

NO: R083

COUNCIL DATE: April 26, 2021

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **April 22, 2021**

FROM: **General Manager, Finance**

FILE: **1880-20**

SUBJECT: **2020 Annual Consolidated Financial Statements**

RECOMMENDATION

The Finance Department recommends that Council:

1. Receive this report for information; and
2. Approve the 2020 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 2020 annual consolidated financial statements, which will then be included in the City's 2020 Annual Financial Report.

DISCUSSION

Sections 98 and 167 of the Community Charter require that the City produce audited annual consolidated financial statements ("Financial Statements"). The City of Surrey's Financial Statements, including the auditor's report, for the year ended December 31, 2020 are attached to this report as Appendix "I". These will be included in the City's 2020 Annual Financial Report that will be published by the end of June.

The Financial Statements that are 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") of the Chartered Professional Accountants of Canada. 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 2020 audit and to express an opinion as to whether the consolidated financial statements present fairly the financial position of the City of Surrey as at December 31, 2020, and the results of its operations for the year 2020.

Auditors Comments

BDO has indicated that they are satisfied that the City's 2020 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

With the declaration of the pandemic, due to the COVID-19 outbreak, by the World Health Organization on March 11, 2020, governments worldwide enacted emergency measures to manage the spread of the virus. The pandemic along with the necessary emergency measures has had a material impact on the City's financial results for 2020. This impact began in the first quarter due to closure of public facilities, including libraries, community and recreation centres, and cultural facilities as well as a steep temporary decline in development and construction activity within the City. This translated to lower revenues associated with impacted Parks, Recreation and Culture programming. In addition, there were lower developer contributions, transfers from other governments and investment income compared to prior year. In response to these financial impacts, in May 2020, City Council approved the Surrey Economic Action and Recovery Plan ("Plan"). The Plan aimed to bring economic resiliency by supporting residents and encouraging business investments in the Community. This recovery plan granted financial incentives to the development community in the City to encourage and accelerate the implementation of larger scale projects that could generate jobs and important investments in the City that will be of benefit to Surrey's residents and businesses. Measures were also taken to help reduce expenses to offset the significant revenue shortfalls relating to the pandemic. Overall, the City was able to maintain a strong financial position in 2020. In part with the assistance of the one time Federal and Provincial COVID-19 Restart Grant received towards the end of 2020. This proactive fiscal approach provided the City with the ability to avoid a detrimental fiscal impact of COVID-19. Although, the situation currently remains dynamic, and it is unknown what the ultimate duration and magnitude of the continued economic impact will have on the City's financial position in future periods.

More details on the variances between budget and actual are presented in the following section.

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

The annual audited financial statements included in Appendix "I", 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 on the following page, has been reclassified to adjust the budgeted development cost charges 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, 2020 (in thousands of dollars)</i>	<i>2020 Budget</i>	<i>2020 Actual</i>	<i>2020 Budget Variance</i>
REVENUES			
1 Taxation revenue	\$ 457,727	\$ 463,081	\$ 5,354
2 Sales of goods and services	275,998	254,553	(21,445)
3 Development cost charges *	90,745	55,377	(35,368)
4 Developer contributions	119,847	156,812	36,965
5 Investment income	19,193	19,407	214
6 Transfers from other governments	72,950	42,287	(30,663)
7 Other	50,972	60,612	9,640
8 Gain (loss) on disposal of assets	22,299	(500)	(22,799)
	1,109,731	1,051,629	(58,102)
EXPENSES			
9 Police services	175,091	165,728	(9,363)
10 Parks, recreation and culture	106,059	75,776	(30,283)
11 General government services	66,702	60,724	(5,978)
12 Road & traffic safety	30,795	30,461	(334)
13 Water operations	71,161	69,516	(1,645)
14 Fire services	66,134	65,487	(647)
15 Sewer operations	62,905	60,231	(2,674)
16 Solid waste management	32,977	34,846	1,869
17 Drainage operations	13,603	13,155	(448)
18 Planning and development	32,057	30,182	(1,875)
19 Library	20,262	15,279	(4,983)
20 Engineering	8,111	7,244	(867)
21 Surrey City Energy	2,252	1,742	(510)
22 Parking	1,773	1,129	(644)
23 Amortization	150,069	136,354	(13,715)
24 Interest on debt and general fiscal services	10,563	11,289	726
	850,514	779,143	(71,371)
25 EXCESS REVENUES OVER EXPENDITURES *	259,217	272,486	13,269

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 development cost charges 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, 2020</i> <i>(in thousands of dollars)</i>		<i>2020</i> <i>Budget</i>	<i>2020</i> <i>Actual</i>	<i>2020 Budget</i> <i>Variance</i>
26	Accumulated Surplus (Equity), beginning of year	9,339,851	9,339,851	-
	Excess revenues over expenditures *	259,217	272,486	13,269
27	Accumulated Surplus (Equity), end of year	\$ 9,599,068	\$ 9,612,337	\$ 13,269
SUPPORT OF CAPITAL PROGRAMS				
28	Contribution to capital programs *	(439,746)	(391,452)	48,294
	Excess revenues over expenditures	259,217	272,486	13,269
29	Transfers (to)/from funds	180,529	118,966	(61,563)
		\$ -	\$ -	\$ -

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 2020 was approximately \$5.354 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.
2. *Sales of Goods and Services:* Sales revenues were (\$21.445) million lower than budget. This was due to COVID-19 related revenue losses in Parks, Recreation and Culture, which had lower revenues than budget of (\$22.223) million. This negative variance was offset by slightly higher than budgeted sales of goods & services in other areas totaling \$0.778 million.
3. *Development Cost Charges:* The Bylaw Budget is comprised of the development cost charges that are available for the 2020 program (\$90.745 million) as well as the funding that was committed to projects in prior years but had not yet been spent (\$56.769 million), for a total of \$147.514 million. The ‘Actual’ column includes only the revenue required to match the costs of the capital constructed (\$55.377 million) in 2020. Therefore, to provide a better comparison, the ‘Budget’ amount shown in Table 1 removes prior year’s budgeted amount of \$56.769 million (as denoted by *), adjusting the budget to the 2020 program amount of \$90.745 million. The resulting negative variance between actual and adjusted budget (\$35.368 million) reflects the slowdown of activity because of the pandemic and translates to timing of construction and the related payments. These funds will be used to complete projects 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	\$1.600M	\$5.910M	\$4.310M
(b) Cash-in-Lieu of Parkland	\$10.000M	\$4.321M	(\$5.679M)
(c) Private Contributions	\$0.150M	\$7.966M	\$7.816M
(d) Local Area Service	\$0.746M	\$0.004M	(\$0.742M)
(e) Contributed Assets	\$107.351M	\$138.611M	\$31.260M
Total:	<u>\$119.847M</u>	<u>\$156.812M</u>	<u>\$36.965M</u>

- (a) The ‘Budget’ figure for both Neighbourhood Concept Plan (“NCP”) Contributions and Cash-in-Lieu of Parkland are determined based on the anticipated usage of each reserve. Comparatively, the ‘Actual’ column for these contributions is based on the actual NCP and Cash-in-Lieu contributions received in the current year. The variance for NCP 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* and was lower than anticipated in 2020. These funds will be utilized for the construction of park development projects and the purchase of parklands.
- (c) The ‘Budget’ figure for private contributions is an estimated amount in recognition of contributions that are expected to be received and applied to capital projects within the year and includes carry forward amounts from prior year. ‘Actual’ contributions are made up of contributions from non-Provincial or Federal sources and miscellaneous contributions from various sources (including the Insurance Corporation of British Columbia (“ICBC”), other Municipalities and private sources) towards amenities, paving, road cutting services, signal installations and miscellaneous contributions to parks development and other capital projects.
- (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. ‘Actual’ asset contributions were \$138.611 million.
5. *Investment Income*: The variance between the ‘Actual’ figure (\$19.407 million) and the ‘Budget’ figure (\$19.193 million) represents a slightly favorable variance of \$0.214 million dollars. This was primarily due to an increase in available funds invested as a result of some of the pandemic related mitigation strategies by the City and the Province. This increased availability of funds was offset by lower than expected market interest rates during the latter part of the year.

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

	Budget	Actual	Variance
(a) COVID-19 Restart Grant	\$ -	\$14.769M	\$14.769M
(b) Traffic Fine Revenue Sharing	\$6.560M	\$7.661M	\$1.101M
(c) TransLink	\$24.527M	\$11.733M	(\$12.794M)
(d) Gaming Revenue Sharing	\$4.200M	\$0.708M	(\$3.492M)
(e) Other Government Transfers	\$2.716M	\$3.597M	\$0.881M
Subtotal:	\$38.003M	\$38.468M	\$0.465M
(f) Capital Infrastructure Grants	\$34.947M	\$3.819M	(\$31.128M)
Total:	<u>\$72.950M</u>	<u>\$42.287M</u>	<u>(\$30.663M)</u>

- (a) In November 2020, thanks to the joint funding from Provincial and Federal governments, the City received the COVID-19 Restart Grant of \$14.769 million. This grant will allow the City to offset unfavourable budgetary impacts of lower revenues and increased operating costs due to COVID-19.
- (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, 2019.
- (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. Due to the economic conditions brought on by the COVID-19 pandemic, the 2020 TransLink funding was significantly reduced, which resulted in reductions in related projects. Some of those partnership projects include the following:
- Arterial Widening & Paving (\$1.168 million);
 - Arterial Bridges (\$3.756 million);
 - Road Operating, Maintenance & General Rehabilitation (\$3.952 million); and
 - Cycling, Transit & Other minor projects (\$2.857 million).
- (d) The decrease in gaming revenue is a result of COVID-19 restrictions that resulted in the closure of the Elements Casino in Cloverdale starting in early March 2020.
- (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 the slowdown of activity because of the pandemic and translates to the timing of construction and the related payments. These funds will be used to complete projects they were intended for and are currently in progress or that will be completed in the future.

