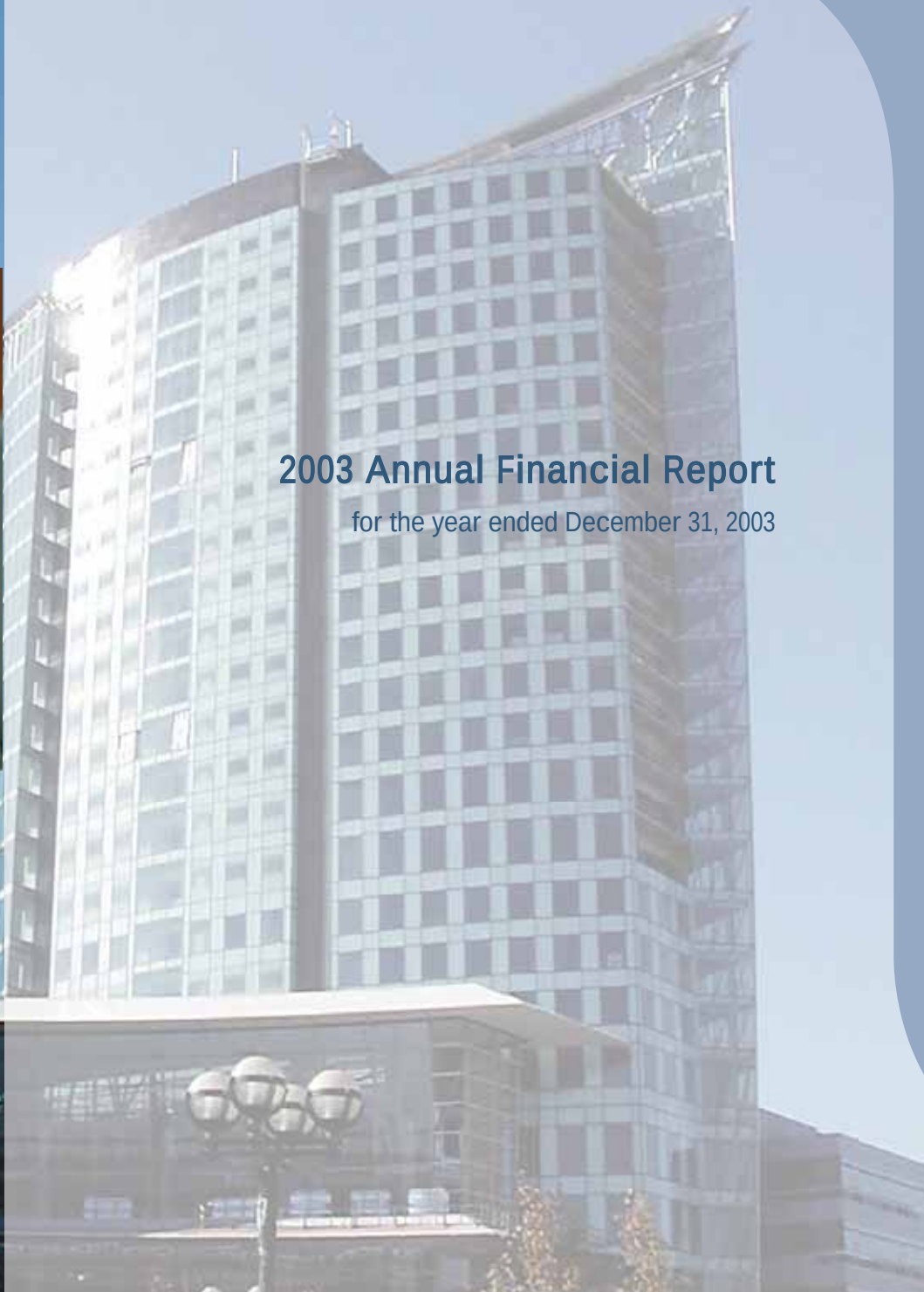




2003 Annual Financial Report

for the year ended December 31, 2003



City of Surrey
British Columbia, Canada

"A vibrant, international, green city"



2003 Annual Financial Report

for the year ended December 31, 2003



SURREY
CITY OF PARKS

City of Surrey
British Columbia, Canada

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MAYOR'S MESSAGE



On behalf of Surrey City Council, I am pleased to present the Annual Financial Report for 2003.

