

NO: R082

COUNCIL DATE: April 25, 2022

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **April 21, 2022**

FROM: **General Manager, Finance**

FILE: **1880-20**

SUBJECT: **2021 Annual Consolidated Financial Statements**

RECOMMENDATION

The Finance Department recommends that Council:

1. Receive this report for information; and
2. Approve the 2021 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 City of Surrey's 2021 annual consolidated financial statements ("Financial Statements"), which will then be included in the City's 2021 Annual Financial Report.

DISCUSSION

Sections 98 and 167 of the Community Charter require the City produce audited annual consolidated financial statements. The City of Surrey's Financial Statements, including the auditor's report, for the year ended December 31, 2021, are attached to this report as Appendix "I". These will be included in the City's 2021 Annual Financial Report that will be published by the end of June.

The Financial Statements included in Appendix "I" have been audited and prepared in accordance with Canadian Public Sector Accounting Standards as prescribed by the Public Sector Accounting Board ("PSAB"). City staff continue to stay abreast of new and evolving PSAB standards in preparation for future impacts; attached as Appendix "II" is a summary of both approved future standards and evolving standards. The City maintains a comprehensive system of internal controls to safeguard City assets and to provide reliable financial information.

The accounting firm of BDO Canada LLP ("BDO") was retained to conduct the 2021 audit and to express an opinion as to whether the Financial Statements present fairly the financial position of the City of Surrey as at December 31, 2021, and the results of its operations for the year 2021.

Auditors Comments

Based on the auditor's opinion, the City's 2021 Financial Statements have been fairly stated in all material respects. The audit included consideration of financial 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 adjust where appropriate.

Executive Summary

COVID-19 first impacted the City's financial results in quarter one of 2020 through the closure of libraries, community/recreation centres and cultural facilities. Development and construction activity within the City also experienced a steep, albeit temporary, decline. The Surrey Economic Action and Recovery Plan strengthened economic resiliency and encouraged business investment, providing the City with a strong financial position as we entered 2021.

The negative financial impacts of the COVID-19 pandemic on the City's finances persisted with the loss of revenues due to the reopening of City facilities at less than 100% capacity. Cost avoidance measures were once again taken to help reduce expenses to offset the revenue shortfalls relating to the pandemic. Overall, the City was able to maintain a strong financial position for the year.

The pandemic inflicted tremendous social and financial hardships; however, optimism was increased against the backdrop of emerging vaccination program rollouts in British Columbia ("BC"), Canada, and several nations around the world. The City supported the heavily impacted restaurant sector through the creation of temporary patios, expansion of the Façade Enhancement Grant and revisions to the Parking to Patio Program, which waived fees and deposits for applicants.

The City's Emergency Operations Centre ("EOC") prepared the Surrey Restart Plan which outlined the changes to be made to facilities and services with each step of the BC Restart Plan. Surrey continued to offer financial incentives to the development community to encourage and accelerate the implementation of larger scale projects that could generate jobs and important investments, benefitting residents and businesses. These initiatives, along with the overall streamlined development and permitting process, helped to keep Surrey resilient through the year.

The rise of the COVID-19 Omicron variant at the end of 2021 and the reintroduction of public health measures and restrictions highlighted the fact that we are still susceptible to considerable uncertainty. Circumstances remain dynamic and it is unknown what the ultimate duration and magnitude of the pandemic's continued economic impact will be on the City's financial position in future periods. City staff will continue to monitor all financial indicators and will take proactive actions as deemed necessary to ensure the City continues its strong financial performance in 2022 and future years.

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

The annual audited financial statements included in Appendix "1", are presented in the format required by the Chartered Professional Accountants of Canada, which reports the amortization expense in each functional area.

The Consolidated Statement of Operations – Revenues & Expenses, that appears as Table 1, has been reclassified to adjust the budgeted development cost charges ("DCCs") revenue to reflect only the current year portion of the budget (as denoted by *) and to remove the amortization expense from each functional area to better compare actual revenues and expenses to budget.

Table 1 – Consolidated Statement of Operations – Revenues & Expenses

<i>For the year ended December 31, 2021</i> <i>(in thousands of dollars)</i>	<i>2021</i> <i>Budget</i>	2021 Actual	<i>2021 Budget</i> <i>Variance</i>
REVENUES			
1 Taxation revenue	\$ 508,072	\$ 518,400	\$ 10,328
2 Sales of goods and services	280,455	275,990	(4,465)
3 Development cost charges	* 55,881	44,991	(10,890)
4 Developer contributions	108,411	208,220	99,809
5 Investment income	11,995	18,015	6,020
6 Transfers from other governments	99,424	49,839	(49,585)
7 Other	50,922	64,194	13,272
8 Gain (loss) on disposal of assets	2,000	3,472	1,472
	1,117,160	1,183,121	65,961
EXPENSES			
9 Police services	189,989	218,315	28,326
10 Parks, recreation and culture	108,204	80,577	(27,627)
11 General government services	66,208	75,742	9,534
12 Road & traffic safety	33,530	33,355	(175)
13 Water operations	68,055	69,942	1,887
14 Fire services	66,865	68,342	1,477
15 Sewer operations	65,305	63,793	(1,512)
16 Solid waste management	34,410	36,541	2,131
17 Drainage operations	13,515	13,575	60
18 Planning and development	32,512	30,871	(1,641)
19 Library	21,008	20,484	(524)
20 Engineering	9,936	8,717	(1,219)
21 Surrey City Energy	2,247	2,685	438
22 Parking	1,322	1,090	(232)
23 Amortization	142,206	142,707	501
24 Interest on debt and general fiscal services	9,977	10,374	397
Loss on disposal of assets	-	495	495
	865,289	877,605	12,316
25 EXCESS REVENUES OVER EXPENDITURES	*	251,871	305,516
			53,645

The Consolidated Statement of Operations – Change in Equity, that appears as Table 2 on the following page, has been reclassified to reflect the adjusted budgeted DCC’s revenue referenced in the previous table (as denoted by *). This table shows the change in equity as a result of the excess revenues over expenses and how that excess was utilized.

Table 2 - Consolidated Statement of Operations – Change in Equity

	<i>For the year ended December 31, 2021 (in thousands of dollars)</i>	<i>2021 Budget</i>	<i>2021 Actual</i>	<i>2021 Budget Variance</i>
26	Accumulated Surplus (Equity), beginning of year	9,612,337	9,612,337	-
	Excess revenues over expenditures *	251,871	305,516	53,645
27	Accumulated Surplus (Equity), end of year	\$ 9,864,208	\$ 9,917,853	\$ 53,645

The lines in both the tables above have been referenced numerically on the left side of each table. 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.

Revenues:

1. *Taxation Revenue:* The actual taxation revenue received in 2021 was approximately \$10.328 million higher than budget. This variance was a result of higher physical growth than budget, which resulted in additional parcel and assessment value taxation revenues, including tax levies and grants-in-lieu.
2. *Sales of Goods and Services:* Sales revenues were \$4.465 million lower than budget. This was due to COVID-19 related revenue losses in Parks, Recreation & Culture, which had lower revenues than budgeted of \$19.632 million. This negative variance was offset by higher than budgeted sales of goods & services related to development driven application and public hearing fees, tree replacement fees, tax inquiries, security clearance fees, metered water and sewer utility fees and Surrey Fire Services dispatch services revenues, totaling \$15.167 million.
3. *Development Cost Charges:* The Budget is comprised of the DCCs that are available for the 2021 program, \$55.881 million, as well as the funding that was committed to projects in prior years but had not yet been spent, \$68.355 million, for a total of \$124.236 million. The ‘Actual’ figure includes only the revenue required to match the costs of the capital constructed and assets purchased, \$44.991 million in 2021. Therefore, to provide a better comparison, the ‘Budget’ amount shown in Table 1 removes prior year’s budgeted amount of \$68.355 million (as denoted by *), adjusting the budget to the 2021 program amount of \$55.881 million. The resulting negative variance between actual and adjusted budget \$10.890 million reflects the timing difference between construction and acquisitions and the related payments. These funds will be used to complete projects and acquisitions that are currently in progress or that will be completed in the future.

4. *Developer Contributions*: The detailed breakdown of this variance is as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
(a) NCP Contributions	\$1.100M	\$11.206M	\$10.106M
(b) Cash-in-Lieu of Parkland	\$-	\$4.812M	\$4.812M
(c) Private Contributions	\$2.350M	\$34.067M	\$31.717M
(d) Local Area Service	\$0.740M	\$0.013M	(\$0.727M)
(e) Contributed Assets	\$104.221M	\$158.122M	\$53.901M
Total:	<u><u>\$108.411M</u></u>	<u><u>\$208.220M</u></u>	<u><u>\$99.809M</u></u>

- (a) The ‘Budget’ figure for Neighbourhood Concept Plan (“NCP”) contributions is based on the anticipated usage of the reserve. Comparatively, the ‘Actual’ figure is based on the actual NCP contributions received in the current year. The variance is the result of higher than anticipated contributions relative to budgeted usage.
- (b) Cash-in-Lieu of Parkland is a contribution by developers in accordance with *Surrey Subdivision and Development Bylaw, 1986, No. 8830, Amendment Bylaw, 2015, No. 18602* with funding utilized for the purchase of parkland. The ‘Budget’ figure is based on the anticipated usage of the reserve. The ‘Actual’ figure is based on the actual Cash-in-Lieu contributions received in the current year. For 2021, a zero budget was identified for the Cash-in-Lieu of Parkland Reserve due to a relatively low reserve balance at the end of 2020. A conservative approach was employed to allow the reserve balance to recover to a sufficient level before allocating funding towards additional parkland acquisitions. The reserve balance will be monitored, and funding allocations to future parkland acquisitions will be made when appropriate.
- (c) Private Contributions consist of payments that are expected to be received and applied to capital projects within the year and includes carry forward amounts from prior year. This category includes contributions from non-Provincial or Federal sources and miscellaneous contributions from various sources (including the Insurance Corporation of British Columbia, other Municipalities, and private sources) towards amenities, paving, road cutting services, signal installations and miscellaneous contributions to parks development and other capital projects. Community Amenity Contributions (“CAC”) and Density Bonus payments are also included within this category. The favourable variance of \$31.717 million is largely attributable to greater than anticipated CAC and Density Bonus contributions in 2021.
- (d) Local Area Service (“LAS”) plans are neighbourhood improvements paid for by the owners of the benefiting properties, to accelerate the process in delivering specific engineering infrastructure. The variance between ‘Budget’ and ‘Actual’ is a result of timing of LAS related projects.
- (e) Contributed Assets are indicative of development activity. These assets are comprised of land and constructed infrastructure that are part of a development and are turned over to the City as a public asset. The ‘Budget’ figure is an estimate based on historical contributions and is subject to uncertainty as Contributed Asset activity is reliant on private development activity, which can be cyclical and subject to market forces which dictate the timing and magnitude of developments.

