

NO: R058

COUNCIL DATE: **APRIL 27, 2015**

REGULAR COUNCIL

TO: **Mayor and Council**

DATE: **April 21, 2015**

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

FILE: **1880-20**

SUBJECT: **2014 Annual Financial Report**

RECOMMENDATION

The Finance & Technology Department recommend that Council:

1. receive this report as information; and
2. accept the 2014 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 2014 financial statements and to have Council accept such statements, which will then be included as part of the City's 2014 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, 2014 for the City of Surrey are attached to this report as **Appendix I**. These will be included in the City's 2014 Annual 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 2014 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, 2014 and the results of its operations for the year 2014.

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, 2014</i> <i>(in thousands of dollars)</i>	<i>2014</i> <i>Budget</i>	2014 Actuals	2013 Actuals <i>Recast</i>
REVENUES				
1	Taxation revenue	\$ 310,047	\$ 311,024	\$ 293,292
2	Sales of goods and services	200,242	192,714	179,802
3	Development cost charges			
	Current year available	60,575	8,492	10,257
	Prior year carryforward	49,317	48,119	58,126
4	Developer contributions	160,369	170,536	123,067
5	Investment income	18,601	18,454	20,189
6	Transfers from other governments	35,056	46,129	52,502
7	Other	49,457	48,764	53,394
		<u>883,663</u>	<u>844,232</u>	<u>790,629</u>
EXPENSES				
8	Police services	122,845	119,765	115,032
9	Parks, recreation and culture	70,124	69,138	66,632
10	General government	52,532	37,003	40,163
11	Water	60,776	57,801	54,832
12	Fire services	53,562	59,265	52,028
13	Sewer	42,771	49,240	38,977
14	Engineering	6,195	7,118	5,815
15	Drainage	14,631	20,867	10,478
16	Solid waste	27,992	25,401	26,727
17	Roads & traffic safety	31,480	32,159	24,178
18	Planning and development	25,473	24,379	22,647
19	Library services	13,783	13,744	12,541
20	Amortization	116,267	110,257	94,198
21	Interest, fiscal services & other	12,212	14,009	10,312
22	Loss on disposal of assets	0	15,265	0
		<u>650,643</u>	<u>655,411</u>	<u>574,560</u>
23	Excess revenues over expenses	233,020	188,821	216,069
24	Contribution from (to) capital expenditures	(411,164)	(490,458)	(368,451)
25	Contribution from (to) reserves	173,145	301,637	152,382
		<u>(4,999)</u>	<u>0</u>	<u>0</u>
26	Equity, beginning of year	<u>7,794,820</u>	<u>7,794,820</u>	<u>7,578,751</u>
27	Equity, end of year	<u>\$ 8,027,840</u>	<u>\$7,983,641</u>	<u>\$ 7,794,820</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 in 2014 was \$977,000 higher than budget. This favorable variance was primarily due to higher than budgeted grants-in-lieu payments and local improvement agreements.
2. Sale of Goods & Services: Sales revenue is \$7.5 million lower than budget. This is due in part to the adjustment to eliminate the SCDC dividend payment (\$4.5 million) for purposes of the consolidated financial statement presentation. After removing the SCDC dividend payment, sales revenue was \$3.0M lower than anticipated, this was due in part to lower than anticipated revenues in the Parks and Recreation area; however the shortfall was offset by higher than anticipated Land Development Administration and Secondary Suite revenues.
3. Development Cost Charges: The ‘Budget’ figure includes the development cost charges that are available for the 2014 program (\$60.575 million), as well as the funding that was committed to projects in prior years but had not yet been spent (\$49.317 million), for a total of \$109.892 million. The ‘Actual’ column includes only the revenue required to match the costs of the capital constructed (\$56.611 million) in 2014. The variance between actual and budget (\$53.281 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	\$2.161M	\$3.503M	\$1.342M
Cash -in-Lieu of Parkland	\$2.133M	\$3.673M	\$1.540M
Private Contributions	\$56.075M	\$16.415M	(\$39.660M)
Contributed Assets	\$100.000M	\$146.796M	\$46.796M
Total:	<u>\$160.369M</u>	<u>\$170.387M</u>	<u>\$10.18M</u>

The ‘Budget’ figure for NCP Contributions is determined based on the actual contributions received in the previous year (2013); comparatively, the ‘Actual’ column for NCP contributions historically includes only the revenue required to match the cost of capital constructed or acquired in 2014. This methodology has been in place since 2005. During the current year end process, it was determined that revenue recognition is more appropriately based on the actual NCP contributions received in the current year. In prior years, revenue was recognized as and to the extent the funds were used for their intended purpose under the by-law. The table above reflects this more appropriate revenue recognition criteria. The variances for both NCP and Cash-in-Lieu of Parkland is the result of higher than anticipated developer contributions, these funds will be utilized for the 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

contributions from non-Provincial & Federal sources towards projects such as the Roberts Bank projects (\$9.6 million) and miscellaneous contributions from various sources (including ICBC, other Municipalities and private sources) towards paving, road cutting services, signal installations and 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 2014 was established based on historical information. Actual asset contributions were \$146.796 million (\$90.90 million in 2013). Staff will continue to monitor the activity in an effort to improve future budgeting estimates.

5. Investment Income: The variance between the 'Actual' figure (\$18.45 million) and the 'Budget' figure (\$18.6 million) represents a slight unfavourable variance of \$147,000 dollars. This is due primarily to lower than anticipated interest earnings.
6. Transfers from Other Governments: The detailed breakdown of this variance is as follows:

	Budget	Actual	Variance
Traffic Fine Revenue Sharing	\$6.352M	\$4.080M	(\$2.272M)
TransLink	\$22.560M	\$12.895M	(\$9.665M)
Gaming Revenue Sharing	\$3.700M	\$3.055M	(\$0.645M)
Other Sundry	\$2.444M	\$2.022M	(\$0.422M)
 Subtotal	 \$35.056M	 \$22.052M	 (\$13.004M)
 Capital Infrastructure Grants	 \$0.000M	 \$24.076M	 \$24.076M
 Total:	 \$35.056M	 \$46.128M	 \$11.073M

The \$2.272 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 \$2.272 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:

- Roberts Bank Project (\$3.518 million);
- Arterial Widening & Paving (\$3.049 million); and
- 16 Avenue-KG to Hwy 99-(\$4.3 million)

7. Other Revenue: This includes the following:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Permits, Licensing & Fines	\$24.819M	\$23.420M	(\$1.399M)
Lease & Rentals	\$5.903M	\$5.663M	(\$.240M)
Penalties & Interest on Taxes	\$4.460M	\$5.095M	\$0.635M
Donation & Sponsorship	\$1.175M	\$2.137M	\$0.962M
Land Sales	\$5.100M	\$0.087M	(\$5.013M)
SCDC	\$8.000M	\$12.484M	\$4.484M
Total:	<u>\$49.457M</u>	<u>\$48.850M</u>	<u>(\$0.571M)</u>

The unfavorable variance in Other Revenues is predominately the result of lower than budgeted revenue from Land Sales (\$5.0M) and lower than anticipated revenues from Permits, Licensing & Fines (\$1.4M), these unfavorable variances were partially offset by favorable variances in revenue from Penalties & Interest on Taxes (\$0.64M) and SCDC's favorable variance (\$4.5M). It is noted that in lieu of the City directly selling land, SCDC has taken on this function and accordingly have a favorable variance predominately due to land sales- accounting for \$6.9M dollars in revenue. Going forward the budget for Land Sales will be removed from the City to reflect the shift in this function to SCDC.