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Permits, Licensing & Fines	\$31.039M	\$39.780M	\$8.741M
Lease & Rentals	\$12.946M	\$12.473M	(\$0.473M)
Penalties & Interest on Taxes	\$5.111M	\$5.391M	\$0.280M
Donation & Sponsorship	\$1.876M	\$2.968M	\$1.092M
Total:	<u><u>\$50.972M</u></u>	<u><u>\$60.612M</u></u>	<u><u>\$9.640M</u></u>

Overall, the favorable variance in Other Revenues is predominately the result of higher than budgeted revenue from Permits, Licensing & Fines as well as from Donation & Sponsorship. The favorable variance for Permits, Licensing & Fines was a result of revenues associated with in stream permits related to pre-pandemic activities. The favorable variance for Donation & Sponsorship was primarily the result of Parks, Recreation & Culture donations related to arts and cultural initiatives.

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Gain (Loss) on disposal of City assets	\$2.000M	(\$0.678M)	(\$2.678M)
Gain on disposal of SCDC assets	\$20.299M	\$0.178M	(\$20.121M)
Total:	<u><u>\$22.299M</u></u>	<u><u>(\$0.500M)</u></u>	<u><u>(\$22.799M)</u></u>

The loss on the sale or disposal of City assets resulted in an unfavorable variance of (\$2.678M), primarily due to the disposal of City infrastructure assets, such as road surface, water, sewer, and drainage. Budgeted sales of Surrey City Development Corporation (“SCDC”) properties held for sale did not materialize in 2020 resulting from a change in corporate strategy as discussed further in this report.

Expenses

9. *Police Services:* The \$9.363 million favorable variance is the result of contract timing differences relating to officer recruitment and related costs between budget and actual resulting in a \$11.908 million favorable variance. This was offset by a (\$2.920 million) unfavorable variance due to Policing Transition costs and a favorable variance of \$0.375 million due to staffing vacancies and lower operating costs in the Civilian Support Services.
10. *Parks, Recreation & Culture:* The \$30.283 million favorable variance is due to pandemic mitigation measures, which resulted in cost savings of \$21.474 million for salaries and benefits, \$2.557 million in supplies and material savings, \$2.631 million in utilities and maintenance savings, \$3.621 million in consulting, marketing, and other cost savings.

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
(a) Mayor and Council	\$1.760M	\$1.422M	(\$0.338M)
(b) Grants and Council Initiatives	\$1.839M	\$1.159M	(\$0.680M)
(c) City Manager	\$1.420M	\$1.114M	(\$0.306M)
(d) Bylaws	\$8.828M	\$11.037M	\$2.209M
(e) Corporate Services (HR, IT, Leg. Services & Legal)	\$31.402M	\$32.401M	\$0.999M
(f) Investment & Intergovernmental Relations	\$1.608M	\$1.269M	(\$0.339M)
(g) Finance	\$13.662M	\$10.639M	(\$3.023M)
(h) SCDC	\$4.081M	\$3.502M	(\$0.579M)
(i) Other (contingency, misc. items)	\$2.102M	(\$1.819M)	(\$3.921M)
Total	<u>\$66.702M</u>	<u>\$60.724M</u>	<u>(\$5.978M)</u>

- (a) Mayor and Council had a slight favorable variance due to staffing vacancies and lower operating costs;
- (b) Grants and Council Initiatives had a favorable variance due to the cancellation of events for which grants and Council initiatives were approved for;
- (c) City Manager had a favorable variance due to timing of special initiatives;
- (d) Bylaws had an unfavorable variance of (\$2.209M) predominately due to staff and operational costs increases related to pandemic related activities;
- (e) Corporate Services had an unfavorable variance of (\$0.999M) predominately due to Information Technology (“IT”) staff costs associated with higher overtime than budgeted and IT consulting services for various initiatives and software expenditures relating to pandemic related activities;
- (f) Investment & Intergovernmental Relations had a slight favorable variance due to costs associated with promotional programs and supplies;
- (g) Finance had a favorable variance of \$3.023M predominately the result of self-insurance related cost recoveries from third parties and staffing vacancies;
- (h) SCDC had a slight favorable variance primarily due to the winding down of operational activities; and
- (i) Other had a favorable variance of \$3.921M predominately a result of a favorable corporate cost allocation adjustment of \$1.982M, budgeted operating contingency not utilized of \$1.097M, and \$0.842M related to favorable variances from other entities.

12. *Road & Traffic Safety*: The favorable variance of \$0.334 million in this area is due to lower than budgeted consulting and professional services utilized.
13. *Water Operations*: The favorable variance of \$1.645 million is the result of lower than budgeted operating costs and timing of contracted project work.
14. *Fire Services*: The favorable variance of \$0.647 million in Fire Services is the result of savings associated with the timing of filling staff vacancies.
15. *Sewer Operations*: The favorable variance of \$2.674 million is predominately the result of operating savings and lower than expected costs associated with Capital in Nature projects.
16. *Solid Waste Management*: The unfavorable variance of (\$1.869) million in this area is the result of higher than budgeted garbage collection and disposal fees, which continue to track higher as more waste is collected during the current pandemic situation.
17. *Drainage Operations*: The favorable \$0.448 million variance is predominantly the result of operating savings and lower than expected costs associated with Capital in Nature projects.
18. *Planning & Development*: The favorable variance of \$1.875 million is primarily the result of staff vacancies.
19. *Library*: The favorable variance of \$4.983 million is due to pandemic mitigation measures, which resulted in cost savings of \$5.058 million for salaries and benefits, \$0.285 million in supplies and material savings, \$0.296 million in utilities and maintenance savings, and \$0.458 million in other cost savings. These cost savings were offset by increased costs of \$1.114 million in online media and publication subscriptions in order to provide users with access to library content.
20. *Engineering*: The favorable variance of \$0.867 million is predominantly the result of lower than budgeted operating costs.
21. *Surrey City Energy*: The favorable variance of \$0.510 million is predominantly the result of lower than budgeted operating costs.
22. *Parking*: The favorable variance of \$0.644 million is predominantly the result of lower than budgeted operating costs.
23. *Amortization*: This expense represents the annual consumption or usage of City Capital Assets. The 2020 Budget was estimated based on the actual assets owned by the City in 2019 as well as an estimate of the value of new assets that would be added in 2020. Although amortization for major upcoming projects was estimated, variances are related to the timing and mix of new assets added in each category during 2020, which has been more pronounced this year due to delays in opening the new Clayton hub facility as a result of pandemic mitigation measures.

Amortization by asset type is as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Land Improvements	\$5.008M	\$4.865M	(\$0.143M)
Building	\$30.482M	\$22.346M	(\$8.136M)
Infrastructure	\$88.792M	\$88.056M	(\$0.736M)
Equipment	\$25.787M	\$21.087M	(\$4.700M)
	<u>\$ 150.069M</u>	<u>\$ 136.354M</u>	<u>(\$13.715M)</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 (\$0.726) 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 2020. It reflects the balance under the “Accumulated Surplus” line of the City’s 2019 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. Details of this balance can be found in Appendix “III”.
28. *Contribution to Capital Programs:* In 2020, capital expenditures totalled \$391.452 million, being funded by developer contributions, DCCs, general contributions and funding from other reserve funds, capital funds, and internal borrowing.
29. *Contribution (to)/from Funds:* This line represents the transfers to and from the various funds and reserves as required to fund budgeted expenditures for the year, including expenditures such as the City’s annual amortization of assets and transfers from appropriated surpluses to capital program expenditures.

Other Matters

Surrey City Development Corporation

During 2020, Surrey City Council approved a motion to dissolve Surrey City Development Corporate (“SCDC”) and transfer its operations to the City. The City has formed a transition team of senior staff members that is currently undertaking the dissolution and transition of SCDC’s assets and liabilities to the City in an orderly manner. For the year ending December 31, 2020, SCDC had excess revenues over expenses of \$1.330 million before corporate reorganization costs of \$0.785 million and distribution of the yearly \$4.500 million dividend to the City and any related party accounting elimination entries. The term for SCDC’s independent directors and

employment contracts for all Corporation staff ended on December 31, 2020. Corporate reorganization costs consisted of all associated severance and professional fees accrued and recorded as a result of the undertaking to dissolve and transition SCDC's assets and liabilities to the City.

SCDC is considered to be economically dependent on the City of Surrey and therefore is classified as an "other government organization", which is fully consolidated into the City's financial statements on a line-by-line basis as it is wholly owned by the City.

General Comment

Overall, the City continues to be in a relatively strong financial position. In aggregate, the City's ending accumulated surplus has increased from prior year; Appendix "III" 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. In addition, Appendix "III" provides information on the City's deferred development cost charges.

