



ADMINISTRATIVE REPORT

Report Date: April 17 2014
Contact: Esther Lee
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Meeting Date: April 30, 2014

TO: Standing Committee on Planning, Transportation and Environment
FROM: Director of Finance
SUBJECT: 2013 Annual Financial Report

RECOMMENDATION

THAT Council receive for information the City of Vancouver Consolidated Financial Statements for the year ended December 31, 2013.

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 2013 Consolidated Financial Statements reflect the financial position of the City, including organizations owned and controlled by the City, as of December 31, 2013. 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, 2013 and results of operations for the year then ended.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City improved its financial position in 2013, increasing accumulated surplus by \$180.6 million to \$6.133 billion (2012 - \$5.953 billion). The City's consolidated revenues were \$1.488 billion, while consolidated expenses totalled \$1.308 billion.

REPORT**2013 Consolidated Financial Position**

(\$000s)	2013	2012 (Recasted)	Change
Financial assets	\$ 1,639.8	\$ 1,563.0	\$ 76.8
Liabilities	1,845.5	1,832.5	13.0
Net debt	(205.7)	(269.5)	63.8
Non-financial assets	6,338.9	6,222.1	116.8
Accumulated Surplus	<u>\$ 6,133.2</u>	<u>\$ 5,952.6</u>	<u>\$ 180.6</u>

Financial assets increased by \$76.8 million mainly due to higher amount of cash and temporary investments (\$255.1 million) and accounts receivable (\$24.7 million) offset by a reduction in the Southeast False Creek (SEFC) development (\$199.3 million) as more properties were sold in 2013.

Liabilities increased by \$13.0 million as a result of higher payroll and trade payables, tax deposits (\$36.7 million), and development cost levies (\$37.5 million which are accounted for as deferred revenue until the year in which the related expenditures are incurred). These increased liabilities were offset by a net reduction (\$61.2 million) in prepaid leases, long term debt, mortgages and SEFC financing.

Net Debt, calculated as Financial Assets less Liabilities, decreased by \$63.8 million and amounted to \$205.7 million at December 31, 2013. Net Debt is an indicator of the amount of future revenues required to pay for past transactions and events.

The City's non-financial assets increased by \$116.8 million 2013, bringing the total to \$6.339 billion. This reflects the net addition (additions less disposals) of \$291.2 million in City tangible capital assets including buildings, parks, equipment, street and utility infrastructure offset by amortization of \$174.7 million.

Overall, the City's financial position improved by \$180.6 million in 2013 (2012 -\$156.5 million) with accumulated surplus totaling \$6.133 billion (2012 - \$5.953 billion).

Results of Operations*Consolidated Statement of Operations*

The City's consolidated revenues were \$1.488 billion (2012 - \$1.449 billion) and include property taxes, utilities and user charges, government transfers and capital contributions. Consolidated expenses totaled \$1.308 billion (2012 - \$1.293 billion) resulting in an annual surplus of \$180.6 million (2012 - \$156.5 million).

2013 is the first year the City has presented a consolidated budget. Compared to the consolidated budget, revenues exceeded budget \$150.9 million mainly due to developer cash and in-kind contributions, and gains on sale of assets and rental revenue related to SEFC development which were not budgeted. Expenses exceeded budget by \$23.7 million mostly due to unbudgeted holding costs related to the SEFC development.

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 \$1.181 billion and expenditures totaled \$993.5 million resulting in a net revenue amount of \$187.2 million. After debt charges and transfers to reserves and other funds, the net change in the Revenue fund balance was \$4.1 million. The total fund balance of the Revenue Fund currently stands at \$22.7 million, compared to \$18.6 million in 2012.

Tangible Capital Assets

The City's tangible capital assets are held in two funds:

- \$5.238 billion of civic use assets in the Capital Fund
- \$1.060 billion of non-market housing, residential and commercial rental properties and parking garages in the Property Endowment Fund.

Tangible capital assets are carried on the Financial Statements at amortized historical cost.

During the year the City added approximately \$304.4 million of new assets and disposed of \$35.7 million of assets. After accounting for accumulated amortization, the City's net book value of assets increased by 116.5 million.

The \$304.4 million in asset additions included:

	<u>\$ Million</u>
• Water, sewer and street infrastructure	105.3
• Land, landfill and land improvements	71.7
• Buildings and leasehold improvements	55.9
• Vehicles, equipment, computers and books	40.3
• Assets under construction	31.2

Asset additions included \$46.7 million of contributed assets from developers including road dedications, water and sewer infrastructure, childcare and cultural facilities.

Long Term Debt

During the year the City issued a 10 year \$110.0 million sinking fund debenture at 3.75% and repaid \$28.6 million of serial debentures. Debt outstanding at year end was \$789.1 million (2012 - \$703.8 million). The City has sinking fund debt reserves of \$178.0 million for the future repayments.

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 2013, these reserves totalled \$675.7 million, up \$38.4 million over 2012.

Southeast False Creek Development

At December 31, 2013, the Southeast False Creek (SEFC) development investment balance was \$110.8 million (2012 - \$310.2 million). The SEFC Development, managed by the receiver, completed sales of 90 market condominium units, leaving a balance of 91 unsold units at the end of the year. Of the 32 transferred properties (obtained by the City in early 2011 as part of the Millennium loan settlement agreement), an additional 8 were sold in 2013, leaving 1 unsold (and 1 property having being purchased and retained by the City for non-market housing purposes). Proceeds of these sales have repaid \$145.0 million financed through the commercial paper program leaving only \$150.0 million debenture due June 2014.

CONCLUSION

The City's 2013 financial position remains strong and is reflected in the credit agency ratings. The City's credit ratings continue to be among the best municipal ratings in Canada - Aaa by Moody's, and AA by Standard & Poor's and DBRS. A strong rating allows the City to borrow at more favourable interest rates.

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BRITISH COLUMBIA

**CONSOLIDATED
FINANCIAL STATEMENTS**

2013

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VANCOUVER CITY COUNCIL 2011-2014



Mayor Gregor Robertson

VANCOUVER'S CITY COUNCILLORS



Councillor
George Affleck



Councillor
Elizabeth Ball



Councillor
Adriane Carr



Councillor
Heather Deal



Councillor
Kerry Jang



Councillor
Raymond Louie



Councillor
Geoff Meggs



Councillor
Andrea Reimer



Councillor
Tim Stevenson



Councillor
Tony Tang

OFFICIALS

Corporate Management Team

City Manager	P. Ballem, MD, FRCP
Deputy City Manager	S A. Johnston, LEED AP
Chief Constable	J. Chu, B.B.A, M.B.A.
Director of Legal Services	F. Connell, LL.B.
City Librarian	S. Singh, B.A., MLIS
Chief Housing Officer	M. Latif, M.B.A., MRICS
General Manager of Community Services	B. Proskan, BSW, MPA
Director of Corporate Communications	R. Kendall-Craden
General Manager of Engineering Services	P. Judd, P. Eng.
General Manager of Fire and Rescue Services	J. McKearney, M.A.
General Manager of Financial Services Group and CFO	P. Impey, B. Sc., M.B.A.
General Manager of Human Resource Services	P. Mochrie, BCom, M.B.A.
General Manager of Parks and Recreation	M. Bromley, Dip Rec.
General Manager of Planning and Development Services	B. Jackson, MCIP
General Manager of Real Estate and Facilities Management	B. Aujla, B.A.Sc., M.B.A., LL.B.

Financial Services

General Manager of Financial Services Group and CFO	P. Impey, B. Sc., M.B.A.
Director of Financial Services	E. Lee, B. Comm., C.A.
Associate Director of Financial Services	G. Krueger, B. Comm., C.A.

City Clerk

J. MacKenzie, MPA, B. Comm.

BOARDS

Vancouver Public Library Board

M.L. Baum – Chair
C. Brooks – Vice-Chair
A. Chan – Vice-Chair
M. Lombardi - School Board Trustee
C. Barnes – Park Board Commissioner
Councillor H. Deal – City Council Representative
J. Chan G. Ross
G. Chow J. Schaub
K. Epstein J. Swift
C. Evans

Vancouver Police Board

Mayor G. Robertson – Chair
M. Collins – Vice-Chair
D. Bridgeman D. Sidhu
W. Grant T. Tam
W. Shao S. Williamson

Board of Parks and Recreation

A. Jasper – Chair
C. Barnes – Vice-Chair
S. Blyth T. Loke
J. Coupar N. Sharma
M. De Genova

Vancouver Civic Theatres Board

R. Haynes – Chair
K. Sutherland – Vice-Chair
Councillor E. Ball – Council Liaison
S. Adams K. Sutherland
R. Haynes K. Wilson
M. Noon I. Woo
W. Soobis

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, 2013. 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 Debt – 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)	2013	2012 (Recasted)	Change
Financial assets	\$ 1,639.8	\$ 1,563.0	\$ 76.8
Liabilities	1,845.5	1,832.5	13.0
Net debt	(205.7)	(269.5)	63.8
Non-financial assets	6,338.9	6,222.1	116.8
Accumulated surplus	\$ 6,133.2	\$ 5,952.6	\$ 180.6

The City's overall financial position improved by \$180.6 million in 2013 with accumulated surplus totaling \$6.133 billion (2012 - \$5.953 billion).

Net debt, calculated as Financial assets less Liabilities is an indicator of the amount of future revenues required to pay for past transactions and events. The City's Net debt improved by \$63.8 million to a total of \$205.7 million mainly due to the City's annual consolidated surplus (revenues exceeding expenses) of \$180.6 million offset by net capital acquisitions.

The City's non-financial assets increased in 2013 by \$116.8 million, bringing the total to \$6.339 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

Consolidated Results of Operations

(\$Millions)	2013 Budget	2013	2012 (Recasted)
Revenues	\$ 1,337.4	\$ 1,488.3	\$ 1,449.4
Expenses	1,284.0	1,307.7	1,292.9
Annual surplus	\$ 53.4	\$ 180.6	\$ 156.5

Year over Year Change

Consolidated revenues of \$1.488 billion increased by \$38.9 million over 2012 mainly due to:

- an increase of \$13.2 million in property taxes
- an increase of \$24.6 million in cost recoveries for major capital projects and landfill closure costs from other levels of government
- an increase in gain on sale of assets of \$28.3 million related to Southeast False Creek development
- a decrease in gain on sale of other assets of \$17.4 million due to a significant sale in 2012
- a decrease of \$12.2 million due to lower developer contributions
- a decrease of \$9.0 million due to timing of traffic fine revenue sharing payments from the Province.