Expenses

8. Police Services: The \$3.080 million in savings in this area is the result of civilian staff vacancies (\$1.0 million) and savings for indirect RCMP administrative charges from E-Division as they refine the cost allocation model for the new Green Timbers facility (\$2.4 million) off-set by additional lease costs for the Newton District Office (\$0.3 million). Savings in this area have been set aside to support the possible early arrival of the 100 new officers requested for 2015.
9. Parks, Recreation & Culture: The \$0.986 million favorable variance is due to staff managing expenditures in lieu of recognizing lower than anticipated revenues.
10. General Government: This includes the following:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Mayor, Council, Grants & Initiatives	\$5.975M	\$3.63M	(\$2.34M)
City Manager (Leg. Services, Legal, Bylaws, Econ Dev)	\$13.42M	\$13.17M	(\$0.25M)
Finance & Technology	\$24.88M	\$22.25M	(\$2.63M)
Human Resources	\$3.41M	\$3.31M	(\$0.10M)
SCDC	\$9.70M	\$6.72M	(\$2.98M)
Build Surrey	\$3.92M	\$2.27M	(\$1.65M)
Other (contingency, misc. items)	\$0.905M	\$0.62M	(\$0.29M)
Total	<u>\$62.21M</u>	<u>\$51.97M</u>	<u>(\$10.24M)</u>

The variance in the Mayor, Council, Grant's & Initiatives is due to the timing of the distribution of City Grants and Council Initiatives, the savings have been transferred to surplus for future use. The savings in the City Manager area is predominately the result of vacancies, the variance in the Finance & Technology department is the result of lower claims than anticipated, staff vacancies and lower insurance costs. Human Resources department has a slightly favorable variance due primarily to staff vacancies.

The budget for SCDC is based on an estimate of non-capitalized administrative activity while the 'actual' reflects their administrative business expenses for the year. 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 the contingency not being fully utilized.

11. Water: The under expenditure of (\$2.97 million) is the result of operational savings and increased recovered work and timing of expenditures.
12. Fire Services: The unfavorable variance of \$5.703 million in Fire Services is predominately due to the negotiated Fire Services Contract and related retro payments for the years 2012-2013.
13. Sewer: The unfavorable variance of (\$6.47 million) is predominately the result of Capital in Nature expenditures, the budget for these expenditures resides in Contributions to/from Capital, line number 24.
14. Engineering: The unfavorable variance of \$.0923M is predominantly the result of Capital in Nature expenditures, for which the budget resides in line number 24.
15. Drainage: The unfavorable \$6.24 million variance is predominantly the result of Capital in Nature expenditures, the budget for these expenditures resides in Contributions to/from Capital, line number 24.
16. Solid Waste: The favorable variance of \$2.59 million in this area is the result of operational savings and timing of expenditures.
17. Roads & Traffic Safety: The unfavorable variance of \$0.68M in this area is predominately due to Capital in Nature expenditures, the budget for these expenditures resides in Contributions to/from Capital, line number 24.
18. Planning and Development: The favorable variance of (\$1.094M) is primarily the result of position vacancies and timing of expenditures.
19. Library services: The small favorable variance of (\$0.039M) is the result of savings related to vacant positions.
20. Amortization: This expense represents the annual consumption or usage of City Assets. The 2014 Budget was estimated based on the actual assets owned by the City in 2013 as well as an estimate of the value of new assets that would be added in 2014. Although amortization for major upcoming projects was estimated, variances relate to the timing and mix of new assets added in each category during 2014. Amortization by asset type is as follows:

	<u>Budget</u>	<u>Actual</u>
Land Improvements	\$4.33M	\$4.11M
Building	\$15.93M	\$15.11M
Infrastructure	\$75.65M	\$71.74M
Equipment	\$20.36M	\$19.31M
	<u>\$ 116.27M</u>	<u>\$ 110.26M</u>

21. Interest, Bank Charges, Fiscal Services and other: This line item includes the principle and interest on long-term borrowing. The unfavorable variance in this area (\$1.79 million) is predominately the result of the City contributing more toward debt principal pay down.
22. Loss/ (Gain) on disposal of assets: This line represents the overall net loss on the disposal of City assets in the amount of \$15.265 million dollars, the loss related to the South Fraser Perimeter road accounts for \$12.8 million dollars of this total.
23. 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. The anticipated excess is lower than budgeted primarily due to lower DCC's recognized in 2014 vs budgeted.
24. Contribution (to) capital expenditures: As noted in the comments related to line 23, funding used to support capital expenditures is now included in the line titled "Excess revenues over expenses" in the financial statements. In 2014, capital expenditures totalled \$490.45 million, being funded by developer contributions (\$170.5 million), DCC's (\$56.6 million), general contributions (\$102.9 million) and funding from other reserve funds and capital funds, which include internal borrowing. (\$160.45 million).
25. Contribution (to)/from reserves: This line represents the reduction to equity, inclusive of the City's annual amortization of assets, the change in debt funding received but not yet utilized, general contributions and transfers from reserves.
26. 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 2013 financial statements.
27. 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 made an addition to its income property portfolio by completing construction on the first phase of an office building. The corporation also disposed of one income property. One development property was fully disposed of, while an additional development property was partially sold. SCDC also added two development properties to its holdings throughout 2014. SCDC continued activity on their partnership arrangements for the development of properties. The corporation also entered into a new partnership agreement for a build-to-suit project to be located on one of SCDC’s development 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.

Audit Adjustments

The financial statements were adjusted to reflect the following items:

- Some land values were reclassified as properties available for sale to reflect the intended treatment of these assets by SCDC. These properties include lots associated with the Campbell Heights North project, the remaining lots of the Schmit Berg properties and the Cloverdale West Village project.
- Historically, the City has recorded funds received for its Neighbourhood Concept Plan (“NCP”), and interest earned on these funds, as liabilities within deferred revenue. Once costs were incurred, the deferred revenue was recognized as revenue against these costs expended directly related to these NCPs. As the funds are not externally restricted, accounting treatment dictates these funds to be recognized as revenue when received and therefore comparative figures have been adjusted to reflect this. The net impact on this was a decrease in our Deferred Revenue liability and a related increase in our Accumulated Surplus of \$23.545 million.
- The City has also adjusted prior year balances to increase Work-in-Progress for values understated in our tangible capital assets registers from prior years related to costs associated with road construction that completed in 2014, for a net impact of \$7.367 million.
- Additionally, the City reviewed the accounting treatment for deferred Development Cost Charges (“DCC”) relating to development properties of SCDC. Historically, DCCs collected by the City from SCDC were eliminated upon consolidation. As the DCCs are externally restricted, these DCCs should be recorded as a liability and not eliminated upon consolidation. Therefore, prior year comparative figures have been adjusted to increase the DCC liability and tangible capital assets by \$6.399 million.

