



## ADMINISTRATIVE REPORT

Report Date: March 30, 2017  
Contact: Esther Lee  
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VanRIMS No.: 08-2000-20  
Meeting Date: April 11, 2017

TO: Vancouver City Council  
FROM: General Manager, Finance, Risk and Supply Chain Management  
SUBJECT: 2016 Annual Financial Report

### ***RECOMMENDATION***

THAT Council receive for information the City of Vancouver Consolidated Financial Statements for the year ended December 31, 2016.

### ***REPORT SUMMARY***

The Director of Finance is required under Section 211 of the Vancouver Charter to advise Council on the financial position of the City.

Section 231 requires the City's external auditors to report on the financial statements to Council by April 30 of the following year.

The accompanying 2016 Consolidated Financial Statements reflect the financial position of the City, including organizations owned and controlled by the City, as of December 31, 2016. These statements are based on Generally Accepted Accounting Principles as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The statements have been audited by KPMG LLP and they have provided an unqualified audit report stating that the consolidated financial statements present fairly the City's consolidated financial position as at December 31, 2016 and results of operations for the year then ended.

### ***CITY MANAGER'S/GENERAL MANAGER'S COMMENTS***

The City improved its financial position in 2016, increasing its accumulated surplus by \$315.4 million to \$6.864 billion (2015 - \$6.549 billion). The City's consolidated revenues were \$1.755 billion, while consolidated expenses totalled \$1.440 billion.

**REPORT**

This report highlights key elements of the City's 2016 Consolidated Financial Position and the Results of Operations which are outlined detail in the 2016 Consolidated Financial Statements which accompany this report.

**2016 Consolidated Financial Position**

(\$000s)	2016	2015	Change
Financial assets	\$ 2,156.6	\$ 2,000.9	\$ 155.7
Liabilities	2,077.6	1,927.6	150.0
Net financial assets (liabilities)	79.0	73.3	5.7
Non-financial assets	6,785.4	6,475.7	309.7
Accumulated Surplus	<u>\$ 6,864.4</u>	<u>\$ 6,549.0</u>	<u>\$ 315.4</u>

Financial assets increased by \$155.7 million mainly due to higher amount of cash and temporary investments (\$168.3 million) offset by decreases in accounts receivable, land held for resale and long-term lease agreement receivable (\$12.6 million).

Liabilities increased by \$150.0 million as a result of increases in debt (\$89.8 million) and development cost levies (\$4.0 million which are accounted for as deferred revenue until the year in which the related expenditures are incurred). Deferred liabilities increased (\$6.4 million) mainly due to increases in both deferred payroll costs (\$3.6 million) and landfill closure and post-closure costs (\$4.6 million) offset by reduction in contaminated sites liability (\$2.0 million). Trade payables increased by \$50.5 million mainly due to capital construction payables (\$17.8 million), wage settlement contract accruals (\$5.8 million) and increased provisions for property tax and legal settlements (\$6.9 million). These increased liabilities were offset by a net reduction (\$4.9 million) in mortgages and loan agreement.

The City's Net financial assets, calculated as Financial assets less Liabilities, increased by \$5.7 million and amounted to \$79.0 million at December 31, 2016. The increase in Net financial assets was mainly the result of the annual surplus (\$315.4 million), non-cash amortization expense (\$172.8 million) offset by net acquisition of tangible capital assets (\$375.9 million). A Net financial asset position is an indicator of the financial resources the City has available to fund future operations.

The City's non-financial assets increased by \$309.7 million in 2016, bringing the total to \$6.785 billion. This reflects the addition of \$491.7 million of tangible capital assets including land, buildings, parks, equipment, street and utility infrastructure offset by disposals of assets (\$37.9 million) and amortization.

Overall, the City's financial position improved by \$315.4 million in 2016 (2015 -\$220.3 million) with accumulated surplus totaling \$6.864 billion (2015 - \$6.549 billion). Accumulated surplus is comprised of investment in tangible capital assets \$5.714 billion (2015 - \$5.500 billion), reserve balances set aside for specific purposes less obligations to be funded from future revenues of \$1.089 billion (2015 - \$0.984 billion) and fund balance of \$61.9 million (2015 - \$65.0 million).

## Results of Operations

### *Consolidated Statement of Operations*

The City's consolidated revenues were \$1.755 billion (2015 - \$1.584 billion) and include property taxes, utilities and user charges, government transfers and capital contributions. Consolidated expenses totaled \$1.440 billion (2015 - \$1.363 billion) resulting in an annual surplus of \$315.4 million (2015 - \$220.3 million).

Compared to the consolidated budget, revenues exceeded budget by \$274.2 million mainly due to developer cash and in-kind contributions which are not budgeted for due to the unpredictability of the timing of the transactions, increased cost recoveries, permits and developments fees and rental and lease revenues. Expenses were higher than budget by \$39.9 million mostly due to higher than budgeted costs in engineering and police protection (\$17.6 million) of which (\$11.8 million) related to recoverable work, higher than budgeted utility costs for landfill closure (\$11.3 million) and an unbudgeted expense to remediate an uncontrolled artesian well on a private property (\$9.9 million).

### *Revenue Fund*

Included in the City's consolidated results of operations, is the City's Revenue Fund which accounts for the general operations for the City. Spending authority and control for the fund are provided by Council through the annual Operating Budget.

Revenues for the year totaled \$1.321 billion and expenditures totaled \$1.142 billion resulting in a net revenue amount of \$179.0 million. After debt charges and transfers to reserves and other funds (\$178.8 million), the net change in the Revenue fund balance was \$0.2 million. The total fund balance of the Revenue Fund currently stands at \$26.2 million, compared to \$26.0 million in 2015.

### *Tangible Capital Assets*

The City's tangible capital assets are carried at amortized historical cost and include:

- \$5.579 billion (2015 - \$5.349 billion) of civic use assets in the Capital Fund
- \$1.156 billion (2015 - \$1.081 billion) of non-market housing, residential and commercial rental properties and parking garages in the Property Endowment Fund.
- \$23.5 million of buildings and equipment held in other owned and controlled entities.

During the year the City added approximately \$491.7 million of new assets and disposed of \$37.9 million of assets. After accounting for accumulated amortization, the City's net book value of assets increased by \$305.0 million.

The asset additions included:

	<u>\$ Million</u>
• Water, sewer and street infrastructure	107.9
• Land, landfill and land improvements	208.2
• Buildings and leasehold improvements	65.1
• Vehicles, equipment, computers and books	73.4

Asset additions included \$89.8 million of contributed assets from developers including road dedications, vehicles, water and sewer infrastructure, affordable housing and a social service centre.

### ***Debt***

During the year the City issued a 10 year \$90.0 million sinking fund debenture at 2.7% and repaid \$5.1 million of debt, mortgages and loan agreement. Debt outstanding at year end was \$1,034 million (2015 - \$943.9 million). The City has sinking fund debt reserves of \$417.9 million for the future repayments for a Net external debt of \$615.8 million (2015 - \$617.5 million).

### ***Reserves***

Under legislative or Council authority, the City has established a number of specific purpose reserves in addition to the sinking fund debt repayment reserve. At the end of 2016, these reserves totalled \$844.4 million, up \$19.5 million over 2015.

### ***New Accounting and Reporting Standards***

PSAB continues to develop new standards and the City will be preparing to adopt and implement the following in future fiscal years (where applicable):

- Assets - 2018
- Contingent Assets - 2018
- Contractual Rights - 2018
- Related party and Inter-entity Transactions - 2018
- Restructuring Transactions - 2019

### ***CONCLUSION***

The City's financial position continued to improve in 2016.

The City's 2016 financial position remains strong and is reflected in the credit ratings. In February 2017, S&P Global Inc. upgraded the City's credit rating to AAA with a stable outlook (from AA+ positive) and Moody's Investors Service reiterated the credit rating of Aaa with a stable outlook. Both Aaa and AAA credit ratings reflects the agencies' assessments of the City's solid governance and very strong financial management, consistent positive, exceptional liquidity, very strong economy and budgetary performance, and low debt burden and contingent liabilities. Strong credit ratings provide the City with the opportunity to borrow at more favourable interest rates.

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**CITY OF VANCOUVER**

**BRITISH COLUMBIA**

**ANNUAL FINANCIAL REPORT**

**2016**

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## Vancouver City Council 2014 – 2018

City Council is made up of the Mayor and ten councillors who are elected at large for a four-year term.



Councillor  
Heather  
Deal

Councillor  
George  
Affleck

Councillor  
Elizabeth  
Ball

Councillor  
Raymond  
Louie

Councillor  
Geoff  
Meggs

Mayor  
Gregor  
Robertson

Councillor  
Tim  
Stevenson

Councillor  
Andrea  
Reimer

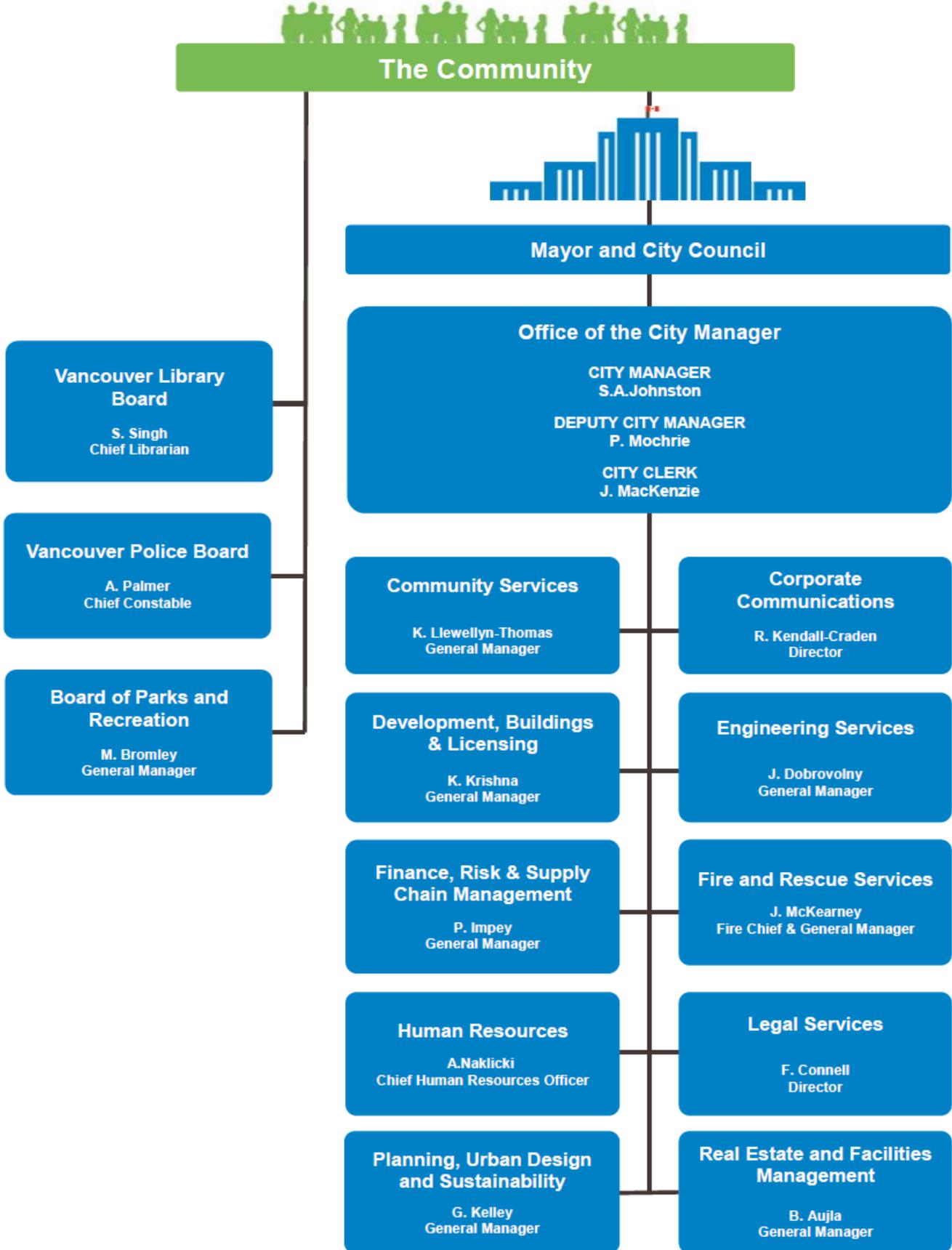
Councillor  
Kerry  
Jang

Councillor  
Adriane  
Carr

Councillor  
Melissa  
De Genova

**CITY OF VANCOUVER ORGANIZATIONAL CHART**

The City of Vancouver’s organizational structure supports the community.