5. *Investment Income*: The variance between the ‘Actual’ figure, \$18.015 million, and the ‘Budget’ figure, \$11.995 million, represents a favorable variance of \$6.020 million dollars. Investment Income for 2021 was budgeted utilizing a conservative approach which accounted for the ongoing impacts of COVID-19 on financial markets. Budget assumptions included a continuation of historically low interest rates, decreased investment yields and reduced opportunities for placement of funds as financial institutions eschewed deposits as a result of high liquidity levels. The favorable variance is attributable to better-than-expected investment yields and a greater ability to place funds throughout 2021 as financial institutions restarted the acceptance of larger institutional deposits.
6. *Transfers from Other Governments*: The detailed breakdown of this variance is as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
(a) Rapid Housing Initiative	\$ -	\$9.694M	\$9.694M
(b) Traffic Fine Revenue Sharing	\$6.561M	\$7.528M	\$0.967M
(c) TransLink	\$47.255M	\$16.502M	(\$30.753M)
(d) Gaming Revenue Sharing	\$ -	\$1.750M	\$1.750M
(e) Other Government Transfers	\$2.209M	\$3.599M	\$1.390M
Subtotal:	<u>\$56.025M</u>	<u>\$39.073</u>	<u>(16.952M)</u>
(f) Capital Infrastructure Grants	\$43.399M	\$10.766	(\$32.633M)
Total:	<u><u>\$99.424M</u></u>	<u><u>\$49.839M</u></u>	<u><u>(\$49.585M)</u></u>

- (a) Under the Government of Canada’s Rapid Housing Initiative, a national strategy to build and provide affordable housing to people across the country, Surrey received \$30.200 million, in two phases in 2021. \$9.694 million out of the total funding received has been spent on housing projects and recognized as revenue in 2021.
- (b) Traffic Fine Revenue is higher than budgeted, representing the total traffic fines collected and distributed by the Province for their fiscal year ending March 31, 2020.
- (c) The Transfer from TransLink ‘Budget’ approximates anticipated expenditures for which TransLink is providing funding; the ‘Actual’ represents the funding that the City has received and spent on specific partnership projects. The difference between budget and actual represents a timing difference between the estimated and actual funding receipts. Some of the partnership projects which received funding from TransLink in 2021 include the following:
- Arterial Widening & Paving, \$7.623 million;
 - Major Road Network Maintenance, \$5.810 million;
 - Traffic Signal & Street Light Maintenance, \$1.543 million; and
 - Bridges & Overpasses, \$0.633 million.

- (d) Because of the closure of Elements Casino due to COVID-19, no gaming revenues were budgeted in 2020. In Q3 2021, the casino re-opened and the City received \$1.750 million in gaming revenues.
- (e) The increase in Other Government Transfers contributions is the result of additional Provincial and Federal funding sources that materialized during the year related to Parks, Recreation & Culture programs, due in part to one-time COVID-19 funding.
- (f) The budget for Capital Infrastructure Grants has been included to support potential infrastructure sharing grants from the Federal and Provincial Governments. The resulting negative variance between actual and budget reflects a difference between the estimated timing of construction and the related payments. These funds will be used to complete in-progress projects they were intended for, or that will be completed in the future.

7. *Other Revenues:* This includes the following:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
(a) Permits, Licensing & Fines	\$32.791M	\$41.703M	\$8.912M
(b) Leases & Rentals	\$11.114M	\$12.948M	\$1.834M
(c) Penalties & Interest on Taxes	\$5.141M	\$7.035M	\$1.894M
(d) Donation & Sponsorship	\$1.876M	\$2.508M	\$0.632M
Total:	<u><u>\$50.922M</u></u>	<u><u>\$64.194M</u></u>	<u><u>\$13.272M</u></u>

- (a) Favourable variance was primarily due to higher than budgeted license revenues and permit revenues. Increase in license revenues was a result of a significant increase in the number of businesses obtaining their business license in 2021 as compared to the same period in 2020. Increased permit revenues were a result of an increase in multi-family project related permits, helped in part by the City's Surrey Economic Action and Recovery Plan that granted financial incentives to the development community to encourage and accelerate the implementation of larger-scale projects to help recover from the impact of COVID-19 by generating jobs and important investments in the City.
- (b) The favorable variance for leases and rentals was primarily the result of an adjustment to budgeted lease revenues on City owned properties in 2021, taking into consideration the economic impact of COVID-19. The negative impact of the pandemic on lease revenues did not materialize as expected, resulting in a favourable variance.
- (c) In 2020, the City extended its tax penalty due date by 90 days. That extension was not in place in 2021, resulting in pre-pandemic levels of interest and penalties on taxes, leading to a slight favorable variance of \$1.894 million.

(d) The favorable variance for Donation & Sponsorship was primarily the result of Parks, Recreation & Culture donations related to arts and culture programs and initiatives.

8. *Gain (Loss) on Disposal of Assets:* This includes the following:

The gain on disposal of City assets resulted in a favorable variance of \$1.472 million, primarily due to the disposal of City infrastructure, such as road right of ways or used assets such as fleet and minor parks equipment etc.

Expenses

9. *Police Services:* The \$28.326 million unfavorable variance is a result of a number of factors. The 2021 Policing Services budget was allocated on the assumption that the RCMP would provide 75% of the policing services in 2021 while Surrey Police Service (“SPS”) would provide 25%. Actual approvals for SPS deployment have taken longer than anticipated, therefore, the expected 75/25 split of policing operations costs was not achieved. The RCMP Contract had an unfavourable variance of \$58.789 million primarily due to 75% funding provided for in the adopted budget. Additionally, the City recorded a liability of \$32.007 million resulting from RCMP collective agreement retroactive salary increases. Surrey Police Service had a favourable variance of \$33.827 million primarily due to the timing of hiring and deployment of SPS members. City Police Support Service had an unfavourable variance of \$3.364 million, primarily related to policing transition related costs that have been included in expenses, but funding is included in the transfers from the Policing Transition project budget. It is imperative to consider all of the Policing Services collectively, inclusive of SPS, the RCMP contract and Police Support Services. Due to the magnitude of the Policing Services budget and the complexities of the transition, staff will be diligently monitoring actual expenditures relative to budget for fiscal 2022.
10. *Parks, Recreation & Culture:* The \$27.627 million favorable variance is a result of City facilities not operating at normal capacity and related cost mitigation measures, due to the pandemic. These measures resulted in cost savings of \$19.980 million for salaries and benefits, \$1.802 million in supplies and material savings, \$3.379 million in utilities and maintenance savings, and \$4.327 million in consulting and professional services, marketing, and other cost savings. These savings were offset by increased costs of \$1.861 million in grants and sponsorships, professional and consultants’ charges, and other cost increases.

11. *General Government Services*: This includes the following:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
(a) Mayor and Council	\$1.766M	\$1.460M	(\$0.306M)
(b) Grants and Council Initiatives	\$1.839M	\$1.167M	(\$0.672M)
(c) City Manager	\$1.550M	\$1.113M	(\$0.437M)
(d) Bylaws	\$8.645M	\$8.944M	\$0.299M
(e) Corporate Services (HR, IT, Leg. Services & Legal)	\$33.594M	\$34.396M	\$0.802M
(f) Investment & Intergovernmental Relations	\$1.651M	\$1.366M	(\$0.285M)
(g) Finance	\$14.330M	\$11.174M	(\$3.156M)
(h) SCDC	\$0.156M	\$0.953M	\$0.797M
(i) Other (contingency, misc. items)	\$2.677M	\$15.169M	\$12.492M
Total	<u>\$66.208M</u>	<u>\$75.742M</u>	<u>\$9.534M</u>

- (a) Mayor and Council had a slight favorable variance due to staffing vacancies and lower operating costs related to communication and travel.
- (b) Grants and Council Initiatives had a favorable variance due to the cancellation of events for which grants were approved for.
- (c) City Manager had a favorable variance due to savings from staffing vacancies and cancellation of special projects due to the pandemic.
- (d) Bylaws had an unfavorable variance of \$0.299 million predominately due to staff and operational cost increases related to pandemic related activities.
- (e) Corporate Services had an unfavorable variance resulting from Information Technology (“IT”) staff costs associated with higher overtime than budgeted, resulting from increased IT support to City staff during the pandemic. Additional factors included, increased IT maintenance costs, primarily for Microsoft licensing, and unbudgeted security costs at the North Surrey Recreation Centre COVID-19 response shelter.
- (f) Investment & Intergovernmental Relations had a favorable variance due to savings from staffing vacancies and consulting and professional fees.
- (g) Finance had a favorable variance due to savings from staffing vacancies and cost recoveries from third parties.
- (h) In April 2020, Surrey City Council gave support to a motion to dissolve the Surrey City Development Corporation (“SCDC”) and transfer its operations to the City. A transition team of senior City staff members is currently undertaking the dissolution and transition of the Corporation’s assets and liabilities to the City in an orderly manner. SCDC had a favorable variance primarily due to the winding down of operational activities.