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 have been adopted by PSAB and will affect financial reporting in the future include the following:

Liabilities for Contaminated Sites

Section PS 3260 of the PSA Handbook requires governments to recognize a liability related to the remediation costs associated with non-productive contaminated sites, where the government is responsible for the site and the contamination exceeds the existing environmental standards for the site. This standard became effective for years commencing on or after April 1, 2014, therefore staff have implemented procedures and a policy commencing January 1st, 2015 to address this requirement.

Realty has been actively working on identifying City-owned non-productive contaminated sites and on determining any potential liability.

Related Party Transactions

Sections PS 2200 and PS 3420 of the PSA Handbook provides guidelines on the treatment of Related Party and Inter-entity transactions, respectively. This standard requires disclosure about material transactions that have had a financial effect on the City's financial statements between related parties or inter related entities. Disclosure would include information on which parties were related, the extent of the relationship would need to be recognized in the financial statements and the appropriate measures for recognized transactions.

Staff anticipates that these new standards will have minimal impact on the City's financial statements; however, staff will review the standards and assess if there are any procedures or policies that will need to be implemented for these standards prior to their effective date, which for the City will be January 1st, 2018.

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, 2016, 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 these new standards will have none to minimal impact on the City's financial statements; however, staff will review the standards and assess if there are any procedures or policies that will need to be implemented for these standards prior to their effective date, which for the City will be January 1st, 2017.

New standards under review that may affect financial reporting in the future include the following:

Concepts underlying financial performance

PSAB is proposing a revised framework that will update the concepts that underline the reporting of financial performance in the financial statements. This includes categorizing revenues and expenses in order to provide information about the net result of services and the aspects of financial results that arise from transactions and events that would be either outside of operations or are not reasonably predictable. A Conceptual Framework was released March 2015 and comments are currently being requested until August 2015. Adoption of these principles would result in a need to assess current accounting policies, financial statement presentation and revenue treatment practices.

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 was released in August 2014 and PSAB is currently reviewing comments and preparing to present the Handbook release in 2015. Adoption of these principles would result in a need to assess current accounting policies and revenue treatment practices.

Asset Retirement Obligations

PSAB issued a Statement of Principles 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. Currently PSAB is deliberating comment received on its Statement of Principles and expects to release their Exposure Draft during the second half of 2015.

General Comment

Overall, the City continues to be in a relatively strong financial position. Reserve balances have reduced from prior year; however this reduction is reflective of the decision to make use of these funds for internally borrowing purposes to support our capital initiatives. **Appendix II** provides a summary of the City's current reserve balances and related commitments.

Staff will continue to provide Council with updated financial information on a quarterly basis during 2015 through the Quarterly Financial Reporting process.

Auditors Comments

As noted in the Audit Findings Report to follow, 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 2014 Annual Financial Report that will be distributed to Council in June, 2015.

All of the variances outlined in this report will be incorporated into the 2015 Five Year Financial Plan.

Vivienne Wilke, CGA
General Manager,
Finance & Technology

Attachments:

Appendix I: 2014 City of Surrey Financial Statements

Appendix II: Reserve Balance Summary

City of Surrey

Consolidated Statement of Financial Position

*As of December 31, 2014, with comparative figures for 2013
(in thousands of dollars)*

	2014	2013
		<i>(recast - note 2)</i>
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 55,135	\$ 70,402
Accounts receivable (note 3)	144,673	139,246
Properties held-for-sale (note 4)	31,115	15,237
Investments (note 5)	582,457	674,126
	813,380	899,011
LIABILITIES		
Accounts payable & accrued liabilities (note 6)	154,334	160,594
Deposits and prepayments (note 7)	170,524	153,878
Deferred revenue (note 8)	26,443	26,762
Deferred development cost charges (note 9)	229,595	225,407
Debt (note 10)	241,976	245,579
	822,872	812,220
NET FINANCIAL ASSETS (DEBT)	(9,492)	86,791
NON-FINANCIAL ASSETS		
Tangible capital assets (note 12)	7,988,160	7,703,720
Inventories of supplies	1,011	1,010
Prepaid expenses	3,962	3,299
	7,993,133	7,708,029
ACCUMULATED SURPLUS (note 13)	\$ 7,983,641	\$ 7,794,820

Commitments and contingencies (note 14)

City of Surrey
Consolidated Statement of Operations

*For the year ended December 31, 2014, with comparative figures for 2013
(in thousands of dollars)*

	2014 <i>Budget</i> <i>(note 23)</i>	2014	2013 <i>(recast - note 2)</i>
REVENUES			
Taxation revenue (note 16)	\$ 310,047	\$ 311,024	\$ 293,292
Sales of goods and services	200,242	192,714	179,802
Development cost charges (note 9)	109,892	56,611	68,383
Developer contributions	160,369	170,536	123,067
Investment income	18,601	18,454	20,189
Transfers from other governments (note 22)	35,055	46,129	52,502
Other	49,457	48,764	53,394
TOTAL REVENUES	883,663	844,232	790,629
EXPENSES			
Police services	124,241	120,938	116,146
Parks, recreation and culture	84,464	84,583	79,552
General government	79,333	71,210	59,271
Water	70,840	67,490	63,216
Fire services	55,751	61,114	53,969
Sewer	55,568	61,797	49,638
Engineering	5,349	12,061	8,970
Drainage	36,638	42,600	28,812
Solid waste	29,593	26,898	26,727
Roads & traffic safety	66,268	64,790	50,576
Planning and development	25,477	24,383	22,651
Parking	421	1,457	22
Surrey City Energy	425	310	420
Library services	16,275	15,780	14,590
TOTAL EXPENSES	650,643	655,411	574,560
ANNUAL SURPLUS	233,020	188,821	216,069
Accumulated Surplus, beginning of year	7,794,820	7,794,820	7,578,751
Accumulated Surplus, end of year	\$ 8,027,840	\$ 7,983,641	\$ 7,794,820

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

City of Surrey

Consolidated Statement of Changes in Net Financial Assets (Debt)

As at December 31, 2014, with comparative figures for 2013
(in thousands of dollars)

	2014 Budget <i>(note 23)</i>	2014	2013 <i>(recast - note 2)</i>
ANNUAL SURPLUS	\$ 233,020	\$ 188,821	\$ 216,069
Acquisition of tangible capital assets	(411,164)	(456,855)	(427,979)
Amortization of tangible capital assets	116,267	110,257	94,198
Loss (gain) on disposal of tangible capital assets	-	15,265	(3,568)
Proceeds on disposal of tangible capital assets	-	5,887	9,904
	<u>(61,877)</u>	<u>(136,625)</u>	<u>(111,376)</u>
Acquisition of inventories of supplies	-	(1,011)	(1,010)
Consumption of inventories of supplies	-	1,010	1,030
Acquisition of prepaid expenses	-	(3,962)	(3,299)
Use of prepaid expenses	-	3,299	2,941
Transfer to properties held-for-sale	-	41,006	25,813
	<u>-</u>	<u>40,342</u>	<u>25,475</u>
CHANGE IN NET FINANCIAL ASSETS (DEBT)	<i>(61,877)</i>	(96,283)	<i>(85,901)</i>
Net financial assets, beginning of year	<u>86,791</u>	<u>86,791</u>	<u>172,692</u>
Net financial assets (debt) , end of year	<u>\$ 24,914</u>	<u>\$ (9,492)</u>	<u>\$ 86,791</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, 2014, with comparative figures for 2013
(in thousands of dollars)