Consolidated expenses of \$1.308 billion increased by \$14.8 million over 2012 mainly due to:

- an increase of \$17.8 million in contractual wage and other fringe adjustments
- an increase of \$11.9 million for Green Bin, landfill closure and other Solid Waste programs
- a decrease of \$15.4 million in Southeast False Creek development costs.

The City's consolidated revenues exceeded expenses resulting in an annual surplus of \$180.6 million (2012 - \$156.5 million).

Budget Variance

2013 is the first year the City has presented a consolidated budget. As disclosed in Note 12 to the consolidated financial statements, funding based budgets were adjusted for capital expenditures and amortization to align to the PSAB standard for financial reporting.

Consolidated revenues of \$1.488 billion were greater than budgeted revenues by \$150.9 million mainly due to:

- items not included in the budget due to uncertainty in timing or specific nature, including:
 - \$46.7 million of developer contributed assets and
 - \$29.7 million of developer contributions
 - \$49.2 million gain on sale of assets and \$8.3 million in rental revenue related to Southeast False Creek development
- \$25.6 million in higher than budgeted cost recoveries primarily for capital projects as well as departmental recoveries including VPD secondments to other organizations
- \$12.0 million higher than budgeted rental, lease and other income including engineering street cut and street use fees
- \$37.9 million lower than budgeted gain on sale assets due to the timing of a disposal which will close in 2014.

Consolidated expenses of \$1.308 billion were greater than budgeted expenses by \$23.7 million. The main variances included:

- \$27.2 million of holding expenses related to the Southeast False Creek development were not budgeted
- Higher than budgeted utilities expenses of \$7.0 million for the Green Bin and other Solid Waste programs and \$4.7 million in landfill closure costs (partially recovered)
- Slightly higher than budgeted costs in Engineering and VPD related to recoverable work which are offset by higher than budgeted cost recoveries
- Lower than budgeted general government expenses due to unspent contingency, allowances for reserves and programs such as the Innovation Fund where the remaining budget is transferred to reserves or carried into 2014.

The City's annual consolidated surplus of \$180.6 million exceeded the budgeted annual surplus of \$53.4 million by \$127.2 million prior to transfers to reserves.

REPORT OF THE DIRECTOR OF FINANCE

Revenue Fund

The Revenue Fund accounts for the general operations of the City. Revenues for the year totaled \$1.181 billion and expenditures totaled \$993.5 million resulting in a net revenue amount of \$187.2 million. After debt charges and transfers to reserves and other funds, the net change in the Revenue fund balance was \$4.1 million. The total fund balance of the Revenue Fund currently stands at \$22.7 million, compared to \$18.6 million in 2012.

Tangible Capital Assets

The City's tangible capital assets are held in two funds:

- Capital Fund accounts for tangible capital assets required for civic use and the related long term debt.
- Property Endowment Fund (PEF) accounts for 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.

The Capital Fund holds \$5.238 billion of assets at the end of 2013. Capital additions totalled \$264.3 million and are comprised of the following:

	<u>\$ Million</u>
• Streets, traffic and safety	69.2
• Sewer main construction	43.3
• Water works distribution system	21.0
• Vehicle and equipment purchases	18.4
• Parks, community centres and playing fields	30.3
• Construction and capital maintenance of City buildings and systems	53.9
• Technology infrastructure	16.4
• Books, equipment and furniture	8.2
• Utilities – Solid Waste and Neighbourhood Energy	3.6

The Property Endowment Fund holds \$1.060 billion of assets at the end of 2013. Capital additions totalled \$32.8 million with the purchase of land for affordable housing and building improvements.

The capital additions include \$46.7 million of developer contributed assets comprising of childcare space, cultural amenity space, York Theatre, road dedications and water and sewer infrastructure.

Long Term Debt

In October 2013, the City issued a 10 year \$110.0 million sinking fund debenture at a rate of 3.75%. During the year, the City made serial debt repayments of \$28.6 million and at yearend the total outstanding debt was \$789.1 million (2012 - \$703.8 million). At the end of 2013, the City has sinking fund debt reserves of \$178.0 million for future repayments.

(\$000s)	<u>2013</u>	<u>2012</u>	<u>Change</u>
Debenture debt outstanding	\$ 796,868	\$ 712,927	\$ 83,941
Less: Internally held debt	(7,783)	(9,156)	1,373
Externally held debt	<u>\$ 789,085</u>	<u>\$ 703,771</u>	<u>\$ 85,314</u>

As part of 2012-2014 Capital Plan, the City has electorate approval for total borrowing up to \$322.7 million; \$179.8 million for the maintenance and replacement of existing and construction of new streets, parks and facilities infrastructure and \$142.9 million for sewer, water, and neighborhood energy capital expenditures. Through the 2012-2014 capital budget processes, Council has established borrowing authorities for \$214.5 million. Along with \$5.7 million remaining authority from the 2009-2011 Capital Plan, overall outstanding borrowing authority at the end of 2013 was \$139.0 million.

REPORT OF THE DIRECTOR OF FINANCE

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 2013, these reserves totalled \$675.7 million, up \$38.4 million over 2012. The most significant reserve balances and changes were:

- Community Amenity contributions from developers totaled \$27.4 million of which \$15.7 million were directed by Council to the Affordable Housing Reserve and Community Amenity Maintenance Reserve. Expenditures of \$8.6 million for capital projects brought the yearend Community Amenity Reserve balance to \$128.3 million. The Affordable Housing Reserve increased \$11.1 million to \$17.9 million.
- Future Revenue Fund Budgets Reserve increased by \$7.7 million to a balance of \$56.1 million. The increase included the transfer of \$13.0 million for Revenue Fund stabilization and \$1.0 million for the 2014 election costs, offset by a \$5.0 million transfer to allocate the traffic fine revenue sharing for 2013.
- Funding for future debt charges of \$6.7 million was transferred into the Future Debt Repayment Reserve bringing the balance of the reserve to \$48.1 million.
- Funding for deferred payroll obligations of \$5.0 million was transferred into the Deferred Payroll Obligations Reserve bringing the balance of the reserve to \$50.1 million against the unfunded liability of \$81.6 million
- The Parking Sites Reserve holds the net parking revenues from the City's parkades and parking lots, managed and operated by Vancouver Parking Corporation (EasyPark). The balance of the reserve at year end was \$53.9 million, an increase of \$4.0 million.
- The Emerging Neighbourhood Reserve was replenished with \$5.9 million for a downtown park site from community amenity contributions bringing the balance to \$12.7 million.
- The Capital Facilities and Infrastructure Reserve increased by \$7.3 million to \$16.3 million from transfers of surpluses from streets capital and funding for Southeast Vancouver Seniors Centre.
- The Plant and Equipment Reserve which funds the long term equipment replacement plan decreased by \$0.7 million to \$80.3 million. The reserve is primarily funded by internal equipment charges provided in the Operating and Capital Budgets and in 2013 this amounted to \$19.5 million. Actual expenditures in 2013 were \$20.3 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 \$65.5 million, with the remaining capacity of 5.9 million tonnes (24.9% of total capacity) to be utilized by 2036. During the year the reserve decreased by \$7.0 million to \$68.8 million as a result of landfill expenditures of \$18.9 million offset by surplus and interest of \$11.9 million.
- Water and Sewer Utility Rate Stabilization Reserves decreased by \$1.8 million to a total of \$15.1 million as a result of lower user consumption revenues than anticipated.

Southeast False Creek Development

At the end of 2010, the financial statement value of the loan receivable from the developer, Southeast False Creek Properties Ltd ("SEFC Ltd"), formerly Millennium Southeast False Creek Properties Ltd., had been adjusted to reflect estimated net realizable value of underlying assets (\$524.0 million). These assets include:

- market condominiums, market rental housing and commercial space buildings located in the Olympic Village site known as The Village on False Creek ("Market Project"),
- residential and commercial properties (Guarantee Properties) owned directly or indirectly by the guarantors of the loan and
- residual value of SEFC Ltd shares.

In January 2011, SEFC Ltd and the City entered into a loan settlement agreement which resulted in the transfer of 32 guarantee properties to the City. The City has retained one property for affordable housing, and of the remaining 31 properties, all but one have been sold.

REPORT OF THE DIRECTOR OF FINANCE

The receiver for the Market Project, appointed in November 2010, has continued to manage and market the project and during the year, 90 units (2012-116 units) were sold leaving a balance of 91 unsold units. Net proceeds from the sale of the condominiums were, with court approval, paid to the City and used to reduce external financing.

The following is a summary of the value of the Southeast False Creek investment and related financing over the last 3 years:

(\$Millions)	2013	2012	2011
Assets for Sale			
Commercial, residential and rental properties	\$ 105.5	\$ 255.0	\$ 388.3
Transferred Properties	5.3	55.2	73.9
	<u>\$ 110.8</u>	<u>\$ 310.2</u>	<u>\$ 462.2</u>
Financing			
Debenture	\$ 150.0	\$ 150.0	\$ 150.0
Commercial Paper Program	-	145.0	284.0
Mortgages on Transferred Properties	-	16.9	26.8
	<u>\$ 150.0</u>	<u>\$ 311.9</u>	<u>\$ 460.8</u>

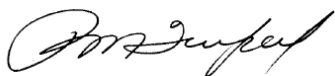
At December 31, 2013, the City also has \$79.4 million in cash set aside in a reserve for the repayment of the \$150.0 million debenture due June 2014.

In April the City entered into an agreement to sell the City's interest in the Market Project, including the City's rights as secured creditor under the original loan agreement. Total costs relating to the sale of the remaining condominium units will be determined after the closing date in late April. The estimated net proceeds are expected to exceed the value of the assets sold and along with the cash proceeds from prior sales will completely repay the City's borrowing for the Market Project.

Summary

The City's 2013 financial position remains strong with an accumulated surplus of \$6.133 billion (an increase of \$180.6 million) and is reflected in strong credit agency ratings of AA/AA/Aaa. New standards for the liability of contaminated sites have also been approved and will be effective for the 2014 fiscal year. In 2014, the City will be preparing for these changes and continuing to implement ongoing improvements to financial management and reporting.

Respectfully submitted,



Patrice Impey, B.Sc. MBA
General Manager of Financial Services /CFO
Director of Finance



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

INDEPENDENT AUDITORS' REPORT

To the Mayor and Councilors of the City of Vancouver

Report on the 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, 2013, the consolidated statement of operations, consolidated statement of changes in net debt and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 financial statements.

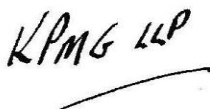
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013, and its consolidated results of operations, its consolidated net debt 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, these principles have been applied on a basis consistent with the prior year.



