, transportation systems, and corporate real estate.

Notes to the Consolidated Financial Statements

*For the year ended December 31, 2013
(tabular amounts in thousands of dollars)*

20. Segmented information (continued)

Drainage Services – Drainage Department

The Drainage Utility operates the network of storm sewers and pump stations for storm water management. It's primary responsibility is to manage the City's storm water runoff in partnership with the Operations Division and Metro Vancouver.

Solid Waste Management Services

The Solid Waste Utility provides weekly residential curbside organic waste collection with alternating bi-weekly garbage and recycling, and curbside collection services via a fully-automated cart-based collection system.

Roads and Traffic Safety Services

The Roads & Traffic Safety Utility provides effective managed transportation systems that serves the mobility needs of individuals and businesses and is safe, secure and supports the economic vitality of the City, and protects and enhances the environment.

Planning and Development Services – Planning and Development Department

The Planning and Development Department is responsible for preparing land use plans, by-laws and policies for sustainable development of the City and for reviewing and approving new land and building development.

Surrey Public Library Services

The Surrey Public Library provides access to local and global information through its nine Library branches located throughout the City.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

*For the year ended December 31, 2013, with comparative figures for 2012
(in thousands of dollars)*

NOTE	CONSOLIDATED													
	Police Services	Parks, Recreation and Culture	General Government	Water	Fire Services	Sewer	Engineering	Drainage	Solid Waste Management	Roads & Traffic Safety	Planning and Development	Library Services	2013	2012
20 SEGMENTED INFORMATION														
REVENUES														
Taxation, grants-in-lieu, assessments	-	-	\$ 519,373	\$ 117	\$ -	\$ 7,781	\$ 4	\$ 21,456	\$ -	\$ 13,169	\$ -	\$ -	\$ 561,900	\$ 527,145
Collectors for other authorities	-	-	(268,608)	-	-	-	-	-	-	-	-	-	(268,608)	(253,144)
Taxation revenue	-	-	250,765	117	-	7,781	4	21,456	-	13,169	-	-	293,292	274,001
Sales of goods and services	1,000	20,919	15,758	61,204	1,619	40,209	4,417	-	31,844	355	2,291	186	179,802	171,352
Development cost charges	-	-	68,383	-	-	-	-	-	-	-	-	-	68,383	36,405
Developer contributions	-	130	16,355	3,720	-	4,808	8	6,213	-	90,029	-	20	121,283	103,399
Investment income	-	35	17,372	1,357	-	902	-	201	-	-	-	-	19,867	19,410
Transfers from other governments	4,418	504	4,549	-	-	-	-	238	-	41,423	385	985	52,502	55,424
Other	50	932	33,332	808	(23)	407	(552)	(1,009)	200	3,298	15,418	533	53,394	42,599
	5,468	22,520	406,514	67,206	1,596	54,107	3,877	27,099	32,044	148,274	18,094	1,724	788,523	702,590
EXPENSES														
Salaries and benefits	19,448	42,776	31,060	-	-	48,331	-	32,050	-	4,725	17,743	12,191	208,324	192,699
Consulting and professional services	35	2,929	3,661	356	395	302	412	1,738	2,270	2,550	536	75	15,259	18,494
RCMP contracted services	93,583	-	-	-	-	-	-	-	-	-	-	-	93,583	92,173
Telephone and communications	310	287	1,142	8	764	16	160	21	5	140	53	38	2,944	2,454
Regional district utility charges	384	2,726	47	40,841	333	30,004	498	-	-	3,526	448	316	70,845	69,047
Utilities	16	242	30	485	25	1,304	14	7	-	-	-	-	10,044	9,499
Garbage collection and disposal	41	7,296	2,748	47	210	22	390	549	17,980	4	11	12	18,336	19,535
Maintenance and small equipment	-	5	1,899	-	10	149	-	-	2	340	1,821	228	13,694	12,934
Insurance and claims	794	783	357	32	92	169	169	514	190	511	4	50	2,063	1,516
Leases and rentals	274	6,072	2,559	1,074	1,674	1,233	5,310	605	1,482	926	1,394	428	3,496	3,328
Supplies and materials	4	518	211	2	11	-	35	3	122	18	30	889	23,011	24,343
Advertising and media	-	212	1,721	-	-	-	-	-	-	-	-	-	1,853	2,425
Grants and sponsorships	-	212	1,721	-	-	-	-	-	-	-	-	-	1,937	2,415
Contract payments	650	2,090	2,559	3,195	9	2,252	783	1,722	696	7,720	349	52	20,355	19,616
Other	(507)	(1,784)	(6,422)	8,800	(406)	3,570	(34,297)	5,308	3,948	3,518	(487)	(2,475)	(21,234)	(19,871)
Cost recoveries, net	-	-	5,505	-	-	-	-	-	-	-	-	-	5,505	4,696
Interest on debt	-	300	2,021	11	-	13	-	-	-	-	-	5	2,350	1,409
Other interests and fiscal services	1,114	12,920	9,216	8,384	1,941	10,661	3,155	18,334	-	26,420	4	2,049	94,198	93,324
Amortization expense	116,146	79,552	59,691	63,216	53,969	49,638	8,970	28,812	26,727	50,598	22,651	14,590	574,560	554,923
	(110,678)	(57,032)	346,823	3,990	(52,373)	4,469	(5,093)	(1,713)	5,317	97,676	(4,557)	(12,866)	213,963	147,667
Excess (deficiency) of revenues over expenses														
Transfer from (to) operating funds	-	-	(70,361)	10,901	-	9,457	(770)	3,661	(2,556)	36,961	1	12,706	-	-
Transfer from (to) reserve funds	(2,260)	(201)	(40,949)	2,655	(1,377)	4,743	(2,324)	5,024	(846)	35,666	(131)	-	-	-
Transfer from (to) capital funds	-	338	35,831	(10,438)	-	(8,311)	455	(5,815)	(545)	(11,561)	46	-	-	-
Annual surplus (deficit)	\$ (112,938)	\$ (56,895)	\$ 271,344	\$ 7,108	\$ (53,750)	\$ 10,358	\$ (7,732)	\$ 1,157	\$ 1,370	\$ 158,742	\$ (4,641)	\$ (160)	\$ 213,963	\$ 147,667