	2014	2013
		<i>(recast - note 2)</i>
Cash provided by (used in):		
OPERATING TRANSACTIONS		
Annual Surplus	\$ 188,821	\$ 216,069
Non-Cash charges to operations:		
Amortization expense	110,257	94,198
Loss on disposal of tangible capital assets	15,265	3,171
Developer contributions of tangible capital assets (note 12(b))	(146,796)	(90,854)
Change in non-cash operating working capital:		
Accounts receivable	(5,427)	1,502
Inventories of supplies	(1)	20
Prepaid expenses	(663)	(358)
Accounts payable and accrued liabilities	(6,260)	6,739
Deposits and prepayments	16,646	(148)
Deferred revenue	(319)	157
Deferred development cost charges	4,188	9,109
Net change in cash from operating transactions	175,711	239,605
FUNDING TRANSACTIONS		
Proceeds from issuance of debt	-	67,335
Repayment of debt	(4,922)	(3,579)
Proceeds from issuance of loan payable	2,665	7,302
Repayment on loan payable	(1,346)	(957)
Cash provided (used) by financing transactions	(3,603)	70,101
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(310,059)	(339,309)
Acquisition of properties held-for-sale	(4,321)	(719)
Disposal of properties held-for-sale	29,449	26,083
Proceeds on disposal of tangible capital assets	5,887	3,165
Cash provided (used) by financing transactions	(279,044)	(310,780)
INVESTING TRANSACTIONS		
Decrease (increase) in investments	91,669	(10,575)
Cash provided (used) by investing transactions	91,669	(10,575)
Increase (decrease) in cash and cash equivalents	(15,267)	(11,649)
Cash and cash equivalents, beginning of year	70,402	82,051
Cash and cash equivalents, end of year	\$ 55,135	\$ 70,402
Supplementary cash flow information:		
NON-CASH TRANSACTIONS:		
Exchange of land	-	6,739
	\$ -	\$ 6,739

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

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 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, Drainage, Parking, Roads & Traffic Safety, Sewer, Solid Waste, Surrey City Energy and Water 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, Drainage, Parking, Roads & Traffic Safety, Sewer, Solid Waste, Surrey City Energy and Water Capital Funds and Surrey Public Library Capital. They are used to record the acquisition costs of tangible capital assets and any related debt outstanding.

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, 2014
(tabular amounts in thousands of dollars)

Appendix I

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 wholly owned subsidiaries and 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 (proportionately consolidated) referred to as the "Surrey Centre Tower Holdings".

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 Limited Partnership

SCIC has a 50% ownership in the Croydon Drive Development Limited Liability Partnership ("Croydon") - (50% owned and proportionately consolidated)

SCIC has a 50% ownership in 0918387 BC Ltd., the General Partner of Croydon) - (50% owned and proportionately consolidated)

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

(iii) Surrey City Investment (Industrial) Corporation ("SCIIC") - (100% owned and fully consolidated)

SCIIC has a 50% ownership in the Beedie SCDC (34A Ave) Limited Partnership ("Beedie LP") - (50% owned and proportionately consolidated)

SCIIC has a 50% ownership in the Beedie SCDC (34A Ave) G.P. Ltd., the General Partner of Beedie LP - (50% owned and proportionately consolidated)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

1. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

v) Surrey Homelessness and Housing Society

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of 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 its 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 18.

(b) Revenue recognition

Revenues are recognized in the period in which the transaction or event occurs that give 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 sales 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 recorded at the time when services are provided.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

1. Significant accounting policies (continued)

(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 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 is presented in note 4.

(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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

1. Significant accounting policies (continued)

(i) Budget data

The budget data presented in these consolidated financial statements was included in the City of Surrey 2014 – 2018 Consolidated Financial Plan and was adopted through By-law #18109 on January 13, 2014.

(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:

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 except for development properties of SCDC.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

1. Significant accounting policies (continued)

(j) Non-financial assets (continued)

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 that 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.

(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 21).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

2. Recast of comparative figures

During the year, the City determined that certain immaterial adjustments were required to be made to its comparative figures.

Historically, the City has recorded funds received for its Neighbourhood Concept Plan ("NCP"), and interest earned on these funds, as liabilities within deferred revenue. Once costs were incurred, the deferred revenue was recognized as revenue. As the funds are not externally restricted, these amounts should be recorded as revenue. The City has also adjusted prior year balances to correct prior year amounts of Tangible Capital Assets and to increase deferred Development Cost Charges ("DCC") and Tangible Capital Assets for DCCs relating to properties developed by SCDC.

The effects of the adjustments on the comparative figures are summarized below in thousands of dollars:

Accumulated surplus at January 1:	<u>2014</u>	<u>2013</u>
Opening accumulated surplus, as previously reported	\$7,763,908	\$7,549,945
Adjustment for NCP	23,545	21,439
Tangible Capital Assets understatement	7,367	7,367
Opening accumulated surplus, as recast	<u>\$7,794,820</u>	<u>\$7,578,751</u>
Net financial assets at January 1:	<u>2014</u>	<u>2013</u>
Net financial assets, as previously reported	\$69,645	\$153,437
Adjustment for deferred DCC	(6,399)	(2,184)
Adjustment for NCP	23,545	21,439
Net financial assets, as recast	<u>\$86,791</u>	<u>\$172,692</u>
Annual surplus:		<u>2013</u>
As previously reported		\$213,963
Adjustment for NCP		2,106
Annual surplus, as recast		<u>\$216,069</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

3. Accounts receivable

	<u>2014</u>	<u>2013</u>
General accounts receivable	\$ 55,797	\$ 47,257
Development Cost Charges	42,867	44,733
Property taxes	21,514	20,868
Utility rates	12,108	12,142
Due from joint venture partners	3,233	6,913
Due from other authorities	6,560	4,908
Debenture debt guarantee	2,340	2,274
Tax sale properties	254	151
	<u>\$ 144,673</u>	<u>\$ 139,246</u>

4. Properties held-for-sale

	<u>2014</u>	<u>2013</u>
Opening balance	\$ 15,237	\$ 14,788
Transfer from tangible capital assets	41,006	25,813
Disposal on sale	(29,449)	(26,083)
Additions	4,321	719
	<u>\$ 31,115</u>	<u>\$ 15,237</u>

5. Investments

	<u>2014</u>	<u>2013</u>
Investments maturing within one year	\$ 344,598	\$ 388,953
Investments maturing within two years	65,519	88,760
Investments maturing within ten years	172,036	195,713
Investment in partnership	304	700
	<u>\$ 582,457</u>	<u>\$ 674,126</u>

Average portfolio yield 2.61% (2013 – 2.70%). 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”). During 2014 SCDC received a \$396,502 distribution from Bosa LP. Accordingly, SCDC’s investment in the partnership has been reduced to \$303,498 at December 31, 2014. SCDC does not share control of Bosa and accordingly, this has been accounted for as a portfolio investment, carried at cost.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