- (i) Other had an unfavorable variance due to the recording of \$7.3 million worth of salaries and benefits related to the retroactive impact of the ratification of the CUPE 402 and Fire Services collective agreements, which were not included in the 2021 budget as costs could not be quantified at the time of budget preparation. Additionally, \$9.694 million out of the total \$30.200 million received under the Government of Canada's Rapid Housing Initiative was unbudgeted and recognized as an expense in 2021 when the funds were forwarded to the City's project partner. These expenditures were offset by the unutilized budgeted operating contingency of \$1.326 million, along with other favourable variances from other entities
12. *Road & Traffic Safety*: The favorable variance of \$0.175 million in this area is due to savings from staffing vacancies and higher than budgeted cost recoveries associated with road infrastructure damages caused by motor vehicle accidents.
13. *Water*: The unfavorable variance of \$1.887 million is the result of costs associated with an increase in bulk water purchase from Greater Vancouver Water District ("GVWD") due to higher than estimated water consumption due to COVID-19.
14. *Fire Services*: The unfavorable variance of \$1.477 million in Fire Services is the result of cost increases associated with supplies and materials including fuel costs, software maintenance costs related with a new software application, and increased staffing costs associated with new dispatch service contracts.
15. *Sewer*: The favorable variance of \$1.512 million is predominately the result of operating savings and lower than expected costs associated with timing differences related to capital-in-nature projects.
16. *Solid Waste Management*: The unfavorable variance of \$2.131 million in this area is due to higher than budgeted garbage collection and disposal costs. These costs continue on an upward trajectory as more waste is diverted as a result of changes to residents' habits and patterns owing to the pandemic's effects on norms for household activities.
17. *Drainage*: The unfavorable variance \$0.600 million is predominantly the result of higher than expected costs associated with capital-in-nature projects.
18. *Planning & Development*: The favorable variance of \$1.641 million is primarily the result of staffing vacancies.
19. *Library*: The favorable variance of \$0.524 million is primarily due to pandemic mitigation measures, which resulted in cost savings of \$2.522 million for salaries and benefits. This was offset by higher than budgeted costs of \$1.97 million, due to a change in funding for library related subscriptions, microfilm, books, and audio-visual materials from capital funding in 2020 to operational funding in 2021. This change was a result of a shift towards digital services due to COVID-19, from physical books and materials in 2020 that were capital in nature to online books and materials in 2021.
20. *Engineering*: The favorable variance of \$1.219 million is predominantly the result of savings from staffing vacancies, offset by higher than budgeted operating costs, primarily associated with utilities, and professional and consultants' charges.

21. *Surrey City Energy*: The unfavorable variance of \$0.438 million is predominantly the result of higher than budgeted operating costs.
22. *Parking*: The favorable variance of \$0.232 million is predominantly the result of savings from staffing vacancies, and lower than budgeted city hall parkade maintenance costs.
23. *Amortization*: This expense represents the annual consumption or usage of City Capital Assets. The 2021 Budget was estimated based on the actual assets owned by the City in 2020 as well as an estimate of the value of new assets that would be added in 2021. Although amortization for major upcoming projects was estimated, variances are related to the timing and mix of new assets added in each category during 2021. Amortization by asset type is as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Land Improvements	\$5.414M	\$5.145M	(\$0.269M)
Building & Leasehold Improv.	\$24.612M	\$24.004M	(\$0.608M)
Infrastructure	\$88.079M	\$91.939M	\$3.860M
Equipment	\$24.101M	\$21.619M	(\$2.482M)
	<u>\$ 142.206M</u>	<u>\$ 142.707M</u>	<u>(\$0.501M)</u>

24. *Interest, Bank Charges, Fiscal Services and other*: This line item includes the interest on long-term borrowing. The unfavorable variance in this area of \$0.397 million is primarily the result of higher than budgeted interest.
25. *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 higher than budgeted, primarily due to pandemic mitigation measures implemented to offset the financial impact of pandemic caused economic conditions.
26. *Accumulated Surplus (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 surplus funds at the beginning of 2021. It reflects the balance under the “Accumulated Surplus” line of the City’s 2020 financial statements.
27. *Accumulated Surplus (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 surplus funds.

General Comment

Overall, the City continues to be in a relatively strong financial position. As noted in Appendix “I” Note 12. Accumulated surplus, the City’s ending accumulated surplus has increased from prior year. This schedule includes a summary of the City’s ending accumulated surplus, providing information on the various fund balances, surpluses, and investment in tangible capital assets that make up the ending accumulated surplus. Appendix “I” Note 9. Deferred DCCs also details an increase from prior year.

Staff will continue to provide Council with updated financial information on a quarterly basis during 2022 through the Quarterly Financial Reporting process. In particular, staff will be focusing on monitoring the Police Services budget for fiscal 2022 as this poses the greatest fiscal risk to the City.

CONCLUSION

The Financial 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. The City maintains a comprehensive system of internal controls to safeguard City assets and to provide reliable financial information. It is recommended Council approve the 2021 Audited Financial Statements as presented in Appendix “I”. These statements will be included in the published version of the City of Surrey’s 2021 Annual Financial Report that will be distributed to Council and posted on the City’s website in June 2022.

All the variances outlined in this report will be considered when formulating future Financial Plans.

Kam Grewal, CPA, CMA
General Manager, Finance

Appendix “I”: 2021 Financial Statements of City of Surrey
Appendix “II”: PSAB Reporting Standards – Current Developments

Consolidated Financial Statements of

CITY OF SURREY

Year ended December 31, 2021

Independent Auditor's Report

To the Mayor and Council of the City of Surrey

Opinion

We have audited the consolidated financial statements of the City of Surrey and its controlled entities (the "City") which comprise the Consolidated Statement of Financial Position as at December 31, 2021 and the Consolidated Statements Operations, Changes in Net Financial Assets, and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the City financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2021 and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally-accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally-accepted auditing standards we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. But not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Vancouver, British Columbia

DATE

City of Surrey

Consolidated Statement of Financial Position

*As at December 31, 2021, with comparative figures for 2020
(in thousands of dollars)*

	2021	2020
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 591,508	\$ 907,279
Accounts receivable (note 2)	160,974	160,653
Portfolio investments (note 3(a))	1,015,623	378,749
Investment in business partnership (note 3(b))	738	624
	<u>1,768,843</u>	<u>1,447,305</u>
LIABILITIES		
Trade and other accounts payable (note 4)	104,121	74,338
Due to other governments (note 5)	144,997	273,779
Employee future benefits (note 6)	30,765	29,738
Deposits and prepayments (note 7)	351,295	294,733
Deferred revenue (note 8)	130,994	114,288
Deferred development cost charges (note 9)	371,704	314,510
Debt (note 10)	356,970	214,230
	<u>1,490,846</u>	<u>1,315,616</u>
NET FINANCIAL ASSETS	<u>277,997</u>	<u>131,689</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 11)	9,631,885	9,474,308
Inventories of supplies	1,195	988
Prepaid expenses	6,776	5,352
	<u>9,639,856</u>	<u>9,480,648</u>
ACCUMULATED SURPLUS (note 12)	<u>\$ 9,917,853</u>	<u>\$ 9,612,337</u>

Commitments and contingencies (note 14)

Kam Grewal, BBA, CPA, CMA
CFO/General Manager, Finance

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

City of Surrey

Consolidated Statement of Operations

For the year ended December 31, 2021, with comparative figures for 2020
(in thousands of dollars)

	2021		2020
	Budget		
	(note 22)		
REVENUES			
Taxation revenue (note 17)	\$ 508,072	\$ 518,400	\$ 463,081
Sales of goods and services	280,455	275,990	254,553
Development cost charges (note 9)	124,236	44,991	55,377
Developer contributions	108,411	208,220	155,931
Investment income	11,995	18,015	19,407
Transfers from other governments (note 21)	99,424	49,839	43,168
Other (note 18)	52,922	67,666	60,112
TOTAL REVENUES	1,185,515	1,183,121	1,051,629
EXPENSES			
Police services	195,319	219,702	167,134
Parks, recreation and culture	129,271	100,743	95,424
General government	87,918	98,020	82,385
Roads and traffic safety	76,209	79,186	73,879
Water	78,117	80,088	79,191
Fire services	69,606	70,670	67,666
Sewer	77,708	77,091	72,826
Solid waste	38,700	41,719	40,084
Drainage	34,919	35,206	34,079
Planning and development	32,545	31,081	30,369
Library services	23,413	22,360	17,206
Engineering	15,685	15,623	13,362
Surrey City Energy	3,265	3,892	3,196
Parking	2,614	2,224	2,342
TOTAL EXPENSES	865,289	877,605	779,143
ANNUAL SURPLUS	320,226	305,516	272,486
Accumulated surplus, beginning of year	9,612,337	9,612,337	9,339,851
Accumulated surplus, end of year	\$ 9,932,563	\$ 9,917,853	\$ 9,612,337

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, 2021, with comparative figures for 2020
(in thousands of dollars)

	2021 Budget <i>(note 22)</i>	2021	2020
ANNUAL SURPLUS	\$ 320,226	\$ 305,516	\$ 272,486
Acquisition of tangible capital assets	(612,321)	(303,857)	(317,219)
Amortization of tangible capital assets	142,206	142,707	136,354
Loss (gain) on disposal of tangible capital assets	-	(778)	686
Proceeds on disposal of tangible capital assets	-	4,351	1,539
	<u>(149,889)</u>	<u>147,939</u>	<u>93,846</u>
Acquisition of inventories of supplies	-	(1,195)	(988)
Consumption of inventories of supplies	-	988	874
Acquisition of prepaid expenses	-	(6,776)	(5,352)
Use of prepaid expenses	-	5,352	4,552
	<u>-</u>	<u>(1,631)</u>	<u>(914)</u>
CHANGE IN NET FINANCIAL ASSETS	<u>(149,889)</u>	<u>146,308</u>	<u>92,932</u>
Net financial assets (net debt), beginning of year	<u>131,689</u>	<u>131,689</u>	<u>38,757</u>
Net financial assets (net debt), end of year	<u>\$ (18,200)</u>	<u>\$ 277,997</u>	<u>\$ 131,689</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, 2021, with comparative figures for 2020
(in thousands of dollars)

	2021	2020
OPERATING TRANSACTIONS		
Annual Surplus	\$ 305,516	\$ 272,486
Non-Cash items:		
Amortization of tangible capital assets	142,707	136,354
Loss (gain) on disposal of tangible capital assets	(778)	686
Developer contributions of tangible capital assets (note 11(a))	(158,122)	(138,611)
TransLink compensation agreement provision (note 13)	-	200
Change in non-cash operating working capital:		
Accounts receivable	(321)	16,042
Inventories of supplies	(207)	(114)
Prepaid expenses	(1,424)	(800)
Trade and other accounts payable	29,783	(8,561)
Due to other governments	(128,782)	154,997
Employee future benefits	1,027	1,075
Deposits and prepayments	56,562	10,253
Deferred revenue	16,706	34,658
Deferred development cost charges	57,194	6,018
Net increase in cash from operating transactions	<u>319,861</u>	<u>484,683</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(145,735)	(178,608)
Proceeds on disposal of tangible capital assets	4,351	1,539
Cash used by capital transactions	<u>(141,384)</u>	<u>(177,069)</u>
FINANCING TRANSACTIONS		
Proceeds from issuance of debt	150,600	-
Repayment of MFA debt and loans payable	(7,860)	(7,547)
Cash (used) / provided by financing transactions	<u>142,740</u>	<u>(7,547)</u>
INVESTING TRANSACTIONS		
(Purchase) / Disposal of portfolio investments	(636,874)	240,829
Cash used on other investments	(114)	(93)
Cash (used) / provided by investing transactions	<u>(636,988)</u>	<u>240,736</u>
INCREASE (DECREASE) IN CASH	(315,771)	540,803
Cash and cash equivalents, beginning of year	<u>907,279</u>	<u>366,476</u>
Cash and cash equivalents, end of year	<u>\$ 591,508</u>	<u>\$ 907,279</u>

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, 2021
(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, and utility services.