**Mayor G. Robertson and Members of Council**

It is our pleasure to submit the Consolidated Financial Statements for the City of Vancouver for the year ended December 31, 2016. These financial statements include the financial position and results of operations of the City including its boards and City controlled corporations. The preparation of the Consolidated Financial Statements is the responsibility of management and they have been prepared in accordance with Canadian Generally Accepted Accounting Principles as prescribed by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

To assist in meeting its responsibility, management maintains accounting, budget and other internal controls to provide reasonable assurance that transactions are appropriately authorized and accurately recorded, and that assets are properly accounted for and safeguarded.

The City's financial statements consist of:

- Consolidated Statement of Financial Position – summary of financial and non-financial assets, liabilities and accumulated surplus at yearend
- Consolidated Statement of Operations – summary of revenues, expenses and annual surplus for the year.
- Consolidated Statement of Change in Net Financial Assets (Liabilities) – summary of changes in financial assets and liabilities.
- Consolidated Statement of Cash Flow – summary of the sources and uses of cash in the year.

The Consolidated Financial Statements have been audited by the independent firm of KPMG LLP and their report precedes the financial statements.

**Consolidated Financial Position**

(\$Millions)	2016	2015	Change
Financial assets	\$ 2,156.6	\$ 2,000.9	\$ 155.7
Liabilities	2,077.6	1,927.6	150.0
Net financial assets (liabilities)	<u>79.0</u>	<u>73.3</u>	<u>5.7</u>
Non-financial assets	6,785.4	6,475.7	309.7
Accumulated Surplus	<u>\$ 6,864.4</u>	<u>\$ 6,549.0</u>	<u>\$ 315.4</u>

The City's overall financial position improved by \$315.4 million in 2016 with accumulated surplus totaling \$6.864 billion (2015 - \$6.549 billion). Accumulated surplus is comprised of investment in tangible capital assets \$5.714 billion (2015 - \$5.500 billion), reserve balances set aside for specific purposes less obligations to be funded from future revenues of \$1.089 billion (2015 - \$0.984 billion) and fund balance of \$61.9 million (2015 - \$65.0 million).

The City's net financial position, calculated as Financial assets less Liabilities can result in either a Net financial asset or a Net financial liability. A Net financial asset position is an indicator of the funds available for future expenditures and a Net financial liability position is an indicator of future revenues required to pay for past transactions and events. The City's net financial position improved by \$5.7 million resulting in a Net financial asset position of \$79.0 million mainly due to the City's annual consolidated surplus (revenues exceeding expenses) of \$315.4 million less net tangible capital acquisitions of \$305.0 million.

The City's non-financial assets increased in 2016 by \$309.7 million, bringing the total to \$6.785 billion. The increase is the net result of capital additions of physical assets in the year offset by disposals and amortization expense.

## REPORT OF THE DIRECTOR OF FINANCE

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### **Consolidated Results of Operations**

(\$Millions)	2016 Budget	2016	2015
Revenues	\$ 1,480.8	\$ 1,755.0	\$ 1,583.5
Expenses	1,399.6	1,439.6	1,363.2
Annual surplus	\$ 81.2	\$ 315.4	\$ 220.3

### **Year over Year Change**

Consolidated revenues of \$1.755 billion increased by \$171.5 million over 2015 mainly due to:

- an increase of \$21.0 million in property taxes
- an increase of \$11.6 million in utility fees, including water and sewer rate and volume increases
- an increase of \$18.2 million in program fees, license and development, parking and bylaw fines
- an increase in gain on sale of assets of \$34.6 million
- an increase of \$106.7 million in developers contributions
- and a decrease of \$19.3 million in cost recoveries, grants, rental and other revenues.

Consolidated expenses of \$1.440 billion increased by \$76.4 million over 2015 mainly due to:

- an increase of \$27.7 million in contractual wage and other fringe adjustments
- an increase of \$5.5 million in non-salary utility expenditures primarily due to higher Metro sewer and water rates and higher consumption volumes
- \$3.6 million in recoverable expenditures, offset by increased cost recoveries
- an increase of \$2.8 million in snow response costs due to greater snow fall in 2016.

The City's consolidated revenues exceeded expenses resulting in an annual surplus of \$315.4 million (2015 - \$220.3 million).

### **Budget Variance**

As disclosed in Note 13 to the consolidated financial statements, funding based budgets were adjusted for capital expenditures and amortization to align to the PSAB standard for financial reporting. The results relative to the adjusted PSAB budget are:

Consolidated revenues of \$1.755 billion were greater than budgeted revenues by \$274.2 million mainly due to:

- \$148.8 million higher than budgeted in the developer contributions
- \$59.7 million in the gain on sale of assets
- \$16.6 million higher than budgeted cost recoveries, grants and donations
- \$15.4 million higher than budgeted license and development fees due to greater fees and permits related to construction activity
- \$11.3 million higher rental, lease & other revenues, mostly from higher rental incomes from several City properties
- \$5.9 million higher than budgeted parking revenue from greater activity at City parking lots and meters and from increased usage of the City's mobile parking app.

Consolidated expenses of \$1.440 billion were higher than budgeted expenses by \$39.9 million. The main variances included:

- \$17.6 million higher than budgeted costs in Engineering and VPD of which \$11.8 million related to recoverable work which are offset by higher than budgeted cost recoveries
- \$11.3 million higher than budgeted utilities costs for landfill closure and post closure
- \$9.9 million for an unbudgeted General Government expenditure relating to the remediation of an uncontrolled artesian well on a private property.

The City's annual consolidated surplus of \$315.4 million exceeded the budgeted annual surplus of \$81.2 million by \$234.3 million prior to transfers to reserves. The surplus exceeded budget primarily due to developer contributions for cash and in-kind community amenities of \$148.8 million and gain on asset sales of \$59.7 million which are not budgeted for due to the unpredictability of the timing of the transactions.

## REPORT OF THE DIRECTOR OF FINANCE

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### **Revenue Fund**

The Revenue Fund accounts for the general operations of the City. Revenues for the year totaled \$1.321 billion and expenditures totaled \$1.142 billion. After debt charges and transfers to reserves and other funds of \$178.8 million, the net change in the Revenue fund balance was \$0.2 million. The total fund balance of the Revenue Fund currently stands at \$26.2 million, compared to \$26.0 million in 2015.

### **Tangible Capital Assets**

The City's consolidated tangible capital assets are held in several funds or entities:

- Capital Fund holds \$5.577 billion of tangible capital assets required for civic use and the related long term debt.
- Property Endowment Fund (PEF) holds \$1.156 billion of properties including non-market housing sites, other residential and commercial properties and parking garages. A number of these properties are managed on a commercial basis generating income to benefit current and future citizens.
- Other consolidated and controlled entities hold \$23.5 million of assets.

Consolidated capital additions totalled \$491.7 million in 2016 and are comprised of the following:

(\$Millions)	2016
Land and improvements	\$208.2
Buildings and leasehold improvements	65.1
Vehicles and other equipment	47.4
Computer systems	26.0
Infrastructure	
Streets and structures	36.4
Water system	21.4
Sewer system	50.1
Assets under construction	37.1
	<u>\$491.7</u>

Land additions include purchase of the Arbutus Corridor \$55.0 million and developer contributions of \$25.9 million for affordable housing and \$21.5 million for roads. Vehicle additions include \$32.6 million for fire trucks. Building additions include \$37.3 million for affordable housing and a social service centre.

### **Debt**

In November 2016, the City issued a 10 year \$90.0 million sinking fund debenture at a rate of 2.70%. During the year, the City made serial debt repayments of \$0.2 million and at yearend the total outstanding debt was \$1,033.7 million (2015 - \$943.9 million). At the end of 2016, the City has sinking fund debt reserves of \$417.9 million for future repayments.

(\$Millions)	2016	2015	Change
Long term debt	\$ 1,033.7	\$ 943.9	\$ 89.8
Less: Sinking fund reserves	(417.9)	(326.4)	(91.5)
Net long term debt	<u>\$ 615.8</u>	<u>\$ 617.5</u>	<u>\$ (1.7)</u>

As part of the 2015-2018 Capital Plan, the City had approved borrowing of up to \$382.5 million; \$235.0 million for the maintenance and replacement of existing and construction of new streets, parks and facilities infrastructure and \$147.5 million for sewer, water, and neighborhood energy capital expenditures. The overall outstanding borrowing authority at the end of 2016 was \$110.7 million.

## REPORT OF THE DIRECTOR OF FINANCE

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### **Reserves**

Under legislative or Council authority, the City has established a number of specific purpose reserves in addition to the sinking fund debt repayment reserve. At the end of 2016, these specific purpose reserves totalled \$844.4 million, up \$19.5 million over 2015.

The City reserves are grouped into five main categories reflecting the purpose of the reserve, and highlights of the major changes in the year are as follows:

Financial Stabilization – provides for mitigation of risks to the City's financial stability and a buffer for impacts of unplanned events, unforeseen emergencies and short term relief from revenue fluctuations.

- The Deferred Payroll Obligations Reserve balance is unchanged from 2015 with a balance to \$55.0 million against the actuarial liability of \$91.2 million.
- The General Revenue Stabilization Reserve provides for operating contingency funds for events such as inclement weather, catastrophic events, environmental hazards, extraordinary public safety situations, economic downturns and unforeseen changes in revenues. The balance of the reserve is \$79.6 million.
- The Solid Waste Capital Reserve is being accumulated to fund closure and post-closure costs at the City's landfill. The present liability is calculated based on the ratio of utilization to the total capacity of the landfill site and the discounted value of future estimated cash flows associated with closure and post-closure activities. At year end, the liability amounted to \$73.4 million, with the remaining capacity of 6.3 million tonnes (24.6% of total capacity) to be utilized by 2036. During the year the reserve increased by \$4.0 million to \$89.3 million as a result of operating surplus, interest and Metro Vancouver contribution of \$9.3 million offset by capital and closure expenditures of \$5.3 million.

Asset Management – provides for renewal, replacement and major maintenance of tangible capital assets.

- The Plant and Equipment Reserves which fund the long term equipment replacement plan decreased by \$29.4 million to \$46.6 million. The reserves are primarily funded by internal equipment charges provided in the Operating and Capital Budgets and proceeds from equipment disposals in 2016 which amounted to \$18.2 million. Equipment acquisition expenditures in 2016 were \$47.6 million of which \$32.6 million related to fire truck acquisitions.

Future Capital – provides for new capital asset additions to address City growth.