6. Accounts payable and accrued liabilities

	<u>2014</u>	<u>2013</u>
Trade accounts payable	\$ 62,346	\$ 58,127
Due to Federal Government	29,575	26,392
Employee future benefits (note 11)	24,520	23,881
Due to joint venture partners	3,140	4,940
Contractors' holdbacks	15,811	28,536
Due to Regional Districts	9,695	9,115
Due to Province of British Columbia	5,386	5,673
Due to other government entities	1,852	1,915
Interest on debt	2,009	2,015
	<u>\$ 154,334</u>	<u>\$ 160,594</u>

7. Deposits and prepayments

	<u>2014</u>	<u>2013</u>
Deposits:		
Future works	\$ 37,687	\$ 34,903
Planning and permits	42,901	39,774
Engineering	33,673	28,442
Capital deposits	7,753	3,742
Pavement cuts	3,535	4,127
Boulevard trees	2,669	2,690
Latecomer	763	680
Tenant deposits	397	542
Other deposits	2,790	3,119
Developer works agreement	95	640
Amenities	288	263
Total Deposits	<u>\$ 132,551</u>	<u>\$ 118,922</u>
Prepayments:		
Taxes	\$ 34,676	\$ 32,192
Utilities	1,813	1,950
Tax sale private purchase payment	1,449	813
Other prepayments	35	1
Total Prepayments	<u>37,973</u>	<u>34,956</u>
Total Deposits and Prepayments	<u>\$ 170,524</u>	<u>\$ 153,878</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

8. Deferred revenue

	<u>2014</u>	<u>2013</u> (recast-note 2)
Development/Building Permits	\$ 16,269	\$ 16,379
Deferred gains on land sales to joint ventures	4,764	4,765
Deferred lease revenue	3,873	3,963
Other	1,537	1,655
	<u>\$ 26,443</u>	<u>\$ 26,762</u>

9. 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>2014</u>	<u>2013</u> (recast-note 2)
Deferred DCC's:		
Arterial roads	\$ 55,196	\$ 49,764
Parkland	46,200	54,004
Drainage/storm water detention	39,856	37,709
Sanitary sewer	24,308	22,850
Collector roads	12,038	13,994
Water	14,719	13,798
Area specific	34,118	30,080
Park development	3,160	3,208
	<u>\$ 229,595</u>	<u>\$ 225,407</u>
Deferred DCC's, beginning of year	<u>\$ 225,407</u>	<u>\$ 216,298</u>
DCC's levied for the year	58,543	74,837
Investment income	2,256	2,655
Total DCC's deferred	<u>60,799</u>	<u>77,492</u>
Revenue recognized for General Capital Fund	(48,078)	(53,054)
Revenue recognized for Water Capital	(2,631)	(3,823)
Revenue recognized for Sewer & Drainage Capital	(5,902)	(11,506)
Total DCC's recognized as revenue	<u>(56,611)</u>	<u>(68,383)</u>
Net increase for the year	4,188	9,109
Deferred DCC's, end of year	<u>\$ 229,595</u>	<u>\$ 225,407</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

10. Debt

	<u>2014</u>	<u>2013</u>
Debenture debt (i)	\$ 201,435	\$ 206,356
Loans payable (ii)	40,541	39,223
	<u>\$ 241,976</u>	<u>\$ 245,579</u>

(i) Debenture debt

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 sinking fund installments and actuarial adjustments to date are as follows:

	<i>Gross debt</i>	<i>Sinking fund installments and actuarial adjustments</i>	<i>Net debt 2014</i>	<i>Net debt 2013</i>
General Capital Fund	\$ 212,335	\$ 10,900	\$ 201,435	\$ 206,356

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

10. Debt (continued)

(ii) Loans payable

Loans payable by Surrey City Development Corporation are as follows:

	2014	2013
Demand loan, Grove LP, 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	\$ 2,998	\$ 3,496
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 May 31, 2015	5,059	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	4,253	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	14,000	14,361
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	14,231	14,608
	\$ 40,541	\$ 39,223

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

10. Debt (continued)

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

	Sinking fund installments and actuarial adjustments	Loan payments	Total
2015	\$ 5,118	\$ 8,939	\$ 14,057
2016	5,323	917	6,240
2017	5,536	954	6,490
2018	5,757	993	6,750
2019	5,987	1,033	7,020
2020 and thereafter	173,714	27,705	201,419
Total	\$ 201,435	\$ 40,541	\$ 241,976

Interest charges on debt are as follows:

	<u>2014</u>	<u>2013</u>
Cash for interest payments	\$ 6,342	\$ 4,454
Interest accrued at December 31	2,009	1,327
Less: Capitalized Interest	(259)	(276)
Total interest expense	\$ 8,092	\$ 5,505

11. 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

11. Employee future benefits (continued)

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2014. The difference between the actuarially determined accrued benefit obligation of \$23.1 million and the accrued benefit liability of \$24.5 million as at December 31, 2014 is an unamortized actuarial gain of \$1.4 million. The actuarial gain is amortized over a period equal to the employees' average remaining service lifetime of 11 years.

Accrued benefit obligation:	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$21,128	\$26,836
Current service cost	1,610	1,736
Interest cost	865	961
Actuarial loss (gain)	1,280	(7,059)
Benefits paid	(1,776)	(1,346)
	<u> </u>	<u> </u>
Accrued benefit obligation, end of year	<u>\$23,107</u>	<u>\$21,128</u>

Reconciliation of accrued benefit obligation to accrued benefit liability:

	<u>2014</u>	<u>2013</u>
Actuarial benefit obligation, end of year	\$ 23,107	\$ 21,128
Unamortized actuarial gain	<u>1,413</u>	<u>2,753</u>
Accrued benefit liability, end of year	<u>\$ 24,520</u>	<u>\$ 23,881</u>

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

	<u>2014</u>	<u>2013</u>
Discount rate	3.20%	4.00%
Expected future inflation rate	2.50%	2.50%
Expected wage and salary range increases	0.50%	0.50%
Employee average remaining service life (years)	11.0	11.0

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

12. Tangible capital assets

Cost	Balance at December 31, 2013 (recast – note 2)	Additions	Disposals / WIP Allocations	Balance at December 31, 2014
Land and land improvements	\$ 1,704,099	\$ 60,066	\$ 15,523	\$ 1,748,642
Buildings	352,754	148,724	58	501,420
Infrastructure	4,009,296	213,570	22,613	4,200,253
Machinery and equipment	181,592	40,929	4,688	217,833
Land under road	2,547,941	80,463	7	2,628,397
Work-in-Progress	529,080	480,903	609,026	400,957
Total	\$ 9,324,762	\$ 1,024,655	\$ 651,915	\$ 9,697,502

Accumulated Amortization	Balance at December 31, 2013 (recast – note 2)	Amortization	Accumulated Amortization on Disposals	Balance at December 31, 2014
Land and land improvements	\$ 67,839	\$ 4,108	\$ 423	\$ 71,524
Buildings	168,829	15,109	58	183,880
Infrastructure	1,290,419	71,735	16,800	1,345,354
Machinery and equipment	93,955	19,305	4,676	108,584
Total	\$ 1,621,042	\$ 110,257	\$ 21,957	\$ 1,709,342