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

21. Transfers from other governments

The Government transfers reported on the Statement of Operations are:

	2013	2012
Revenue		
B.C. provincial government grants:		
Roads	\$ 10,567	\$ 13,122
Traffic Fine Revenue Sharing	4,065	8,323
Casino Revenue Sharing	3,599	3,052
Library Operating	900	871
Welcoming Communities Program	384	-
Sewer Replacement	238	2,925
Child Care and Seniors	182	226
Victim Services	167	172
Arts	104	50
Dept. Municipal Affairs – City Centre Library	68	-
BC One Card	66	34
ICBC – Crime Reduction	25	-
Resource Sharing	19	8
Union of BC Municipalities	-	17
Subtotal B.C. provincial government grants	20,384	28,800
Federal government grants:		
Roads	20,660	12,440
Building & Facility Improvements	858	-
Parks Development	137	84
Keep of Prisoners	186	209
Summer Students	13	10
Child Care	68	62
Newton Gym	-	34
Subtotal federal government grants	21,922	12,839
TransLink:		
Arterial Widening & Intersection Improvements	3,533	5,125
Arterial Paving	1,396	3,508
Arterial Bridges	4,617	4,776
Traffic Signals, Signs & Markings	66	166
Bicycle Street Network & Other Transit Projects	584	210
Subtotal TransLink grants	10,196	13,785
Total transfers from other government revenues	\$ 52,502	\$ 55,424

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013
(tabular amounts in thousands of dollars)

22. Budget data

The budget data presented in these consolidated financial statements was included in the City of Surrey 2013 – 2017 Consolidated Financial Plan and was adopted through By-law #17819 on December 17, 2012. The following table reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	<u>Budget Amount</u>
Revenues:	
Approved Consolidated budget	\$ 938,205
Less:	
Borrowing proceeds	<u>(35,675)</u>
Total Revenues:	<u>902,530</u>
Expenses:	
Approved Consolidated budget	1,178,759
Transfers between funds	<u>(240,554)</u>
	938,205
Less:	
Capital expenditures	(568,458)
Add:	
Transfers between funds	<u>240,554</u>
Total Expenses:	<u>610,301</u>
Annual surplus per statement of operations	<u>\$ 292,229</u>

RESERVE FUNDS, ACCUMULATED SURPLUS AND DEVELOPER CONTRIBUTIONS
as at December 31, 2013
(in thousands of dollars)