- Community Amenity contributions from developers totaled \$70.9 million of which \$17.3 million were directed by Council to the Affordable Housing Reserve. Expenditures of \$28.8 million for capital projects brought the yearend Community Amenities Reserve balance to \$210.7 million. The Affordable Housing Reserve increased \$19.9 million to \$59.9 million.
- Capital Facilities and Infrastructure Reserve hold funds for future streets and transit infrastructure and building projects. The reserve balance of \$41.8 million decreased by \$17.1 million mainly due to \$11.0 million transfer from operating surplus less \$35.0 million transfer out for Arbutus Corridor land purchase.
- The Parking Sites Reserve holds the net parking revenues from the City's parkades and parking lots, managed and operated by EasyPark. Net parking revenues of \$9.7 million was offset by capital expenditures of \$2.5 million, funding for public bike share program of \$0.3 million and property acquisition of \$1.5 million resulting in an increase of \$5.4 million bringing the balance of reserve to \$39.2 million.

Special Revenue and Programs – holds funds received from external sources or designated for specific purposes.

- The Insurance reserve provides for payment of claims against the City. In 2016, payments of \$4.1 million exceeded transfers to the reserve by \$1.1 million leaving a balance of \$29.1 million.
- Social and Cultural contributions increased by \$0.5 million from \$1.6 million from the Hastings Park agreement offset by expenditures. The balance at the end of the year was \$21.6 million.

Future Debt Repayment – for future debt repayments

- A transfer of \$1.1 million to cover the Sinking Fund deficit left the Future Debt Repayment Reserve with a balance of \$39.4 million.

## REPORT OF THE DIRECTOR OF FINANCE

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### **Summary**

The City's financial position continued to improve in 2016.

The City's 2016 financial position remains strong and is reflected in the credit ratings. In February 2017, S&P Global Inc. upgraded the City's credit rating to AAA with a stable outlook (from AA+ positive) and Moody's Investors Service reiterated our credit rating of Aaa with a stable outlook. Both Aaa and AAA credit ratings reflects the agencies' assessments of the City's solid governance and very strong financial management, consistent positive fiscal outcomes, exceptional liquidity, very strong economy and budgetary performance, and low debt burden and contingent liabilities. Strong credit ratings provide the City with the opportunity to borrow at more favourable interest rates.

Respectfully submitted,



Patrice Impey, B.Sc. MBA  
General Manager, Finance, Risk & Supply Chain Management  
Chief Financial Officer  
Director of Finance



Esther Lee, CPA, CA  
Director of Financial Services  
Deputy Director of Finance

# INDEPENDENT AUDITORS' REPORT

To the Mayor and Councillors of the City of Vancouver

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the City of Vancouver, which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City of Vancouver as at December 31, 2016, and its consolidated results of operations, its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## Report on other Legal and Regulatory Requirements

As required by the Vancouver Charter, we report that, in our opinion, the accounting policies applied in preparing and presenting the consolidated financial statements in accordance with Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding period.



Chartered Professional Accountants

March 30, 2017

Burnaby, Canada

**CITY OF VANCOUVER**  
**Consolidated Statement of Financial Position**  
**As at December 31**  
**(\$000s)**

	<b>2016</b>	<b>2015</b>
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 2)	\$ 394,270	\$ 212,140
Temporary investments (Note 2)	1,630,409	1,644,172
Accounts receivables (Note 3)	113,053	115,720
Land held for resale	-	5,337
Lease agreement receivable (Note 9 (a))	18,917	23,509
	2,156,649	2,000,878
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 4)	355,310	304,840
Deferred liabilities (Note 8)	173,334	166,933
Mortgages and loan agreement (Note 9(b))	39,599	44,486
Debt (Note 5)	1,033,674	943,905
Deferred revenue (Note 10)	475,728	467,454
	2,077,645	1,927,618
<b>NET FINANCIAL ASSETS</b>	79,004	73,260
<b>NON-FINANCIAL ASSETS</b>		
Inventory and prepaids	26,549	21,794
Tangible capital assets (Note 6)	6,758,888	6,453,934
	6,785,437	6,475,728
<b>ACCUMULATED SURPLUS (Note 7)</b>	\$ 6,864,441	\$ 6,548,988

Contingencies and commitments (Note 11)  
See accompanying Notes to Consolidated Financial Statements

**CITY OF VANCOUVER**  
**Consolidated Statement of Operations**  
**Years ended December 31**  
**(\$000s)**

	<b>2016 Budget</b>	<b>2016</b>	<b>2015</b>
	(Note 13)		
<b>REVENUES</b>			
Property taxes, penalties and interest (Note 11(b))	\$ 716,757	\$ 720,850	\$ 699,838
Utility fees	239,008	242,778	231,211
Program fees	107,471	111,256	107,378
License and development fees	58,346	73,710	65,490
Parking	80,860	86,802	83,981
Cost recoveries, grants and donations	77,769	94,324	103,549
Revenue sharing	21,652	22,873	23,798
Investment income	27,470	28,422	28,795
Rental, lease and other	51,535	62,853	72,945
Bylaw fines	17,655	20,374	17,109
Developer contributions	82,275	231,043	124,331
Gain on sale of tangible capital assets	-	54,119	25,105
Gain on sale of Southeast False Creek assets	-	5,610	-
	<u>1,480,798</u>	<u>1,755,014</u>	<u>1,583,530</u>
<b>EXPENSES</b>			
Utilities	252,680	264,002	254,867
General government	152,596	172,881	146,956
Police protection	288,587	297,778	286,134
Fire protection	118,265	119,530	113,357
Engineering	189,088	197,484	185,863
Planning and development	47,778	47,521	35,151
Parks and recreation	192,720	187,424	185,110
Community and cultural services	103,920	101,539	103,020
Library	53,979	51,402	51,029
Southeast False Creek Development	-	-	1,790
	<u>1,399,613</u>	<u>1,439,561</u>	<u>1,363,277</u>
<b>ANNUAL SURPLUS</b>	<u>81,185</u>	<u>315,453</u>	<u>220,253</u>
<b>ACCUMULATED SURPLUS (Note 7)</b>			
Beginning of year, previously reported	6,548,988	6,548,988	6,330,085
Adjusted for contaminated site liabilities	-	-	(1,350)
Adjusted beginning of year	<u>6,548,988</u>	<u>6,548,988</u>	<u>6,328,735</u>
End of year	<u>\$ 6,630,173</u>	<u>\$ 6,864,441</u>	<u>\$ 6,548,988</u>

See accompanying Notes to Consolidated Financial Statements

**CITY OF VANCOUVER**  
**Consolidated Statement of Change in Net Financial Assets (Liabilities)**  
**Years ended December 31**  
**(\$000s)**

	<b>2016 Budget</b>	<b>2016</b>	<b>2015</b>
	(Note 13)		
Annual Surplus	\$ 81,185	\$ 315,453	\$ 220,253
Acquisition of tangible capital assets	(275,323)	(375,866)	(226,450)
Contributed tangible capital assets	-	(89,779)	(41,442)
Amortization of tangible capital assets	174,266	172,790	169,103
Gain on sale of tangible capital assets	-	(54,119)	(25,105)
Proceeds on sale of tangible capital assets	-	42,020	43,892
	<u>(101,057)</u>	<u>(304,954)</u>	<u>(80,002)</u>
Change in inventory and prepaids	-	(4,755)	(1,811)
<b>CHANGE IN NET FINANCIAL ASSETS (LIABILITIES)</b>	<b>(19,872)</b>	<b>5,744</b>	<b>138,440</b>
<b>NET FINANCIAL ASSETS (LIABILITIES)</b>			
Beginning of year	73,260	73,260	(63,830)
Adjustment for contaminated site liabilities	-	-	(1,350)
	<u>73,260</u>	<u>73,260</u>	<u>(65,180)</u>
End of year	<u>\$ 53,388</u>	<u>\$ 79,004</u>	<u>\$ 73,260</u>

See accompanying Notes to Consolidated Financial Statements

**CITY OF VANCOUVER**  
**Consolidated Statement of Cash Flows**  
**Years ended December 31**  
**(\$000s)**

	<b>2016</b>	<b>2015</b>
<b>CASH PROVIDED BY (USED IN):</b>		
Operating Transactions		
Annual surplus	\$ 315,453	\$ 220,253
Items not involving cash		
Amortization	172,790	169,103
Contributed tangible capital assets	(89,779)	(41,442)
Gain on sale of Southeast False Creek assets	(5,610)	-
Gain on sale of tangible capital assets	(54,119)	(25,105)
Recognition of deferred revenue	(91,879)	(56,778)
Change in non-cash items		
Other financial assets and liabilities	57,729	(87)
Change in obligations to be funded from future revenues	6,401	11,202
Increase in inventory and prepaids	(4,755)	(1,811)
	306,231	275,335
Financing Transactions		
Debt issued	90,000	90,000
Debt, mortgages and loan agreement repayments	(5,118)	(17,050)
Deferred revenue receipts	100,153	101,313
	185,035	174,263
Capital Transactions		
Acquisition of tangible capital assets	(375,866)	(226,450)
Proceeds of sale of tangible capital assets	42,020	43,892
	(333,846)	(182,558)
Investing Transactions		
Southeast False Creek proceeds	10,947	-
Net sale (purchase) of temporary investments	13,763	(205,571)
	24,710	(205,571)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>182,130</b>	<b>61,469</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	212,140	150,671
End of year	\$ 394,270	\$ 212,140

See accompanying Notes to Consolidated Financial Statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (\$000s)**  
**Year Ended December 31, 2016**

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The City of Vancouver (the "City") was incorporated in 1886 and is governed by the Vancouver Charter, a private bill consented to by the Legislative Assembly of the Province of British Columbia.

**1. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Presentation**

The consolidated financial statements of the City have been prepared in accordance with Canadian public sector accounting standards.

**(b) Reporting Entity**

The consolidated financial statements reflect the assets, liabilities, revenue and expenses of the reporting entity. The reporting entity is comprised of all the organizations controlled by the City. Inter-fund and inter-corporate balances and transactions have been eliminated. The entities included are as follows:

Hastings Institute Inc.	Vancouver Civic Development Corporation
Harbour Park Development Ltd.	City of Vancouver Public Housing Corporation
Parking Corporation of Vancouver (EasyPark)	Pacific National Exhibition (PNE)
Vancouver Economic Commission	Vancouver Affordable Housing Agency

The resources and operations of the City are accounted for in the following funds:

- Capital Fund - Accounts for capital expenditures supporting civic infrastructure and holds all properties required for civic use and the related long term debt.
- Revenue Fund - Accounts for revenue and expenditures for the general operations of the City including sewer, solid waste, and water and neighbourhood energy utilities.
- Property Endowment Fund – Accounts for parkades and properties which are leased to third parties, being developed or held for resale or lease.
- Sinking Fund - Accounts for the accumulation of instalments generated from tax levies in accordance with the actuarial requirements for the retirement of sinking fund debt at maturity.
- Capital Financing Fund - Accounts for funds designated for the financing of capital works, for the acquisition of the City's debentures and for funds set aside for the City's solid waste disposal program.

Also included in these consolidated financial statements are certain assets owned by the City that are managed by the following organizations:

Vancouver Art Gallery Society	H.R. MacMillan Space Centre
Vancouver Museum	Vancouver Maritime Museum

**(c) Basis of Accounting**

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. 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.

**(d) Deferred Revenue**

Deferred revenue consists of the following:

(i) Development cost levies:

The City collects development cost levies in accordance with Council approved by-laws to finance growth-related projects including parks, childcare facilities, replacement housing and engineering infrastructure. DCL's must be spent on projects within defined area boundaries and are recognized as revenue as Council approved expenditures are incurred.