Staff will continue to provide Council with updated financial information on a quarterly basis during 2021 through the Quarterly Financial Reporting process.

CONCLUSION

The Financial Statements that are included in Appendix "I" have been prepared in accordance with Canadian Public Sector Accounting Standards as prescribed by PSAB of the Chartered Professional Accountants of Canada. The City maintains a comprehensive system of internal controls to safeguard City assets and to provide reliable financial information. It is recommended that Council approve the 2020 Audited Financial Statements as presented in Appendix "I". These statements will be included in the published version of the City of Surrey's 2020 Annual Financial Report that will be distributed to Council in June 2021.

The strong financial performance in fiscal 2020, in light of the pandemic is certainly the result of Council direction and staff action across all departments to proactively mitigate the negative financial pressures brought on by COVID-19. All the variances outlined in this report will be considered when formulating future Financial Plans.

Kam Grewal, CPA, CMA
General Manager, Finance

Appendix "I": 2020 Financial Statements of City of Surrey
Appendix "II": PSAB Reporting Standards – Current Development
Appendix "III": Accumulated Surplus and Deferred Development Cost Charges

Consolidated Financial Statements of

CITY OF SURREY

Year ended December 31, 2020

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, 2020 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, 2020 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.

Unaudited Information

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the schedules 2 – 5 of the City of Surrey's consolidated financial statements.

Chartered Professional Accountants

Vancouver, British Columbia

[DATE OF COUNCIL APPROVAL]

City of Surrey

Consolidated Statement of Financial Position

As of December 31, 2020, with comparative figures for 2019
(in thousands of dollars)

	2020	2019
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 907,279	\$ 366,476
Accounts receivable (note 2)	160,653	176,695
Portfolio investments (note 3(a))	378,749	619,578
Other investments (note 3(b))	624	531
	<u>1,447,305</u>	<u>1,163,280</u>
LIABILITIES		
Trade and other accounts payable (note 4)	74,338	82,899
Due to other governments (note 5)	273,779	118,582
Employee future benefits (note 6)	29,738	28,663
Deposits and prepayments (note 7)	294,733	284,480
Deferred revenue (note 8)	114,288	79,630
Deferred development cost charges (note 9)	314,510	308,492
Debt (note 10)	214,230	221,777
	<u>1,315,616</u>	<u>1,124,523</u>
NET FINANCIAL ASSETS	<u>131,689</u>	<u>38,757</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 11)	9,474,308	9,295,668
Inventories of supplies	988	874
Prepaid expenses	5,352	4,552
	<u>9,480,648</u>	<u>9,301,094</u>
ACCUMULATED SURPLUS (note 12)	<u>\$ 9,612,337</u>	<u>\$ 9,339,851</u>

Commitments and contingencies (note 14)

Kam Grewal, CPA, CMA
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, 2020, with comparative figures for 2019
(in thousands of dollars)

	2020 Budget (note 23)	2020	2019
REVENUES			
Taxation revenue (note 17)	\$ 457,727	\$ 463,081	\$ 438,805
Sales of goods and services	275,998	254,553	266,705
Development cost charges (note 9)	147,514	55,377	76,830
Developer contributions	119,847	156,812	218,080
Investment income	19,193	19,407	28,643
Transfers from other governments (note 21)	72,950	42,287	35,467
Other (note 18)	73,271	60,112	72,036
TOTAL REVENUES	1,166,500	1,051,629	1,136,566
EXPENSES			
Police services	178,999	167,134	166,653
Parks, recreation and culture	135,047	95,424	122,626
General government	93,463	82,385	119,527
Roads and traffic safety	74,959	73,879	79,006
Water	80,944	79,191	75,329
Fire services	68,017	67,666	68,304
Sewer	75,536	72,826	71,229
Solid waste	36,894	40,084	38,308
Drainage	34,796	34,079	36,030
Planning and development	32,090	30,369	30,401
Library services	22,685	17,206	20,867
Engineering	11,663	13,362	13,073
Surrey City Energy	2,563	3,196	2,695
Parking	2,858	2,342	2,998
TOTAL EXPENSES	850,514	779,143	847,046
ANNUAL SURPLUS	315,986	272,486	289,520
Accumulated surplus, beginning of year	9,339,851	9,339,851	9,050,331
Accumulated surplus, end of year	\$ 9,655,837	\$ 9,612,337	\$ 9,339,851

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, 2020, with comparative figures for 2019
(in thousands of dollars)

	2020 Budget (note 23)	2020	2019
ANNUAL SURPLUS	\$ 315,986	\$ 272,486	\$ 289,520
Acquisition of tangible capital assets	(496,516)	(317,219)	(451,276)
Amortization of tangible capital assets	150,069	136,354	134,016
Loss (gain) on disposal of tangible capital assets	-	686	(4,659)
Proceeds on disposal of tangible capital assets	-	1,539	7,661
	<u>(30,461)</u>	<u>93,846</u>	<u>(24,738)</u>
Acquisition of inventories of supplies	-	(988)	(874)
Consumption of inventories of supplies	-	874	760
Acquisition of prepaid expenses	-	(5,352)	(4,552)
Use of prepaid expenses	-	4,552	4,197
Transfer to properties held-for-sale	-	-	1,190
	<u>-</u>	<u>(914)</u>	<u>721</u>
CHANGE IN NET FINANCIAL ASSETS	<u>(30,461)</u>	<u>92,932</u>	<u>(24,017)</u>
Net financial assets, beginning of year	38,757	38,757	62,774
Net financial assets, end of year	<u>\$ 8,296</u>	<u>\$ 131,689</u>	<u>\$ 38,757</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, 2020, with comparative figures for 2019
(in thousands of dollars)

	2020	2019
OPERATING TRANSACTIONS		
Annual Surplus	\$ 272,486	\$ 289,520
Non-Cash items:		
Amortization of tangible capital assets	136,354	134,016
Loss (gain) on disposal of tangible capital assets	686	(4,659)
Developer contributions of tangible capital assets (note 11(a))	(138,611)	(196,531)
TransLink compensation agreement provision (note 13)	200	38,800
Change in non-cash operating working capital:		
Accounts receivable	16,042	(20,048)
Inventories of supplies	(114)	(114)
Prepaid expenses	(800)	(355)
Trade and other accounts payable	(8,561)	(6,446)
Due to other governments	154,997	16,006
Employee future benefits	1,075	656
Deposits and prepayments	10,253	1,581
Deferred revenue	34,658	1,577
Deferred development cost charges	6,018	30,811
Net increase in cash from operating transactions	<u>484,683</u>	<u>284,814</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(178,608)	(254,745)
Transfer of properties held-for-sale	-	1,190
Proceeds on disposal of tangible capital assets	1,539	7,661
Cash used by capital transactions	<u>(177,069)</u>	<u>(245,894)</u>
FINANCING TRANSACTIONS		
Repayment of MFA debt and loans payable	(7,547)	(7,247)
Cash used by financing transactions	<u>(7,547)</u>	<u>(7,247)</u>
INVESTING TRANSACTIONS		
Proceeds on disposal of portfolio investments	240,829	105,514
(Cash used on) / proceeds from other investments	(93)	297
Cash provided by investing transactions	<u>240,736</u>	<u>105,811</u>
INCREASE IN CASH	540,803	137,484
Cash and cash equivalents, beginning of year	<u>366,476</u>	<u>228,992</u>
Cash and cash equivalents, end of year	<u>\$ 907,279</u>	<u>\$ 366,476</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, 2020
(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”) of the Chartered Professional Accountants of Canada.

(b) 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”)
- Innovation Boulevard (“IBC”) 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, 2020
(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"). Beedie LP meets the criteria of a government business partnership and is accounted for using the modified equity method.

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

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

SCIC was inactive as at December 31, 2020 and December 31, 2019.

- (iv) Kwantlen Park Development Corporation ("KPDC") - (100% owned and fully consolidated).

KPDC was inactive as at December 31, 2020 and December 31, 2019.

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 SHHS. The City provided initial funding to the SHHS and oversees its operations through the council appointed board.

Notes to the Consolidated Financial Statements

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

1. Significant accounting policies (continued)

(b) Basis of consolidation (continued)

vi) Innovation Boulevard Corporation

The City of Surrey and Simon Fraser University ("SFU") incorporated the 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.

On January 30, 2020, IBC along with its subsidiary, Innovation Boulevard Society, ceased operations. The dissolution of these entities is expected during 2021 with no material financial impact to the City.

(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 PSAB recommendations on financial statement presentation for local governments, trust funds are not included in the City's consolidated financial statements. Trust funds administered by the City are presented in Note 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 or when their estimation is impractical.

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.

Notes to the Consolidated Financial Statements

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

1. Significant accounting policies (continued)

(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.

(g) Transfers from other governments

Restricted transfers from other governments are deferred and recognized as revenue in the period the stipulations in the related agreement are met.

Unrestricted transfers are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(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 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.

Notes to the Consolidated Financial Statements

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

1. Significant accounting policies (continued)

(k) Investment income

Investment income is reported as revenue in the period earned.

(l) Deferred revenue

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

(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 recorded as it is incurred.

(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, 2020
(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, 2020
(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 2020-2024 Consolidated Financial Plan and was adopted through By-law #19959 on December 16, 2019.