Surrey's financial well being has never been better - we have one of the healthiest balance sheets in the country, with no debt and almost \$400 million in cash reserves. City Council will continue to invest in roads, capital projects and other undertakings to improve quality of life for those who live here.

Development activity in our city is at an all time high. Surrey set a new record for building activity in 2003 with an astounding year end total of more than \$955 million in building construction value. The number of local jobs and economic opportunities generated by this activity has had a tremendously positive impact on our community, confirming our reputation as the number one city in which to live and work.

Surrey has advanced to a new level among cities. Citizens enjoy state-of-the-art facilities, first-rate services, solid infrastructure and a lifestyle second to none. Ever increasing participation in our Safe, Clean and Active City campaigns is evidence of the enthusiasm our residents show for a city rich in community spirit.

City Council's pledge to provide Surrey with simple, good government is vital to creating a city that leads the way in the areas of innovation and job creation, a city that inspires pride in its citizens and is the envy of those who live outside its boundaries. Fiscal responsibility remains our top priority, and with the support of administration and community partners we can be assured of a bright and prosperous future.

D.W. McCallum

D.W. (Doug) McCallum
Mayor

CITY COUNCIL & SURREY OFFICERS



Members of Council for the term December 2002 to November 2005

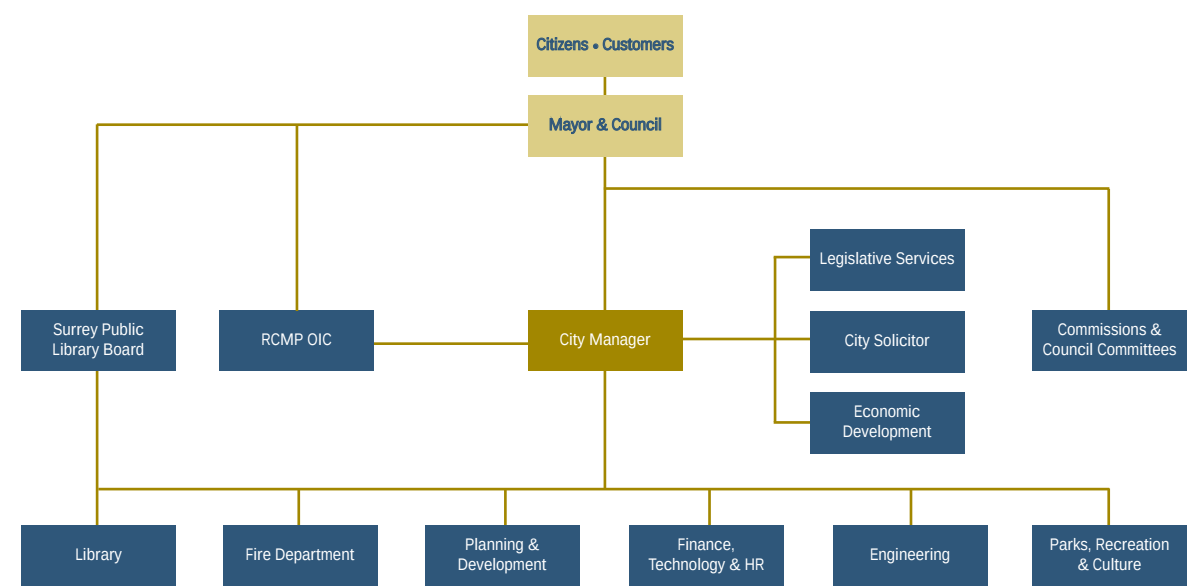
Back Row B. Steele, J.M. Hunt, G. Tymoschuk, R. Bose
Front Row J.A. Villeneuve, P. Priddy, Mayor D.W. McCallum, J.E. Higginbotham, D.L. Watts