Chartered Accountants

April 7, 2014

Burnaby, Canada

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

	2013	2012
FINANCIAL ASSETS		(Recasted - Note 2)
Cash and cash equivalents (Note 3)	\$ 74,195	\$ 109,164
Temporary investments (Note 3)	1,296,032	1,005,948
Accounts receivable and accrued interest (Note 4)	96,461	71,743
Local improvement receivable	6,904	8,111
Property taxes receivable	23,854	23,013
Southeast False Creek development (Note 9(i))	110,844	310,153
Long term lease agreement receivable (Note 9(f)(i))	31,466	34,905
	1,639,756	1,563,037
 LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	325,127	288,465
Deferred payroll, landfill and interest liabilities (Note 8)	151,062	153,320
Mortgage and loan agreements (Note 9(f)(i))	41,157	45,021
Southeast False Creek Financing (Note 5)	150,000	311,875
Long term debt (Note 5)	789,085	703,771
Deferred revenue (Note 11)	389,044	330,119
	1,845,475	1,832,571
 NET DEBT	(205,719)	(269,534)
 NON-FINANCIAL ASSETS		
Inventory and prepaids	17,917	17,586
Tangible capital assets (Note 6)	6,321,044	6,204,594
	6,338,961	6,222,180
 ACCUMULATED SURPLUS (Note 7)	\$ 6,133,242	\$ 5,952,646

Contingencies and commitments (Note 9)
See accompanying Notes to Consolidated Financial Statements

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

	2013	2013	2012
	Budget		(Recasted - Note 2)
	(Note 12)		
REVENUES			
Property taxes, penalties and interest	\$ 650,091	\$ 655,504	\$ 642,281
Utility fees	217,774	218,769	211,232
Program fees	102,157	104,423	100,538
License and development fees	50,983	60,609	58,884
Parking	67,003	70,780	67,119
Cost recoveries, grants and donations	76,763	102,396	77,798
Revenue sharing	21,652	17,831	26,784
Investment income	21,165	23,138	21,850
Rental, lease and other	58,215	78,594	83,132
Bylaw fines	19,583	16,540	18,771
Developer contributions	21,766	98,181	110,412
Gain (loss) on sale of tangible capital assets	30,280	(7,635)	9,798
Gain on sale of Southeast False Creek assets	-	49,168	20,832
	<u>1,337,432</u>	<u>1,488,298</u>	<u>1,449,431</u>
EXPENSES			
Utilities	229,482	242,133	230,146
General government	182,429	158,262	158,558
Police protection	250,333	253,564	246,017
Fire protection	101,211	102,833	97,788
Engineering	171,869	179,155	175,061
Planning and development	18,271	19,672	18,480
Parks and recreation	183,010	178,800	177,476
Community and cultural services	96,889	98,105	97,837
Library	50,457	47,899	48,904
Southeast False Creek Development (Note 9(i))	-	27,279	42,655
	<u>1,283,951</u>	<u>1,307,702</u>	<u>1,292,922</u>
ANNUAL SURPLUS	<u>53,481</u>	<u>180,596</u>	<u>156,509</u>
ACCUMULATED SURPLUS (Note 7)			
Beginning of year (Recasted - Note 2)	5,952,646	5,952,646	5,796,137
Ending Balance	<u>\$ 6,006,127</u>	<u>\$ 6,133,242</u>	<u>\$ 5,952,646</u>

See accompanying Notes to Consolidated Financial Statements

CITY OF VANCOUVER
Consolidated Statement of Change in Net Debt
Years ended December 31
(\$000s)

	<u>2013</u> <u>Budget</u> (Note 12)	<u>2013</u>	<u>2012</u> (Recasted- Note 12)
Annual Surplus	\$ 53,481	\$ 180,596	\$ 156,509
Acquisition of tangible capital assets	(224,317)	(257,688)	(177,854)
Contributed tangible capital assets	-	(46,705)	(14,283)
Amortization of tangible capital assets	172,958	174,708	171,816
Loss (gain) on sale of tangible capital assets	(30,280)	7,635	(9,798)
Proceeds on sale of tangible capital assets	-	5,600	21,033
	<u>(81,639)</u>	<u>(116,450)</u>	<u>(9,086)</u>
Change in inventory and prepaids	-	(331)	(178)
CHANGE IN NET DEBT	(28,158)	63,815	147,245
NET DEBT			
Beginning of year	(269,534)	(269,534)	(416,779)
End of year	<u>\$ (297,692)</u>	<u>\$ (205,719)</u>	<u>\$ (269,534)</u>

See accompanying Notes to Consolidated Financial Statements.

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

	2013	2012
		(Recasted - Note 2)
CASH PROVIDED BY (USED IN):		
Operating Transactions		
Annual surplus	\$ 180,596	\$ 156,509
Items not involving cash		
Amortization	174,708	171,816
Contributed tangible capital assets	(46,705)	(14,283)
Gain on sale of Southeast False Creek assets	(49,168)	(20,832)
Loss (gain) on sale of tangible capital assets	7,635	(9,798)
Recognition of deferred revenue	(29,437)	(33,279)
Change in non-cash items		
Other financial assets and liabilities	15,749	54,626
Change in obligations to be funded from future revenues	(2,258)	(5,692)
Decrease in inventory and prepaids	(331)	(178)
	250,789	298,889
Financing Transactions		
Debt issued	110,000	120,000
Debt repayments	(28,550)	(42,398)
Deferred revenue receipts	88,362	83,074
Southeast False Creek credit facility program	(161,875)	(148,506)
	7,937	12,170
Capital Transactions		
Acquisition of tangible capital assets	(257,688)	(177,854)
Proceeds of sale of tangible capital assets	5,600	21,033
	(252,088)	(156,821)
Investing Transactions		
Southeast False Creek proceeds	248,477	172,859
Net purchase of temporary investments	(290,084)	(276,947)
	(41,607)	(104,088)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(34,969)	50,150
CASH AND CASH EQUIVALENTS		
Beginning of year	109,164	59,014
End of year	\$ 74,195	\$ 109,164

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (\$000s)
Year Ended December 31, 2013

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	Pacific National Exhibition

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

- Capital - Accounts for capital expenditures supporting civic infrastructure and holds all properties required for civic use and the related long term debt.
- Revenue - Accounts for revenue and expenditures for the general operations of the City including sewer, solid waste, and water and neighbourhood energy utilities.
- Property Endowment – Accounts for parkades and properties which are leased to third parties, being developed or held for resale or lease.
- Sinking - 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 - 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 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. These amounts will be recognized as revenues in the year in which the 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.

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(e) Cash and Temporary Investments

Cash 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 federal and provincial bonds with maturity dates greater than 90 days after acquisition. 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 50
Leasehold improvements	5 to 20
Vehicles, equipment and furniture	3 to 20
Computer systems	5
Library Collection	10
Infrastructure	
Streets, sidewalks, bridges	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 financial statements.

(ii) Inventories and prepaid expenses

Inventories 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, 2013

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) Use of Estimates

Preparation of the consolidated 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 revenue and expenses during the reporting period.

Significant estimates include assumptions used in estimating provisions for accrued liabilities, legal claims, landfill liability 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.

(j) Comparative Figures

Certain comparative figures for the year ended December 31, 2013 have been reclassified to conform with the presentation adopted in the current year.

2. RECAST OF COMPARATIVE FIGURES

During the year the City recorded tangible capital asset costs and accumulated amortization for developer contributed assets to road dedications, street, water, sewer infrastructure and daycare facilities not previously included in the City's asset values. A correction was also made to remove asset values which were duplicated in the original adoption of PS 3150 Tangible Capital Assets in 2009.

The effect of the recast has been applied retroactively and is summarized below:

	2013	2012
Accumulated surplus, January 1		
As previously reported	\$ 5,930,468	\$ 5,784,047
Addition of capital assets previously excluded	48,494	38,972
Reduction of capital assets previously included	(26,316)	(26,882)
Recasted	<u>\$ 5,952,646</u>	<u>\$ 5,796,137</u>
Annual Surplus for 2012		
Annual surplus, as previously reported		\$ 146,421
Adjustment for capital assets		10,088
Recasted		<u>\$ 156,509</u>

3. CASH AND TEMPORARY INVESTMENTS

	2013	2012
Cash and cash equivalents	\$ 74,195	\$ 109,164
Temporary investments	1,296,032	1,005,948
Total cash and temporary investments	<u>\$ 1,370,227</u>	<u>\$ 1,115,112</u>
Market Value of total cash and investments	<u>\$ 1,394,444</u>	<u>\$ 1,193,101</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (\$000s)
Year Ended December 31, 2013

4. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

	2013	2012
Accounts receivable and accrued interest		
Accrued interest	\$ 8,171	\$ 5,906
Utility receivables	31,310	30,935
Employee advances	1,956	2,132
Rental and lease receivables	744	888
Trade and other receivables	54,280	31,882
	<u>\$ 96,461</u>	<u>\$ 71,743</u>
Accounts payable and accrued liabilities		
Payroll liabilities	\$ 74,291	\$ 66,899
Advance deposits and receipts	121,675	110,888
Trade and other liabilities	129,161	110,678
	<u>\$ 325,127</u>	<u>\$ 288,465</u>

5. LONG TERM DEBT AND SOUTHEAST FALSE CREEK FINANCING

(a) Debenture debt is recorded at its face amount. The City does not carry debt issued by other organizations.

Maturing In	Total	Internally Held	External
2014	26,964	1,236	25,728
2015	15,527	1,075	14,452
2016	1,181	951	230
2017	126,234	1,000	125,234
2018	1,050	812	238
Thereafter	625,912	2,709	623,203
Total	<u>\$ 796,868</u>	<u>\$ 7,783</u>	<u>\$ 789,085</u>

The rates of interest payable on the principal amount of the debentures range from 1.71% to 7.00% per annum. The weighted average interest rate on total debt to maturity is 4.17%. Total interest paid in 2013 on externally held debt amounted to \$34.4 million (2012 - \$31.3 million). Reserve for debt retirement at December 31, 2013 amounted to \$178.0 million (2012 - \$121.5 million).