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

12. Tangible capital assets (continued)

Net Book Value by category	December 31, 2013 (recast – note 2)	December 31, 2014
Land and land improvements	\$ 1,636,260	\$ 1,677,118
Buildings	183,925	317,540
Infrastructure	2,718,877	2,854,899
Machinery and equipment	87,637	109,249
Land under road	2,547,941	2,628,397
Work-in-Progress	529,080	400,957
Total	\$ 7,703,720	\$ 7,988,160

Net Book Value by fund	December 31, 2013 (recast – note 2)	December 31, 2014
General capital	\$ 2,069,836	\$ 2,148,352
Transportation capital	3,346,551	3,525,417
Water capital	583,796	592,103
Sewer capital	535,864	541,931
Drainage capital	1,054,335	1,059,186
Library capital	5,835	5,673
Surrey City Development Corp.	107,503	115,498
Total	\$ 7,703,720	\$ 7,988,160

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 \$401.0 million (2013 - \$529.1 million) has not been amortized. Amortization of these assets will commence when each specific asset is put into service.

Notes to the Consolidated Financial Statements

*For the year ended December 31, 2014
(tabular amounts in thousands of dollars)*

Appendix I

12. Tangible capital assets (continued)

b) Contributed Tangible Capital Assets

Contributed tangible capital assets have been recognized at fair value at the date of contribution. The value of contributed assets received during the year is \$146.8 million (2013 - \$90.9 million) comprised of roads infrastructure in the amount of \$92.4 million (2013 - \$69.3 million), water and wastewater infrastructure in the amount of \$45.7 million (2013 - \$13.4 million) and land in the amount of \$8.7 million (2013 - \$8.2 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.

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, 2014 and 2013.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

13. Accumulated surplus

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

	2014	2013 (recast – Note 2)
Accumulated Surplus per Statement of Financial Position	\$ 7,983,641	\$ 7,794,820
Less Restricted Funds:		
Tangible capital assets	7,988,160	7,703,720
Internal borrowing	(25,536)	-
Debt funded assets	(171,734)	(158,199)
	7,790,890	7,545,521
Reserves set aside by Council		
Equipment and Building Replacement	35,888	34,836
Capital Legacy	2,854	23,998
Neighborhood Concept Plans	23,836	23,545
Local Improvement Financing	15,173	14,654
Municipal Land	-	(1,378)
Environmental Stewardship	6,448	6,558
Park Land Acquisition	8,876	5,186
Water Claims	1,315	1,299
Parking Space	1,260	1,244
Affordable Housing	8	33
	95,658	109,975
Restricted Reserves		
Infrastructure Replacement	6,103	49,376
Self-Insurance	15,982	16,138
Revenue Stabilization	13,250	12,661
Operating Emergencies	8,758	7,042
Environmental Emergencies	5,346	2,852
Prepaid Expenses	3,962	3,299
Inventories of Supplies	1,011	1,010
Committed Funds	133,226	128,562
	187,638	220,940
Other Entities		
Surrey City Development Corporation	(105,265)	(96,505)
Surrey Homelessness and Housing Society	8,212	8,380
	(97,053)	(88,125)
Total Restricted Funds	7,977,133	7,788,311
Unappropriated Surplus	\$ 6,508	\$ 6,509

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

14. 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 13). 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, 2014). 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, 2017, 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, 2014
(tabular amounts in thousands of dollars)

Appendix I

14. 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 13). Based on estimates, this appropriation reasonably provides for all outstanding claims.
- f) The City is, from time to time, engaged in or party to certain legal actions, assessment appeals and other existing conditions involving uncertainty which may result in material losses. 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 reasonably estimated have been recorded in the financial statements as a liability.
- 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:

- a. MFA Debenture Issue No. 116 April 4, 2011;
- b. MFA Debenture Issue No. 121 October 4, 2012; and
- c. MFA Debenture Issue No. 126 September 26, 2013.

As a condition for each debenture issue, the City is required to execute demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the MFA. The debt agreement with the MFA provides that if at any time the scheduled payments provided for in the agreement are not sufficient to meet the MFA's obligations in respect to such borrowing, the resulting deficiency becomes the joint and severed liability of the City and all other participants to the agreement through the MFA. The City is similarly liable on a contingent basis for the debt of other municipalities secured through 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, 2014
(tabular amounts in thousands of dollars)*

Appendix I

14. Commitments and contingencies (continued)

h) Policing services

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

15. Pension plan

The City and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusteesd 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 182,000 active members, approximately 75,000 retired members. Active members include approximately 36,000 contributors from local government.

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 \$16.0 million (2013 - \$14.5 million) for employer contributions while employees contributed \$13.2 million (2013 - \$12.0 million) to the Plan in Fiscal 2014.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

16. Taxation revenue

	2014	2013
Tax collected:		
Property taxes	\$ 262,365	\$ 248,683
Collections for other authorities	276,085	268,608
Drainage Parcel taxes	31,918	29,116
Grants-in-lieu of taxes	16,266	15,219
Other	475	274
	587,109	561,900
Less transfers to other authorities:		
Province of BC - School Taxes	211,600	203,664
Greater Vancouver Regional District	6,151	6,180
BC Assessment Authority	6,792	6,593
Greater Vancouver Transportation Authority	42,765	41,413
Other	8,777	10,758
	276,085	268,608
Taxation revenue	\$ 311,024	\$ 293,292

17. 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.

18. 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, 2014
(tabular amounts in thousands of dollars)

Appendix I

18. Trust funds (continued)

			<u>2014</u>	<u>2013</u>
Assets				
Cash and short term investments			<u>\$ 3,171</u>	<u>\$ 3,067</u>
Equity				
	<u>Employee Benefits Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 650	\$ 2,417	\$ 3,067	\$ 2,957
Employment insurance rebate	82	-	82	85
Contributions	-	122	122	116
Interest revenue	8	-	8	10
Benefits purchased	(29)	-	(29)	(35)
Refunded to employees	(79)	-	(79)	(66)
Balance, end of year	<u>\$ 632</u>	<u>\$ 2,539</u>	<u>\$ 3,171</u>	<u>\$ 3,067</u>

19. 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 City appoints the majority of members in the Society, who then appoint the Society's Board, 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

20. 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. As a controlled other government organization, the Corporation's financial information is fully consolidated within the City's financial statements.