City Manager U. Mital, P. Eng
General Manager, Engineering Department P. Ham, P. Eng
General Manager, Finance, Technology & HR Department V. Wilke, CGA
Interim General Manager, Parks, Recreation & Culture Department G. McKinnon
General Manager, Planning & Development Department M. Dinwoodie
Fire Chief Chief L. Garis
Lower Mainland District Officer and Officer in Charge,
Surrey RCMP Detachment Assistant Commissioner, G. Forbes
Chief Librarian, Director of Library Services B. Barlow

Auditors
KPMG LLP

Surrey Office Bankers
Royal Bank of Canada / Canadian Imperial Bank of Commerce

ORGANIZATIONAL CHART

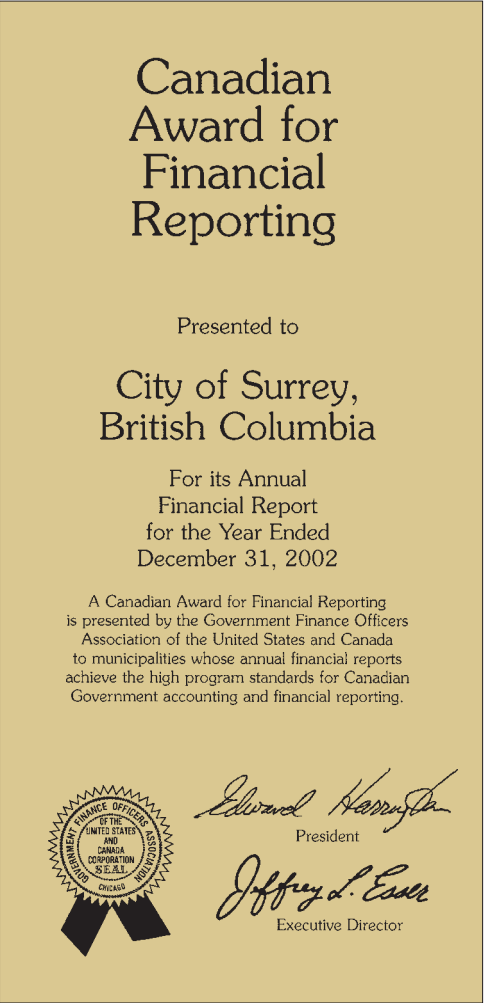


CANADIAN AWARD FOR FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award for Financial Reporting to the City of Surrey for its annual financial report for the fiscal year ended December 31, 2002. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Canadian Award for Financial Reporting program requirements, and we are submitting it to GFOA.



REPORT from the General Manager,
Finance, Technology & Human Resources

March 31, 2004

To Mayor D. W. McCallum and Members of Council

In accordance with Section 98 of the Community Charter, I am pleased to submit the City of Surrey Annual Financial Report for the year ended December 31, 2003. The report includes the consolidated financial statements and the Auditors' Report.

City management is responsible for the preparation and presentation of the financial statements and related information in the 2003 Annual Financial Report. These statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). The City maintains a comprehensive system of internal controls to safeguard City assets and to provide reliable financial information.

City Council has appointed the accounting firm of KPMG to conduct an audit and express an opinion as to whether the consolidated financial statements present fairly the financial position of the City of Surrey as at December 31, 2003 and the result of its operations for the year then ended.

FINANCIAL OVERVIEW

2003 in Review

City Council made the difficult decision to increase property taxes 2.9% in 2003 after nine consecutive years of zero percent increases. However, Surrey's taxes remain among the lowest in the region. Revenue has increased to \$362.2 million (\$322.9 million in 2002) primarily due to growth, increased asset sales and the property tax rate increase. This combined with sound financial management to maintain expenditures within the budget has resulted in not having to incur the budgeted \$2.9 million transfer from surplus. Total financial equity comprising work-in-progress, all surpluses and reserves has increased by \$35.1 million to \$307.1 million.

Investments

The City's investment policy, which complies with Community Charter requirements, is to invest funds in a manner that will provide the optimal blend of investment return and security while meeting the City's daily cash flow requirements. The average portfolio balance invested during the year of \$471.5 million earned interest of \$24.6 million, of which \$3.7 million was allocated to deferred development cost charges (DCCs) resulting in an average rate of return of 4.65%.