1. Significant accounting policies

(a) Basis of accounting

These consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards as prescribed by the Public Sector Accounting Board ("PSAB").

Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenues, and expenditures of the reporting entity. The reporting entity is comprised of all the City funds, including the Surrey Public Library ("Library") and Surrey Police Service ("SPS"), and other entities controlled by the City. Inter-fund and inter-corporate transactions and balances have been eliminated. The other entities included are as follows:

- Surrey City Development Corporation ("SCDC");
- Surrey Homelessness and Housing Society ("SHHS"); and,
- Innovation Boulevard ("IBC") proportionally consolidated based on 50% ownership.

The following funds account for the resources and operations of the City:

- i) Operating Funds - These funds are used to record the general operating costs of the services provided by the City, including drainage, sewer, water, solid waste, parking, transportation, and Surrey City Energy.
- ii) Capital Funds - These funds are used to record the acquisition costs of tangible capital assets and any related debt outstanding, including all lands and infrastructure owned by the City.
- 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, 2021
(tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

(b) Basis of consolidation (continued)

iv) Surrey City Development Corporation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of SCDC. SCDC has the following wholly owned subsidiaries and government partnerships, which are accounted for as follows:

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

(ii) 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") and has 50% ownership in Beedie SCDC (34A Ave) G.P. Ltd., the General Partner of Beedie LP. Beedie LP and Beedie GP are accounted for using the modified equity method.

(iii) Surrey City Investment Corporation ("SCIC") and Kwantlen Park Development Corporation ("KPDC") – (100% owned and fully consolidated)

SCIC and KPDC were inactive as at December 31, 2021 and December 31, 2020.

v) Surrey Homelessness and Housing Society

In 2007, the City of Surrey incorporated the SHHS. The purposes of the Society are to raise funds for financing programs and projects that address homelessness in Surrey. The City is considered to have control over the Society's functions by virtue of the ability to appoint the society's board members; therefore, the Society's financial information is fully consolidated within the City's financial statements.

The consolidated financial statements include the assets, liabilities, revenues, and expenses of the SHHS. The City provided initial funding to the SHHS and oversees its operations through the council appointed board.

vi) Innovation Boulevard Corporation

The City of Surrey and Simon Fraser University ("SFU") incorporated Innovation Boulevard Corporation ("IBC"), a government partnership. SFU and the City are the only shareholders of IBC with each having a 50% interest and is proportionately consolidated.

IBC was dissolved as at December 23, 2021.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(tabular amounts in thousands of dollars)

Significant accounting policies (continued)

- (c) **Cash and cash equivalents**
Cash and cash equivalents include cash and short-term investments with maturities of three months or less at the date of acquisition, are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.
- (d) **Trust Funds**
These funds account for assets which must be administered as directed by agreement or statute for certain beneficiaries. In accordance with PSAS 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 19.
- (e) **Revenue recognition**
Revenues are recognized in the period in which the transaction or event occurs that give rise to the revenues or when the services are delivered. All revenues are recorded on an accrual basis, except when the amounts cannot be determined with a reasonable degree of certainty.
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.
- (f) **Taxation revenue**
Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. Annual property tax levies, including parcel taxes and grants-in-lieu of taxes, are recorded as taxes for municipal services in the year they are levied. Taxes receivable are recognized net of an allowance for anticipated future appeal adjustments. Through the British Columbia Assessments' appeal process, current year property assessments may be adjusted by way of supplementary roll adjustments. The effects of these adjustments on taxes are recognized either at the time they are awarded during the year or accrued as can be reasonably estimated at the end of the year.

Notes to the Consolidated Financial Statements

*For the year ended December 31, 2021
(tabular amounts in thousands of dollars)*

1. Significant accounting policies (continued)

(g) Transfers from governments

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to any obligation that meets the definition of a liability. The transfer of revenue is initially deferred and then recognized in the statement of operations as the stipulation liabilities are settled.

When the City is deemed the transferor, the transfer expense is recognized when the recipient is authorized and has met the eligibility criteria.

(h) Collection on behalf of other authorities

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.

(i) Development cost charges

Development cost charges are recorded as deferred revenue at the time they are received as there is a future obligation to be fulfilled. When qualifying development expenditures are incurred, they are recognized into revenue.

(j) Developer contributions

Tangible capital assets are contributed by developers as a condition of the development approval process. The timing of delivery of tangible capital assets is dependent upon the developer. Tangible capital assets received as contributions are recorded at their estimated fair value at the date of receipt and as developer contributions revenue.

(k) Investment income

Investment income is reported as revenue in the period earned.

(l) Deferred revenue

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

Notes to the Consolidated Financial Statements

*For the year ended December 31, 2021
(tabular amounts in thousands of dollars)*

1. Significant accounting policies (continued)

(m) 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 using the effective interest method.

(n) Portfolio investments

City investments with an original maturity date of more than three months are reported as portfolio investments and consist of 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 an effective interest method.

(o) 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 over one or more future periods 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 amounts that are directly related to the acquisition, design, construction, development, improvement, or betterment of the assets. Cost includes overhead charges related to construction and development that are directly attributable to the acquisition or construction of the asset. The City does not capitalize interest associated with the acquisition or construction of a tangible capital asset.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

(o) Non-financial assets (continued)

(i) Tangible capital assets (continued)

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 to 100
Buildings and building improvements	10 to 60
Leasehold improvements	2 to 25
Infrastructure:	
Roads and road structures	5 to 100
Water, Sewer and Drainage systems	10 to 100
Machinery and equipment:	
Vehicles	5 to 30
Technology	4 to 25
Furniture & equipment	3 to 50

Annual amortization commences on the date the asset is acquired or available for use. Assets under construction are not amortized until the asset is put into service and available for productive use.

Tangible capital assets received as contributions are recorded at their estimated fair value at the date of receipt and are recorded as revenue.

Works of art and historic assets are not recorded as assets in the consolidated financial statements.

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

(ii) Inventories of supplies

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

(iii) Prepaid expenses

Prepaid expenses of supplies or services 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, 2021
(tabular amounts in thousands of dollars)*

1. Significant accounting policies (continued)

(p) Employee future benefits

The City and its employees participate in the 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 when the event occurs. The expense is recognized in the year the event occurs.

(q) Budget data

The budget data presented in these consolidated financial statements was included in the City of Surrey 2021-2025 Consolidated Financial Plan and was adopted through By-law #20198 on December 21, 2020.

(r) 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 lives for amortization, provisions for accrued liabilities, contingencies, and actuarial valuations of employee future benefits. Actual results could differ from these estimates.

(s) 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 as well as presented financial information in a segmented format (Note 20).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

(t) Liabilities for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all of the following criteria are met:

- An environmental standard exists;
- Contamination exceeds an environmental standard;
- The City is directly responsible or accepts responsibility;
- The City expects that future economic benefits will be given up; and,
- A reasonable estimate of the amount can be made.

The liability is measured as management's estimate of the cost of remediation and post remediation, including operations, maintenance, and monitoring, which are an integral part of the remediation strategy for a contaminated site. The liability is recorded net of any expected recoveries. No liability for contaminated sites exists as at December 31, 2020 or 2021.

2. Accounts receivable

	<u>2021</u>	<u>2020</u>
General and other accounts receivable	\$ 40,191	\$ 40,166
Development cost charges	64,909	63,864
Property taxes	20,964	23,164
Utility charges	18,104	19,084
Local improvement receivable	9,027	9,539
Due from other authorities	3,536	2,152
MFA debt reserve fund receivable	4,243	2,684
	<u>\$ 160,974</u>	<u>\$ 160,653</u>

3. Investments

(a) Portfolio Investments

	<u>2021</u>	<u>2020</u>
Maturing within one year	\$ 439,028	\$ 199,985
Maturing within two years	282,058	114,193
Maturing within three to seven years	290,482	60,015
City investments (i)	<u>1,011,568</u>	<u>374,193</u>
SCDC investments (ii)	955	955
SHHS investments (iii)	3,100	3,601
	<u>\$ 1,015,623</u>	<u>\$ 378,749</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(tabular amounts in thousands of dollars)

3. Investments (continued)

(a) Portfolio Investments (continued)

- (i) City investments includes term deposits, GICs, bonds, and high interest savings accounts and have an average portfolio yield of 1.73% (2020 – 2.30%). All City investments can be liquidated on demand but may have associated penalties on liquidation.
- (ii) SCDC investments includes GICs with a maturity date of September 17, 2022 and a yield of 0.10% (2020 – 0.10%).
- (iii) SHHS investments includes a diversified portfolio of fixed income and equity securities held by the SHHS with an average yield rate of 6.15% (2020 – 16.69%), for the purpose of supporting programs and projects related the objectives of the SHHS.