(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 segmented format (Note 20).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020
(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, 2019 or 2020.

2. Accounts receivable

	<u>2020</u>	<u>2019</u>
General and other accounts receivable	\$ 40,166	\$ 39,282
Development cost charges	63,864	78,772
Property taxes	23,033	23,590
Utility rate charges	19,084	18,025
Local improvement receivable	9,539	10,034
Due from other authorities	2,152	4,327
MFA debt reserve fund receivable	2,684	2,630
Tax sale properties	131	35
	<u>\$ 160,653</u>	<u>\$ 176,695</u>

3. Investments

(a) Portfolio Investments

	<u>2020</u>	<u>2019</u>
Maturing within one year	\$ 199,985	\$ 398,583
Maturing within two years	114,193	59,492
Maturing within ten years	60,015	154,610
City investments (i)	<u>374,193</u>	<u>612,685</u>
SCDC investments (ii)	955	955
SHHS investments (iii)	3,601	5,938
	<u>\$ 378,749</u>	<u>\$ 619,578</u>

Notes to the Consolidated Financial Statements

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

3. Investments (continued)

(a) Portfolio Investments (continued)

- (i) City investments had an average portfolio yield of 2.30% (2019 – 2.66%). All City investments can be liquidated on demand but may have associated penalties on liquidation.
- (ii) SCDC investments includes term deposits that had an average portfolio yield of 1.90% (2019 – 2.35%) along with GICs with a maturity date of September 17, 2021 and a yield of 0.10% (2019 – 1.90%).
- (iii) SHHS investments includes a diversified portfolio of fixed income and equity securities held by SHHS with an average yield rate of 16.69% (2019 – 14.96%), for the purpose of supporting programs and projects related the objectives of the SHHS.

(b) Other Investments

	<u>2020</u>	<u>2019</u>
Government business partnership	624	531
	<u>\$ 624</u>	<u>\$ 531</u>

SCDC's joint-venture partnership in Beedie Limited Partnership ("Beedie LP") meets the criteria of a government business partnership and therefore is 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 of SCDC is limited to the cash held in the partnership and land which it contributed to Beedie LP. SCDC's proportionate share in respect of this entity is as follows:

	<u>2020</u>	<u>2019</u>
Financial assets	\$ 507	\$ 399
Liabilities	(8,660)	(8,953)
Non-financial assets	8,777	9,085
	<u>\$ 624</u>	<u>\$ 531</u>

Revenues and expenditures for the year ended were \$1.05 million (2019 – \$1.08 million) and \$0.75 million (2019 – \$0.78 million), respectively.

4. Trade and other accounts payable

	<u>2020</u>	<u>2019</u>
Trade accounts payable	\$ 50,946	\$ 51,612
Payroll accounts payable	12,174	17,596
Contractors' holdbacks	9,209	11,682
Interest payable on debt	2,009	2,009
	<u>\$ 74,338</u>	<u>\$ 82,899</u>

Notes to the Consolidated Financial Statements

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

5. Due to other governments

	<u>2020</u>	<u>2019</u>
Due to Federal Government (RCMP)	\$ 58,551	\$ 51,526
Due to TransLink (note 13)	39,000	38,800
Due to Regional Districts	24,973	19,876
Due to Province of British Columbia	145,669	5,576
Due to other government entities	5,586	2,804
	<u>\$ 273,779</u>	<u>\$ 118,582</u>

To support local governments during the COVID-19 pandemic, the Province of British Columbia provided for the delay in Provincial school tax remittances to the end of year with payment of outstanding remittances due by January 15th, 2021. As a result, the above Due to Province of British Columbia includes \$144.75 million (2019 - \$3.44 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 and accidental death, dismemberment insurance, vacation deferral, supplementary vacation, and benefit continuation for disabled employees. The liability associated with these benefits is calculated based on the present value of expected future payments pro-rated for services.

Accrued benefit liability:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 28,663	\$ 28,007
Current service cost	1,923	1,834
Interest cost	777	814
Amortization of net actuarial gain	(169)	(494)
Benefits paid	(1,456)	(1,498)
Accrued benefit liability, end of year	<u>\$ 29,738</u>	<u>\$ 28,663</u>

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2020. The difference between the actuarially determined accrued benefit obligation of \$29.719 million and the accrued benefit liability of \$29.738 million as at December 31, 2020 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 (2019 – 12 years).

Notes to the Consolidated Financial Statements

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

6. Employee future benefits (continued)

Reconciliation of accrued benefit liability to accrued benefit obligation:

	<u>2020</u>	<u>2019</u>
Actuarial benefit liability, end of year	\$ 29,738	\$ 28,663
Unamortized actuarial gain	<u>(19)</u>	<u>(358)</u>
Accrued benefit obligation, end of year	<u>\$ 29,719</u>	<u>\$ 28,305</u>

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

	<u>2020</u>	<u>2019</u>
Discount rate	2.15%	2.70%
Expected future inflation rate	1.80%	1.80%
Employee average remaining service life (years)	12.00	12.00

7. Deposits and prepayments

	<u>2020</u>	<u>2019</u>
Deposits:		
Future works	\$ 57,779	\$ 56,383
Planning and development	87,208	80,506
Engineering	89,877	89,594
Pavement cuts	4,124	4,266
Boulevard trees	1,359	1,761
Latecomer	2,778	984
Other deposits	<u>3,829</u>	<u>4,753</u>
Total deposits	<u>\$ 246,954</u>	<u>\$ 238,247</u>
Prepayments:		
Taxes	\$ 43,026	\$ 42,400
Utilities	3,974	3,206
Other prepayments	<u>779</u>	<u>627</u>
Total prepayments	<u>47,779</u>	<u>46,333</u>
Total deposits and prepayments	<u>\$ 294,733</u>	<u>\$ 284,480</u>

Notes to the Consolidated Financial Statements

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

8. Deferred revenue

	<u>2020</u>	<u>2019</u>
Development/building permits	\$ 31,387	\$ 31,021
Deferred capital works	45,745	33,763
Deferred lease revenue	28,031	6,013
Other	9,125	8,833
	<u>\$ 114,288</u>	<u>\$ 79,630</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 covers 99% (2019 – 90% to 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 accumulates interest until spent. DCCs are deferred and recognized as revenue when the related costs are incurred.

	<u>2020</u>	<u>2019</u>
Deferred DCCs:		
Arterial roads	\$ 76,997	\$ 78,530
Parkland	59,519	58,793
Drainage/storm water detention	47,103	45,937
Sanitary sewer	31,497	30,085
Collector roads	15,904	19,562
Water	19,797	18,739
Area specific	61,574	54,375
Park development	2,119	2,471
	<u>\$ 314,510</u>	<u>\$ 308,492</u>
Deferred DCCs, beginning of year	<u>\$ 308,492</u>	<u>\$ 277,681</u>
DCCs levied for the year	58,772	105,804
Investment income	2,623	1,837
Increase in Deferred DCCs	<u>61,395</u>	<u>107,641</u>
Revenue recognized:		
General Capital	(46,459)	(62,824)
Water Capital	(2,595)	(4,326)
Sewer & Drainage Capital	(6,323)	(9,680)
DCCs recognized as revenue	<u>(55,377)</u>	<u>(76,830)</u>
Deferred DCCs, end of year	<u>\$ 314,510</u>	<u>\$ 308,492</u>

Notes to the Consolidated Financial Statements

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

10. Debt

	<u>2020</u>	<u>2019</u>
MFA debt (i)	\$ 167,485	\$ 173,712
Loans payable (ii)	<u>46,745</u>	<u>48,065</u>
	<u>\$ 214,230</u>	<u>\$ 221,777</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 2020</i>	<i>Net debt 2019</i>
116	\$ 100,000	\$ 25,411	\$ 74,589	\$ 77,875
121	45,000	9,956	35,044	36,465
126	67,335	9,483	57,852	59,372
	<u>\$ 212,335</u>	<u>\$ 44,850</u>	<u>\$ 167,485</u>	<u>\$ 173,712</u>

Current borrowing includes:

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

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

Notes to the Consolidated Financial Statements

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

10. Debt (continued)

(ii) Loans payable

	2020	2019
Loan payable (Cedar Hills mall), Citizen's Bank of Canada, 10-year term maturing November 1, 2022, payable in monthly payments of \$78,497, including interest calculated at a rate of 3.95% per annum, secured by a mortgage on the commercial property.	\$ 11,636	\$ 12,112
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% payable.	35,109	35,953
Total Loans Payable	\$ 46,745	\$ 48,065

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

	MFA payments (i)	Loan payments (ii)	Total
2021	\$ 6,476	\$ 1,383	\$ 7,859
2022	6,735	1,406	8,141
2023	7,005	1,454	8,459
2024	7,285	1,506	8,791
2025	7,576	1,560	9,136
2026 and thereafter	132,408	39,436	171,844
Total	\$ 167,485	\$ 46,745	\$ 214,230

Total interest expense recorded for the year ended December 31, 2020 was \$10.4 million (2019 - \$10.4 million).