(b) To provide the financing for the Southeast False Creek development (see Note 9(i)), The City issued a \$150.0 million, 5 year debenture (at 3.3%) in 2009. The balance of the financing was raised through a commercial paper program backed by a credit facility arranged through a consortium of financial institutions. At December 31, 2013, the amount of commercial paper outstanding was nil (2012 - \$145.0 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (\$000s)
Year Ended December 31, 2013

6. TANGIBLE CAPITAL ASSETS

2013	Balance beginning of year <small>(Recasted - Note 2)</small>	Additions, net of transfers	Disposals	Balance end of year
Cost				
Land	\$ 1,759,025	\$ 67,831	\$ (1,923)	\$ 1,824,933
Landfill and land improvements	262,806	3,905	-	266,711
Buildings and building improvements	1,341,345	53,056	(2,364)	1,392,037
Leasehold improvements	25,895	2,794	(67)	28,622
Vehicles, equipment and furniture	279,085	24,808	(12,303)	291,590
Computer systems	144,210	12,289	(234)	156,265
Books	43,998	3,233	(3,271)	43,960
Infrastructure				
Streets and structures	3,044,680	40,986	(3,138)	3,082,528
Water system	695,580	20,983	(6,375)	710,188
Sewer system	1,328,051	43,335	(5,988)	1,365,398
Assets under construction	19,055	31,173	-	50,228
Total Cost	8,943,730	304,393	(35,663)	9,212,460
Accumulated amortization				
Landfill and land improvements	124,326	9,611	-	133,937
Buildings and building improvements	331,655	31,103	(2,134)	360,624
Leasehold improvements	10,437	1,082	(67)	11,452
Vehicles, equipment and furniture	178,374	17,737	(9,355)	186,756
Computer systems	105,758	17,979	(234)	123,503
Books	28,483	2,601	(1,933)	29,151
Infrastructure				
Streets and structures	1,439,072	70,867	(1,964)	1,507,975
Water system	176,157	9,232	(3,025)	182,364
Sewer system	344,874	14,496	(3,716)	355,654
Accumulated amortization	2,739,136	174,708	(22,428)	2,891,416
Net book value				
Land *	1,759,025	67,831	(1,923)	1,824,933
Landfill and land improvements	138,480	(5,706)	-	132,774
Buildings and building improvements	1,009,690	21,953	(230)	1,031,413
Leasehold improvements	15,458	1,712	-	17,170
Vehicles, equipment and furniture	100,711	7,071	(2,948)	104,834
Computer systems	38,452	(5,690)	-	32,762
Books	15,515	632	(1,338)	14,809
Infrastructure				
Streets and structures	1,605,608	(29,881)	(1,174)	1,574,553
Water system	519,423	11,751	(3,350)	527,824
Sewer system	983,177	28,839	(2,272)	1,009,744
Assets under construction	19,055	31,173	-	50,228
Net Book Value	\$ 6,204,594	\$ 129,685	\$ (13,235)	\$ 6,321,044

*The Assessed Value of land is \$13.2M

Additions include contributed tangible capital assets - land \$16.8M, buildings \$23.1M, streets and structures \$3.7M, sewer systems \$2.2M, and water systems \$0.9M.

Additions include transfers from assets under construction of \$6.2M

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (\$000s)
Year Ended December 31, 2013

6. TANGIBLE CAPITAL ASSETS - Continued

2012	Balance beginning of year	Additions, net of transfers	Disposals	Balance end of year
	(Recasted - Note 2)			
Cost				
Land	\$ 1,729,107	\$ 30,397	\$ (479)	\$ 1,759,025
Landfill and land improvements	260,202	2,604	-	262,806
Buildings and building improvements	1,320,409	30,012	(9,076)	1,341,345
Leasehold improvements	23,290	2,605	-	25,895
Vehicles, equipment and furniture	279,379	6,377	(6,671)	279,085
Computer systems	130,739	13,951	(480)	144,210
Books	46,104	3,457	(5,563)	43,998
Infrastructure				
Streets and structures	3,010,241	35,943	(1,504)	3,044,680
Water system	677,945	20,999	(3,364)	695,580
Sewer system	1,287,950	43,299	(3,198)	1,328,051
Assets under construction	16,562	2,493	-	19,055
Total Cost	8,781,928	192,137	(30,335)	8,943,730
Accumulated amortization				
Landfill and land improvements	114,751	9,575	-	124,326
Buildings and building improvements	307,462	30,207	(6,014)	331,655
Leasehold improvements	9,444	993	-	10,437
Vehicles, equipment and furniture	171,633	11,891	(5,150)	178,374
Computer systems	83,694	22,444	(380)	105,758
Books	29,179	2,683	(3,379)	28,483
Infrastructure				
Streets and structures	1,369,104	70,811	(843)	1,439,072
Water system	168,623	9,201	(1,667)	176,157
Sewer system	332,530	14,011	(1,667)	344,874
Accumulated amortization	2,586,420	171,816	(19,100)	2,739,136
Net book value				
Land *	1,729,107	30,397	(479)	1,759,025
Landfill and land improvements	145,451	(6,971)	-	138,480
Buildings and building improvements	1,012,947	(195)	(3,062)	1,009,690
Leasehold improvements	13,846	1,612	-	15,458
Vehicles, equipment and furniture	107,746	(5,514)	(1,521)	100,711
Computer systems	47,045	(8,493)	(100)	38,452
Books	16,925	774	(2,184)	15,515
Infrastructure				
Streets and structures	1,641,137	(34,868)	(661)	1,605,608
Water system	509,322	11,798	(1,697)	519,423
Sewer system	955,420	29,288	(1,531)	983,177
Assets under construction	16,562	2,493	-	19,055
Net Book Value	\$ 6,195,508	\$ 20,321	\$ (11,235)	\$ 6,204,594

*The Assessed Value of land is \$12.9M

Additions include contributed tangible capital assets - land \$9.1M, buildings \$3.6M, streets and structures \$0.8M, sewer systems \$0.4M, and water system \$0.4M.

Additions include transfers from assets under construction of \$10.4M

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (\$000s)
Year Ended December 31, 2013

7. ACCUMULATED SURPLUS

	2013	2012 (Recasted - Note 2)
Investment in tangible capital assets	\$ 5,524,734	\$ 5,492,946
Reserve for Sinking Fund debt retirement	177,956	121,459
Reserve for Southeast False Creek debt retirement	79,400	-
Reserves	675,744	637,367
Fund balances	(173,530)	(145,806)
Obligations to be funded from future revenues (Note 8)	(151,062)	(153,320)
	<u>\$ 6,133,242</u>	<u>\$ 5,952,646</u>

The following reserve amounts are set aside for specific purposes:

	2012	Change During Year	2013
Affordable Housing	\$ 6,878	11,060	\$ 17,938
Art Gallery Operations	4,068	(20)	4,048
Capital Facilities and Infrastructure	9,022	7,256	16,278
Childcare Endowment	14,833	1,738	16,571
Community Amenities	133,220	(4,945)	128,275
Community Amenity Maintenance	4,936	3,047	7,983
Cultural Precinct	4,272	64	4,336
Deferred Payroll Obligation	45,074	5,000	50,074
Emerging Neighbourhood	6,807	5,877	12,684
Future Revenue Fund Budgets	48,444	7,691	56,135
Future Debt Repayment	41,341	6,726	48,067
Greenlinks (Pedestrian and cycling linkages)	3,244	(100)	3,144
Hastings Park	10,515	(2,842)	7,673
Library	5,316	(146)	5,170
Mortgage Debenture Retirement	5,725	(178)	5,547
Outstanding Commitments	14,215	1,821	16,036
Park Board	9,521	1,826	11,347
Parking Sites	49,924	4,008	53,932
Plant and Equipment	81,032	(734)	80,298
Public Art	7,553	302	7,855
Self-insurance	32,120	417	32,537
Solid Waste Capital	75,842	(7,036)	68,806
Water and Sewer Utility Rate Stabilization	16,886	(1,768)	15,118
Other	6,579	(687)	5,892
	<u>\$ 637,367</u>	<u>\$ 38,377</u>	<u>\$ 675,744</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (\$000s)
Year Ended December 31, 2013

7. ACCUMULATED SURPLUS - Continued

Fund balances are comprised of:

	2012 (Recasted - Note 2)	Change During Year	2013
Revenue Fund	\$ 18,599	\$ 4,054	\$ 22,653
Capital Fund	(186,782)	25,311	(161,471)
Capital Financing Fund	248,433	5,862	254,295
Sinking Fund	-	-	-
Property Endowment Fund	(217,107)	(64,837)	(281,944)
Harbour Park Development Ltd.	12	(5)	7
Vancouver Civic Development Corp.	11,076	119	11,195
Hastings Institute Inc.	219	4	223
Pacific National Exhibition	(10,601)	127	(10,474)
City of Vancouver Public Housing Corporation	(214)	(17)	(231)
	<u>(136,365)</u>	<u>(29,382)</u>	<u>(165,747)</u>
Elimination for internally-held debt on consolidation	(9,441)	1,658	(7,783)
	<u>\$ (145,806)</u>	<u>\$ (27,724)</u>	<u>\$ (173,530)</u>

8. DEFERRED PAYROLL, LANDFILL AND INTEREST LIABILITIES

	2013	2012
Deferred payroll costs (a)	\$ 81,603	\$ 77,896
Landfill closure and post-closure costs (b)	65,529	72,000
Accrued interest on long term debt	3,930	3,424
	<u>\$ 151,062</u>	<u>\$ 153,320</u>

(a) Deferred Payroll Costs

The City's employee benefit liabilities as at December 31, 2013 is \$81.6 million (\$2012 - \$77.9 million).

An actuarial valuation was completed as at December 31, 2013 using the following valuation assumptions:

	2013	2012
Discount rate	4.25%	4.25%
Inflation rate	2.00%	2.00%
Rate of compensation increase	2.75% to 5.25%	1.25% to 5.25 %

Employee benefit liabilities are as follows:

	2013	2012
Sick leave gratuity	\$ 29,961	\$ 28,257
Deferred vacation	10,003	9,846
Non-vested accumulating sick leave	5,112	5,353
Long term disability	17,986	15,589
Other post-employment benefits	14,395	14,078
	<u>77,457</u>	<u>73,123</u>
Unamortized actuarial gain	4,146	4,773
	<u>\$ 81,603</u>	<u>\$ 77,896</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (\$000s)
Year Ended December 31, 2013

8. DEFERRED PAYROLL, LANDFILL, AND INTEREST LIABILITIES - Continued

(a) Deferred Payroll Costs - Continued

The continuity of the City's employee benefit liabilities are as follows:

	2013	2012
Beginning of the year	\$ 77,896	\$ 84,883
Current service cost	10,749	8,282
Interest cost	3,313	3,700
Amortization of actuarial gain	(655)	(762)
Plan Amendment	-	(6,307)
Actual benefits paid	(9,700)	(11,900)
End of the year	<u>\$ 81,603</u>	<u>\$ 77,896</u>

The City has provided \$50.1 million (2012 - \$45.1 million) in a reserve for the funding for these liabilities.