(ii) Prepaid leases

The City has land leases with terms ranging from 40 to 99 years, some of which have been prepaid. These amounts are recognized in revenue on a straight-line basis over the lease term. Contributions of capital and other are recognized as the expenditures are incurred.

**1. SIGNIFICANT ACCOUNTING POLICIES - continued**

**(e) Cash, Cash Equivalents and Temporary Investments**

Cash and cash equivalents includes short-term investments with maturity dates within 90 days of acquisition. Temporary investments are comprised of money market instruments, term deposits, banker acceptances and corporate, federal and provincial bonds with maturity dates greater than 90 days after acquisition. Temporary investments are recorded at cost, adjusted for amortization of premiums or discounts.

**(f) Non-financial Assets**

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

**(i) Tangible capital assets**

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

	Years
Landfill and land improvements	15 to 60
Buildings and building improvements	25 to 100
Leasehold improvements	5 to 20
Vehicles, equipment and furniture	3 to 20
Computer systems	5
Library books and material	10
Infrastructure	
Streets and structures	25 to 80
Water system	20 to 100
Sewer system	40 to 100

Annual amortization is charged commencing when the asset is acquired or available for use. Assets under construction are not amortized until the asset is available for productive use. The City does not capitalize interest associated with the acquisition or construction of a capital asset.

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

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

**(ii) Inventory and prepaid expenses**

Inventory and prepaid expenses held for consumption are recorded at the lower of cost and replacement cost.

**(g) Pension Plan and Deferred Payroll Liabilities**

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

Employees are entitled to earned benefits related to non-vested accumulating sick leave, sick leave gratuity and full vacation entitlement at retirement. Employees may also defer current vacation entitlements. The cost of post-employment benefits is actuarially determined based on service provided, a best estimate of retirement ages and expected future salary and wage increases. The liability under these benefit plans is accrued based on projected benefits as the employees render service necessary to earn the future benefits.

Certain employees are entitled to income continuation benefits under long term disability plans. The City recognizes a liability and expense for these post-employment benefits in the period when the event occurs that obligates the City to provide the benefit.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (\$000s)**  
**Year Ended December 31, 2016**

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**1. SIGNIFICANT ACCOUNTING POLICIES – Continued**

**(h) Landfill Closure and Post Closure Costs**

The Ministry of Environment establishes certain requirements in order for the City to obtain an Operating Certificate for its landfill site. Those obligations include closure and post-closure activities. The present value of the City's estimated future liability for these expenditures is recognized as the landfill site's capacity is used. This liability and annual expense is calculated based on the ratio of utilization to total capacity of the site.

**(i) Liabilities for Contaminated Sites**

The City recognizes a liability for remediation of a contaminated site when the site is no longer in productive use or an unexpected event resulting in contamination has occurred and the following criteria are satisfied: contamination exceeds an environmental standard, the City is either directly responsible or has accepted responsibility for remediation, it is expected future economic benefits will be given up and a reasonable estimate of the amount can be made. Future economic benefits are expected to be given up if the City has an external obligation to remediate a site or has commenced remediation on its own accord.

**(j) Use of Estimates**

Preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported consolidated amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Significant estimates include assumptions used in estimating provisions for accrued liabilities, legal claims, landfill liability and contaminated sites liabilities and in performing actuarial valuations of employee future benefits. The amounts recorded for tangible capital assets are based on management's estimates of historical cost, useful lives and valuation for contributed assets.

Actual results could differ from the estimates and adjustments, if any, will be reflected in the period of settlement or upon a change in the estimate.

**2. CASH, CASH EQUIVALENTS AND TEMPORARY INVESTMENTS**

	2016	2015
Cash and cash equivalents	\$ 394,270	\$ 212,140
Temporary investments	1,630,409	1,644,172
Total cash, cash equivalents and temporary investments	\$ 2,024,679	\$ 1,856,312
Market value of cash, cash equivalents and temporary investments	\$ 1,912,688	\$ 1,789,234

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (\$000s)**  
**Year Ended December 31, 2016**

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**3. ACCOUNTS RECEIVABLES**

	<u>2016</u>	<u>2015</u>
Accrued interest	\$ 13,176	\$ 11,832
Employee advances	1,378	1,494
Local improvement receivables	3,954	4,959
Property taxes receivables	22,020	23,347
Rental and lease receivables	1,586	1,450
Trade and other receivables	43,371	45,681
Utility receivables	27,568	26,957
	<u>\$ 113,053</u>	<u>\$ 115,720</u>

**4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2016</u>	<u>2015</u>
Payroll liabilities	\$ 60,867	\$ 61,951
Property tax advance deposits and receipts	99,383	98,475
Other advance deposits and receipts	54,332	48,992
Trade and other liabilities	140,728	95,422
	<u>\$ 355,310</u>	<u>\$ 304,840</u>

**5. DEBT**

Debenture debt is shown at its face amount.

<u>Maturing In</u>	<u>Total</u>
2017	125,234
2018	238
2019	125,243
2020	125,247
2021	140,251
Thereafter	517,461
Total	<u>\$ 1,033,674</u>

Interest rates payable on the principal amount of the debentures range from 1.71% to 4.90% per annum. The weighted average interest rate on total external debt to maturity is 3.81%. Total interest paid in 2016 on externally held debt amounted to \$36.9 million (2015 - \$34.9 million). Reserve for debt retirement at December 31, 2016 amounted to \$417.9 million (2015 - \$326.5 million) resulting in a net external debt of \$615.8 million (2015 - \$617.5 million).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (\$000s)**  
**Year Ended December 31, 2016**

**6. TANGIBLE CAPITAL ASSETS**

	Balance beginning of year	Additions net of transfers	Disposals	Balance end of year
<b>Cost</b>				
Land	\$ 1,927,508	\$ 195,827	\$ (5,479)	\$ 2,117,856
Landfill and land improvements	281,317	12,428	-	293,745
Buildings and building improvements	1,433,351	61,198	(288)	1,494,261
Leasehold improvements	41,930	3,900	-	45,830
Vehicles, equipment and furniture	317,700	43,712	(16,422)	344,990
Computer systems	176,594	25,955	(353)	202,196
Library books and materials	38,011	3,702	(4,435)	37,278
Infrastructure				
Streets and structures	3,170,621	36,437	(1,403)	3,205,655
Water system	744,715	21,409	(5,831)	760,293
Sewer system	1,433,990	50,114	(3,703)	1,480,401
Assets under construction	48,662	37,064	-	85,726
<b>Total Cost</b>	<b>9,614,399</b>	<b>491,746</b>	<b>(37,914)</b>	<b>10,068,231</b>
<b>Accumulated amortization</b>				
Landfill and land improvements	152,391	8,736	-	161,127
Buildings and building improvements	413,452	34,699	(141)	448,010
Leasehold improvements	10,858	2,125	-	12,983
Vehicles, equipment and furniture	203,903	19,544	(14,728)	208,719
Computer systems	151,130	10,243	(342)	161,031
Library books and materials	25,414	2,402	(2,731)	25,085
Infrastructure				
Streets and structures	1,626,457	70,904	(958)	1,696,403
Water system	194,641	9,633	(3,081)	201,193
Sewer system	382,219	14,504	(1,931)	394,792
<b>Accumulated amortization</b>	<b>3,160,465</b>	<b>172,790</b>	<b>(23,912)</b>	<b>3,309,343</b>
<b>Net book value</b>				
Land *	1,927,508	195,827	(5,479)	2,117,856
Landfill and land improvements	128,926	3,692	-	132,618
Buildings and building improvements	1,019,899	26,499	(147)	1,046,251
Leasehold improvements	31,072	1,775	-	32,847
Vehicles, equipment and furniture	113,797	24,168	(1,694)	136,271
Computer systems	25,464	15,712	(11)	41,165
Library books and materials	12,597	1,300	(1,704)	12,193
Infrastructure				
Streets and structures	1,544,164	(34,467)	(445)	1,509,252
Water system	550,074	11,776	(2,750)	559,100
Sewer system	1,051,771	35,610	(1,772)	1,085,609
Assets under construction	48,662	37,064	-	85,726
<b>Net Book Value</b>	<b>\$ 6,453,934</b>	<b>\$ 318,956</b>	<b>\$ (14,002)</b>	<b>\$ 6,758,888</b>
<b>Net Book Value (2015)</b>	<b>\$ 6,373,932</b>	<b>\$ 98,789</b>	<b>\$ (18,787)</b>	<b>\$ 6,453,934</b>

\*The Assessed Value of land is \$18,445,349 (2015 - \$15,198,065)

Additions include contributed tangible capital assets - land \$62.1M, buildings \$22.1M, streets and structures \$1.6M, sewer systems \$2.9M, and water systems \$1.1M.

Additions include transfers from assets under construction of \$18.3M.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (\$000s)**  
**Year Ended December 31, 2016**

**7. ACCUMULATED SURPLUS**

	2016	2015
Investment in tangible capital assets	\$ 5,713,614	\$ 5,499,510
Reserve for Sinking Fund debt retirement - statutory	380,666	299,265
Reserve for Sinking Fund debt retirement - non-statutory	37,212	27,218
Reserves	844,381	824,841
Fund balances	61,902	65,087
Obligations to be funded from future revenues (Note 8)	(173,334)	(166,933)
	<u>\$ 6,864,441</u>	<u>\$ 6,548,988</u>

The following reserve amounts are set aside for specific purposes:

	2015	Transfer To	Transfer From	Change During Year	2016
<b>Financial Stabilization</b>					
Deferred Payroll Obligation	\$ 54,974	\$ -	\$ -	\$ -	\$ 54,974
General Revenue Stabilization	76,233	11,449	(8,089)	3,360	79,593
Solid Waste Capital	85,279	9,326	(5,344)	3,982	89,261
Utility Rate Stabilization	6,601	1,705	-	1,705	8,306
	<u>223,087</u>	<u>22,480</u>	<u>(13,433)</u>	<u>9,047</u>	<u>232,134</u>
<b>Asset Management</b>					
Golf Course and Artificial Turf	5,803	550	(1,439)	(889)	4,914
Plant and Equipment	76,010	18,203	(47,569)	(29,366)	46,644
Streets Capital Maintenance	16,792	1,986	(1,000)	986	17,778
	<u>98,605</u>	<u>20,739</u>	<u>(50,008)</u>	<u>(29,269)</u>	<u>69,336</u>
<b>Future Capital</b>					
Affordable Housing	40,024	22,032	(2,140)	19,892	59,916
Capital Facilities and Infrastructure	58,847	18,933	(36,019)	(17,086)	41,761
Community Amenities	185,820	53,619	(28,789)	24,830	210,650
Parking Sites	33,797	9,713	(4,314)	5,399	39,196
Pedestrian and Cycling	10,509	1,061	(2,368)	(1,307)	9,202
	<u>328,997</u>	<u>105,358</u>	<u>(73,630)</u>	<u>31,728</u>	<u>360,725</u>
<b>Special Revenue and Programs</b>					
Childcare Endowment	19,311	1,054	(578)	476	19,787
Community Amenity Operations	7,625	252	(219)	33	7,658
Donations	12,021	1,694	(996)	698	12,719
Emerging Neighbourhood	10,000	-	-	-	10,000
Insurance	30,616	2,867	(4,411)	(1,544)	29,072
Outstanding Commitments	19,053	14,134	(6,474)	7,660	26,713
Public Art	9,544	1,245	(201)	1,044	10,588
Social and Cultural	21,107	1,797	(1,283)	514	21,621
Other	4,576	1,663	(1,660)	3	4,579
	<u>133,853</u>	<u>24,706</u>	<u>(15,822)</u>	<u>8,884</u>	<u>142,737</u>
<b>Future Debt Repayment</b>	40,299	1,540	(2,390)	(850)	39,449
	<u>\$ 824,841</u>	<u>\$ 174,823</u>	<u>\$ (155,283)</u>	<u>\$ 19,540</u>	<u>\$ 844,381</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (\$000s)**  
**Year Ended December 31, 2016**