Notes to the Consolidated Financial Statements

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

11. Tangible capital assets

Net Book Value by category	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 2,010,254	\$ 1,942,379
Land under road	3,311,025	3,228,036
Buildings and building improvements	496,288	478,748
Infrastructure	3,251,299	3,167,425
Machinery and equipment	138,949	149,667
Assets under construction	266,493	329,413
	<u>\$ 9,474,308</u>	<u>\$ 9,295,668</u>
Net Book Value by fund	<u>2020</u>	<u>2019</u>
General capital	\$ 2,677,023	\$ 2,627,885
Transportation capital	4,348,204	4,245,266
Water capital	657,958	647,071
Sewer capital	606,353	601,188
Drainage capital	1,106,662	1,104,033
Library capital	4,915	5,434
Surrey City Development Corp.	73,193	64,788
Other Entities	-	3
	<u>\$ 9,474,308</u>	<u>\$ 9,295,668</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 \$138.6 million (2019 - \$196.5 million) comprised of roads infrastructure in the amount of \$101.2 million (2019 - \$160.9 million), water and wastewater infrastructure in the amount of \$26.6 million (2019 - \$18.0 million) and land in the amount of \$10.8 million (2019 - \$17.6 million), including improvements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020
(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>2020</u>			<u>2019</u>		
Accumulated Surplus per Statement of Financial Position	\$9,612,337			\$ 9,339,851		
Tangible Capital Assets	9,474,308			9,295,668		
Debt funded assets	(199,561)			(207,326)		
Invested in tangible capital assets	9,274,747			9,088,342		
	<u>Gross Allocations</u>			<u>Gross Allocations</u>		
Reserves set aside by Council						
Capital legacy	48,981	(48,981)	-	47,847	(47,847)	-
Municipal land	63,463	(40,431)	23,032	53,947	(42,078)	11,869
Equipment and building replacement	29,067	(18,272)	10,795	25,714	(13,972)	11,742
Neighborhood concept plans	31,227	(19,630)	11,597	28,003	(15,216)	12,787
Park land acquisition	4,651	(2,924)	1,727	17,408	(9,459)	7,949
Local improvement financing	17,803	(11,192)	6,611	17,417	(9,464)	7,953
Environmental stewardship	6,855	(4,309)	2,546	6,809	(3,700)	3,109
Parking space	3,089	(1,942)	1,147	2,651	(1,440)	1,211
Water claims	1,378	(866)	512	1,362	(740)	622
Affordable housing	1,058	(665)	393	591	(321)	270
Capital projects	1,108	(697)	411	-	-	-
	<u>208,680</u>		<u>58,771</u>	<u>201,749</u>		<u>57,512</u>
Internal borrowing to fund capital		<u>(149,909)</u>			<u>(144,237)</u>	
Other appropriated funds						
Infrastructure replacement	(9,687)	9,687	-	(20,546)	20,546	-
Revenue stabilization	13,490	(449)	13,041	13,490	(1,374)	12,116
Self insurance	12,825	(427)	12,398	13,253	(1,350)	11,903
Operating contingency and emergencies	8,607	(286)	8,321	8,276	(843)	7,433
Environmental emergencies	7,082	(236)	6,846	7,082	(721)	6,361
Prepaid expenses	5,352	-	5,352	4,577	-	4,577
Inventories of supplies	988	-	988	874	-	874
Committed funds	249,151	(8,289)	240,862	159,584	(16,258)	143,326
	<u>287,808</u>	<u>-</u>	<u>287,808</u>	<u>186,590</u>	<u>-</u>	<u>186,590</u>
Other Entities						
Surrey City Development Corporation			(19,213)			(4,841)
Surrey Homelessness and Housing Society			3,710			5,748
Innovation Boulevard			5			(9)
			<u>(15,498)</u>			<u>898</u>
Total Appropriated Funds			<u>9,605,828</u>			<u>9,333,342</u>
Unappropriated Surplus			<u>\$ 6,509</u>			<u>\$ 6,509</u>

Notes to the Consolidated Financial Statements

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

13. Due to TransLink

In 2018, the Mayors' Council on Regional Transportation ("Mayors' Council") directed TransLink to proceed immediately with planning and project development for a Surrey Langley SkyTrain ("SLS") project. Further to this, the Mayors' Council passed a resolution in June 2019 endorsing an estimated \$39.0 million of unnecessarily expended costs on the cancelled Surrey Newton Guildford LRT project be compensated by the City of Surrey.

On May 28, 2020, the Mayors' Council approved a compensation agreement with the City of Surrey to compensate TransLink for the \$39.0 million. This agreement describes the compensation to be valued as follows: property contributions valuing \$16.9 million; parking contributions valuing \$12.8 million; and a financial contribution of \$9.3 million. These contributions are anticipated to occur over the duration of the SLS project, which is expected to commence in 2021/2022.

As at December 31, 2020 the City of Surrey has recorded a liability due to TransLink in the amount of \$39.0 million (2019 – \$38.8 million) relating to this resolution.

The June 2019 resolution also included a recommendation that a further compensation of \$5.4 million by the City of Surrey be required if there is no decision to implement rapid transit along King George Blvd by December 31, 2021. As at December 31, 2020 discussions have not taken place relating to this recommendation, therefore this further payment has not been accrued.

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 made, no liability was recorded during 2019 or 2020.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020
(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, 2020). 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 \$1.5 million during the year (2019 - \$1.3 million).
- 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 severed liability of the City and all other participants to the agreement through the MFA. The City is similarly liable on a contingent basis for the debt of other municipalities secured through the MFA.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020
(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
Total						\$ 3,957

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

g) Policing services

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

In 2018, Council unanimously approved a motion to direct staff to commence work on terminating its contract with the RCMP and create a Surrey Police Service. As a result of this work, on February 27, 2020 the Provincial Government granted approval to the City to create a municipal police board. The Surrey Police Board was subsequently formed and in November 2020 they hired a Police Chief to lead the transition to a Surrey Police Service. In accordance with the Provincial contract for the RCMP, necessary notice was provided and therefore the City is not expected to incur additional costs for the early termination of the RCMP services.

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 amortized over the term of the agreement as payments are made to the operator for the City organic waste processed by the facility.

Notes to the Consolidated Financial Statements

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

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, 2020 of the City for future assets:

	2021	2022	2023	2024	Thereafter
Lease revenue (a)	\$ 6,916	\$ 6,224	\$ 5,557	\$ 4,821	\$ 33,604
Government agreements (b)	3,575	3,649	3,522	2,970	739
Total	\$ 10,491	\$ 9,873	\$ 9,079	\$ 7,791	\$ 34,343

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 19 years.

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 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.

Notes to the Consolidated Financial Statements

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

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, 2019, the Plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 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.

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 \$21.4 million (2019 - \$20.6 million) for employer contributions while employees contributed \$17.9 million (2019 - \$17.2 million) to the Plan in 2020.

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.

Notes to the Consolidated Financial Statements

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

17. Taxation revenue

	<u>2020</u>	<u>2019</u>
Tax collected:		
Property taxes	\$ 384,807	\$ 363,342
Collections for other authorities	318,704	357,855
Parcel taxes	57,815	56,426
Grants-in-lieu of taxes	19,500	18,539
Other	959	498
	<u>781,785</u>	<u>796,660</u>
Less transfers to other authorities:		
Province of BC - School Taxes	(220,026)	(262,525)
Greater Vancouver Regional District	(10,012)	(8,083)
BC Assessment Authority	(8,702)	(7,975)
Greater Vancouver Transportation Authority	(56,236)	(50,333)
Other	(23,728)	(28,939)
	<u>(318,704)</u>	<u>(357,855)</u>
Taxation revenue	<u>\$ 463,081</u>	<u>\$ 438,805</u>

18. Other revenue

	<u>2020</u>	<u>2019</u>
Licenses and permits	\$ 38,976	\$ 36,898
Leases and rentals	12,474	13,399
Penalties and interest on taxes	5,390	6,402
Miscellaneous	3,780	5,898
Gain (loss) on disposal of tangible capital assets	(686)	4,659
Gain on sales of development properties	178	4,780
	<u>\$ 60,112</u>	<u>\$ 72,036</u>

Notes to the Consolidated Financial Statements

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

19. Trust funds

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

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

	<u>2020</u>	<u>2019</u>
Cemetery Perpetual Care Fund	\$ 4,151	\$ 3,961
Employee Benefits Fund	<u>759</u>	<u>742</u>
	<u>\$ 4,910</u>	<u>\$ 4,703</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.

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

Police Services

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

Parks, Recreation and Culture Services

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.

Notes to the Consolidated Financial Statements

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

20. Segmented information (continued)

General Government Services – Mayor & Councillor’s 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 the provision of consulting services, land development activities, property acquisition/disposal and asset management and the Surrey Homelessness and Housing Society, which focuses on addressing homelessness in Surrey through raising funds and the provision of grants to worthy projects also form part of General Government Services.

Roads and Traffic Safety Services

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

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.

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, and curbside collection services via a fully automated cart-based collection system.

Notes to the Consolidated Financial Statements

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

20. Segmented information (continued)

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 the Operations Division and 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 nine Library branches located throughout the City.

Engineering Services

The Engineering Department is responsible for providing timely and effective services relating to water, sewer, drainage, garbage 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 thermal energy systems to new and existing developments throughout the Surrey City Centre area.