As at December 31, 2014, 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 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, 2014 are as follows:

Assets	\$2,665
Liabilities	(3,503)
Tangible capital assets	5,447
Prepays	<u>-</u>
Accumulated surplus	<u>\$4,609</u>

b) Croydon Drive Limited Partnership

Croydon Drive Limited Partnership ("Croydon") is a partnership 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, 2014 are as follows:

Assets	\$ 322
Liabilities	(6,408)
Tangible capital assets	6,785
Prepays	<u>5</u>
Accumulated surplus	<u>\$ 704</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

20. Surrey City Development Corporation (continued)

c) Surrey Centre Limited Partnerships

Surrey Centre Limited Partnerships (“SCLPs”) are various partnerships for the development of mixed-use real estate developments in the City. The SCLPs financial results are proportionately consolidated with those of the Corporation based upon the Corporation’s partnership interest of 29.4%. The liability of SCDC is limited to the cash and land which it will contribute to the SCLP through SCIC. The proportionate amounts included in the financial statements at December 31, 2014 are as follows:

Assets	\$ 3,477
Liabilities:	
Payable to partners	(3,140)
Deferred gain	(3,542)
Accounts payable	<u>(1,699)</u>
	<u>(8,381)</u>
Tangible capital assets	<u>8,265</u>
Accumulated surplus	<u>\$ 3,361</u>

d) Beedie Limited Partnership

Beedie Limited Partnership (“Beedie LP”) is a partnership in the business of real estate investment and development of a build-to-suit industrial building in the City. SCDC is an equal partner and will provide contributions of cash and land to fund development. Beedie LP financial results are proportionately consolidated with SCDC based upon the 50% share of total contributions. The liability of the Corporation is limited to the cash and land which it will contribute to Beedie LP. The proportionate amounts included in the financial statements at December 31, 2014 are as follows:

Assets	\$ 8
Liabilities	(177)
Tangible capital assets	10
Prepays	<u>159</u>
Accumulated surplus	<u>\$ -</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

21. 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 Police Services; Parks, Recreation and Culture Services; General Government Services; Water Services; Fire Services; Sewer Services; Engineering Services; Drainage Services; Solid Waste Management Services; Roads & Traffic Safety Services; Planning and Development Services; Parking Services; Surrey City Energy 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.

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 and cultural facilities and 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

21. Segmented information (continued)

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.

Drainage Services – Drainage Department

The Drainage Utility operates the network of storm sewers and pump stations for storm water management. Its 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

21. Segmented information (continued)

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.

Parking

The Parking Authority Utility is a self-funded program that involves planning, managing and enforcing the City's on and off street parking assets, employing leading edge technologies, such as license plate recognition and pay stations that provide a user friendly interface, improved theft security and efficient enforcement.

Surrey City Energy

Surrey City Energy is the municipal energy utility of the Engineering Department. This utility provides the planning and development of community energy systems that will provide thermal energy to new and existing developments throughout the City Centre area.

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, 2014
 (tabular amounts in thousands of dollars)

City of Surrey
 Notes To The Consolidated Financial Statements

For the year ended December 31, 2014, with comparative figures for 2013
 (in thousands of dollars)

NOTE	CONSOLIDATED														2014	2013	
	Police Services	Parks, Recreation and Culture	General Government	Water	Fire Services	Sewer	Engineering	Drainage	Solid Waste Management	Roads & Traffic Safety	Planning and Development	Parking	Surrey City Energy	Library Services			
21 SEGMENTED INFORMATION																	
REVENUES																(recast - note 2)	
Taxation, grants-in-lieu, assessments	\$ -	\$ -	\$ 538,745	\$ 190	\$ -	\$ 2,954	\$ -	\$ 28,996	\$ -	\$ 16,224	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 587,109	\$ 561,900
Collections for other authorities	-	-	(276,085)	-	-	-	-	-	-	-	-	-	-	-	-	(276,085)	(268,608)
Taxation revenue	-	-	262,660	190	-	2,954	-	28,996	-	16,224	-	-	-	-	-	311,024	293,292
Sales of goods and services	1,111	21,925	18,338	64,697	1,687	43,515	4,516	-	33,308	759	2,127	540	-	191	192,714	179,802	
Development cost charges	-	-	56,611	-	-	-	-	-	-	-	-	-	-	-	56,611	68,383	
Developer contributions	-	130	16,750	8,576	-	10,805	63	26,798	-	107,310	-	-	104	-	170,536	123,067	
Investment income	-	30	16,369	1,083	-	789	-	183	-	-	-	-	-	-	18,454	20,189	
Transfers from other governments	4,418	366	3,055	-	-	-	-	103	-	36,972	282	-	-	933	46,129	52,502	
Other	85	1,791	26,652	900	5	447	2,173	67	120	439	15,544	-	-	541	48,764	53,394	
	5,614	24,242	400,435	75,446	1,692	58,510	6,752	56,147	33,428	161,704	17,953	540	104	1,665	844,232	790,629	
EXPENSES																	
Salaries and benefits	19,655	43,524	30,255	-	55,311	-	32,041	-	-	5,212	18,030	146	332	12,411	216,917	208,324	
Consulting and professional services	614	3,965	4,098	813	238	775	538	2,394	2,211	3,939	1,265	5	40	88	20,983	15,259	
RCMP contracted services	97,766	-	-	-	-	-	-	-	-	-	-	-	-	-	97,766	93,583	
Telephone and communications	333	299	1,086	12	169	24	124	36	9	29	62	-	-	34	2,217	2,944	
Regional district utility charges	-	-	-	41,435	-	30,520	-	-	-	-	-	-	-	-	71,955	70,845	
Utilities	403	2,925	39	476	330	2,031	409	7	-	3,890	663	-	-	378	11,551	10,044	
Garbage collection and disposal	9	186	10	26	-	-	12	3	18,932	1	16	-	-	10	19,205	18,336	
Maintenance and small equipment	25	7,753	4,585	350	918	9	563	130	34	817	2,362	21	-	196	17,788	13,694	
Insurance and claims	-	3	2,691	-	11	-	-	-	-	-	-	-	-	-	2,705	2,063	
Leases and rentals	826	668	360	67	-	116	261	463	146	625	7	-	-	35	3,574	3,496	
Supplies and materials	332	6,683	2,867	944	1,848	6,993	5,087	9,128	1,323	3,084	1,129	16	6	522	39,982	23,011	
Advertising and media	22	416	592	7	14	3	20	16	7	31	12	4	-	955	2,099	1,853	
Grants and sponsorships	2	105	2,154	-	-	-	-	-	-	-	80	-	-	-	2,341	1,937	
Contract payments	-	2,209	672	3,779	49	2,970	1,390	1,821	196	10,061	232	182	80	-	23,841	20,355	
Other	678	3,646	6,160	1,126	598	1,130	4,462	3,128	6	793	1,244	-	-	620	23,591	7,997	
Cost recoveries, net	(900)	(1,923)	(9,979)	9,848	(247)	5,699	(34,678)	6,778	2,385	4,223	(723)	220	(148)	(1,512)	(20,957)	(21,234)	
Interest on debt	-	-	8,092	-	-	-	-	-	-	-	-	-	-	-	8,092	5,505	
Other interests and fiscal services	-	325	1,236	21	-	4	-	-	152	-	-	-	-	6	1,744	2,350	
Amortization expense	1,173	13,794	16,292	8,612	1,849	11,523	1,832	18,696	1,497	32,085	4	863	-	2,037	110,257	94,198	
	120,938	84,583	71,210	67,490	61,114	61,797	12,061	42,600	26,898	64,790	24,383	1,457	310	15,780	655,411	574,560	
Excess (deficiency) of revenues over expenses	(115,324)	(60,341)	329,225	7,956	(59,422)	(3,287)	(5,309)	13,547	6,530	96,914	(6,430)	(917)	(206)	(14,115)	188,621	216,069	
Transfer from (to) operating funds	-	(3)	(9,157)	(212)	-	(2,549)	982	(11,681)	(8,970)	28,285	(131)	(9,956)	-	13,292	-	-	
Transfer from (to) reserve funds	(1,700)	180	(30,264)	1,654	(377)	2,509	(1,171)	2,621	(495)	26,518	(142)	-	-	667	-	-	
Transfer from (to) capital funds	-	761	(16,951)	(6,674)	-	(3,816)	86	4,513	(446)	(15,441)	631	39,123	(1,757)	(29)	-	-	
Annual surplus (deficit)	\$ (117,024)	\$ (59,403)	\$ 272,853	\$ 2,724	\$ (59,799)	\$ (7,143)	\$ (5,412)	\$ 9,000	\$ (3,381)	\$ 136,376	\$ (6,072)	\$ 28,250	\$ (1,963)	\$ (185)	\$ 188,621	\$ 216,069	