(b) Landfill Closure and Post-Closure Costs

The landfill closure and post-closure liability as at December 31, 2013 is \$65.5 million (2012 - \$72.0 million) a decrease of \$6.5 million.

The landfill liabilities reported are based on the following assumptions:

	2013	2012
Closure date	2036	2036
Years of post closure maintenance	50	50
Total capacity (million tonnes)	23.7	23.7
Future costs (million)	\$264.2	\$502.0
Present value of future costs (million)	\$118.0	\$131.4
Deposited to date (million tonnes)	17.8	17.4
Utilization of total capacity to date	75.1%	73.3%
City's share of liability	73.9%	74.8%
Discount rate	4.25%	4.25%
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. 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 Southwest British Columbia Incorporated (E-Comm), whose services include: regional 911 call centre for the Greater Vancouver Regional District, Wide Area Radio emergency communications network, dispatch operations and records management. The City holds 2 Class A shares (of a total 28 Class A and 23 Class B shares issued and outstanding at December 31, 2013). 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 \$18.6 million during the year (2012 - \$17.7 million).

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

The City is obligated to collect and transmit the tax levies of the following bodies. Such levies are not included in the revenue of the City.

Provincial Government – Schools
Greater Vancouver Regional District
South Coast BC Transportation Authority

British Columbia Assessment Authority
Municipal Finance Authority

(c) Municipal Pension Plan

The City and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusted pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 179,000 active members and approximately 71,000 retired members. Active members include approximately 36,000 contributors from local governments.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1.37 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

The City of Vancouver paid \$57.6 million (2012 - \$56.2 million) for employer contributions while employees contributed \$46.6 million (2012 - \$45.5 million).

(d) Contingent Legal Liabilities

As at December 31, 2013, 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 \$32.5 million (2012 - \$32.1 million) for potential claims.

(e) Property Assessment Appeals

As at December 31, 2013, 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.

9. CONTINGENCIES AND COMMITMENTS - Continued

(f) Long Term Lease, Mortgage and Loan Agreements

(i) 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 lease provides options for the Federal Government to purchase the office building at the end of the 10th and 20th years and at the end of the lease term. The balance of the lease receivable is \$31.5 million (2012 - \$34.9 million).

(ii) Principal payments on mortgages over the next 5 years and thereafter are as follows:

2014	\$	4,025
2015		4,373
2016		4,784
2017		5,235
2018		5,730
Thereafter		17,010
	\$	<u>41,157</u>

Outstanding mortgages include:

- \$33.9 million (2012 - \$37.1 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.
- \$7.2 million (2012 - \$7.6 million) in mortgages payable to Canada Mortgage and Housing Corporation for 3 non-market housing projects. Interest rates range from 2.09% to 8.0% with maturity dates from February 1, 2020 to December 1, 2027.

(g) Loan Guarantees

The City has guaranteed a \$21.4 million line of credit for the Pacific National Exhibition.

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

First Avenue Athletes Village Housing Co-operative	\$20,510
S.U.C.C.E.S.S. Affordable Housing Society	\$22,950

(h) 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, 2014.

9. CONTINGENCIES AND COMMITMENTS – Continued

(i) Southeast False Creek and Olympic Village Development

In 2006, the City entered into a ground lease, development, sublease and land/airspace parcel sales agreement (the “Agreement”) with SEFC Properties Ltd. (“SEFC Ltd”), formerly named Millennium Southeast False Creek Properties Ltd, with respect to a portion of the City’s properties in Southeast False Creek Area 2A. Under the Agreement, SEFC Ltd acquired rights to land upon which it constructed market condominiums, rental housing and commercial space buildings (the “Market Project”). SEFC Ltd was also required to design and construct at the City’s cost, non-market housing buildings and a civic centre on additional land/airspace parcels to be retained by the City. Pursuant to the Agreement, this project was used by the City and the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games as the Vancouver Athletes’ Village.

In February 2009, the City purchased and took assignment of the loan including related security for the Market Project construction financing from the lenders of SEFC Ltd., and later that year restructured the terms of the loan (the “Amended Loan Agreement”).

In September 2010, SEFC Ltd defaulted under the Amended Loan Agreement; therefore, the City exercised its rights with respect to the related security.

In November 2010, a receiver (the “Receiver”) was appointed over the assets and properties of SEFC Ltd, which provided court approved management for the Market Project. The appointment benefited the creditors of SEFC Ltd, with the City being the principal secured lender.

In January 2011, a settlement agreement (the “Settlement”) was entered into with the guarantors of the Amended Loan Agreement. Pursuant to the Settlement, 32 properties owned or controlled by these guarantors were transferred to the City. The City has retained one property for affordable housing and at December 31, 2013 all but one of the remaining 31 properties has been sold to third parties.

The Receiver continued to manage the Market Project in 2013, and in addition to the condominium units, sold the commercial and rental properties with surplus net proceeds from the sales being paid to the City in accordance with court approval. Southeast False Creek Market Project development expenses include interest, repairs and maintenance, sales commissions, and professional fees.

As at December 31, 2013, the City’s investment related to the Southeast False Creek Market Project in the amount of \$110.8 million (2012 – \$310.2 million) is comprised of the following:

	2013	2012
Assets for Sale		
Residential properties (and commercial and rental for 2012)	\$ 105,507	\$ 254,981
Transferred properties	5,337	55,172
	<u>\$ 110,844</u>	<u>\$ 310,153</u>

During 2013, the City repaid \$145.0 million of commercial paper borrowing. Anticipated net sales proceeds from sales subsequent to yearend (noted below), and \$79.4 million cash set aside in reserve at yearend from previous sales, will be used to repay the \$150.0 million debenture due June 2014 (see Note 5(b)).

In April 2014, the City entered into an agreement to sell the City’s interests in the Market Project, including the City’s rights as secured creditor under the Amended Loan Agreement. Total costs relating to the sale of the remaining condominium units will be determined after the closing date (late April 2014) and the net proceeds are expected to exceed the value of the assets sold.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (\$000s)
Year Ended December 31, 2013

10. 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 statements:

	<u>2013</u>	<u>2012</u>
Vancouver Agreement	\$ 5,922	\$ 6,470
Cemetery Perpetual Care	4,079	3,822
General	627	609
	<u>\$ 10,628</u>	<u>\$ 10,901</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.

11. DEFERRED REVENUE

Deferred revenue is comprised of the following:

	<u>2012</u>	<u>Contributions and Interest</u>	<u>Recognized as Revenue</u>	<u>2013</u>
Development cost levies				
City-wide	\$ 113,965	\$ 48,016	\$ (18,971)	\$ 143,010
Area-specific	<u>60,504</u>	<u>13,513</u>	<u>(5,058)</u>	<u>68,959</u>
	174,469	61,529	(24,029)	211,969
Prepaid Leases	153,112	26,730	(4,383)	175,459
Capital contributions	2,538	103	(1,025)	1,616
	<u>\$ 330,119</u>	<u>\$ 88,362</u>	<u>\$ (29,437)</u>	<u>\$ 389,044</u>

Development cost levies (DCL) are collected from developers to fund growth related capital 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. During the year \$61.5 million of DCLs were collected and \$24.0 million was used to fund capital expenditures.

Prepaid leases are recognized as revenue over the term of the lease while contributions of capital are recognized as the expenditures are incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (\$000s)
Year Ended December 31, 2013

12. BUDGET

The Budget information presented in these consolidated financial statements is based upon the 2013 operating, capital and property endowment budgets as approved by Council. The City does not prepare a budget for its SEFC Development activity. Adjustments to the budgeted amounts are required to comply with Canadian public sector accounting standards for inclusion in the Consolidated Statement of Operations and Consolidated Statement of Change in Net Debt.

	<u>2013</u>
Revenue	
Budgeted Revenues	
Operating Budget	\$ 1,147,900
Capital Budget	258,300
Property Endowment Operating Budget	74,023
Other City of Vancouver funds	5,480
Vancouver Public Housing Corporation	3,572
Pacific National Exhibition	45,529
Other City of Vancouver Reporting Entities	122
	<u>1,534,926</u>
PSAB Revenue Adjustments	
Operating Budget PSAB revenue adjustments (1)	3,600
Capital Budget PSAB revenue adjustments (2)	(194,186)
Interfund revenue eliminated	(6,908)
	<u>(197,494)</u>
Budgeted Revenue as presented in financial statements	<u>\$ 1,337,432</u>
Expenses	
Budgeted Expenditures	
Operating Budget	\$ 1,147,900
Capital Budget	258,300
Property Endowment Operating Budget	24,245
Other City of Vancouver funds	82
Vancouver Public Housing Corporation	2,615
Pacific National Exhibition	45,486
Other City of Vancouver Reporting Entities	5
	<u>1,478,633</u>
PSAB Revenue Adjustments	
Operating Budget PSAB expense adjustments (3)	(136,415)
Capital Budget PSAB expense adjustments (4)	(224,317)
Amortization of tangible capital assets	172,958
Interfund expense eliminated	(6,908)
	<u>(194,682)</u>
Budgeted Expenses as presented in financial statements	<u>\$ 1,283,951</u>

Note:

- (1) Adjust for transfers and Business Improvement Area taxes
- (2) Deduct debt and reserve transfer funding
- (3) Deduct debt principal payments and transfers
- (4) Deduct tangible capital asset expenditures

13. 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
Year Ended December 31, 2013