Parking

The Parking Authority Utility is a City fund that provides the planning, managing and enforcing of 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, 2020
(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, 2020
(tabular amounts in thousands of dollars)

For the year ended December 31, 2019
(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	2019
20 SEGMENTED INFORMATION															
REVENUES															
Taxation, grants-in-lieu, assessments	\$ -	\$ -	\$ 726,518	\$ 30,336	\$ (48)	\$ -	\$ 817	\$ -	\$ 39,037	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 796,660
Collections for other authorities	-	-	(357,855)	-	-	-	-	-	-	-	-	-	-	-	(357,855)
Taxation revenue	-	-	368,663	30,336	(48)	-	817	-	39,037	-	-	-	-	-	438,805
Sales of goods and services	1,785	30,804	27,634	228	79,692	2,687	62,790	43,069	-	4,769	288	7,136	2,546	3,277	266,705
Development cost charges	-	-	76,830	-	-	-	-	-	-	-	-	-	-	-	76,830
Developer contributions	-	166	35,431	163,241	3,100	-	5,429	-	9,828	-	-	-	885	-	218,080
Investment income	-	29	27,976	-	372	-	203	58	5	-	-	-	-	-	28,643
Transfers from other governments	7,073	1,349	7,854	15,621	(950)	-	205	-	3,329	-	986	-	-	-	35,467
Other	41	2,183	36,234	(172)	357	(233)	475	173	(193)	28,511	534	3,056	25	1,045	72,036
	8,899	34,531	580,622	209,254	82,523	2,454	69,919	43,300	52,006	33,280	1,808	10,192	3,456	4,322	1,136,566
EXPENSES															
Salaries and benefits	28,070	66,436	41,016	6,970	-	60,505	-	-	-	22,928	15,022	43,862	624	762	286,195
RCMP contracted services	133,335	-	-	-	-	-	-	-	-	-	-	-	-	-	133,335
Consulting and professional services	1,131	5,647	3,883	1,718	505	266	550	1,030	2,602	985	111	780	28	74	19,310
Telephone and communications	379	369	925	64	58	157	26	17	21	103	28	260	3	61	2,471
Regional district utility charges	-	-	-	-	48,760	-	47,715	-	-	-	-	-	-	-	96,475
Utilities	617	4,653	42	3,582	715	377	2,074	13	24	557	387	1,259	867	6	15,173
Garbage collection and disposal	18	570	18	280	-	26	3	22,453	-	13	12	402	-	-	23,795
Maintenance and small equipment	63	8,200	6,682	223	359	1,371	129	66	14	2,542	235	1,190	61	128	21,263
Insurance and claims	-	35	3,174	1	-	15	-	161	-	-	-	56	-	-	3,442
Leases and rentals	957	1,051	343	1,773	654	1	892	402	1,446	29	48	2,609	-	77	10,282
Supplies and materials	352	8,739	3,329	3,208	1,287	2,517	1,434	2,283	603	2,081	550	5,641	23	17	32,064
Advertising and media	3	449	152	21	4	13	-	37	1	39	1,345	14	1	-	2,079
Grants and sponsorships	-	748	2,195	-	-	-	-	-	-	3	102	-	-	-	3,048
Contract payments	2	4,330	1,107	8,768	3,123	308	878	1,948	2,953	44	12	2,198	76	628	26,375
Other	1,158	2,213	41,879	1,026	67	1,985	990	79	645	1,264	738	60	13	16	52,133
Cost recoveries, net	(769)	(137)	(7,184)	8,631	10,072	(1,487)	4,445	4,641	7,130	(376)	283	(51,265)	(139)	6	(26,149)
Interest on debt	-	-	7,778	-	-	-	-	2,658	-	-	-	-	-	-	10,436
Other interests and fiscal services	23	384	341	-	(33)	-	-	-	-	154	7	1	297	129	1,303
Amortization expense	1,314	18,939	13,847	42,741	9,758	2,250	12,093	2,520	20,591	35	1,987	6,006	841	1,094	134,016
	166,653	122,626	119,527	79,006	75,329	68,304	71,229	38,308	36,030	30,401	20,867	13,073	2,695	2,998	847,046
Excess (deficiency) of revenues over expenses	(157,754)	(88,095)	461,095	130,248	7,194	(65,850)	(1,310)	4,992	15,976	2,879	(19,059)	(2,881)	761	1,324	289,520
Transfer from (to) operating funds	-	-	(61,047)	36,423	2,043	-	11,456	(5,082)	(864)	-	19,080	(72)	(473)	(1,464)	-
Transfer from (to) reserve funds	-	79	(46,377)	33,399	4,926	(1,297)	4,423	(265)	7,466	(176)	100	(3,099)	821	-	-
Transfer from (to) capital funds	-	(4,995)	56,327	(19,921)	(9,592)	-	(8,669)	(309)	(12,245)	447	(14)	47	(995)	(81)	-
Annual surplus (deficit)	\$ (157,754)	\$ (93,011)	\$ 409,998	\$ 180,149	\$ 4,571	\$ (67,147)	\$ 5,900	\$ (664)	\$ 10,333	\$ 3,150	\$ 107	\$ (6,005)	\$ 114	\$ (221)	\$ 289,520

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020
(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:

	2020	2019
Revenue		
BC Provincial government grants:		
COVID 19 Safe Restart Grant (note 22)	\$ 14,769	\$ -
Traffic fines revenue sharing	7,661	6,621
Casino revenue sharing	708	4,074
Library operating	983	965
Flood Mitigation Funding	892	-
Climate Action Revenue Incentive Program	753	650
Childcare and seniors	598	598
Victim services	200	189
Clean Energy Vehicle Fast Charging Stations	75	-
Roads	28	2,493
BC One Card	20	20
Arts	-	186
Subtotal BC Provincial government grants	26,687	15,796
Federal government grants:		
Water, Drainage and Sewer	1,275	834
SAFE program	593	382
Roads and Parking	172	7
Keep of prisoners	114	124
Childcare and youth	76	40
Arts and heritage grants	21	269
Summer students	11	13
Subtotal Federal government grants	2,262	1,669
TransLink:		
Arterial widening and intersection improvements	263	1,340
Arterial paving	905	4,745
Arterial bridges	3,756	934
Road operating and maintenance	2,727	3,254
Road general rehabilitation	1,225	1,415
Traffic signals, signs, and markings	1,635	1,872
Bicycle street network and other transit projects	1,222	1,312
Subtotal TransLink grants	11,733	14,872
UBCM Community Works Fund:	1,605	3,130
Total transfers from other government revenues	\$ 42,287	\$ 35,467

Notes to the Consolidated Financial Statements

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

22. COVID 19 Safe Restart Grant

The BC Provincial Government's COVID-19 Safe Restart grant was provided to local governments to support them as they dealt with the financial impacts of the COVID-19 pandemic.

23. Budget data

The budget data presented in these consolidated financial statements was included in the City of Surrey 2020-2024 Consolidated Financial Plan and was adopted through Bylaw #19959 on December 16, 2019. The following table reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	Budget Amount
Approved consolidated budgeted revenues	\$ 1,166,500
Approved consolidated budgeted expenditures	1,352,565
Transfers between funds	(186,065)
	1,166,500
Less:	
Capital expenditures	(496,515)
Municipal debt principal repayments	(5,536)
Add:	
Transfers between funds	186,065
Total Expenses:	850,514
Annual surplus per statement of operations	\$ 315,986

24. 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, 2020
(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, 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

	Land and land improvements	Land under road	Buildings and building improvements	Infrastructure	Machinery and equipment	Assets under construction	Balance at January 01, 2020
COST							
Opening Balance	\$ 1,966,871	\$ 3,079,917	\$ 685,886	\$ 4,738,323	\$ 284,667	\$ 360,466	\$ 11,116,130
Additions and transfers	69,941	148,119	65,466	159,705	37,908	(29,863)	451,276
Disposals	(2,266)	-	(157)	(5,140)	(8,249)	(1,190)	(17,002)
Ending Balance	2,034,546	3,228,036	751,195	4,892,888	314,326	329,413	11,550,404
ACCUMULATED AMORTIZATION							
Opening Balance	87,948	-	251,434	1,642,606	151,542	-	2,133,530
Amortization	5,084	-	21,168	86,405	21,359	-	134,016
Accum. amort. on disposals	(865)	-	(155)	(3,548)	(8,242)	-	(12,810)
Ending Balance	92,167	-	272,447	1,725,463	164,659	-	2,254,736
NET BOOK VALUE	\$ 1,942,379	\$ 3,228,036	\$ 478,748	\$ 3,167,425	\$ 149,667	\$ 329,413	\$ 9,295,668

City of Surrey

Schedule 2 - Unaudited Statement of Financial Position - By Fund

As at December 31, 2020, with comparative figures for 2019
(in thousands of dollars)