**7. ACCUMULATED SURPLUS - Continued**

Fund balances are comprised of:

	2015	Change During Year	2016
Revenue Fund	\$ 25,983	\$ 256	\$ 26,239
Capital Fund	(126,814)	(27,718)	(154,532)
Capital Financing Fund	274,942	9,991	284,933
Sinking Fund	-	-	-
Property Endowment Fund	(108,048)	10,916	(97,132)
Harbour Park Development Ltd.	6	(1)	5
Vancouver Civic Development Corp.	11,374	92	11,466
Hastings Institute Inc.	232	5	237
Pacific National Exhibition	(8,286)	2,246	(6,040)
City of Vancouver Public Housing Corporation	(221)	467	246
Vancouver Economic Commission	1,534	(340)	1,194
Parking Corporation of Vancouver	(65)	(20)	(85)
	<u>70,637</u>	<u>(4,106)</u>	<u>66,531</u>
Elimination for internally-held debt on consolidation	(5,550)	921	(4,629)
	<u>\$ 65,087</u>	<u>\$ (3,185)</u>	<u>\$ 61,902</u>

**8. DEFERRED LIABILITIES**

	2016	2015
Deferred payroll costs (a)	\$ 91,235	\$ 87,601
Landfill closure and post-closure costs (b)	73,415	68,771
Contaminated sites	4,130	6,100
Accrued interest on long term debt	4,554	4,461
	<u>\$ 173,334</u>	<u>\$ 166,933</u>

**(a) Deferred Payroll Costs**

The City's employee benefit liabilities as at December 31, 2016 are \$91.2 million (\$2015 - \$87.6 million). The City has provided \$55.0 million (2015 - \$55.0 million) in a reserve for the funding for these liabilities. An actuarial valuation was completed as at December 31, 2016 using the following valuation assumptions:

	2016	2015
Discount rate	3.81%	3.92%
Inflation rate	2.00%	2.00%
Rate of compensation	2.50% to 4.50%	2.75% to 5.25%

Employee benefit liabilities are as follows:

	2016	2015
Sick leave gratuity	\$ 26,445	\$ 32,448
Deferred vacation	10,708	11,123
Non-vested accumulating sick leave	17,542	5,163
Long term disability	16,823	16,058
Other post-employment benefits	19,580	12,396
	<u>91,098</u>	<u>77,188</u>
Unamortized actuarial gain	137	10,413
	<u>\$ 91,235</u>	<u>\$ 87,601</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (\$000s)**  
**Year Ended December 31, 2016**

**8. DEFERRED LIABILITIES - Continued**

**(a) Deferred Payroll Costs - Continued**

The continuity of the City's total employee benefit liability is as follows:

	2016	2015
Beginning of the year	\$ 87,601	\$ 85,064
Current service cost	12,135	11,017
Interest cost	3,265	3,294
Amortization of actuarial gain	(1,395)	(1,174)
Actual benefits paid	(10,371)	(10,600)
End of the year	<u>\$ 91,235</u>	<u>\$ 87,601</u>

**(b) Landfill Closure and Post-Closure Costs**

The landfill closure and post-closure liability as at December 31, 2016 is \$73.4 million (2015 - \$68.8 million) an increase of \$4.6 million. The City has provided \$89.3 million (2015 - \$85.3 million) in a reserve for the funding of these liabilities.

The landfill liabilities reported are based on the following assumptions:

	2016	2015
Closure date	2036	2036
Years of post-closure maintenance	30	30
Total capacity (million tonnes)	25.5	25.4
Future costs (million)	\$228.9	\$228.7
Present value of future costs (million)	\$136.8	\$129.4
Deposited to date (million tonnes)	19.2	18.7
Utilization of total capacity to date	75.4%	73.4%
City's share of liability	71.2%	72.4%
Discount rate	3.81%	3.92%
Inflation rate	2.00%	2.00%

In accordance with an agreement between the City and the Greater Vancouver Sewerage and Drainage District, the City is responsible for its share of the overall liability for closure and post-closure costs based on tonnage deposited by parties to the agreement.

**9. LEASE RECEIVABLE, MORTGAGES AND LOAN AGREEMENT**

**(a)** The City has executed a 25-year lease of the Library Square office building to the Federal Government which commenced April 30, 1995. Annual lease payments of \$6.7 million will fully offset mortgage principal and interest payments. The balance of the lease receivable is \$18.9 million (2015 - \$23.5 million).

**(b)** Outstanding mortgages include:

- \$22.2 million (2015 - \$26.5 million) on the Library Square Project due on January 14, 2021. Interest at 9.875% per annum is compounded semi-annually with monthly repayments of principal and interest. The mortgage is secured by a first charge on the land and any proceeds from the sale of the land on which the office building is situated, the office building and any improvements to it including machinery, plant and equipment, and any proceeds on the lease of the office building. The interest paid in 2016 on the Library Square mortgage amounted to \$2.4 million (2015 - \$2.8 million).
- \$5.8 million (2015 - \$6.3 million) in mortgages payable to Canada Mortgage and Housing Corporation for 3 non-market housing projects. Interest rates range from 2.1% to 8.0% with maturity dates from October 1, 2020 to December 1, 2027. The interest paid in 2016 amounted to \$0.2 million (2015 - \$0.3 million).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (\$000s)**  
**Year Ended December 31, 2016**

**9. LEASE RECEIVABLE, MORTGAGES AND LOAN AGREEMENT - Continued**

- (c) The loan agreement is the revolving facility for the PNE with a Canadian chartered bank providing for borrowing of up to \$21.4 million. The facility bears interest at the bank prime rate and is due on demand. The balance of the loan agreement is \$11.6 million (2015 - \$11.7 million). At December 31, 2016, \$11.6 million has been drawn on this facility.

Principal payments on mortgages and loan agreement over the next 5 years and thereafter are as follows:

2017	\$	5,235
2018		5,730
2019		6,275
2020		6,859
2021		745
Thereafter		3,132
		<u>27,976</u>
Loan agreement		11,623
Total	\$	<u>39,599</u>

**10. DEFERRED REVENUE**

Deferred revenue is comprised of the following:

	2015	Contributions and Interest	Recognized as Revenue	2016
Development cost levies				
City-wide	\$ 218,350	\$ 53,631	\$ (68,283)	\$ 203,698
Area-specific	79,088	19,999	(1,367)	97,720
	<u>297,438</u>	<u>73,630</u>	<u>(69,650)</u>	<u>301,418</u>
Prepaid Leases	166,635	9,036	(4,618)	171,053
Capital contributions	1,475	54	(45)	1,484
Other	1,906	17,433	(17,566)	1,773
	<u>\$ 467,454</u>	<u>\$ 100,153</u>	<u>\$ (91,879)</u>	<u>\$ 475,728</u>

**11. CONTINGENCIES AND COMMITMENTS**

**(a) Contingent Liability and Commitment**

The City is contingently liable in respect of debentures of the Greater Vancouver Water District, the Greater Vancouver Sewerage and Drainage District and the Greater Vancouver Regional District.

The City is a shareholder and member of Emergency Communications for British Columbia Incorporated (E-Comm), whose services include: regional 911 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 28 Class A and 23 Class B shared issued and outstanding at December 31, 2016). 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 \$19.2 million during the year (2015 - \$18.9 million).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (\$000s)**  
**Year Ended December 31, 2016**

**11. CONTINGENCIES AND COMMITMENTS - Continued**

**(b) Collection of Taxes on Behalf of Other Taxing Authorities**

	2016	2015
Taxes collected by the City:		
Property and business taxes	\$ 1,419,396	\$ 1,346,162
Payment in lieu of taxes	31,661	30,436
Local improvement levies	1,267	1,385
	1,452,324	1,377,983
Less taxes remitted to:		
Province of British Columbia - School Taxes	561,949	519,772
Greater Vancouver Transportation Authority	130,376	122,484
B.C. Assessment Authority	20,982	19,277
Greater Vancouver Regional District	18,096	16,550
Municipal Finance Authority	71	62
	731,474	678,145
Net Taxes for Municipal Purposes	\$ 720,850	\$ 699,838

**(c) Municipal Pension Plan**

The City and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2015, the plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 contributors from local governments.

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

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2018, with results available in 2019.

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

The City of Vancouver paid \$68.2 million (2015 - \$70.8 million) for employer contributions while employees contributed \$54.2 million (2015 - \$56.8 million) to the plan in fiscal 2016.

**(d) Contingent Legal Liabilities**

As at December 31, 2016, there were various legal claims pending against the City arising in the ordinary course of its operations. The City has recorded a liability for certain uninsured claims, but has made no specific provision for those where the outcome is presently indeterminable. The City also has a reserve of \$29.1 million (2015 - \$30.6 million) for potential claims.

**11. CONTINGENCIES AND COMMITMENTS - Continued**

**(e) Property Assessment Appeals**

As at December 31, 2016, there were various assessment appeals pending with respect to properties. The outcome of those appeals may result in adjustments to property taxes receivable for the current and prior years. The City has recorded a liability for certain appeals and makes an annual provision against property taxes receivable for the impact of appeals.

**(f) Loan Guarantees**

The City has entered into 60 year prepaid leases and operating agreements to operate 2 affordable rental housing complexes in Southeast False Creek. Under the agreement, the City has guaranteed the operators' loan obligations with respect to their mortgages to finance the pre-paid rent. The outstanding balances of the mortgages are:

First Avenue Athletes Village Housing Co-operative	\$19,347
S.U.C.C.E.S.S. Affordable Housing Society	\$21,700

**(g) Property Acquisition**

The City has entered into an agreement to purchase a property for \$38.0 million should the owner not be able to proceed with their intended development of the property. The agreement expires May 9, 2017.

**12. TRUST FUNDS**

Certain assets have been conveyed or assigned to the City to be administered as directed by agreement or statute. The City holds the assets for the benefit of, and stands in fiduciary relationship to, the beneficiary. The following trust funds and assets are excluded from the City's financial consolidated statements:

	2016	2015
Vancouver Agreement	\$ 4,734	\$ 5,287
Cemetery Perpetual Care	5,781	5,205
General	449	468
	<u>\$ 10,964</u>	<u>\$ 10,960</u>

The Vancouver Agreement is an urban development agreement between the Federal and Provincial Governments and the City to facilitate sustainable economic, social and community development in the City.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (\$000s)**  
**Year Ended December 31, 2016**

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**13. BUDGET**

The Budget information presented in these consolidated financial statements is based upon the 2016 operating, capital and property endowment budgets as approved by Council and adjusted to comply with Canadian public sector accounting standards for inclusion in the Consolidated Statement of Operations and Consolidated Statement of Change in Net Financial Assets (Liabilities).