(b) Investment in business partnership

	<u>2021</u>	<u>2020</u>
Business partnership	<u>\$ 738</u>	<u>\$ 624</u>

SCDC's joint-venture partnership in Beedie Limited Partnership ("Beedie LP") meets the criteria of a business partnership and results are accounted for under the modified equity method. Beedie LP owns and operates a build-to-suit industrial building in the City that has been occupied by a tenant under a long-term lease. The liability is limited to the cash held in the partnership and land which it contributed to Beedie LP. The City's proportionate share in respect of this entity is as follows:

	<u>2021</u>	<u>2020</u>
Financial assets	\$ 732	\$ 507
Liabilities	(8,471)	(8,660)
Non-financial assets	8,477	8,777
	<u>\$ 738</u>	<u>\$ 624</u>

Revenues and expenditures for the year ended December 31, 2021 were \$1.10 million (2020 – \$1.05 million) and \$0.77 million (2020 – \$0.75 million), respectively.

4. Trade and other accounts payable

	<u>2021</u>	<u>2020</u>
Trade accounts payable	\$ 39,954	\$ 50,946
Payroll accounts payable	22,951	12,174
RCMP retroactive contract accrual	32,007	-
Contractors' holdbacks	6,838	9,209
Interest payable on debt	2,371	2,009
	<u>\$ 104,121</u>	<u>\$ 74,338</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(tabular amounts in thousands of dollars)

5. Due to other governments

	<u>2021</u>	<u>2020</u>
Due to Federal Government (RCMP)	\$ 58,438	\$ 58,551
Due to TransLink (note 13)	39,000	39,000
Due to Regional Districts	29,321	24,973
Due to Province of British Columbia	9,066	145,669
Due to other government entities	9,172	5,586
	<u>\$ 144,997</u>	<u>\$ 273,779</u>

To support local governments during the COVID-19 pandemic in the 2020 fiscal year, the Province of British Columbia delayed the Provincial school tax remittance deadline to January 15th, 2021. As a result, the above Due to Province of British Columbia includes \$9.07 million (2020 - \$144.75 million) of Provincial school tax payable.

6. 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 accidental death and 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.

Accrued benefit liability:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 29,738	\$ 28,663
Current service cost	2,114	1,923
Interest cost	659	777
Amortization of net actuarial gain	(154)	(169)
Benefits paid	<u>(1,592)</u>	<u>(1,456)</u>
Accrued benefit liability, end of year	<u>\$ 30,765</u>	<u>\$ 29,738</u>

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2021. The difference between the actuarially determined accrued benefit obligation of \$28.986 million and the accrued benefit liability of \$30.765 million as at December 31, 2021 is an unamortized actuarial gain as noted below. The actuarial gain is amortized over a period equal to the employees' average remaining service life of 12 years (2020 - 12 years).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(tabular amounts in thousands of dollars)

6. Employee future benefits (continued)

Reconciliation of accrued benefit liability to accrued benefit obligation:

	<u>2021</u>	<u>2020</u>
Actuarial benefit liability, end of year	\$ 30,765	\$ 29,738
Unamortized actuarial gain	<u>(1,779)</u>	<u>(19)</u>
Accrued benefit obligation, end of year	<u>\$ 28,986</u>	<u>\$ 29,719</u>

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

	<u>2021</u>	<u>2020</u>
Discount rate	2.55%	2.15%
Expected future inflation rate	1.80%	1.80%
Employee average remaining service life (years)	12.00	12.00

7. Deposits and prepayments

	<u>2021</u>	<u>2020</u>
Deposits:		
Future works	\$ 61,720	\$ 57,779
Planning and development	98,702	87,208
Engineering	127,100	89,877
Pavement cuts	4,536	4,124
Boulevard trees	1,232	1,359
Latecomer	3,416	2,778
Other deposits	<u>2,443</u>	<u>3,829</u>
Total deposits	<u>\$ 299,149</u>	<u>\$ 246,954</u>
Prepayments:		
Taxes	\$ 47,119	\$ 43,026
Utilities	4,475	3,974
Other prepayments	<u>552</u>	<u>779</u>
Total prepayments	<u>52,146</u>	<u>47,779</u>
Total deposits and prepayments	<u>\$ 351,295</u>	<u>\$ 294,733</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(tabular amounts in thousands of dollars)

8. Deferred revenue

	<u>2021</u>	<u>2020</u>
Development/building permits	\$ 39,461	\$ 31,387
Deferred capital works	49,828	45,745
Deferred lease revenue	25,606	28,031
Other	16,099	9,125
	<u>\$ 130,994</u>	<u>\$ 114,288</u>

9. Deferred development cost charges

Development Cost Charges (DCCs) are collected to pay for costs that will be incurred by the City to support growth, such as development projects related to infrastructure, parks, or amenities. DCCs cover 99% (2020 – 99%) of those costs based on rates as recommended by the Engineering Department. In accordance with the Local Government Act, these funds must be held in a separate reserve fund and accumulate interest until spent. DCCs are deferred and recognized as revenue when the related costs are incurred.

	<u>2021</u>	<u>2020</u>
Deferred DCCs:		
Arterial roads	\$ 91,493	\$ 76,997
Parkland	75,043	59,519
Drainage/storm water detention	48,773	47,103
Sanitary sewer	37,404	31,497
Collector roads	20,695	15,904
Water	24,230	19,797
Area specific	71,045	61,574
Park development	3,021	2,119
	<u>\$ 371,704</u>	<u>\$ 314,510</u>
Deferred DCCs, beginning of year	<u>\$ 314,510</u>	<u>\$ 308,492</u>
DCCs levied for the year	101,301	58,772
Investment income	884	2,623
Increase in Deferred DCCs	<u>102,185</u>	<u>61,395</u>
Revenue recognized:		
General Capital	(36,103)	(46,459)
Water Capital	(2,080)	(2,595)
Sewer & Drainage Capital	(6,808)	(6,323)
DCCs recognized as revenue	<u>(44,991)</u>	<u>(55,377)</u>
Deferred DCCs, end of year	<u>\$ 371,704</u>	<u>\$ 314,510</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(tabular amounts in thousands of dollars)

10. Debt

	<u>2021</u>	<u>2020</u>
MFA debt (i)	\$ 311,608	\$ 167,485
Loans payable (ii)	<u>45,362</u>	<u>46,745</u>
	<u>\$ 356,970</u>	<u>\$ 214,230</u>

(i) MFA 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:

MFA Issue	<i>Gross debt</i>	<i>Sinking fund installments and actuarial adjustments</i>	<i>Net debt 2021</i>	<i>Net debt 2020</i>
116	\$ 100,000	\$ 28,830	\$ 71,170	\$ 74,589
121	45,000	11,435	33,565	35,044
126	67,335	11,062	56,273	57,852
156	150,600	-	150,600	-
	<u>\$ 362,935</u>	<u>\$ 51,327</u>	<u>\$ 311,608</u>	<u>\$ 167,485</u>

Current borrowing includes:

MFA Issue	Issue Date	Term (yrs.)	Maturity	Interest Rate	* Refinancing Date
116	April 4, 2011	25	April 4, 2036	1.47%	April 4, 2026
121	October 4, 2012	25	October 4, 2037	2.90%	October 4, 2022
126	Sept. 26, 2013	30	Sept. 26, 2043	3.85%	Sept. 26, 2023
156	Sept. 27, 2021	25	Sept. 27, 2045	2.58%	Sept. 27, 2041

*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, 2021
(tabular amounts in thousands of dollars)

10. Debt (continued)

(ii) Loans payable

	2021	2020
Loan payable (Cedar Hills Shopping Plaza), Citizen's Bank of Canada, 25-year capital financing expiring Nov 1, 2037, 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.	\$ 11,141	\$ 11,636
Biofuel Processing Facility, 25-year capital financing expiring December 31, 2042, payable in monthly payments of \$221,516 including interest calculated at a rate of 5.10% per annum.	34,221	35,109
Total Loans Payable	\$ 45,362	\$ 46,745

MFA payments and loan payments over the next five years and thereafter are as follows:

	MFA payments (i)	Loan payments (ii)	Total
2022	\$ 11,423	\$ 1,406	\$ 12,829
2023	11,782	1,454	13,236
2024	12,153	1,506	13,659
2025	12,534	1,560	14,094
2026	12,788	1,617	14,405
2027 and thereafter	250,928	37,819	288,747
Total	\$ 311,608	\$ 45,362	\$ 356,970

Total interest expense recorded for the year ended December 31, 2021 was \$9.3 million (2020 - \$10.4 million).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(tabular amounts in thousands of dollars)

11. Tangible capital assets

Net Book Value by category	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 2,059,626	\$ 2,010,254
Land under roads	3,427,817	3,311,025
Buildings and building improvements	488,716	496,288
Infrastructure	3,298,574	3,251,299
Machinery and equipment	132,645	138,949
Assets under construction	224,507	266,493
	<u>\$ 9,631,885</u>	<u>\$ 9,474,308</u>

Net Book Value by fund	<u>2021</u>	<u>2020</u>
General	\$ 2,734,811	\$ 2,677,023
Transportation	4,474,047	4,348,204
Water	661,990	657,958
Sewer	602,505	606,353
Drainage	1,111,500	1,106,662
Library	4,787	4,915
Surrey Police Service	398	-
Surrey City Development Corp.	41,847	73,193
	<u>\$ 9,631,885</u>	<u>\$ 9,474,308</u>

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

a) 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 was \$158.1 million (2020 - \$138.6 million) comprised of roads infrastructure in the amount of \$129.8 million (2020 - \$101.2 million), water and wastewater infrastructure in the amount of \$17.5 million (2020 - \$26.6 million) and land in the amount of \$10.8 million (2020 - \$10.8 million), including improvements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(tabular amounts in thousands of dollars)

12. Accumulated surplus

Accumulated surplus consists of individual fund surpluses, reserves and equity in tangible capital assets. The City's accumulated surplus is as follows:

	<u>2021</u>				<u>2020</u>	
Tangible Capital Assets	\$ 9,631,885				\$ 9,474,308	
Debt funded assets	(208,519)				(199,561)	
Invested in tangible capital assets	9,423,366				9,274,747	
	<u>Gross</u>		<u>Allocations</u>		<u>Gross</u>	
					<u>Allocations</u>	
Reserves set aside by Council						
Capital legacy	49,317	(49,317)	-	48,981	(48,981)	-
Municipal land	69,894	(38,311)	31,583	63,463	(40,431)	23,032
Equipment and building replacement	37,959	(9,354)	28,605	29,067	(18,272)	10,795
Neighborhood concept plans	41,618	(10,255)	31,363	31,227	(19,630)	11,597
Park land acquisition	13,600	(3,351)	10,249	4,651	(2,924)	1,727
Local improvement financing	18,104	(4,461)	13,643	17,803	(11,192)	6,611
Environmental stewardship	6,945	(1,711)	5,234	6,855	(4,309)	2,546
Parking space	3,746	(923)	2,823	3,089	(1,942)	1,147
Water claims	1,382	(341)	1,041	1,378	(866)	512
Affordable housing	2,100	(517)	1,583	1,058	(665)	393
Capital projects	30,412	(7,494)	22,918	1,108	(697)	411
	<u>275,077</u>		<u>149,042</u>	<u>208,680</u>		<u>58,771</u>
Internal borrowing to fund capital		<u>(126,035)</u>			<u>(149,909)</u>	
Other appropriated funds						
Infrastructure replacement	19,616	-	19,616	(3,687)	3,687	-
Revenue stabilization	13,490	-	13,490	13,490	(171)	13,319
Self insurance	12,328	-	12,328	12,825	(162)	12,663
Operating contingency and emergencies	8,610	-	8,610	8,607	(109)	8,498
Environmental emergencies	7,210	-	7,210	7,082	(90)	6,992
Prepaid expenses	6,776	-	6,776	5,352	-	5,352
Inventories of supplies	1,195	-	1,195	988	-	988
Committed funds	288,311	-	288,311	249,660	(3,155)	246,505
	<u>357,536</u>	-	<u>357,536</u>	<u>294,317</u>	-	<u>294,317</u>
Other Entities						
Surrey City Development Corporation			(15,252)			(19,213)
Surrey Homelessness and Housing Society			3,161			3,710
Innovation Boulevard			-			5
			<u>(12,091)</u>			<u>(15,498)</u>
Accumulated Surplus per Statement of Financial Position			\$ 9,917,853			\$ 9,612,337

Notes to the Consolidated Financial Statements

*For the year ended December 31, 2021
(tabular amounts in thousands of dollars)*

13. Due to TransLink

In January 2020, TransLink and City of Surrey signed a Memorandum of Understanding (“MOU”) to advance the development of several Project Partnership Agreements (“PPAs”) related to the Surrey portion of the South of Fraser Rapid Transit - Surrey Langley SkyTrain (“SLS”) project. The PPAs to be entered would include (a) Supportive Policies Agreement; (b) Municipal Access Agreement; and (c) Reimbursement Agreement.

In September 2020, TransLink and the City signed a compensation agreement, defined as the Reimbursement Agreement in the MOU. The agreement required that the City would contribute \$39.0M to the SLS project, comprised of property contributions valuing \$16.9 million; parking contributions valuing \$12.8 million; and a financial contribution of \$9.3 million. The City and TransLink will determine the timing and manner of payment of the financial contribution, but the payment from the City to TransLink shall be no later than 90 days after TransLink executes the Project agreement for the construction of the Project.

As at December 31, 2021 the City has recorded a liability due to TransLink in the amount of \$39.0 million relating to this compensation agreement. According to the Province, the SLS line will open in 2028 and an updated business case is expected in Fall 2022.

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 work in progress under 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 as a member of Metro Vancouver is directly, jointly and severally liable with the other member municipalities for the net capital liabilities of those authorities. Any liability which may arise as a result will be accounted for in the period in which the required payment is known and can be estimated, no liability was recorded during 2020 or 2021.

Notes to the Consolidated Financial Statements

*For the year ended December 31, 2021
(tabular amounts in thousands of dollars)*

14. Commitments and contingencies (continued)

- c) The City is a shareholder and member of E-Comm Emergency Communications for British Columbia Incorporated (E-Comm), whose services include regional 9-1-1 call centre for the Greater Vancouver Regional District, Area Wide Radio emergency communications network, dispatch operations, and records management. The City holds 2 Class "A" shares and 1 Class "B" share (of a total of 35 Class "A" and 20 Class "B" shares issued and outstanding as at December 31, 2021). As a Class "A" shareholder, the City is committed to paying levies for services received under a cost sharing formula to fund operating and capital costs of the E-Comm operations. In addition, the City is contingently liable to cover its proportionate share of such costs should any member be unable to fulfill its funding obligations. Annual levy amounts fluctuate based on various factors under the cost sharing formula and amounted to \$1.3 million during the year (2020 - \$1.5 million). No liability was recorded during 2020 or 2021.
- d) 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.
- e) The City insures itself through a combination of insurance policies and self-insurance. The City has a funded self-insurance appropriation included in accumulated surplus (Note 12). Based on estimates, this appropriation reasonably provides for all outstanding claims where the outcome is not currently determinable.
- f) 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.

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 several 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(tabular amounts in thousands of dollars)

14. Commitments and contingencies (continued)

f) Debt Reserve Fund Demand Note (continued)

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
156	20270	R21-541	1323	Other	25	721
156	20271	R21-543	1323	Other	25	371
156	20272	R21-545	1323	Other	25	1,622
Total						\$ 6,671

Management does not consider payment under this contingency to be likely and therefore no amounts have been accrued.

g) Policing services

In March 2020, the Province approved the transition of policing services from a RCMP contract model to an independent municipal police service. In August 2020, the Surrey Police Service ("SPS") was established by the Surrey Police Board.

The Surrey Police Transition Trilateral Committee ("SPTTC") is a committee of senior representatives from the Government of Canada, the Province of BC and the City of Surrey. It was established in 2021 to oversee and coordinate the transition of Policing Services from the RCMP to the SPS. The SPTTC has approved a two phased, integrated transition of policing services in Surrey:

- In phase one, beginning in November 2021, a group of 29 SPS sworn members assumed some operational policing duties with the RCMP; and,
- During 2022, additional groups of SPS officers will be deployed, and RCMP members will be demobilized.

In 2016, the Government of Canada introduced Bill C-7 to create a new labour relations regime for RCMP members and reservists. This bill received royal assent in 2017 and an application for certification at the Federal Public Service Labour Relations and Employment Board. In August 2021, RCMP members ratified the collective agreement, resulting in retroactive pay increases for over 19,000 RCMP regular members.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(tabular amounts in thousands of dollars)

14. Commitments and contingencies (continued)

g) Policing services (continued)

As at December 31, 2021, the City of Surrey has recorded a liability of \$32.007 million related to the RCMP collective agreement retroactive salary increase impact. This estimate has been provided to the City by Public Safety Canada and the specific amounts associated with the retroactive pay rates identified in the new collective agreement will be finalized in 2022-2023 (note 4).

h) Biofuel processing facility

The City entered a 25-year agreement in 2015 to design, build, finance, operate and maintain the Surrey Organics Biofuel Processing facility. Under the agreement, the City guaranteed to provide a minimum tonnage of City organic waste (as defined in the agreement) for processing. In return the City will receive 100% of the biomethane produced at the facility and will share in certain other revenues generated at the facility.

In 2018, the City recorded the facility as a tangible capital asset in the amount of its cost of construction of \$50.0 million. The City also recorded a loan payable liability for an equal amount representing the capital financing for the facility. The liability will be reduced over the term of the agreement as payments are made to the operator for the City organic waste processed by the facility (note 10(ii)).

15. Contractual rights

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The following table summarizes the contractual rights that existed at December 31, 2021 of the City for future assets:

	2022	2023	2024	2025	Thereafter
Lease revenue (a)	\$ 7,100	\$ 6,380	\$ 5,539	\$ 4,857	\$ 23,704
Government agreements (b)	3,649	3,596	1,421	140	599
Total	\$ 10,749	\$ 9,976	\$ 6,960	\$ 4,997	\$ 24,303

a) Lease revenue

The City has entered into a number of fixed term lease agreements for the use of City owned land and/or buildings that are anticipated to provide the City with future revenues. These agreements are for terms that vary from 1 to 18 years.

Notes to the Consolidated Financial Statements

*For the year ended December 31, 2021
(tabular amounts in thousands of dollars)*

15. Contractual rights (continued)

b) Government agreements

The City has entered into various government agreements with senior government and other agencies related to contractual rights expected to be realized as stipulations are met.

c) Developer contributions

The City has entered into a number of public works development agreements which require the developers to contribute various infrastructure assets to the City, including roads and underground utilities. The timing and extent of these future contributions vary depending on development activity and fair value of the assets received at the time of contribution, which cannot be determined with certainty at this time.

d) Other contractual rights

The City is entitled to receive revenue from certain other agreements. The revenue from these agreements cannot be quantified and has not been included in the amounts noted above.

16. Pension plan

The City and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for administering the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2020, the Plan has about 220,000 active members and approximately 112,000 retired members. Active members include approximately 42,000 contributors from local government.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(tabular amounts in thousands of dollars)

16. Pension plan (continued)

The most recent valuation for the Plan as at December 31, 2018, indicated a \$2.866 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2021, with results available in 2022.

The City paid \$20.9 million (2020 - \$21.4 million) for employer contributions while employees contributed \$17.5 million (2020 - \$17.9 million) to the Plan in 2021.

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

17. Taxation revenue

	<u>2021</u>	<u>2020</u>
Tax collected:		
Property taxes	\$ 400,630	\$ 384,807
Collections for other authorities	416,256	318,704
Parcel taxes	91,189	57,815
Grants-in-lieu of taxes	25,632	19,500
Other	949	959
	<u>934,656</u>	<u>781,785</u>
Less transfers to other authorities:		
Province of BC - School Taxes	(295,169)	(220,026)
Greater Vancouver Regional District	(11,509)	(10,012)
BC Assessment Authority	(9,021)	(8,702)
Greater Vancouver Transportation Authority	(60,400)	(56,236)
Other	(40,157)	(23,728)
	<u>(416,256)</u>	<u>(318,704)</u>
Taxation revenue	<u>\$ 518,400</u>	<u>\$ 463,081</u>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(tabular amounts in thousands of dollars)

18. Other revenue

	<u>2021</u>	<u>2020</u>
Licenses and permits	\$ 40,746	\$ 38,976
Leases and rentals	12,948	12,474
Penalties and interest on taxes	7,036	5,390
Miscellaneous	6,158	3,958
Gain (loss) on disposal of tangible capital assets	778	(686)
	<u>\$ 67,666</u>	<u>\$ 60,112</u>

19. Trust funds

These funds account for assets, which must be administered as directed by agreement or statute for certain beneficiaries. In accordance with PSAS, trust funds are not included in the City's Consolidated Financial Statements.