	Operating Funds									Capital Funds		Other Entities			Consolidated		
	General	Surrey City Energy	Parking	Roads and Traffic Safety	Solid Waste	Water	Sewer	Drainage	Library Services	General and Utilities	Library Services	SCDC	Other Entities	Reserve Funds	Adjustments	2020	2019
FINANCIAL ASSETS																	
Cash	\$ 898,062	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,176	\$ 46	\$ -	\$ (5)	\$ 907,279	\$ 366,476
Accounts receivable	123,640	-	-	-	-	-	-	-	950	-	1,370	251	64,130	(29,688)	160,653	176,695	
Portfolio Investments	396,184	-	-	-	-	-	-	-	-	-	955	3,601	-	(21,991)	378,749	619,578	
Other Investments	-	-	-	-	-	-	-	-	-	-	624	-	-	-	624	531	
Due from other funds	-	-	-	6,939	8,271	72,661	46,028	18,646	2,297	13,720	-	-	-	370,336	(538,898)	-	
	1,417,886	-	-	6,939	8,271	72,661	46,028	18,646	2,297	14,670	-	12,125	3,898	434,466	(590,582)	1,447,305	1,163,280
LIABILITIES																	
Trade and other accounts payable	89,425	-	-	-	-	-	-	-	-	-	37,151	178	-	(52,416)	74,338	82,899	
Due to other governments	273,770	-	-	-	-	-	-	-	-	-	-	-	-	9	273,779	118,582	
Employee future benefits	27,541	-	-	-	-	-	-	2,197	-	-	-	-	-	-	29,738	28,663	
Deposits and prepayments	289,941	-	10	-	-	2,080	1,894	-	-	-	129	-	689	(10)	294,733	284,480	
Due to other funds	438,692	38,446	6,183	-	-	-	-	-	-	-	-	-	60,497	(543,818)	-	-	
Deferred revenue	85,790	-	-	-	-	-	-	201	-	-	28,344	-	-	(47)	114,288	79,630	
Deferred development cost charges	-	-	-	-	-	-	-	-	-	-	-	-	314,510	-	314,510	308,492	
Debt	-	-	-	-	-	-	-	-	202,594	-	11,636	-	-	-	214,230	221,777	
	1,205,159	38,446	6,193	-	-	2,080	1,894	-	2,398	202,594	-	77,260	178	375,696	(596,282)	1,315,616	1,124,523
Net Financial Assets (Debt)	212,727	(38,446)	(6,193)	6,939	8,271	70,581	44,134	18,646	(101)	(187,924)	-	(65,135)	3,720	58,770	5,700	131,689	38,757
NON-FINANCIAL ASSETS																	
Tangible capital assets	-	-	-	-	-	-	-	-	-	9,408,014	4,915	106,930	-	-	(45,551)	9,474,308	9,295,668
Inventories of supplies	550	-	-	-	-	384	54	-	-	-	-	-	-	-	988	874	
Prepaid expenses	5,095	-	-	-	-	-	-	224	-	-	30	6	-	(3)	5,352	4,552	
	5,645	-	-	-	-	384	54	-	224	9,408,014	4,915	106,960	6	-	(45,554)	9,480,648	9,301,094
Accumulated Surplus (Deficit)	\$ 218,372	\$ (38,446)	\$ (6,193)	\$ 6,939	\$ 8,271	\$ 70,965	\$ 44,188	\$ 18,646	\$ 123	\$ 9,220,090	\$ 4,915	\$ 41,825	\$ 3,726	\$ 58,770	\$ (39,854)	\$ 9,612,337	\$ 9,339,851

City of Surrey

Schedule 3 - Unaudited Statement of Operations - By Fund

For the year ended December 31, 2020, with comparative figures for 2019
(in thousands of dollars)

	Operating Funds									Capital Funds		Other Entities			Consolidated		
	General	Surrey City Energy	Parking	Roads and Traffic Safety	Solid Waste	Water	Sewer	Drainage	Library Services	General and Utilities	Library Services	SCDC	Other Entities	Reserve Funds	Adjustments	2020	2019
REVENUES																	
Taxation revenue	\$ 390,954	\$ -	\$ -	\$ 30,694	\$ -	\$ (25)	\$ 800	\$ 40,658	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 463,081	\$ 438,805
Sales of goods and services	54,481	2,671	2,533	3,007	44,549	82,183	65,819	49	82	-	-	1	18	101	(941)	254,553	266,705
Development cost charges	-	-	-	-	-	-	-	-	-	-	-	-	-	55,377	-	55,377	76,830
Developer contributions	353	-	-	843	-	-	-	79	-	143,304	26	-	-	12,207	-	156,812	218,080
Investment income	15,870	-	-	-	80	513	276	46	-	1,674	-	71	216	1,130	(469)	19,407	28,643
Transfers from other governments	27,109	-	-	5,846	-	-	-	213	1,004	8,115	-	-	-	-	-	42,287	35,467
Other	57,668	26	894	1,423	132	1,216	602	163	155	884	-	3,547	128	9,507	(16,233)	60,112	72,036
	546,435	2,697	3,427	41,813	44,761	83,887	67,497	41,208	1,241	153,977	26	3,619	362	78,322	(17,643)	1,051,629	1,136,566
EXPENSES																	
Police services	165,754	-	-	-	-	-	-	-	-	1,385	-	-	-	-	(5)	167,134	166,653
Parks, recreation and culture	75,900	-	-	-	-	-	-	-	-	19,658	-	-	-	-	(134)	95,424	122,626
General government	70,014	-	-	-	-	-	-	-	-	8,103	-	8,074	2,372	(68)	(6,110)	82,385	119,527
Roads and traffic safety	-	-	-	30,461	-	-	-	-	-	44,377	-	-	-	-	(959)	73,879	79,006
Water	-	-	-	-	-	69,493	-	-	-	9,852	-	-	-	-	(154)	79,191	75,329
Fire services	65,509	-	-	-	-	-	-	-	-	2,238	-	-	-	-	(81)	67,666	68,304
Sewer	-	-	-	-	-	-	60,226	-	-	12,944	-	-	-	-	(344)	72,826	71,229
Solid waste	-	-	-	-	37,564	-	-	-	-	2,520	-	-	-	-	-	40,084	38,308
Drainage	-	-	-	-	-	-	-	13,155	-	21,464	-	-	-	-	(540)	34,079	36,030
Planning and development	30,334	-	-	-	-	-	-	-	-	35	-	-	-	-	-	30,369	30,401
Library services	-	-	-	-	-	-	-	-	15,285	-	1,925	-	-	-	(4)	17,206	20,867
Engineering	8,136	-	-	-	-	5	-	-	-	8,689	-	-	-	-	(3,468)	13,362	13,073
Surrey city energy	-	2,168	-	-	-	-	-	-	-	1,028	-	-	-	-	-	3,196	2,695
Parking	-	-	1,241	-	-	-	-	-	-	1,101	-	-	-	-	-	2,342	2,998
	415,647	2,168	1,241	30,461	37,564	69,498	60,226	13,155	15,285	133,394	1,925	8,074	2,372	(68)	(11,799)	779,143	847,046
Excess (Deficiency) of Revenues over Exp.	130,788	529	2,186	11,352	7,197	14,389	7,271	28,053	(14,044)	20,583	(1,899)	(4,455)	(2,010)	78,390	(5,844)	272,486	289,520
Transfer from (to) operating funds	(1,125)	(207)	(1,654)	11,774	(6,384)	(5,817)	243	(10,906)	14,078	57,025	1,302	-	-	20,838	-	79,167	83,350
Transfer from (to) reserve funds	(20,987)	-	-	(31)	(375)	(172)	69	656	-	97,870	100	-	-	-	-	77,130	136,952
Transfer from (to) capital funds	(10,553)	(4,183)	(32)	(11,626)	-	(13,041)	(6,661)	(12,231)	-	22	(22)	-	-	(97,970)	-	(156,297)	(220,302)
ANNUAL SURPLUS (DEFICIT)	98,123	(3,861)	500	11,469	438	(4,641)	922	5,572	34	175,500	(519)	(4,455)	(2,010)	1,258	(5,844)	272,486	289,520
Accumulated Surplus (Deficit), beginning of year	120,249	(34,585)	(6,693)	(4,530)	7,833	75,606	43,266	13,074	89	9,044,590	5,434	46,280	5,736	57,512	(34,010)	9,339,851	9,050,331
Accumulated Surplus (Deficit), end of year	\$ 218,372	\$ (38,446)	\$ (6,193)	\$ 6,939	\$ 8,271	\$ 70,965	\$ 44,188	\$ 18,646	\$ 123	\$ 9,220,090	\$ 4,915	\$ 41,825	\$ 3,726	\$ 58,770	\$ (39,854)	\$ 9,612,337	\$ 9,339,851

City of Surrey
Schedule 4 - Unaudited Reserve Funds

As at December 31, 2020
(in thousands of dollars)

	* Capital Legacy	** Municipal Land	Equipment and Building Replacement	Neighborhood Concept Plans	Park Land Acquisition	*** Local Improvement Financing	Environmental Stewardship	Parking Space	Water Claims	Affordable Housing	Capital Projects Reserve	Reserves Subtotal	Deferred Development Charges
Balance, beginning of year	\$ -	\$ 11,869	\$ 11,742	\$ 12,787	\$ 7,949	\$ 7,953	\$ 3,109	\$ 1,211	\$ 622	\$ 270	\$ -	\$ 57,512	\$ 308,492
DCC's levied for the year	-	-	-	-	-	-	-	-	-	-	-	-	58,772
Investment income	-	131	285	311	193	82	76	30	16	7	-	1,131	2,623
Other revenue	-	9,355	253	5,910	4,321	-	-	408	-	461	1,108	21,816	-
Other Contributions/(Deductions)	-	-	68	-	-	-	-	-	-	(1)	-	67	-
	-	9,486	606	6,221	4,514	82	76	438	16	467	1,108	23,014	61,395
Transfers (to) / from													
Operating funds	10,204	2,119	10,433	(189)	-	304	(30)	-	-	-	-	22,841	-
Capital funds	(16,389)	(442)	(7,686)	(2,808)	(17,271)	-	-	-	-	-	-	(44,596)	(55,377)
Internal Borrowing	6,185	-	(4,300)	(4,414)	6,535	(1,728)	(609)	(502)	(126)	(344)	(697)	-	-
	-	1,677	(1,553)	(7,411)	(10,736)	(1,424)	(639)	(502)	(126)	(344)	(697)	(21,755)	(55,377)
Balance, end of year	\$ -	\$ 23,032	\$ 10,795	\$ 11,597	\$ 1,727	\$ 6,611	\$ 2,546	\$ 1,147	\$ 512	\$ 393	\$ 411	\$ 58,771	\$ 314,510

Additional Information:

*** Capital Legacy Reserve Fund** (created by Bylaw in 1999):

The City borrows from this Fund to finance capital projects. Principal and interest repayment schedules are based upon reasonable business case plans approved by City Council. The debt costs are provided for annually within the operating budget of each capital project.