CHECK - Expenses

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

22. Transfers from other governments

The Government transfers reported on the Statement of Operations are:

	2014	2013
Revenue		
BC Provincial government grants:		
Roads	\$ 6,302	\$ 10,567
Traffic Fine Revenue Sharing	4,080	4,065
Casino Revenue Sharing	3,055	3,599
Library Operating	900	900
Welcoming Communities Program	282	384
Sewer Replacement	103	238
Child Care and Seniors	112	182
Victim Services	167	167
Arts	97	104
Dept. Municipal Affairs – City Centre Library	-	68
BC One Card	33	66
ICBC – Crime Reduction	-	25
Resource Sharing	-	19
Subtotal BC Provincial government grants	15,131	20,348
Federal government grants:		
Roads	17,773	20,660
Building & Facility Improvements	-	858
Parks Development	83	137
Keep of Prisoners	171	186
Summer Students	7	13
Child Care	68	68
Subtotal federal government grants	18,102	21,922
TransLink:		
Arterial Widening & Intersection Improvements	3,049	3,533
Arterial Paving	4,300	1,396
Arterial Bridges	3,518	4,617
Traffic Signals, Signs & Markings	414	66
Bicycle Street Network & Other Transit Projects	1,615	584
Subtotal TransLink grants	12,896	10,196
Total transfers from other government revenues	\$ 46,129	\$ 52,502

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014
(tabular amounts in thousands of dollars)

Appendix I

23. Budget data

The budget data presented in these consolidated financial statements was included in the City of Surrey 2014 - 2018 Consolidated Financial Plan and was adopted through By-law #18109 on January 13, 2014. 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	\$ 891,663
Less:	
Borrowing proceeds	<u>(8,000)</u>
Total Revenues:	<u>883,663</u>
Expenses:	
Approved Consolidated budget	1,108,507
Transfers between funds	<u>(216,844)</u>
	891,663
Less:	
Capital expenditures	(457,864)
Add:	
Transfers between funds	<u>216,844</u>
Total Expenses:	<u>650,643</u>
Annual surplus per statement of operations	<u>\$ 233,020</u>

RESERVE FUNDS, ACCUMULATED SURPLUS AND DEVELOPER CONTRIBUTIONS
as at December 31, 2014
(in thousands of dollars)

	2013	2014	Utility & Road Funds	Committed to 2015 & Prior years	Balance Available for Future Years
Reserve Funds					
Equipment and building replacement	\$ 34,836	\$ 35,888		\$ 23,333	\$ 12,555
Capital legacy	23,998	2,854		2,854	-
Neighbourhood Concept Plans	23,545	23,836		15,655	8,181
Local improvement financing	14,654	15,173		7,138	8,035
Municipal land	(1,378)	-			-
Environmental stewardship	6,558	6,448		452	5,996
Park land acquisition	5,186	8,876		8,876	-
Water claims	1,299	1,315	1,315		-
Parking space	1,244	1,260			1,260
Affordable housing	33	8		8	-
	<u>\$ 109,975</u>	<u>\$ 95,658</u>	<u>\$ 1,315</u>	<u>\$ 58,316</u>	<u>\$ 36,027</u>
Other Entities					
Surrey Public Library	(324)	(325)			(325)
Surrey City Development Corp	(96,505)	(105,265)			(105,265)
Surrey Homelessness & Housing Society	8,380	8,212		8,212	-
	<u>\$ (88,449)</u>	<u>\$ (97,378)</u>	<u>\$ -</u>	<u>\$ 8,212</u>	<u>\$ (105,590)</u>
Unappropriated Surplus					
General operating fund	\$ 7,831	\$ 7,831		\$ 3,870	\$ 3,961
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>\$ 6,833</u>	<u>\$ 6,833</u>	<u>\$ 6,000</u>	<u>\$ 3,870</u>	<u>\$ (3,037)</u>
Appropriated Surplus					
Operating contingency and emergencies	\$ 7,042	\$ 8,758	\$ 5,138		\$ 3,620
Environmental emergencies	2,852	5,346	5,346		-
Revenue stabilization	12,661	13,250	10,071		3,179
Self insurance	16,138	15,982	10,063		5,919
Infrastructure replacement	49,376	6,103	6,103		-
	<u>\$ 88,069</u>	<u>\$ 49,439</u>	<u>\$ 36,721</u>	<u>\$ -</u>	<u>\$ 12,718</u>
Committed Funds					
General operating	\$ 23,824	\$ 24,768		\$ 24,768	\$ -
Inventories of supplies	1,010	1,011	498	513	-
Library services	219	198		198	-
Prepaid expenses	3,299	3,962		3,962	-
Roads & traffic operating and capital	26,962	26,843	26,843		-
Sewer & drainage operating and capital	42,008	43,011	43,011		-
Water operating and capital	35,549	38,406	38,406		-
	<u>\$ 132,871</u>	<u>\$ 138,199</u>	<u>\$ 108,758</u>	<u>\$ 29,441</u>	<u>\$ -</u>
Deferred Development Cost Charges					
Drainage/Storm Water Detention	\$ 37,709	\$ 39,856	\$ 39,856		\$ -
Arterial Roads	49,764	55,196	55,196		-
Collector Roads	13,994	12,038	12,038		-
Parkland	54,004	46,200		46,200	-
Park Development	3,208	3,160		3,160	-
Water	13,798	14,719	14,719		-
Sanitary Sewer	22,850	24,308	24,308		-
Campbell Heights	18,417	20,684	20,684		-
Highway 99 Corridor	11,663	13,434	13,434		-
	<u>\$ 225,407</u>	<u>\$ 229,595</u>	<u>\$ 180,235</u>	<u>\$ 49,360</u>	<u>\$ -</u>
Other Deferred Revenue					
Development/Building Permits	16,379	16,269		16,269	-
Other	10,383	10,174		10,174	-
	<u>\$ 26,762</u>	<u>\$ 26,443</u>	<u>\$ -</u>	<u>\$ 26,443</u>	<u>\$ -</u>
Total	<u>\$ 501,468</u>	<u>\$ 448,789</u>	<u>\$ 333,029</u>	<u>\$ 175,642</u>	<u>\$ (59,882)</u>