Amounts administered by the City as trust funds are as follows:

	<u>2021</u>	<u>2020</u>
Cemetery Perpetual Care Fund	\$ 4,652	\$ 4,151
Employee Benefits Fund	769	759
	<u>\$ 5,421</u>	<u>\$ 4,910</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 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(tabular amounts in thousands of dollars)

20. Segmented information (continued)

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 Service includes enforcing laws, preventing crime, and maintaining peace, order, and security.

Parks, Recreation and Culture Services

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 & Councillors’ Department, City Manager’s Department, Finance Department, Corporate Services 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 land development activities, 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.

Roads and Traffic Safety Services

The Roads & Traffic Safety Utility provides effective managed transportation systems that serve the mobility needs of individuals and businesses and are safe, secure and support the economic vitality of the City, and protect and enhance the environment.

Water Services

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(tabular amounts in thousands of dollars)

20. Segmented information (continued)

Sewer Services

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.

Solid Waste Management Services

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

Drainage Services

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 Metro Vancouver.

Planning and Development Services

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 ten Library branches located throughout the City.

Engineering Services

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

Surrey City Energy

Surrey City Energy Utility operates a network of thermal energy systems. This utility provides these systems to new and existing developments throughout the Surrey City Centre area.

Parking

The Parking Authority Utility that plans, manages and enforces 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(tabular amounts in thousands of dollars)

For the year ended December 31, 2021

(in thousands of dollars)

NOTE	Police Services	Parks, Recreation and Culture	General Government	Roads & Traffic Safety	Water	Fire Services	Sewer	Solid Waste Management	Drainage	Planning and Development	Library Services	Engineering	Surrey City Energy	Parking	2021
20 SEGMENTED INFORMATION															
REVENUES															
Taxation, grants-in-lieu, assessments	\$ -	\$ -	\$ 860,677	\$ 31,700	\$ 13	\$ -	\$ 504	\$ -	\$ 41,762	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 934,656
Collections for other authorities	-	-	(416,256)	-	-	-	-	-	-	-	-	-	-	-	(416,256)
Taxation revenue	-	-	444,421	31,700	13	-	504	-	41,762	-	-	-	-	-	518,400
Sales of goods and services	2,007	13,457	31,524	820	86,808	3,796	71,438	46,547	2	5,512	140	7,680	3,699	2,560	275,990
Development cost charges	-	-	44,991	-	-	-	-	-	-	-	-	-	-	-	44,991
Developer contributions	-	413	58,281	131,477	4,343	-	4,055	-	9,440	-	23	-	181	7	208,220
Investment income	-	8	17,689	-	167	-	96	28	27	-	-	-	-	-	18,015
Transfers from other governments	8,064	1,627	15,875	17,976	(1)	-	178	-	4,986	-	1,008	-	-	126	49,839
Other	147	2,217	27,273	1,384	1,323	(115)	668	195	190	29,557	44	3,778	46	959	67,666
	10,218	17,722	640,054	183,357	92,653	3,681	76,939	46,770	56,407	35,069	1,215	11,458	3,926	3,652	1,183,121
EXPENSES															
Salaries and benefits	40,614	49,588	50,883	6,524	-	64,281	-	-	-	23,738	14,519	43,572	715	584	295,018
RCMP contracted services	169,623	-	-	-	-	-	-	-	-	-	-	-	-	-	169,623
Consulting and professional services	2,857	3,279	1,733	1,997	363	175	623	953	1,997	2,760	167	1,036	155	116	18,211
Telephone and communications	456	281	943	49	11	164	18	7	8	80	29	249	3	56	2,354
Regional district utility charges	-	-	-	-	56,575	-	52,921	-	-	-	-	-	-	-	109,496
Utilities	607	3,653	36	4,026	76	391	1,732	180	10	539	336	1,476	1,471	4	14,537
Garbage collection and disposal	17	923	12	59	1	23	-	26,283	-	-	6	55	-	-	27,379
Maintenance and small equipment	354	7,284	8,092	258	455	1,535	21	312	4	1,450	241	776	97	74	20,953
Insurance and claims	-	-	3,628	-	-	-	-	434	-	18	-	56	-	-	4,136
Leases and rentals	1,003	734	(134)	1,096	690	27	1,004	222	1,412	17	43	2,135	-	12	8,261
Supplies and materials	997	7,005	1,901	3,083	1,709	2,662	1,652	1,272	731	1,480	473	5,073	20	59	28,117
Advertising and media	51	245	199	48	-	3	-	46	-	28	3,013	27	-	-	3,660
Grants and sponsorships	1	1,301	9,717	-	-	-	-	-	-	3	12	-	-	-	11,034
Contract payments	5	4,649	611	7,634	739	114	746	2,423	1,508	21	36	2,203	157	197	21,043
Other	1,722	1,599	3,977	186	192	1,984	650	3	580	1,221	969	939	71	1	14,094
Cost recoveries, net	8	36	(5,840)	8,455	9,206	(2,914)	4,492	4,406	7,603	(484)	640	(48,983)	(4)	(13)	(23,392)
Interest on debt	-	-	6,651	-	-	-	-	2,658	-	-	-	-	-	-	9,309
Other interests and fiscal services	23	175	520	-	(4)	-	(10)	-	-	175	4	11	141	30	1,065
Amortization expense	1,364	19,991	15,091	45,771	10,075	2,225	13,242	2,520	21,353	35	1,872	6,998	1,066	1,104	142,707
	219,702	100,743	98,020	79,186	80,088	70,670	77,091	41,719	35,206	31,081	22,360	15,623	3,892	2,224	877,605
Excess (deficiency) of revenues over expenses	(209,484)	(83,021)	542,034	104,171	12,565	(66,989)	(152)	5,051	21,201	3,988	(21,145)	(4,165)	34	1,428	305,516
Transfer from (to) operating funds	27,303	-	(71,099)	24,635	1,794	-	3,425	(6,737)	(3,602)	-	21,462	-	3,925	(1,106)	-
Transfer from (to) reserve funds	(2,278)	(747)	(27,800)	27,396	2,341	(1,297)	2,537	(619)	3,933	(263)	100	(3,303)	-	-	-
Transfer from (to) capital funds	446	(10,080)	45,318	(16,751)	(3,524)	-	(9,165)	-	(3,790)	1,885	(40)	24	(4,148)	(175)	-
Annual surplus (deficit)	\$ (184,013)	\$ (93,848)	\$ 488,453	\$ 139,451	\$ 13,176	\$ (68,286)	\$ (3,355)	\$ (2,305)	\$ 17,742	\$ 5,610	\$ 377	\$ (7,444)	\$ (189)	\$ 147	\$ 305,516

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(tabular amounts in thousands of dollars)

For the year ended December 31, 2020
(in thousands of dollars)

NOTE	Police Services	Parks, Recreation and Culture	General Government	Roads & Traffic Safety	Water	Fire Services	Sewer	Solid Waste Management	Drainage	Planning and Development	Library Services	Engineering	Surrey City Energy	Parking	2020
20 SEGMENTED INFORMATION															
REVENUES															
Taxation, grants-in-lieu, assessments \$	-	-	\$ 709,658	\$ 30,694	\$ (25)	\$ -	\$ 800	\$ -	\$ 40,658	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 781,785
Collections for other authorities	-	-	(318,704)	-	-	-	-	-	-	-	-	-	-	-	(318,704)
Taxation revenue	-	-	390,954	30,694	(25)	-	800	-	40,658	-	-	-	-	-	463,081
Sales of goods and services	1,703	10,389	27,888	3,008	82,178	3,281	65,820	44,550	49	4,580	82	5,821	2,671	2,533	254,553
Development cost charges	-	-	55,377	-	-	-	-	-	-	-	-	-	-	-	55,377
Developer contributions	-	353	25,145	104,272	4,721	-	7,562	-	14,733	-	26	-	-	-	156,812
Investment income	-	44	18,448	-	513	-	276	80	46	-	-	-	-	-	19,407
Transfers from other governments	8,225	12,326	6,558	11,826	-	-	23	-	2,143	-	1,004	-	-	182	42,287
Other	57	2,630	22,061	463	1,062	(78)	258	132	(377)	29,094	155	3,735	26	894	60,112
	9,985	25,742	546,431	150,263	88,449	3,203	74,739	44,762	57,252	33,674	1,267	9,556	2,697	3,609	1,051,629
EXPENSES															
Salaries and benefits	29,366	47,123	42,530	6,445	-	60,526	-	-	-	23,434	11,433	43,049	675	582	265,163
RCMP contracted services	129,999	-	-	-	-	-	-	-	-	-	-	-	-	-	129,999
Consulting and professional services	2,322	3,133	2,418	1,353	471	47	194	335	2,253	1,322	93	479	30	50	14,500
Telephone and communications	456	281	798	55	19	161	24	9	37	93	29	247	8	42	2,259
Regional district utility charges	-	-	-	-	52,642	-	50,034	-	-	-	-	-	-	-	102,676
Utilities	577	3,093	37	3,470	537	363	1,927	121	7	529	269	286	874	4	12,094
Garbage collection and disposal	15	795	9	43	-	25	-	25,685	2	-	5	89	-	-	26,668
Maintenance and small equipment	159	7,630	7,554	188	481	1,571	15	163	42	2,102	141	882	82	84	21,094
Insurance and claims	-	-	4,565	-	-	16	-	394	-	-	-	11	-	-	4,986
Leases and rentals	895	725	252	929	917	-	811	222	907	8	52	2,117	-	10	7,845
Supplies and materials	386	6,170	2,522	2,670	2,058	2,541	1,283	1,179	494	1,503	314	4,534	26	34	25,714
Advertising and media	6	184	183	26	-	2	-	52	1	14	2,122	19	-	-	2,609
Grants and sponsorships	-	389	2,200	-	-	-	-	-	-	1	4	-	-	-	2,594
Contract payments	(7)	4,176	858	6,948	2,743	28	941	2,506	1,522	85	8	1,294	60	319	21,481
Other	1,458	1,824	4,305	122	22	1,640	882	43	202	1,352	495	714	92	1	13,152
Cost recoveries, net	96	253	(7,507)	8,212	9,626	(1,433)	4,120	4,137	7,688	(261)	314	(46,477)	(105)	3	(21,334)
Interest on debt	-	-	7,718	-	-	-	-	2,658	-	-	-	-	-	-	10,376
Other interests and fiscal services	21	119	41	-	(23)	-	(5)	60	-	152	2	8	426	112	913
Amortization expense	1,385	19,529	13,902	43,418	9,698	2,179	12,600	2,520	20,924	35	1,925	6,110	1,028	1,101	136,354
	167,134	95,424	82,385	73,879	79,191	67,666	72,826	40,084	34,079	30,369	17,206	13,362	3,196	2,342	779,143
Excess (deficiency) of revenues over expenses															
	(157,149)	(69,682)	464,046	76,384	9,258	(64,463)	1,913	4,678	23,173	3,305	(15,939)	(3,806)	(499)	1,267	272,486
Transfer from (to) operating funds	-	67	(44,277)	22,453	7,226	-	6,904	(6,385)	(3,676)	1	15,379	(50)	3,980	(1,622)	-
Transfer from (to) reserve funds	-	137	(31,043)	26,497	2,899	(1,317)	2,949	(375)	3,691	(264)	100	(3,374)	100	-	-
Transfer from (to) capital funds	-	(3,978)	52,016	(10,064)	(13,136)	-	(5,677)	-	(14,989)	42	(22)	1	(4,188)	(5)	-
Annual surplus (deficit)	\$(157,149)	\$ (73,456)	\$ 440,742	\$ 115,270	\$ 6,247	\$ (65,780)	\$ 6,089	\$ (2,082)	\$ 8,199	\$ 3,084	\$ (482)	\$ (7,229)	\$ (607)	\$ (360)	\$ 272,486