	<i>2012</i>	<i>2013</i>	<i>Utility & Road Funds</i>	<i>2014 & Prior years</i>	<i>Available for Future Years</i>
Reserve Funds					
Equipment and building replacement	\$ 36,653	\$ 34,833		\$ 22,941	\$ 11,892
Municipal land	(8,205)	(1,378)		10,102	(11,480)
Park land acquisition	2,984	5,186		5,186	-
Capital legacy	12,757	23,998		20,555	3,443
Environmental stewardship	6,580	6,558		240	6,318
Local improvement financing	14,273	14,654		5,463	9,191
Water claims	1,280	1,299	1,299		-
Affordable housing	18	33		33	-
Parking space	1,226	1,244			1,244
	<u>\$ 67,566</u>	<u>\$ 86,427</u>	<u>\$ 1,299</u>	<u>\$ 64,520</u>	<u>\$ 20,608</u>
Other Entities					
Surrey Public Library	(324)	(324)			(324)
Surrey City Development Corp	(56,523)	(90,106)			(90,106)
Surrey Homelessness & Housing Society	8,692	8,380		8,380	-
	<u>\$ (48,155)</u>	<u>\$ (82,050)</u>	<u>\$ -</u>	<u>\$ 8,380</u>	<u>\$ (90,430)</u>
Unappropriated Surplus					
General operating fund	\$ 6,348	\$ 7,831		\$ 4,999	\$ 2,832
Employee future benefits	(6,998)	(6,998)			(6,998)
Water operating fund	3,000	3,000	3,000		-
Sewer & drainage operating fund	3,000	3,000	3,000		-
	<u>\$ 5,350</u>	<u>\$ 6,833</u>	<u>\$ 6,000</u>	<u>\$ 4,999</u>	<u>\$ (4,166)</u>
Appropriated Surplus					
Operating contingency and emergencies	\$ 7,042	\$ 7,042	\$ 3,507		\$ 3,535
Environmental emergencies	5,928	2,852	2,852		-
Revenue stabilization	12,661	12,661	9,482		3,179
Self insurance	14,755	16,138	10,064		6,074
Infrastructure replacement	46,154	49,376	49,376		-
	<u>\$ 86,540</u>	<u>\$ 88,069</u>	<u>\$ 75,281</u>	<u>\$ -</u>	<u>\$ 12,788</u>
Committed Funds					
General operating	\$ 24,631	\$ 23,824		\$ 23,824	\$ -
Inventories of supplies	1,030	1,010	519	491	-
Library services	250	219		219	-
Prepaid expenses	2,941	3,299		3,299	-
Roads & traffic operating and capital	23,290	26,962	26,962		-
Sewer & drainage operating and capital	42,664	42,008	42,008		-
Water operating and capital	37,345	35,549	35,549		-
	<u>\$ 132,151</u>	<u>\$ 132,871</u>	<u>\$ 105,038</u>	<u>\$ 27,833</u>	<u>\$ -</u>
Deferred Development Cost Charges					
Drainage/Storm Water Detention	\$ 36,743	\$ 37,497	\$ 37,497		\$ -
Arterial Roads	54,088	49,389	49,389		-
Collector Roads	13,904	13,912	13,912		-
Parkland	49,467	53,714		25,522	28,192
Park Development	2,465	3,207		3,058	149
Water	12,885	13,722	13,722		-
Sanitary Sewer	22,595	22,751	22,751		-
Campbell Heights	10,237	13,152	13,152		-
Highway 99 Corridor	13,914	11,663	11,663		-
	<u>\$ 216,298</u>	<u>\$ 219,007</u>	<u>\$ 162,086</u>	<u>\$ 28,580</u>	<u>\$ 28,341</u>
Other Deferred Revenue					
Neighbourhood Concept Plans	\$ 21,426	\$ 23,545		\$ 16,215	\$ 7,330
Development/Building Permits	16,006	16,379		16,379	-
Other	10,612	10,383		10,383	-
	<u>\$ 48,044</u>	<u>\$ 50,307</u>	<u>\$ -</u>	<u>\$ 42,977</u>	<u>\$ 7,330</u>
Total	<u>\$ 507,794</u>	<u>\$ 501,464</u>	<u>\$ 349,704</u>	<u>\$ 177,289</u>	<u>\$ (25,529)</u>