	2016
<b>Revenues</b>	
Approved Budgeted Revenues	
Operating Budget - as approved by Council	\$ 1,264,476
Capital Budget - as approved by Council	110,036
Property Endowment Operating Budget - as approved by Council	49,940
Other City of Vancouver funds	9,038
Vancouver Public Housing Corporation	3,469
Pacific National Exhibition	49,577
Other City of Vancouver Reporting Entities	4,427
	1,490,963
PSAB Revenue Adjustments	
Interfund revenue eliminated	(10,165)
Budgeted Revenues as presented in financial statements	\$ 1,480,798
<b>Expenses</b>	
Approved Budgeted Expenditures	
Operating Budget - as approved by Council	\$ 1,264,476
Capital Budget - as approved by Council	110,036
Property Endowment Operating Budget - as approved by Council	49,940
Other City of Vancouver funds	9,038
Vancouver Public Housing Corporation	3,469
Pacific National Exhibition	49,068
Other City of Vancouver Reporting Entities	4,427
	1,490,454
PSAB Expense Adjustments	
PSAB Budget expense adjustments (1)	20,381
PSAB Budget expenditure adjustments (2)	(275,323)
Amortization of tangible capital assets	174,266
Interfund expense eliminated	(10,165)
	(90,841)
Budgeted Expenses as presented in financial statements	\$ 1,399,613

Note:

- (1) Debt issue receipts, debt principal payments and transfers
- (2) Deduct tangible capital asset expenditures

#### **14. SEGMENTED INFORMATION**

City services are provided by departments and their activities are reported in the City's Funds as described in Note 1(b). Segmented financial information for certain departments is provided in Schedule 1. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

Revenues not directly attributable to a specific segment are shown in General Government.

Amounts shown for wages, contract services, supplies and debt charges are the gross amounts incurred by departments for all segmented activity. Allocated costs include services performed by departments for other segments or for work related to capital construction activity.

The segments include:

- **General Government** which provides internal support services to Council and other departments who provide direct services to its citizens. These internal departments include the City Manager's Office, City Clerk, Financial Services, Real Estate and Facilities Management, Legal and Human Resources.
- **Police Protection** which provides operational and investigation services to maintain public order, uphold the rule of law and prevent crime.
- **Fire Protection** which provides emergency and prevention services related to firefighting and medical services.
- **Engineering** which provides planning, design, construction and maintenance of the City's streets, street lighting, traffic control, parking enforcement, transportation planning and utility and communication corridors.
- **Utilities** which are managed by the Engineering department and provide planning, design, construction and maintenance related to the water distribution, sewerage collection, drainage, neighbourhood energy utilities and refuse removal services.
- **Planning and Development** which creates plans, programs and policies required for city-wide and community planning, zoning and subdivision, building by-law administration and inspection, various licensing and animal control services.
- **Parks and Recreation** which provides recreation services through its parks, community centres, swimming pools and ice rinks.
- **Community and Cultural Services** which includes the civic theatres and the Britannia Community Centre and other programs to create sustainable, creative and inclusive communities for living and working.
- **Library** which provides access to reading and information needs, and a free place for everyone to discover, create, and share ideas.

**SCHEDULE I – SEGMENTED INFORMATION (\$000s)**  
**Year Ended December 31, 2016**

	Revenue & Capital Fund											2016 Consolidated	2015 Consolidated		
	General	Police	Fire				Community		Other Funds		Eliminations				
	Government	Protection	Protection	Engineering	Utilities	Planning & Development	Parks & Recreation	& Cultural Services	Library	& Entities					
<b>Revenues</b>															
Property taxes, penalties and interest	\$ 720,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 720,850	\$ 699,838
Utility fees	39	-	-	401	242,231	-	105	2	-	-	-	-	-	242,778	231,211
Program fees	570	2,230	608	291	283	-	45,203	14,722	1,284	47,565	(1,500)	-	-	111,256	107,378
License and development fees	72,782	-	-	928	-	-	-	-	-	-	-	-	-	73,710	65,490
Parking	51,082	241	-	1,178	-	-	7,344	738	-	26,152	67	-	-	86,802	83,981
Cost recoveries, grants and donations	6,831	23,077	9,053	11,106	28,196	2,878	5,728	4,205	2,790	5,838	(5,378)	-	-	94,324	103,549
Revenue sharing	22,873	-	-	-	-	-	-	-	-	-	-	-	-	22,873	23,798
Investment income	17,031	-	-	-	-	-	-	(40)	-	11,771	(340)	-	-	28,422	28,795
Rental, lease and other	25,037	172	27	6,019	2,417	2	383	5,440	1,073	28,889	(6,606)	-	-	62,853	72,945
Bylaw fines	19,520	(23)	-	-	-	-	(159)	-	-	-	1,036	-	-	20,374	17,109
Developer contributions	75,689	-	1,404	40,339	3,933	129	13,619	71,930	-	24,000	-	-	-	231,043	124,331
Gain (loss) on disposal of tangible capital assets	(1,690)	-	-	1,026	(4,522)	-	(28)	-	(1,718)	61,051	-	-	-	54,119	25,105
Gain on sale of SEFC assets	-	-	-	-	-	-	-	-	-	5,571	39	-	-	5,610	-
	1,010,614	25,697	11,092	61,288	272,538	3,009	72,195	96,997	3,429	210,837	(12,682)	-	-	1,755,014	1,583,530
<b>Operating Expenses</b>															
Wages, salaries and benefits	86,730	245,253	103,952	68,290	47,242	41,388	81,902	35,639	37,882	33,935	(1,694)	-	-	780,519	763,529
Contract services	24,084	21,852	5,011	8,026	12,259	1,975	6,189	6,316	1,818	14,877	(3,390)	-	-	99,017	82,297
Supplies, material and equipment	30,592	19,926	6,883	15,041	160,072	4,156	26,898	47,991	6,000	35,459	(5,707)	-	-	347,311	309,990
Debt charges	2,452	2,308	531	8,839	15,508	-	6,536	3,171	392	488	(301)	-	-	39,924	38,358
	143,858	289,339	116,377	100,196	235,081	47,519	121,525	93,117	46,092	84,759	(11,092)	-	-	1,266,771	1,194,174
<b>Amortization</b>															
	10,125	8,646	3,370	77,106	28,921	2	19,755	6,254	5,309	13,377	(75)	-	-	172,790	169,103
	153,983	297,985	119,747	177,302	264,002	47,521	141,280	99,371	51,401	98,136	(11,167)	-	-	1,439,561	1,363,277
<b>Annual Surplus (Deficit)</b>	\$ 856,631	\$ (272,288)	\$ (108,655)	\$ (116,014)	\$ 8,536	\$ (44,512)	\$ (69,085)	\$ (2,374)	\$ (47,972)	\$ 112,701	\$ (1,515)	\$ -	\$ -	\$ 315,453	\$ 220,253

**SUPPLEMENTARY  
FINANCIAL  
INFORMATION  
UNAUDITED**

**FIVE YEAR - CONSOLIDATED STATEMENT OF FINANCIAL POSITION (\$000s)**  
**Years Ended December 31**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents	\$ 394,270	\$ 212,140	\$ 150,671	\$ 79,216	\$ 109,164
Temporary investments	1,630,409	1,644,172	1,438,601	1,298,667	1,005,948
Accounts receivables	113,053	115,720	119,919	125,916	102,867
South East False Creek development receivable	-	5,337	5,337	110,844	310,153
Lease agreement receivable	18,917	23,509	27,679	31,466	34,905
	<u>2,156,649</u>	<u>2,000,878</u>	<u>1,742,207</u>	<u>1,646,109</u>	<u>1,563,037</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	355,310	304,840	313,296	314,230	288,465
Deferred liabilities	173,334	166,933	154,381	151,062	153,320
Mortgages and loan agreement	39,599	44,486	47,084	49,248	45,021
South East False Creek Financing	-	-	-	150,000	311,875
Debt	1,033,674	943,905	868,357	789,085	703,771
Deferred revenue	475,728	467,454	422,919	391,253	330,119
	<u>2,077,645</u>	<u>1,927,618</u>	<u>1,806,037</u>	<u>1,844,878</u>	<u>1,832,571</u>
<b>NET FINANCIAL ASSETS (LIABILITIES)</b>	<u>79,004</u>	<u>73,260</u>	<u>(63,830)</u>	<u>(198,769)</u>	<u>(269,534)</u>
<b>NON-FINANCIAL ASSETS</b>					
Inventory and prepaids	26,549	21,794	19,983	18,138	17,586
Tangible capital assets	6,758,888	6,453,934	6,373,932	6,295,802	6,204,594
	<u>6,785,437</u>	<u>6,475,728</u>	<u>6,393,915</u>	<u>6,313,940</u>	<u>6,222,180</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 6,864,441</u>	<u>\$ 6,548,988</u>	<u>\$ 6,330,085</u>	<u>\$ 6,115,171</u>	<u>\$ 5,952,646</u>

**FIVE YEAR - CONSOLIDATED STATEMENT OF OPERATIONS (\$000s)**  
**Years Ended December 31**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>REVENUES</b>					
Property taxes, penalties and interest	\$ 720,850	\$ 699,838	\$ 671,543	\$ 655,977	\$ 642,281
Utility fees	242,778	231,211	221,605	217,434	211,232
Program fees	111,256	107,378	104,342	100,225	100,538
License and development fees	73,710	65,490	65,090	59,899	58,884
Parking	86,802	83,981	77,517	72,578	67,119
Cost recoveries, grants and donations	94,324	103,549	123,831	109,054	77,798
Revenue sharing	22,873	23,798	17,924	17,831	26,784
Investment income	28,422	28,795	27,892	23,199	21,850
Rental, lease and other	62,853	72,945	68,878	76,140	83,132
Bylaw fines	20,374	17,109	15,832	16,389	18,771
Developer contributions	231,043	124,331	137,372	95,350	110,412
Gain (loss) on sale of tangible capital assets	54,119	25,105	11,691	(8,143)	9,798
Gain on sale of Southeast False Creek assets	5,610	-	16,610	49,168	20,832
	<u>1,755,014</u>	<u>1,583,530</u>	<u>1,560,127</u>	<u>1,485,101</u>	<u>1,449,431</u>
<b>EXPENSES</b>					
Utilities	264,002	254,867	244,853	241,232	230,146
General Government	172,881	146,956	173,732	158,276	158,558
Police Protection	297,778	286,134	263,537	254,130	246,017
Fire Protection	119,530	113,357	108,089	102,833	97,788
Engineering	197,484	185,863	183,258	175,427	175,061
Planning and development	47,521	35,151	25,583	19,672	18,480
Recreation and parks	187,424	185,110	180,246	178,373	177,476
Community and cultural services	101,539	103,020	103,341	98,110	97,837
Library	51,402	51,029	48,865	47,884	48,904
Southeast False Creek Development	-	1,790	13,709	27,279	42,655
	<u>1,439,561</u>	<u>1,363,277</u>	<u>1,345,213</u>	<u>1,303,216</u>	<u>1,292,922</u>
<b>ANNUAL SURPLUS</b>	<u>\$ 315,453</u>	<u>\$ 220,253</u>	<u>\$ 214,914</u>	<u>\$ 181,885</u>	<u>\$ 156,509</u>