Revenue & Capital Fund

	General Government	Police Protection	Fire Protection	Engineering	Utilities	Planning & Development	Parks & Recreation	Community & Cultural Services	Library	Other Funds & Entities	Eliminations	2013 Consolidated	2012 Consolidated
Revenue													
Property taxes, penalties and interest	\$ 655,504	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 655,504	\$ 642,281
Utility fees	-	-	-	-	218,769	-	-	-	-	-	-	218,769	211,232
Program fees	-	1,904	571	41,719	-	-	-	11,910	3,882	46,161	(1,724)	104,423	100,538
License and development fees	60,609	-	-	-	-	-	-	-	-	-	-	60,609	58,884
Parking	44,775	261	-	1,104	-	-	5,666	333	-	18,641	-	70,780	67,119
Cost recoveries, grants and donations	5,020	17,001	7,638	40,778	20,460	745	4,620	6,244	537	1,670	(2,316)	102,397	77,798
Revenue sharing	17,831	-	-	-	-	-	-	-	-	-	-	17,831	26,784
Investment income	18,081	-	-	-	-	-	-	-	-	6,321	(1,264)	23,138	21,850
Rental, lease and other	29,615	-	-	12,795	462	-	196	3,408	-	35,306	(3,189)	78,593	83,132
Bylaw fines	15,708	-	-	-	-	-	-	-	-	-	832	16,540	18,771
Developer contributions	31,908	-	-	25,972	-	-	5,665	33,889	-	747	-	98,181	110,412
Gain (loss) on disposal of tangible capital assets	(2,684)	-	-	(4,323)	-	-	(3)	1,050	(1,465)	48,958	-	41,533	30,630
	876,367	19,166	8,209	118,045	239,691	745	16,144	56,834	2,954	157,804	(7,661)	1,488,298	1,449,431
Operating Expenses													
Wages, salaries and benefits	90,173	214,294	91,333	79,504	39,977	18,243	74,032	39,268	34,371	21,837	-	703,032	676,422
Contract services	30,895	3,578	1,020	8,565	25,214	493	7,688	2,409	1,287	9,360	-	90,509	79,385
Supplies, material and equipment	4,822	26,739	6,661	(12,584)	136,244	936	26,590	45,108	6,496	65,076	(6,401)	299,687	324,923
Debt charges	714	3,326	213	9,653	11,945	-	6,240	2,530	348	6,057	(1,260)	39,766	40,376
	126,604	247,937	99,227	85,138	213,380	19,672	114,550	89,315	42,502	102,330	(7,661)	1,132,994	1,121,106
Amortization	14,858	7,451	3,743	76,741	28,773	-	21,097	5,551	5,397	11,097	-	174,708	171,816
	141,462	255,388	102,970	161,879	242,153	19,672	135,647	94,866	47,899	113,427	(7,661)	1,307,702	1,292,922
Annual Surplus	\$ 734,905	\$ (236,222)	\$ (94,761)	\$ (43,834)	\$ (2,462)	\$ (18,927)	\$ (119,503)	\$ (38,032)	\$ (44,945)	\$ 44,377	\$ -	\$ 180,596	\$ 156,509

**SUPPLEMENTARY
FINANCIAL
INFORMATION
UNAUDITED**

CITY OF VANCOUVER
Revenue Fund
Schedule of Financial Activities
Years ended December 31
(\$000s)

	<u>2013 Budget</u>	<u>2013</u>	<u>2012</u>
REVENUE			
Property taxes, penalties and interest	\$ 650,091	\$ 655,504	\$ 642,281
Utility fees	217,774	218,769	211,232
Programs fees	57,122	59,985	56,645
License and development fees	50,983	60,609	58,881
Parking	47,833	52,139	48,578
Cost recoveries, grants and donations	34,805	40,010	43,645
Revenue sharing	21,652	17,831	26,784
Investment income	15,574	17,475	17,256
Rental, lease and other	36,915	42,669	39,386
Bylaw fines	18,751	15,708	17,978
	<u>1,151,500</u>	<u>1,180,699</u>	<u>1,162,666</u>
EXPENDITURES			
Utilities	192,820	193,199	190,581
General government	147,346	118,450	116,339
Police protection	244,625	247,898	241,134
Fire protection	97,604	99,100	94,386
Engineering	76,022	80,542	73,935
Planning and development	17,542	19,672	18,480
Parks and recreation	107,443	108,048	103,831
Community and cultural services	83,022	84,395	82,619
Library	45,060	42,243	42,777
	<u>1,011,484</u>	<u>993,547</u>	<u>964,082</u>
ANNUAL SURPLUS	<u>140,016</u>	<u>187,152</u>	<u>198,584</u>
DEBT, TRANSFERS AND OTHER			
Debt principal repayments	(27,685)	(26,107)	(38,000)
Transfers			
Net transfers to other funds	(94,482)	(127,643)	(104,649)
Net transfers to reserves	(17,849)	(26,805)	(48,991)
Change in obligations to be funded from future revenue	-	(2,543)	(5,727)
	<u>(140,016)</u>	<u>(183,098)</u>	<u>(197,367)</u>
CHANGE IN FUND BALANCE	-	4,054	1,217
FUND BALANCE			
Beginning of year	18,599	18,599	17,382
End of year	<u>\$ 18,599</u>	<u>\$ 22,653</u>	<u>\$ 18,599</u>

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

	2013 Budget	2013 Actual	2012 Actual
Programs fees			
Parks & recreation	\$ 39,574	\$ 41,718	\$ 38,270
Community & cultural services	11,733	11,910	11,705
Library (fines, rental & other)	3,770	3,882	3,879
Police	1,471	1,904	2,194
Fire prevention	574	571	597
	<u>\$ 57,122</u>	<u>\$ 59,985</u>	<u>\$ 56,645</u>
License and development fees			
Licenses			
Business	\$ 14,453	\$ 15,283	\$ 14,992
Inspection fees	8,042	10,897	10,648
Dog	1,716	924	916
False Alarm Reduction Program	1,144	1,087	1,085
Other (included Inspection fees)	9,322	11,915	12,255
Trade permits	8,393	11,142	9,920
Development permits	7,913	9,361	9,065
	<u>\$ 50,983</u>	<u>\$ 60,609</u>	<u>\$ 58,881</u>
Parking			
On street parking	\$ 40,745	\$ 44,136	\$ 41,076
Parks	5,237	5,666	5,320
Civic Theatres	360	328	342
Other	1,491	2,009	1,840
	<u>\$ 47,833</u>	<u>\$ 52,139</u>	<u>\$ 48,578</u>
Cost recoveries, grants & donations			
Police	\$ 12,279	\$ 17,001	\$ 18,394
Fire	6,920	7,554	8,393
General Government	3,848	2,051	2,932
Parks & recreation	3,821	4,280	4,174
Community & Cultural	3,773	4,937	4,924
Engineering services	3,392	2,871	2,811
Library	609	572	605
Planning and Development	163	744	1,412
	<u>\$ 34,805</u>	<u>\$ 40,010</u>	<u>\$ 43,645</u>
Rental, lease and other			
Property rentals	\$ 19,374	\$ 21,226	\$ 19,886
Street use	5,457	8,555	6,790
Leases	4,953	4,418	4,732
Other	7,131	8,470	7,978
	<u>\$ 36,915</u>	<u>\$ 42,669</u>	<u>\$ 39,386</u>

CITY OF VANCOUVER
Property Endowment Fund
Statement of Operations
Years ended December 31
(\$000s)

	2013	2012
OPERATIONS		
Rental and leases		
Revenue	\$ 25,299	\$ 24,370
Expenses	15,068	14,022
	10,231	10,348
Parking		
Revenue	18,641	18,519
Expenses	17,000	17,548
	1,641	971
Water Moorage		
Revenue	1,221	1,204
Expenses	677	635
	544	569
 NET REVENUES FROM OPERATIONS	 12,416	 11,888
Interest and other income	843	1,450
Investment Income	712	410
Gain (loss) on disposal of tangible capital assets	(210)	15,410
	13,761	29,158
Administration expenses	5,104	4,217
	8,657	24,941
 NET REVENUES	 \$ 8,657	 \$ 24,941

CITY OF VANCOUVER
Utilities
Schedule of Financial Activities*
Years ended December 31
(\$000s)

	WATER UTILITY	SEWER UTILITY	SOLID WASTE UTILITY	NEU**	2013 TOTAL	2012 TOTAL
REVENUE						
Fees and service charges	\$ 102,778	\$ 55,731	\$ 57,956	\$ 2,304	\$ 218,769	\$ 211,232
Contribution from Property Taxes	-	32,196	-	-	32,196	30,411
	<u>102,778</u>	<u>87,927</u>	<u>57,956</u>	<u>2,304</u>	<u>250,965</u>	<u>241,643</u>
EXPENSES						
Purchase of water	66,412	-	-	-	66,412	66,813
Debt charges	4,399	6,862	-	684	11,945	10,561
Operations	11,140	8,723	-	1,629	21,492	21,368
Contribution to Joint Sewerage Board	-	49,608	-	-	49,608	47,863
Garbage collection and disposal	-	-	15,195	-	15,195	11,032
Recycling	-	-	9,297	-	9,297	8,920
Composting	-	-	8,479	-	8,479	6,096
Commercial	-	-	17,243	-	17,243	17,086
Post closure costs adjustment	-	-	(6,472)	-	(6,472)	817
Debenture discount and commissions	-	-	-	-	-	25
	<u>81,951</u>	<u>65,193</u>	<u>43,742</u>	<u>2,313</u>	<u>193,199</u>	<u>190,581</u>
ANNUAL SURPLUS	<u>20,827</u>	<u>22,734</u>	<u>14,214</u>	<u>(9)</u>	<u>57,766</u>	<u>51,062</u>
DEBT & TRANSFERS						
Debt principal repayments	(5,593)	(6,994)	-	(219)	(12,806)	(19,898)
Transfer to Sinking Fund	(7,786)	(12,390)	-	(1,415)	(21,591)	(16,707)
Transfer (to) from other funds	(7,500)	-	(4,594)	1,766	(10,328)	(7,833)
Transfer (to) from reserves	52	(3,350)	(9,620)	(123)	(13,041)	(6,624)
	<u>(20,827)</u>	<u>(22,734)</u>	<u>(14,214)</u>	<u>9</u>	<u>(57,766)</u>	<u>(51,062)</u>
ANNUAL SURPLUS AFTER DEBT AND TRANSFERS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

* These amounts have been reported as part of the Revenue Fund Schedule of Financial Activities

** South East False Creek Neighbourhood Energy Utility

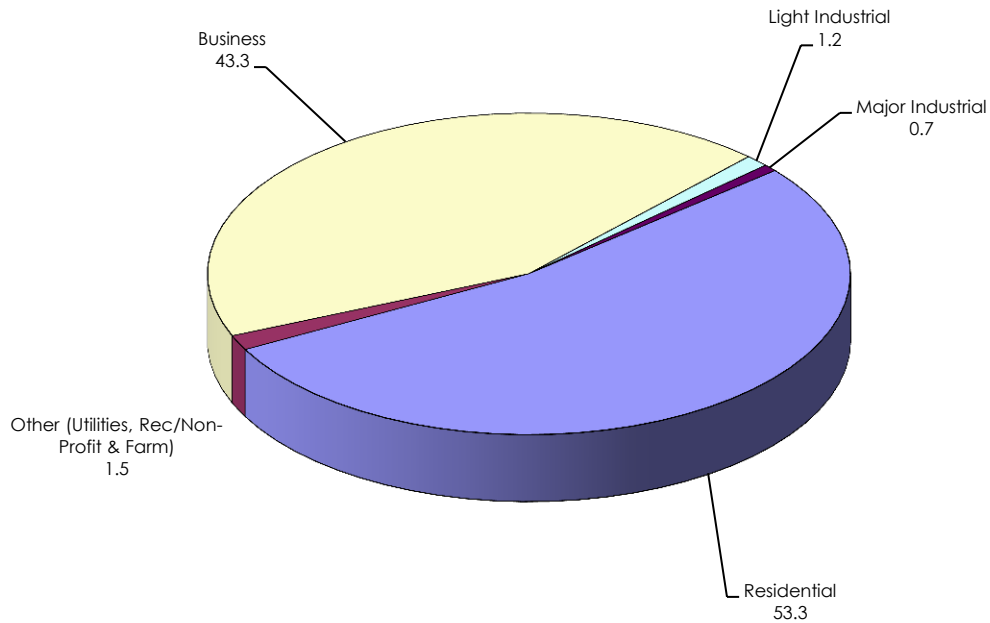
FIVE YEAR STATISTICAL REVIEW – TAXATION
Years Ended December 31