Capital Legacy Fund Prior to Borrowing	\$ 48,981
Internal Borrowing (to) / from other reserves	60,497
Principal Repayable, East Clayton Hub Facility Loan	(36,026) ****
Principal Repayable, North Surrey Arena Replacement Loan	(32,912) ****
Principal Repayable, Surrey Museum Expansion Loan	(8,575) ****
Principal Repayable, Newton Fitness Facility Loan	(7,238) ****
Principal Repayable, Other Facilities, Parks and Culture Loans	(6,617) ****
Principal Repayable, Grandview Heights Pool Loan	(2,004) ****
Principal Repayable, Fleetwood Recreation & Library Envelope Loan	(1,766) ****
Principal Repayable, Hawthorne Rotary Park Improvements Loan	(2,470) ****
Principal Repayable, Cloverdale Library Renovations Loan	(1,850) ****
Principal Repayable, Newton Commercial Land Acquisition	(10,020) ****
Funds on Hand for Financing Projects	\$ -

**** Municipal Land Reserve Fund:**

The City borrows from this Fund to finance specified projects. Principal and interest repayment schedules are based upon reasonable business case plans approved by City Council.

Municipal Land Fund Prior to Borrowing	\$ 63,463
Internal Borrowing (to) / from other reserves	-
Principal Repayable, Green Timbers	(15,151) ****
Principal Repayable, City Works Yard Expansion Land Loan	(10,255) ****
Principal Repayable, Other Land Loans	(8,733) ****
Principal Repayable, City Centre Social Lands Loan	(2,649) ****
Principal Repayable, Social Housing Loan	(1,406) ****
Principal Repayable, City Parkway	(1,117) ****
Principal Repayable, University Drive	(1,120) ****
Funds on Hand for Financing Projects	\$ 23,032

***** Local Improvement Financing Reserve Fund:**

The City borrows from this Fund to finance local improvement projects. The property owners' share, repayable with interest over 10 years, is levied against the benefiting properties. The City's share, repayable with interest over 10 years, is provided for annually within General Operating Fund debt costs.

Funds on Hand For Financing Projects	\$ 8,264
Internal Borrowing (to) / from other reserves	(11,192)
Receivable From Property Owners	9,539
Equity, December 31, 2020	\$ 6,611

****** Total Outstanding Internal Borrowings to fund capital program:**

Capital Legacy Reserve Fund Principal Repayable Loans	(109,478)
Municipal Land Reserve Fund Principal Repayable Loans	(40,431)
Total Internal Borrowings	\$ (149,909)

City of Surrey

Schedule 5 - Unaudited COVID-19 Safe Restart Grant

As at December 31, 2020

(in thousands of dollars)

	2020
COVID-19 Safe Restart Grant Funds Received	\$ 14,769
Use of Funds:	
To address facility admissions revenue shortfalls in Parks, Recreation and Culture	(3,438)
To address program registrations revenue shortfalls in Parks, Recreation and Culture	(7,839)
To address revenue shortfalls in Provincial Gaming Grant Revenue	(3,492)
Balanced of unused Funds	\$ -

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 Instruments, 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 the 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 will commence review in 2021 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 the resulting consequential amendments. These exposure drafts are currently available for commenting by stakeholders up until May 2021. Once these comments have been deliberated and reviewed by PSAB, 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 is currently deliberating stakeholder feedback from the three invitation to comment presented during the phases and will establish a new project plan and scope and communicate this information out when finalized.

Appendix "III"

ACCUMULATED SURPLUS AND DEFERRED DEVELOPMENT COST CHARGES as at December 31, 2020 (in thousands of dollars)

	2019	2020	Utility, Parking & Road Funds	Committed to 2021 & Prior years	Balance Available for Future Years
Reserve Funds, set aside by Council (net of internal borrowing)					
Capital legacy	\$ -	\$ -		\$ -	\$ -
Municipal land	11,869	23,032		438	22,594
Equipment and building replacement	11,742	10,795		10,795	-
Neighbourhood Concept Plans	12,787	11,597		9,814	1,783
Parkland acquisition	7,949	1,727		1,727	-
Local improvement financing	7,953	6,611		6,611	-
Environmental stewardship	3,109	2,546		433	2,113
Parking space	1,211	1,147	1,147		-
Water claims	622	512	512		-
Affordable housing	270	393		393	-
Capital projects	-	411		-	411
	<u>\$ 57,512</u>	<u>\$ 58,771</u>	<u>\$ 1,659</u>	<u>\$ 30,211</u>	<u>\$ 26,901</u>
Appropriated Funds, per Council Resolution (after allocations)					
Operating contingency and emergencies	\$ 7,433	\$ 8,321	\$ 4,701		\$ 3,620
Environmental emergencies	6,361	6,846	6,846		-
Revenue stabilization	12,116	13,041	8,362		4,679
Self insurance	11,903	12,398	9,636	2,762	-
Infrastructure replacement	-	-	-		-
	<u>\$ 37,813</u>	<u>\$ 40,606</u>	<u>\$ 29,545</u>	<u>\$ 2,762</u>	<u>\$ 8,299</u>
Other Appropriated Funds					
Prepaid expenses	4,577	5,352	-	5,352	-
Inventories of supplies	874	988	438	550	-
	<u>\$ 5,451</u>	<u>\$ 6,340</u>	<u>\$ 438</u>	<u>\$ 5,902</u>	<u>\$ -</u>
Committed Funds (after allocations)					
General operating	\$ 65,826	\$ 164,304	\$ -	\$ 164,304	\$ -
Roads & traffic operating and capital	17,020	25,360	25,360		-
Water operating and capital	29,096	21,379	21,379		-
Sewer operating and capital	18,382	15,820	15,820		-
Drainage operating and capital	8,918	10,608	10,608		-
Surrey City Energy operating and capital	3,762	3,168	3,168		-
Library services	322	223		223	-
	<u>\$ 143,326</u>	<u>\$ 240,862</u>	<u>\$ 76,335</u>	<u>\$ 164,527</u>	<u>\$ -</u>
Surplus in Other Entities					
Surrey City Development Corp	\$ (4,841)	\$ (19,213)		\$ (19,213)	\$ -
Surrey Homelessness & Housing Society	5,748	3,710		3,710	-
Innovation Boulevard	(9)	5		5	-
	<u>\$ 898</u>	<u>\$ (15,498)</u>	<u>\$ -</u>	<u>\$ (15,498)</u>	<u>\$ -</u>
Unappropriated Surplus					
General operating fund	\$ 7,831	\$ 7,831			\$ 7,831
Employee future benefits	(6,998)	(6,998)			(6,998)
Surrey Public Library	(324)	(324)		(324)	-
Sewer & drainage operating fund	3,000	3,000	3,000		-
Water operating fund	3,000	3,000	3,000		-
	<u>\$ 6,509</u>	<u>\$ 6,509</u>	<u>\$ 6,000</u>	<u>\$ (324)</u>	<u>\$ 833</u>
Invested in tangible capital assets					
Tangible Capital Assets	9,295,668	9,474,308			
Debt funded assets	(207,326)	(199,561)			
	<u>\$ 9,088,342</u>	<u>\$9,274,747</u>			
Accumulated Surplus (equity), end of year					
	<u>\$ 9,339,851</u>	<u>\$9,612,337</u>			
Deferred Development Cost Charges					
Arterial Roads	\$ 78,530	\$ 76,997	\$ 76,997	\$ -	\$ -
Parkland	58,793	59,519		13,000	46,519
Drainage/Storm Water Detention	45,937	47,103	47,103		-
Sanitary Sewer	30,085	31,497	31,497		-
Collector Roads	19,562	15,904	15,904		-
Water	18,739	19,797	19,797		-
Area Specific: Campbell Heights	37,904	43,547	43,547		-
Area Specific: Highway 99 Corridor	12,374	12,413	12,413		-
Area Specific: West Clayton	750	674	674		-
Area Specific: City Centre	3,347	4,940	4,940		-
Park Development	2,471	2,119		1,625	494
	<u>\$ 308,492</u>	<u>\$ 314,510</u>	<u>\$ 252,872</u>	<u>\$ 14,625</u>	<u>\$ 47,013</u>