**FIVE YEAR – RESERVES (\$000s)**  
**Years Ended December 31**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Financial Stabilization</b>					
Deferred Payroll Obligation	\$ 54,974	\$ 54,974	\$ 54,974	\$ 50,074	\$ 45,074
General Revenue Stabilization	79,593	76,233	60,099	58,953	50,512
Solid Waste Capital	89,261	85,279	71,910	68,806	75,842
Utility Rate Stabilization	8,306	6,601	9,508	15,118	16,886
	<u>232,134</u>	<u>223,087</u>	<u>196,491</u>	<u>192,951</u>	<u>188,314</u>
<b>Asset Management</b>					
Golf Course and Artificial Turf	4,914	5,803	5,253	4,752	4,202
Plant and Equipment	46,644	76,010	84,319	80,298	81,032
Streets Capital Maintenance	17,778	16,792	14,695	7,236	2,787
	<u>69,336</u>	<u>98,605</u>	<u>104,267</u>	<u>92,286</u>	<u>88,021</u>
<b>Future Capital</b>					
Affordable Housing	59,916	40,226	29,763	18,140	6,999
Capital Facilities and Infrastructure	41,761	58,847	27,547	11,901	4,694
Community Amenities	210,650	185,820	171,550	128,275	133,220
Parking Sites	39,196	33,797	43,672	45,384	45,342
Pedestrian and Cycling	9,202	10,307	11,427	11,491	7,704
	<u>360,725</u>	<u>328,997</u>	<u>283,959</u>	<u>215,191</u>	<u>197,959</u>
<b>Special Revenue and Programs</b>					
Childcare Endowment	19,787	19,311	18,996	16,571	14,833
Community Amenity Operations	7,658	7,625	7,765	8,898	5,716
Donations	12,719	12,021	11,397	10,394	9,978
Emerging Neighbourhood	10,000	10,000	10,000	12,684	6,807
Insurance	29,072	30,616	31,726	32,537	32,120
Outstanding Commitments	26,713	19,053	18,864	16,036	14,215
Public Art	10,588	9,544	8,743	7,855	7,553
Social and Cultural	21,621	21,107	17,589	16,308	19,122
Other	4,579	4,576	4,538	4,733	5,663
	<u>142,737</u>	<u>133,853</u>	<u>129,618</u>	<u>126,016</u>	<u>116,007</u>
<b>Future Debt Repayment</b>	39,449	40,299	46,419	53,614	47,066
	<u>\$ 844,381</u>	<u>\$ 824,841</u>	<u>\$ 760,754</u>	<u>\$ 680,058</u>	<u>\$ 637,367</u>

**REVENUE FUND – SCHEDULE OF FINANCIAL ACTIVITIES (\$000s)**  
**Years Ended December 31**

	<b>2016 Budget</b>	<b>2016</b>	<b>2015</b>
<b>REVENUES</b>			
Property taxes, penalties and interest	\$ 716,757	\$ 720,850	\$ 699,838
Utility fees	239,008	242,778	231,211
Programs fees	59,612	65,191	61,838
License and development fees	58,346	73,710	65,490
Parking	55,133	60,583	59,000
Cost recoveries, grants and donations	49,395	65,022	61,431
Revenue sharing	21,652	22,873	23,798
Investment income	14,270	13,200	15,343
Rental, lease and other	30,257	37,264	41,373
Bylaw fines	16,658	19,339	16,291
	<u>1,261,088</u>	<u>1,320,810</u>	<u>1,275,613</u>
<b>EXPENDITURES</b>			
Utilities	222,470	226,308	219,554
General government	112,934	128,799	107,004
Police protection	280,613	289,267	277,785
Fire protection	114,781	116,300	110,387
Engineering	82,568	87,325	84,759
Planning and development	44,018	46,047	33,624
Parks and recreation	117,020	116,088	114,248
Community and cultural services	79,762	85,890	86,143
Library	48,999	45,748	45,319
	<u>1,103,165</u>	<u>1,141,772</u>	<u>1,078,823</u>
<b>ANNUAL SURPLUS</b>	<u>157,923</u>	<u>179,038</u>	<u>196,790</u>
<b>DEBT, TRANSFERS AND OTHER</b>			
Debt principal repayments	(1,196)	(1,190)	(15,531)
Transfers			
Net transfers to other funds	(169,986)	(199,469)	(182,405)
Net transfers to reserves	13,259	13,506	(3,627)
Change in obligations to be funded from			
Future revenue	-	8,371	6,452
	<u>(157,923)</u>	<u>(178,782)</u>	<u>(195,111)</u>
<b>CHANGE IN FUND BALANCE</b>	-	256	1,679
<b>FUND BALANCE</b>			
Beginning of year	25,983	25,983	24,304
Change in year	-	256	1,679
End of year	<u>\$ 25,983</u>	<u>\$ 26,239</u>	<u>\$ 25,983</u>

**REVENUE FUND – FEES AND RECOVERIES (\$000s)**  
**Years Ended December 31**

	<b>2016 Budget</b>	<b>2016</b>	<b>2015</b>
<b>Program fees</b>			
Parks and recreation	\$ 43,022	\$ 45,203	\$ 43,316
Community and cultural services	12,961	14,722	13,612
Library	1,308	1,284	1,255
Police	1,354	2,230	2,165
Fire	516	608	478
Other	451	1,144	1,012
	<u>\$ 59,612</u>	<u>\$ 65,191</u>	<u>\$ 61,838</u>
<b>License and development fees</b>			
Licenses			
Business	\$ 16,322	\$ 16,948	\$ 15,672
Dog	971	942	952
Other	7,593	9,074	9,457
Trade permits	23,716	33,126	27,778
Development permits	9,744	13,620	11,631
	<u>\$ 58,346</u>	<u>\$ 73,710</u>	<u>\$ 65,490</u>
<b>Parking</b>			
On street parking	\$ 46,551	\$ 50,125	\$ 49,503
Parks	6,293	7,344	6,689
Civic Theatre	478	715	594
Other	1,811	2,399	2,214
	<u>\$ 55,133</u>	<u>\$ 60,583</u>	<u>\$ 59,000</u>
<b>Cost recoveries, grants &amp; donations</b>			
Police	\$ 13,668	\$ 23,077	\$ 23,145
Fire	8,244	9,051	9,720
General government	2,060	4,920	3,788
Parks and recreation	4,283	5,442	4,566
Community and cultural services	3,996	4,205	4,513
Engineering services	4,889	5,856	3,328
Library	2,383	2,790	2,817
Planning and development	1,318	2,878	1,024
Utilities	8,554	6,803	8,530
	<u>\$ 49,395</u>	<u>\$ 65,022</u>	<u>\$ 61,431</u>
<b>Rental, lease and other</b>			
Property rentals and leases	18,027	20,324	22,188
Street use	653	806	716
False alarm reduction program	1,000	1,072	1,084
Other	10,577	15,062	17,385
	<u>\$ 30,257</u>	<u>\$ 37,264</u>	<u>\$ 41,373</u>

**REVENUE FUND - UTILITIES (\$000s)**  
**Years ended December 31**

	<b>WATER UTILITY</b>	<b>SEWER UTILITY</b>	<b>SOLID WASTE UTILITY</b>	<b>NEU**</b>	<b>2016 TOTAL</b>	<b>2015 TOTAL</b>
<b>REVENUES</b>						
Utility Fees*	\$ 114,490	\$ 66,540	\$ 57,047	\$ 4,154	\$ 242,231	\$ 230,794
Fees and service charges	290	354	8,599	5	9,248	10,014
Contribution from property taxes	-	35,268	-	-	35,268	34,665
	<u>114,780</u>	<u>102,162</u>	<u>65,646</u>	<u>4,159</u>	<u>286,747</u>	<u>275,473</u>
<b>EXPENSES</b>						
Purchase of water	73,128	-	-	-	73,128	72,541
Debt charges	4,794	9,789	-	926	15,509	14,442
Operations	13,137	8,540	-	2,050	23,727	22,921
Contribution to Joint Sewerage Board	-	57,658	-	-	57,658	53,682
Garbage collection and disposal	-	-	7,800	-	7,800	8,279
Recycling	-	-	9,932	-	9,932	10,849
Composting	-	-	12,366	-	12,366	12,568
Commercial	-	-	21,544	-	21,544	20,512
Post closure costs adjustment	-	-	4,644	-	4,644	3,760
	<u>91,059</u>	<u>75,987</u>	<u>56,286</u>	<u>2,976</u>	<u>226,308</u>	<u>219,554</u>
<b>ANNUAL SURPLUS</b>	<u>23,721</u>	<u>26,175</u>	<u>9,360</u>	<u>1,183</u>	<u>60,439</u>	<u>55,919</u>
<b>DEBT AND TRANSFERS</b>						
Debt principal repayments	-	-	-	(230)	(230)	(6,205)
Transfer to Sinking Fund	(10,805)	(22,601)	-	(2,218)	(35,624)	(30,996)
Transfer (to) from other funds	(11,200)	(700)	(9,831)	1,289	(20,442)	(20,491)
Transfer (to) from reserves	(1,716)	(2,874)	471	(24)	(4,143)	1,773
	<u>(23,721)</u>	<u>(26,175)</u>	<u>(9,360)</u>	<u>(1,183)</u>	<u>(60,439)</u>	<u>(55,919)</u>
<b>ANNUAL SURPLUS AFTER DEBT AND TRANSFERS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\* These amounts are included in Revenue Fund Schedule of Financial Activities which also includes \$547K (2015 - \$417K) of utilities recoveries from other departments.

\*\* Southeast False Creek Neighbourhood Energy Utility.

**PROPERTY ENDOWMENT FUND - STATEMENT OF OPERATIONS (\$000s)**  
**Years Ended December 31**

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	<u>2016</u>	<u>2015</u>
<b>OPERATIONS</b>		
Rental and leases		
Revenue	\$ 26,950	\$ 25,603
Expenses	<u>12,953</u>	<u>12,540</u>
	<u>13,997</u>	<u>13,063</u>
Parking		
Revenue	24,362	23,092
Expenses	<u>19,553</u>	<u>18,855</u>
	<u>4,809</u>	<u>4,237</u>
Water moorage		
Revenue	1,264	1,253
Expenses	<u>707</u>	<u>670</u>
	<u>557</u>	<u>583</u>
<b>NET REVENUES FROM OPERATIONS</b>	19,363	17,883
Other Revenue		
Other income	24,179	1,107
Investment Income	1,206	1,331
Gain in sale of tangible capital assets	<u>61,051</u>	<u>27,528</u>
	<u>86,436</u>	<u>29,966</u>
Administration and operating	<u>9,378</u>	<u>7,393</u>
<b>NET REVENUES</b>	<u>\$ 96,421</u>	<u>\$ 40,456</u>