	2013	2012	2011	2010	2009
Property Assessment (\$000s)					
Rateable property general purposes	\$248,337,102	\$241,777,267	\$211,419,049	\$187,431,088	\$183,955,565
Tax Rates – Rate per \$1,000 of Assessment					
Residential - Class 1					
Municipal purposes	1.89502	2.02002	2.12815	2.14861	2.13692
Education	1.43366	1.53487	1.54202	1.55095	1.57888
Other taxing authorities	0.46479	0.49588	0.50981	0.51421	0.50993
Total Residential	3.79347	4.05077	4.17998	4.21377	4.22573
Business/Other - Class 6					
Municipal purposes	8.20424	8.78096	9.19882	9.78076	10.34798
Education	6.40458	6.75274	6.86945	6.80610	7.29402
Other taxing authorities	1.87660	1.98450	2.04321	2.04949	2.18056
Total Business/Other	16.48542	17.51820	18.11148	18.63635	19.82256
Major Industrial - Class 4					
Municipal purposes	32.98091	31.98356	31.46583	30.64936	30.28937
Education	6.20000	6.40000	6.60000	6.80000	7.00000
Other taxing authorities	2.98567	2.97948	3.01831	3.03126	3.12009
Total Major Industrial	42.16658	41.36304	41.08414	40.48062	40.40946
Light Industrial - Class 5					
Municipal purposes	8.20424	8.78096	9.19882	9.78076	10.34798
Education	11.20629	6.57739	6.95857	6.78545	7.48227
Other taxing authorities	2.28098	2.37194	2.50688	2.42127	2.72814
Total Light Industrial	21.69151	17.73029	18.66427	18.98748	20.55839
Total Utilities - Class 2	53.81857	55.97006	55.64063	57.73727	57.40031
Total Supportive Housing - Class 3	1.65585	1.64981	1.68471	1.65089	1.62027
Total Recreational/Non-Profit - Class 8	5.64914	5.63732	5.83157	6.10040	6.23958
Total Farm – All Purposes - Class 9	9.20054	9.17932	9.27997	9.44100	9.46778

FIVE YEAR STATISTICAL REVIEW – TAXATION
Years Ended December 31

	2013	2012	2011	2010	2009
Property Tax Revenue by Property Class (%)					
Residential - Class 1	53.3	53.3	52.3	51.7	50.6
Business - Class 6	43.3	43.4	44.5	45.0	46.1
Major industrial - Class 4	0.7	0.7	0.7	0.7	0.8
Light industrial - Class 5	1.2	1.0	0.9	0.9	0.9
Other (Utilities, Rec/Non-Profit and Farm)	1.5	1.6	1.6	1.7	1.6
Total	100.0	100.0	100.0	100.0	100.0

Property Tax by Class



Property Taxation - Levy and Collections	2013	2012	2011	2010	2009
Total tax levy (all purposes) (\$000s)	\$ 1,339,511	\$ 1,302,764	\$ 1,237,268	\$ 1,183,828	\$ 1,152,139
Total tax arrears outstanding (\$000s)	\$ 23,854	\$ 23,013	\$ 24,018	\$ 25,185	\$ 25,929
% of current collections to current levy	98.97	98.96	98.88	98.75	98.66
% of total collections to current levy	100.09	100.20	100.22	100.20	99.91

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

(000s)	2013	2012	2011	2010	2009
Population *	640,915	631,902	621,489	618,360	610,239
Internally restricted reserves	\$ 675,744	\$ 637,367	\$ 509,175	\$ 471,374	\$ 436,709
Long Term Debt (000s)					
Debt outstanding	\$ 796,868	\$ 712,927	\$ 630,343	\$ 605,863	\$ 510,628
Less: Internally held debt	(7,783)	(9,156)	(10,197)	(11,001)	(12,800)
Externally held debt	789,085	703,771	620,146	594,862	497,828
Sinking Fund reserves	177,956	121,459	76,731	117,935	87,198
Net externally held debt	<u>\$ 611,129</u>	<u>\$ 582,312</u>	<u>\$ 543,415</u>	<u>\$ 476,927</u>	<u>\$ 410,630</u>
Debt per capita (externally held)	\$ 1,231.19	\$ 1,113.73	\$ 997.84	\$ 962.00	\$ 815.79

*Source: Population Section, B.C. Stats

Ministry of Labour Citizens' Services, Government of British Columbia

B.C. Stats has restated the 2009 to 2012 figures

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

NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES

The City is required to collect taxes on behalf of and transfer these amounts to the government agencies listed below:

	<u>2013</u>	<u>2012</u>
Taxes collected:		
Property and business taxes	\$ 1,245,469	\$ 1,211,594
Payment in lieu of taxes	33,082	35,274
Local improvement levies	1,825	2,100
	<u>1,280,376</u>	<u>1,248,968</u>
Less taxes collected on behalf of:		
Province of British Columbia - School Taxes	477,858	463,726
Greater Vancouver Transportation Authority	113,142	110,724
B.C. Assessment Authority	17,714	17,009
Greater Vancouver Regional District	16,103	15,177
Municipal Finance Authority	55	51
	<u>624,872</u>	<u>606,687</u>
 NET TAXES - MUNICIPAL PURPOSES	 <u><u>\$ 655,504</u></u>	 <u><u>\$ 642,281</u></u>

STATEMENT OF TAX RECEIPT AND PROPERTY TAXES RECEIVABLE

	<u>2013</u>	<u>2012</u>
Analysis of Tax Receipts and Receivables		
Balance, before allowance for tax write-offs, beginning of year	\$ 23,013	\$ 24,018
Add: Interest and adjustments (net)	557	192
	<u>23,570</u>	<u>24,210</u>
Less: Receipts	(15,030)	(16,140)
Outstanding - prior years	<u>8,540</u>	<u>8,070</u>
Current tax levy including utility and other charges	1,339,512	1,302,763
Less : Receipts	(1,325,656)	(1,289,203)
Current arrears	13,856	13,560
Add: Penalties on current arrears	1,458	1,383
Outstanding - current year	<u>15,314</u>	<u>14,943</u>
Balance	<u><u>\$ 23,854</u></u>	<u><u>\$ 23,013</u></u>

Analysis of Property Taxes Receivable by Year

Current year	15,314	\$ 14,944
Prior year	5,784	5,301
Prior 2 year	2,756	2,768
	<u>23,854</u>	<u>23,013</u>
Balance	<u><u>\$ 23,854</u></u>	<u><u>\$ 23,013</u></u>

CHANGES IN DEBENTURE DEBT OUTSTANDING (\$000s)
Year Ended December 31, 2013

	<u>Externally Held</u>	<u>Internally Held</u>	<u>Total</u>
Balance, beginning of year	\$ 703,771	\$ 9,156	\$ 712,927
Add: Debentures issued	110,000	-	110,000
Local improvements	-	49	49
	<u>813,771</u>	<u>9,205</u>	<u>822,976</u>
Less: Maturities			
General and water	24,686	-	24,686
Local improvements	-	1,422	1,422
	<u>24,686</u>	<u>1,422</u>	<u>26,108</u>
Balance, end of year	<u>\$ 789,085</u>	<u>\$ 7,783</u>	<u>\$ 796,868</u>

OUTSTANDING BORROWING AUTHORITY

General borrowing authorities for each Capital Plan are approved by the electors. Sewer, Water and NEU borrowing authorities are approved by Council.

	<u>Capital Plan Borrowing Limits</u>	<u>Council-approved Borrowing Authorities</u>	<u>Debentures Issued to Dec 31, 2013</u>	<u>Unused Borrowing Authorities</u>
General				
2009 - 2011	\$ 222,000	\$ 194,478	\$ 188,801	\$ 5,677
2012 - 2014	179,800	128,398	56,454	71,944
	<u>401,800</u>	<u>322,876</u>	<u>245,255</u>	<u>77,621</u>
Sewer and Water				
2009 - 2011	160,572	145,106	145,106	-
2012 - 2014	142,875	86,060	24,637	61,423
	<u>303,447</u>	<u>231,166</u>	<u>169,743</u>	<u>61,423</u>
Total General, Sewer, Water and NEU				
2009 - 2011	382,572	339,584	333,907	5,677
2012 - 2014	322,675	214,458	81,091	133,367
	<u>\$ 705,247</u>	<u>\$ 554,042</u>	<u>\$ 414,998</u>	<u>\$ 139,044</u>

SCHEDULE OF GENERAL DEBT (\$000s)
Year Ended December 31, 2013

Bylaw	Maturity Date & Purpose	Rate %	Term (Years)	Debenture Outstanding	Sinking Fund Reserve Balance
8808	March 16, 2013 - 2014	4.650%	10		
	Civic Facilities			\$ 57	\$ -
	Local Area Improvement			725	-
	Parks			1,088	-
	Pedestrian / Cycling Facilities			682	-
	Public Works / Fire Facilities			133	-
	Sewers			3,792	-
	Street / Bridge Infrastructure			495	-
	Street Lighting / Communications			282	-
	Transit / Safety Improvements			982	-
	Waterworks			3,589	-
				<u>11,825</u>	<u>-</u>
9115	October 06, 2013 - 2015	4.050% - 4.100%	10		
	Bridges / Tunnels			628	-
	Community Centre Facilities			1,395	-
	Infrastructure			1,612	-
	Libraries			1,142	-
	Local Area Improvement			1,565	-
	Miscellaneous			58	-
	Multi-Purpose Centres			549	-
	Neighbourhood Houses			544	-
	Parks			3,509	-
	Pedestrian / Cycling Facilities			1,481	-
	Public Safety / Police			140	-
	Sewers			7,143	-
	Sports Facilities			256	-
	Street Lighting / Communications			903	-
	Train Stations			1,163	-
	Transit / Safety Improvements			901	-
	Waterworks			4,583	-
	Yards			334	-
				<u>27,906</u>	<u>-</u>
9532	December 1, 2017	4.700%	10		
	Civic Facilities			2,166	1,176
	Community legacy projects			15,000	8,145
	Fire protection			600	326
	Libraries			2,000	1,086
	Local area improvement			4,548	2,470
	Overhead debenture costs			1,500	815
	Parks			7,175	3,896
	Pedestrian/cycling facilities			12,349	6,706
	Police			12,304	6,681
	Sewers			25,000	13,575
	Street/bridge infrastructure			17,557	9,534
	Transit/safety improvements			4,801	2,607
	Waterworks			20,000	10,860
				<u>125,000</u>	<u>67,877</u>
			Carried Forward	<u>\$ 164,731</u>	<u>\$ 67,877</u>