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(tabular amounts in thousands of dollars)

21. Transfers from other governments

The Government transfers reported on the Consolidated Statement of Operations are comprised of the following:

	2021	2020
Revenue		
BC Provincial government grants:		
Traffic fines revenue sharing	\$ 7,528	\$ 7,661
Flood mitigation funding	2,132	892
Casino revenue sharing	1,750	708
Childcare and seniors	1,707	598
ICBC road improvement	1,344	881
Library operating	988	983
Climate action revenue incentive program	215	753
Victim services	210	200
Arts	94	-
Clean energy vehicle fast charging stations	83	75
Roads	49	28
BC one card	20	20
COVID 19 safe restart grant	-	14,769
Subtotal BC Provincial government grants	16,120	27,568
Federal government grants:		
Rapid housing initiative	9,694	-
Water, drainage and sewer	3,031	1,275
SAFE program	533	593
Building & facility improvements	198	-
Roads and parking	123	172
Keep of prisoners	136	114
Arts and heritage grants	109	21
Childcare and youth	94	76
Summer students	16	11
Subtotal Federal government grants	13,934	2,262
TransLink:		
Arterial widening and intersection improvements	214	263
Arterial paving	939	905
Arterial bridges	6,643	3,756
Road operating and maintenance	4,002	2,727
Road general rehabilitation	1,797	1,225
Traffic signals, signs, and markings	2,399	1,635
Bicycle street network and other transit projects	508	1,222
Subtotal TransLink grants	16,502	11,733
UBCM community works fund:	3,283	1,605
Total transfers from other government revenues	\$ 49,839	\$ 43,168

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(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 2021-2025 Consolidated Financial Plan and was adopted through Bylaw #20198 on December 21, 2020. The following table reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	Budget Amount
Approved consolidated budgeted revenues	<u>\$ 1,185,515</u>
Approved consolidated budgeted expenditures	1,483,180
Transfers between funds	<u>(167,665)</u>
	1,315,515
Less:	
Capital expenditures	(612,321)
Municipal debt principal repayments	(5,570)
Add:	
Transfers between funds	<u>167,665</u>
Total Expenses:	<u>865,289</u>
Annual surplus per statement of operations	<u><u>\$ 320,226</u></u>

23. Comparative figures

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.

City of Surrey

Schedule 1 - Tangible Capital Assets

As at December 31, 2021
(in thousands of dollars)

	Land and land improvements	Land under road	Buildings and building improvements	Infrastructure	Machinery and equipment	Assets under construction	Balance at December 31, 2021
COST							
Opening Balance	\$ 2,106,924	\$ 3,311,025	\$ 791,081	\$ 5,051,243	\$ 316,750	\$ 266,493	\$ 11,843,516
Additions	57,462	116,792	16,433	139,694	15,462	(41,986)	303,857
Disposals	(3,258)	-	-	(3,289)	(8,091)	-	(14,638)
Ending Balance	2,161,128	3,427,817	807,514	5,187,648	324,121	224,507	12,132,735
ACCUMULATED AMORTIZATION							
Opening Balance	96,670	-	294,793	1,799,944	177,801	-	2,369,208
Amortization	5,145	-	24,005	91,939	21,618	-	142,707
Accum. amort. on disposals	(313)	-	-	(2,809)	(7,943)	-	(11,065)
Ending Balance	101,502	-	318,798	1,889,074	191,476	-	2,500,850
NET BOOK VALUE	\$ 2,059,626	\$ 3,427,817	\$ 488,716	\$ 3,298,574	\$ 132,645	\$ 224,507	\$ 9,631,885
<hr/>							
	Land and land improvements	Land under road	Buildings and building improvements	Infrastructure	Machinery and equipment	Assets under construction	Balance at December 31, 2020
COST							
Opening Balance	\$ 2,034,546	\$ 3,228,036	\$ 751,195	\$ 4,892,888	\$ 314,326	\$ 329,413	\$ 11,550,404
Additions and transfers	72,802	82,989	39,886	174,047	10,412	(62,917)	317,219
Disposals	(424)	-	-	(15,692)	(7,988)	(3)	(24,107)
Ending Balance	2,106,924	3,311,025	791,081	5,051,243	316,750	266,493	11,843,516
ACCUMULATED AMORTIZATION							
Opening Balance	92,167	-	272,447	1,725,463	164,659	-	2,254,736
Amortization	4,864	-	22,346	88,057	21,087	-	136,354
Accum. amort. on disposals	(361)	-	-	(13,576)	(7,945)	-	(21,882)
Ending Balance	96,670	-	294,793	1,799,944	177,801	-	2,369,208
NET BOOK VALUE	\$ 2,010,254	\$ 3,311,025	\$ 496,288	\$ 3,251,299	\$ 138,949	\$ 266,493	\$ 9,474,308

Appendix “II”

PSAB Reporting Standards – Current Developments

To ensure the City is prepared for future financial statement changes as mandated by PSAB, staff attempt to stay abreast of new and evolving initiatives.

New standards that have been adopted by PSAB and affect financial reporting in the current and future years include the following:

Portfolio Investments, Financial Instruments and Foreign Currency Translation

Section PS 3041, 3450 and 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, 2022, 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 anticipate that these new standards will have little 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 1, 2023.

Asset Retirement Obligations

Section PS 3280 of the PSA Handbook will require the public sector to record a liability related to the future costs of any legal obligation required for the retirement at end of life or the disposal of assets. Some typical costs associated with asset retirement include asbestos removal, site restoration and post retirement monitoring. This standard becomes effective for years commencing on or after April 1, 2022, although early adoption is encouraged. Adoption of this standard may place a burden on the City’s management to consider and identify potential legal obligations for retirement costs among the City’s network of infrastructure and other tangible capital assets.

Staff anticipate that this new standard will have an impact on the City’s financial statements and have commenced review of any procedures or policies that will be required to be implemented in order to apply this new PSAB standard prior to the effective date, which for the City will be January 1, 2023.

Financial Statement Presentation

Section PS 1201 will require public sector entities to present any remeasurement gains and losses related to financial instruments in a new statement of remeasurement gains and losses. This standard was introduced in conjunction with PS 2601 and PS 3450, therefore are linked to the adoption of those standards. This standard becomes effective for years commencing on or after April 1, 2022, 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 anticipate that these new standards will have little to no 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 1, 2023.

Revenue

Section PS 3400 focuses on two main areas of revenue: exchange transactions and unilateral (non-exchange) transactions. In the case of revenues arising from an exchange transaction, a public sector entity must ensure that the recognition of revenue aligns with the satisfaction of related performance obligations. For unilateral transactions, recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue. This standard becomes effective for years commencing on or after April 1, 2023, although early adoption is encouraged.

Staff anticipate that this new standard will have some impact on the City's financial statements and have commenced review of any procedures or policies that will be required to be implemented in order to apply this new PSAB standard prior to the effective date, which for the City will be January 1, 2024.

Public Private Partnerships

Section PS 3160 will enable users of financial statements to make more informed decisions by: interpreting existing asset recognition requirements and applying them to infrastructure acquired through a public private partnership; developing clear principles for recognizing a liability versus revenue; and identifying how to measure the resulting infrastructure asset and liability. This standard becomes effective for years commencing on or after April 1, 2023.

Staff anticipate that these new standards will have little to no 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 1, 2024.

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. PSAB has presented two exposure drafts (one for a revised conceptual framework and one for a revised reporting model) with two accompanying bases for conclusions documents and two other exposure drafts outlining the resulting consequential amendments. PSAB is currently deliberating the feedback on all four exposure drafts related to this project. Once deliberation and review is complete, it is anticipated that the final standards will apply for fiscal years beginning April 1, 2024, which for the City will be January 1, 2025. These standards will significantly change the financial statement presentation for the City.

Employee Future Benefit Obligations

PSAB is undertaking a review of PS 3250 Retirement Benefits and PS 3255 Post-Employment Benefits. Given the complexity of this project, it will be addressed in phases. Phase I addressed specific issues related to the measurement of employment benefits and Phase II addressed the accounting for plans with risk sharing features, multi-employer defined benefit plans and sick leave benefits. The ultimate objective will be to issue a new employment benefit section to replace the existing guidance. PSAB approved an exposure draft and the accompanying Basis for Conclusions and solicited comments. Deliberations on the feedback received will be PSAB's next step in the process.