**FIVE YEAR STATISTICAL REVIEW – TAXATION**  
**Years Ended December 31**

	2016	2015	2014	2013	2012
<b>Property Assessment (\$000s)</b>					
Rateable property general purposes	\$ 328,408,856	\$ 278,828,308	\$ 254,102,538	\$ 248,337,102	\$ 241,777,267
<b>Tax Rates – Rate per \$1,000 of Assessment</b>					
Residential - Class 1					
Municipal purposes	1.56168	1.77001	1.84728	1.89502	2.02002
Education	1.20852	1.33008	1.37943	1.43366	1.53487
Other taxing authorities	0.39547	0.43526	0.45123	0.46479	0.49588
<b>Total Residential</b>	<b>3.16567</b>	<b>3.53535</b>	<b>3.67794</b>	<b>3.79347</b>	<b>4.05077</b>
Business/Other - Class 6					
Municipal purposes	6.61254	7.34590	7.88427	8.20424	8.78096
Education	5.65811	5.98206	6.20492	6.40458	6.75274
Other taxing authorities	1.59241	1.71739	1.82263	1.87660	1.98450
<b>Total Business/Other</b>	<b>13.86306</b>	<b>15.04535</b>	<b>15.91182</b>	<b>16.48542</b>	<b>17.51820</b>
Major Industrial - Class 4					
Municipal purposes	33.90142	33.68465	33.77460	32.98091	31.98356
Education	5.40000	5.80000	6.00000	6.20000	6.40000
Other taxing authorities	2.59751	2.69096	2.81984	2.98567	2.97948
<b>Total Major Industrial</b>	<b>41.89893</b>	<b>42.17561</b>	<b>42.59444</b>	<b>42.16658</b>	<b>41.36304</b>
Light Industrial - Class 5					
Municipal purposes	6.61254	7.34590	7.88427	8.20424	8.78096
Education	5.80074	6.22412	6.70388	11.20629	6.57739
Other taxing authorities	1.97773	2.10140	2.29172	2.28098	2.37194
<b>Total Light Industrial</b>	<b>14.39101</b>	<b>15.67142</b>	<b>16.87987</b>	<b>21.69151</b>	<b>17.73029</b>
<b>Total Utilities - Class 2</b>	<b>47.63946</b>	<b>50.51010</b>	<b>52.26809</b>	<b>53.81857</b>	<b>55.97006</b>
<b>Total Supportive Housing - Class 3</b>	<b>0.15132</b>	<b>0.15480</b>	<b>1.68065</b>	<b>1.65585</b>	<b>1.64981</b>
<b>Total Recreational/Non-Profit - Class 8</b>	<b>4.99627</b>	<b>5.45629</b>	<b>5.68183</b>	<b>5.64914</b>	<b>5.63732</b>
<b>Total Farm – All Purposes - Class 9</b>	<b>8.90097</b>	<b>9.13079</b>	<b>9.23133</b>	<b>9.20054</b>	<b>9.17932</b>
<b>Property Tax Revenue by Property Class (%)</b>					
Residential - Class 1	53.7	54.0	53.6	53.3	53.3
Business - Class 6	43.2	42.9	43.1	43.3	43.4
Major industrial - Class 4	1.0	1.0	0.6	0.7	0.7
Light industrial - Class 5	1.0	1.0	1.1	1.2	1.0
Other Utilities, Rec/Non-profit and Farm	1.1	1.1	1.6	1.5	1.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**PROPERTY TAX INFORMATION (\$000s)**  
**Years Ended December 31**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Property Taxation - Levy and Collections</b>					
Total tax levy (all purposes) (\$000s)	\$ 1,522,807	\$ 1,439,643	\$ 1,372,975	\$ 1,339,511	\$ 1,302,764
Total tax arrears outstanding (\$000s)	22,020	23,347	23,878	23,854	23,013
% of current collections to current levy	99.11	99.00	98.98	98.97	98.96
% of total collections to current levy	100.11	100.13	100.16	100.09	100.20

	<u>2016</u>	<u>2015</u>
<b>Property Taxes Receivable</b>		
Balance, beginning of year	\$ 23,347	\$ 23,878
Add: Interest and adjustments	(1,211)	155
	<u>22,136</u>	<u>24,033</u>
Less: Receipts	(15,403)	(16,827)
Outstanding - prior years	<u>6,733</u>	<u>7,206</u>
Current tax levy including utility and other charges	1,522,807	1,439,643
Less : Receipts	(1,509,044)	(1,424,790)
Current arrears	13,763	14,853
Add: Penalties on current arrears	1,524	1,288
Outstanding - current year	<u>15,287</u>	<u>16,141</u>
Balance, end of year	<u>\$ 22,020</u>	<u>\$ 23,347</u>
Analysis of Property Taxes Receivable by Year		
Current year	\$ 15,287	\$ 16,141
Prior year	4,805	5,038
Prior 2 year	<u>1,928</u>	<u>2,168</u>
Balance, end of year	<u>\$ 22,020</u>	<u>\$ 23,347</u>

**FIVE YEAR STATISTICAL REVIEW – DEBT (\$000s)**  
**Years Ended December 31**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Population *</b>	653,046	646,937	640,502	633,802	626,995
<b>Long Term Debt (\$000s)</b>					
Debenture debt outstanding	\$ 1,038,303	\$ 949,455	\$ 874,986	\$ 796,868	\$ 712,927
Less: Internally held debt	(4,629)	(5,550)	(6,629)	(7,783)	(9,156)
Externally held debt	1,033,674	943,905	868,357	789,085	703,771
Less: Sinking Fund reserves	417,878	326,427	246,301	177,956	121,459
Net externally held debt	<u>\$ 615,796</u>	<u>\$ 617,478</u>	<u>\$ 622,056</u>	<u>\$ 611,129</u>	<u>\$ 582,312</u>
Gross Debt per capita (externally held)	\$ 1,583	\$ 1,459	\$ 1,356	\$ 1,245	\$ 1,122
Net Debt per capita (externally held)	\$ 943	\$ 954	\$ 971	\$ 964	\$ 929

\* Source: Population Section, B.C. Stats  
 Ministry of Labour Citizens' Services, Government of British Columbia  
 B.C. Stats has restated the 2012 to 2015 figures

**Long Term Debt Continuity**

	<b>Externally Held</b>	<b>Internally Held</b>	<b>Total</b>
Balance, beginning of year	\$ 943,905	\$ 5,550	\$ 949,455
Add: Debentures issued	90,000	-	-
Local improvements	-	39	39
	<u>1,033,905</u>	<u>5,589</u>	<u>949,494</u>
Less: Maturities			
General and water	(231)	-	(231)
Local improvements	-	(960)	(960)
	<u>(231)</u>	<u>(960)</u>	<u>(1,191)</u>
Balance, end of year	<u>\$ 1,033,674</u>	<u>\$ 4,629</u>	<u>\$ 948,303</u>

**OUTSTANDING BORROWING AUTHORITY AND SCHEDULE OF GENERAL DEBT (\$000s)**  
**Year Ended December 31, 2016**

	<b>Capital Plan Borrowing Authority*</b>	<b>Council-approved Debenture Funding**</b>	<b>Debentures Issued to end of 2016</b>	<b>Outstanding Borrowing Authority</b>
<b>General</b>				
2012 - 2014	\$ 179,800	\$ 166,392	\$ 166,392	\$ -
2015 - 2018	235,000	107,344	31,425	75,919
	<u>414,800</u>	<u>273,736</u>	<u>197,817</u>	<u>75,919</u>
<b>Sewer, Water and NEU</b>				
2012 - 2014	142,875	124,772	124,772	-
2015 - 2018	147,500	79,753	44,977	34,776
	<u>290,375</u>	<u>204,525</u>	<u>169,749</u>	<u>34,776</u>
<b>Total General, Sewer, Water and NEU</b>				
2012 - 2014	322,675	291,164	291,164	-
2015 - 2018	382,500	187,097	76,402	110,695
	<u>\$ 705,175</u>	<u>\$ 478,261</u>	<u>\$ 367,566</u>	<u>\$ 110,695</u>

\* Borrowing authorities are established as part of the Capital Plan. General borrowing authorities for each Capital Plan are approved by the electors. Sewer, Water and NEU borrowing authorities are approved by Council.

\*\* Debenture funding is approved by Council as part of Annual Budget.

**SCHEDULE OF GENERAL DEBT**

<b>Bylaw</b>	<b>Maturity Date &amp; Purpose</b>	<b>Rate %</b>	<b>Term (Years)</b>	<b>Debenture Outstanding</b>	<b>Sinking Fund Reserve Balance</b>
9532	December 01, 2017	4.70%	10	\$ 125,000	\$ 110,032
9897	December 02, 2019	4.90%	10	125,000	81,236
10015	June 01, 2020	4.50%	10	125,000	67,875
10017	September 30, 2030	1.71%	20	3,674	-
10393	December 02, 2021	3.45%	10	140,000	61,747
10565	October 18, 2052	3.70%	10	120,000	4,325
10797	October 24, 2023	3.75%	10	110,000	27,826
11080	October 24, 2023	3.05%	10	105,000	17,291
11362	November 20, 2025	2.90%	10	90,000	7,196
11673	December 15, 2026	2.70%	10	90,000	-
Total				<u>\$ 1,033,674</u>	<u>\$ 377,528</u>

**FUTURE PRINCIPAL AND INTEREST PAYMENTS ON DEBT (\$000s)**  
**Year Ended December 31, 2016**

ANNUAL FINANCIAL REPORT 2016

	General			Waterworks			Local Improvements Property Owners' Share			Total General & Waterworks and Local Improvements		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	105,234	34,401	139,635	20,000	4,924	24,924	1,007	275	25,931	126,241	39,600	165,841
2018	238	29,462	29,700	-	3,984	3,984	819	216	4,803	1,057	33,662	34,719
2019	113,343	29,458	142,801	11,900	3,984	15,884	653	167	16,537	125,896	33,609	159,505
2020	103,647	21,585	125,232	21,600	2,915	24,515	553	129	682	125,800	24,629	150,429
2021	118,251	19,254	137,505	22,000	2,429	24,429	432	96	528	140,683	21,779	162,462
2022 - 2026	364,321	56,585	420,906	32,000	6,223	38,223	1,134	165	1,299	397,455	62,973	460,428
Thereafter	104,140	99,129	203,269	17,000	16,352	33,352	31	3	33,383	121,171	115,484	236,655
	<u>\$ 909,174</u>	<u>\$ 289,874</u>	<u>\$ 1,199,048</u>	<u>\$ 124,500</u>	<u>\$ 40,811</u>	<u>\$ 165,311</u>	<u>\$ 4,629</u>	<u>\$ 1,051</u>	<u>\$ 83,163</u>	<u>\$1,038,303</u>	<u>\$ 331,736</u>	<u>\$1,370,039</u>

**External Debt Only**

	General			Waterworks			Total General & Waterworks and Local Improvements		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	105,234	34,401	139,635	20,000	4,924	24,924	125,234	39,325	164,559
2018	238	29,462	29,700	-	3,984	3,984	238	33,446	33,684
2019	113,343	29,458	142,801	11,900	3,984	15,884	125,243	33,442	158,685
2020	103,647	21,585	125,232	21,600	2,915	24,515	125,247	24,500	149,747
2021	118,251	19,254	137,505	22,000	2,429	24,429	140,251	21,683	161,934
2022 - 2026	364,321	56,585	420,906	32,000	6,223	38,223	396,321	62,808	459,129
Thereafter	104,140	99,129	203,269	17,000	16,352	33,352	121,140	115,481	236,621
	<u>\$ 909,174</u>	<u>\$ 289,874</u>	<u>\$ 1,199,048</u>	<u>\$ 124,500</u>	<u>\$ 40,811</u>	<u>\$ 165,311</u>	<u>\$1,033,674</u>	<u>\$ 330,685</u>	<u>\$1,364,359</u>

## REPORTING ENTITY

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The reporting entity is comprised of all the organizations controlled by the City.  
The entities included are as follows:

**City of Vancouver Public Housing Corporation**  
**Vancouver Civic Development Corporation**  
**Harbour Park Development Ltd.**  
**Hastings Institute Inc.**  
**Vancouver Affordable Housing Agency**  
453 12<sup>th</sup> Avenue West  
Vancouver, BC V5Y 1V4

**Parking Corporation of Vancouver**  
700 Pender Street West Suite 209  
Vancouver, BC V6C 1G8  
Phone: 604.682.6744  
Web: [www.easypark.ca](http://www.easypark.ca)

**Vancouver Economic Commission**  
1055 West Georgia – Suite 2480  
Vancouver, BC V6E 3P3  
Phone: 604.632.9668  
Web: [www.vancouvereconomic.com](http://www.vancouvereconomic.com)

**Pacific National Exhibition**  
2901 East Hastings Street  
Vancouver BC V5K 4J1  
Phone: 604.253.2311  
Fax: 604.251.7753  
E-mail: [info@pne.ca](mailto:info@pne.ca)  
Web: [www.pne.ca](http://www.pne.ca)