SCHEDULE OF GENERAL DEBT (\$000s)
Year Ended December 31, 2013

Bylaw	Maturity Date & Purpose	Rate %	Term (Years)	Debenture Outstanding	Sinking Fund Reserve Balance
		Carried Forward		\$ 164,731	\$ 67,877
9897	December 2, 2019	4.900%	10		
	Civic facilities			10,600	3,647
	Community legacy projects			19,500	6,709
	Fire protection			4,000	1,376
	Libraries			500	172
	Local area improvement			4,700	1,617
	Parks			3,000	1,032
	Pedestrian/cycling facilities			7,800	2,683
	Police			16,000	5,505
	Sewers			27,800	9,564
	Street/bridge infrastructure			13,000	4,472
	Street lighting & Transit/safety improvements			1,700	585
	Transit & Safety Improvements			4,500	1,548
	Waterworks			11,900	4,094
				<u>125,000</u>	<u>43,004</u>
10015	June 1, 2011 - 2020	4.500%	10		
	Civic Facilities			16,000	4,027
	Community Legacy Projects			1,125	283
	Fire Protection			552	139
	Local Area Improvement			1,267	319
	Parks			25,000	6,292
	Pedestrian / Cycling Facilities			4,351	1,095
	Police			2,448	616
	Sewers			25,000	6,292
	Street / Bridge Infrastructure			18,657	4,695
	Street Lighting			300	76
	Street Lighting / Communications			3,700	931
	Transit / Safety Improvements			5,000	1,258
	Waterworks			21,600	5,436
				<u>125,000</u>	<u>31,459</u>
10017	September 30, 2010 - 2030	1.710%	20		
	Neighbourhood Energy Utility			4,354	-
				<u>4,354</u>	<u>-</u>
		Carried Forward		\$ 419,085	\$ 142,340

SCHEDULE OF GENERAL DEBT (\$000s)
Year Ended December 31, 2013

Bylaw	Maturity Date & Purpose	Rate %	Term (Years)	Debenture Outstanding	Sinking Fund Reserve Balance
			Carried Forward	\$ 419,085	\$ 142,340
10393	December 02, 2021	3.45%	10		
	Civic Facilities			18,000	2,945
	Libraries			2,000	327
	Neighbourhood Energy Utility			15,000	2,454
	Parks			25,000	4,091
	Police			11,000	1,800
	Sewers			32,000	5,236
	Street / Bridge Infrastructure			5,000	818
	Street Lighting / Communications			6,000	982
	Transit / Safety Improvements			4,000	655
	Waterworks			22,000	3,600
				<u>140,000</u>	<u>22,908</u>
10565	October 18, 2052	3.70%	10		
	Civic Facilities			9,814	82
	Libraries			2,150	18
	Neighbourhood Energy Utility			2,400	20
	Parks			18,365	154
	Police			10,723	90
	Sewers			38,200	319
	Street / Bridge Infrastructure			13,761	115
	Street Lighting / Communications			4,120	34
	Transit / Safety Improvements			3,467	29
	Waterworks			17,000	142
				<u>120,000</u>	<u>1,003</u>
10797	October 24, 2023	3.75%	10		
	Civic Facilities			7,000	-
	Neighbourhood Energy Utility			1,000	-
	Parks			25,500	-
	Police			1,500	-
	Sewers & Drains			38,000	-
	Street / Bridge Infrastructure			16,000	-
	Street Lighting / Communications			5,000	-
	Transit / Safety Improvements			3,000	-
	Waterworks			13,000	-
				<u>110,000</u>	<u>-</u>
			Total	<u>\$ 789,085</u>	<u>\$ 166,251</u>

SCHEDULE OF DEBT (\$000s)
Year Ended December 31, 2013

LOCAL IMPROVEMENT - Property Owners' Share

Bylaw	Maturity Dates	Purpose	Rate (%)	Term (Yr)	Debt Balance
8037	June 23, 2014	Lane paving, speed ramps, sidewalks, pavements	6.00	15	222
8204	June 21, 2014 - 2015	Lane paving, speed ramps, sidewalks, pavements	7.00	15	312
8207	June 21, 2014 - 2015	Beautification	7.00	15	23
8209	June 21, 2014 - 2015	Beautification	7.00	15	5
8501	June 26, 2014 - 2017	Lane paving, speed ramps, sidewalks, pavements	6.00	15	703
8501	June 26, 2014 - 2017	Trees	6.00	15	1
8504	June 26, 2014 - 2017	Beautification	6.00	15	80
8506	June 26, 2014 - 2017	Underground Wiring	6.00	15	74
8693	June 25, 2014 - 2018	Lane paving, speed ramps, sidewalks, pavements	6.00	15	899
8871	June 23, 2014 - 2019	Lane paving, speed ramps, sidewalks, pavements	5.75	15	689
9063	June 29, 2014 - 2020	Lane paving, speed ramps, sidewalks, pavements	5.75	15	863
9301	June 14, 2014 - 2021	Lane paving, speed ramps, sidewalks, pavements	6.00	15	331
9303	June 14, 2014 - 2021	Beautification	6.00	15	30
9514	June 27, 2014 - 2022	Lane paving, speed ramps, sidewalks, pavements	6.00	15	574
9672	June 25, 2014 - 2022	Lane paving, speed ramps, sidewalks, pavements	6.00	15	367
9885	June 17, 2014 - 2023	Lane paving, speed ramps, sidewalks, pavements	6.00	15	438
9887	June 17, 2014 - 2018	Street Lighting	6.00	10	2
10071	June 23, 2014	Lane Lighting	6.00	5	1
10072	June 23, 2014 - 2024	Lane paving, speed ramps, sidewalks, pavements	6.00	15	857
10300	June 29, 2014 - 2025	Lane paving, speed ramps, sidewalks, pavements	6.00	15	773
10301	June 29, 2014 - 2015	Lane Lighting	6.00	5	1
10495	June 27, 2014 - 2021	Street Lighting	6.00	10	9
10496	June 27, 2014 - 2026	Lane paving, speed ramps, sidewalks, pavements	6.00	15	464
10497	June 27, 2014 - 2016	Traffic Circle	6.00	5	20
10736	June 26, 2014 - 2027	Lane paving, speed ramps, sidewalks, pavements	6.00	15	45
					<u>\$ 7,783</u>

Held Internally

DEBT INTEREST RATES (\$000s)
Year Ended December 31, 2013

<u>Interest Rate</u>	<u>General (including Waterworks)</u>	<u>Local Improvement</u>	<u>Total</u>
7.00	\$ -	\$ 340	\$ 340
6.00	-	5,891	5,891
5.75	-	1,552	1,552
4.90	125,000	-	125,000
4.70	125,000	-	125,000
4.65	11,827	-	11,827
4.50	125,000	-	125,000
4.10	14,226	-	14,226
4.05	13,678	-	13,678
3.75	110,000	-	110,000
3.70	120,000	-	120,000
3.45	140,000	-	140,000
1.71	4,354	-	4,354
	<u>\$ 789,085</u>	<u>\$ 7,783</u>	<u>\$ 796,868</u>

FUTURE PRINCIPAL AND INTEREST PAYMENTS ON DEBT (\$000s)
Year Ended December 31, 2013

Total Debt (Internal and External)

	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
2014	\$ 19,893	\$ 27,865	\$ 47,758	\$ 5,835	\$ 4,641	\$ 10,476	\$ 1,236	\$ 467	\$ 1,703	\$ 26,964	\$ 32,973	\$ 59,937
2015	12,116	27,207	39,323	2,336	4,466	6,802	1,075	391	1,466	15,527	32,064	47,591
2016	230	26,715	26,945	-	4,371	4,371	951	326	1,277	1,181	31,412	32,593
2017	105,234	26,711	131,945	20,000	4,371	24,371	1,000	269	1,269	126,234	31,351	157,585
2018	238	21,772	22,010	-	3,431	3,431	812	210	1,022	1,050	25,413	26,463
2019 - 2023	432,755	62,203	494,958	68,500	9,901	78,401	2,281	484	2,765	503,536	72,588	576,124
Thereafter	104,948	110,646	215,594	17,000	18,240	35,240	428	40	468	122,376	128,926	251,302
	<u>\$ 675,414</u>	<u>\$ 303,119</u>	<u>\$ 978,533</u>	<u>\$ 113,671</u>	<u>\$ 49,421</u>	<u>\$ 163,092</u>	<u>\$ 7,783</u>	<u>\$ 2,187</u>	<u>\$ 9,970</u>	<u>\$ 796,868</u>	<u>\$ 354,727</u>	<u>\$1,151,595</u>

External Debt Only

	General			Waterworks			Total General & Waterworks and Local Improvements		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 19,893	\$ 27,865	\$ 47,758	\$ 5,835	\$ 4,641	\$ 10,476	\$ 25,728	\$ 32,506	\$ 58,234
2015	12,116	27,207	39,323	2,336	4,466	6,802	14,452	31,673	46,125
2016	230	26,715	26,945	-	4,371	4,371	230	31,086	31,316
2017	105,234	26,711	131,945	20,000	4,371	24,371	125,234	31,082	156,316
2018	238	21,772	22,010	-	3,431	3,431	238	25,203	25,441
2019 - 2023	432,755	62,203	494,958	68,500	9,901	78,401	501,255	72,104	573,359
Thereafter	104,948	110,646	215,594	17,000	18,240	35,240	121,948	128,886	250,834
	<u>\$ 675,414</u>	<u>\$ 303,119</u>	<u>\$ 978,533</u>	<u>\$ 113,671</u>	<u>\$ 49,421</u>	<u>\$ 163,092</u>	<u>\$ 789,085</u>	<u>\$ 352,540</u>	<u>\$1,141,625</u>