Reserve Funds

The City's statutory reserve funds have increased to \$128.0 million (\$109.9 million in 2002). Deferred DCCs have increased to \$136.7 million (\$119.1 million in 2002). These monies will be used to fund capital projects identified in the five year financial plan. Despite the size of these reserves, there are long-term capital needs that have been identified in the capital planning process, which will only be funded as new revenue sources are identified.

THE FUTURE

The City continues to maintain a strong financial position. Cash and investments have increased to \$491.4 million (\$433.9 million in 2002). The City's debt was fully retired in 2003. Unappropriated surplus amounts are maintained within the ranges specified by the City's reserve policy. Appropriated surplus accounts for emergencies, revenue stabilization, self-insurance and contingencies remain intact, and the City has \$30.3 million in a Capital Legacy Reserve Fund for internal borrowing.

The City's vision is to "Become a Vibrant International Green City". The key focuses to achieve this are diversity of learning opportunities, a safe active green city where families can live, work and play, and vibrant City and town centres. According to the Greater Vancouver Regional District (GVRD) statistics for the last ten years, Surrey is the fastest growing municipality in the GVRD. The challenge for the City is to continue to maintain taxes as among the lowest in the region while still providing quality services and the required infrastructure to meet the demands of a growing population. The City must continue to pursue new revenue sources and expand user fees as a means to more fully recover costs and reduce wasteful consumption. The innovative use of technology, cost sharing with other governments, and partnering with other service providers will continue to be essential for the provision of efficient services.

I again, encourage local governments and their representative organizations to pursue a more equitable distribution of Federal and Provincial tax revenues.

Finally, I acknowledge and thank City Council, the City Manager, all our front-line employees and the numerous individual volunteers and benefactor organizations for their contributions to this great City. I also salute the many 'behind the scenes' employees within my own and other Departments for their work, so critical to the smooth functioning of City services.

Respectfully submitted,



Vivienne Wilke, CGA
General Manager, Finance, Technology & HR



Surrey Lake

CITY OF SURREY OVERVIEWS

City of Surrey



The City of Surrey is a complete and livable international city consisting of vibrant and distinct town center communities supported by a dominant regional City Centre. The City embraces and is proud of its cultural diversity and unique heritage and welcomes all people and cultures.

Surrey enhances its image and character by promoting active, safe, affordable and accessible lifestyles for families. The City fosters premium opportunities for higher education, nurture youth, and places a special emphasis on reducing crime and improving safety for all residents. With proactive policies for economic development, an assertive up-to-date servicing strategy and modern infrastructure, Surrey continues to be known as a business-friendly City while it aims for a balanced tax base with enough local jobs to support its growing population.

Surrey, the City of Parks, maintains its reputation as a green city with energy efficient buildings, sustainable environmental policies and practices, and ample land area preserved for agricultural and parkland. The City welcomes tourists by providing state-of-the-art facilities and services for parks, leisure, the arts and heritage as well as through concerted efforts to increase community sports, improve waterfront accessibility, and ensure an ample supply of natural and park amenities

Surrey is a vibrant, diverse and livable city that is growing and adapting to serve the needs of all residents, all ages and all cultures.



Surrey Arts Centre

CITY OF SURREY OVERVIEWS

Awards

The City of Surrey continues to be recognized for its excellence and innovation. The City was honoured in 2003 with the following awards:

Government Finance Officers Association (North American CanFR Financial Reporting Award)

Received for the annual financial report. The award recognizes and encourages municipal governments to publish high quality financial reports.

International Economic Development Council (Marketing Awards)

The IEDC awarded the City of Surrey two economic development recognitions, a first place "Special Purpose Award" for its brochure on Starting a Business and a "Special Recognition Award" for its Economic Development Profile brochure.

United Way (Gold Award)

5th consecutive year - The "Gold Award" is measured at a level of at least 80% of its workplace's total payroll for one day.

National Association of Industrial Office Parks

Member survey conducted regionally recognized Surrey as the community "most open for business" and community with the "quickest turnaround time" for development applications for 2003.

Union of British Columbia Municipalities (Local Government Excellence Award for Innovation)

Awarded for the joint Planning and Development and Engineering Department work carried out in conjunction with the East Clayton Neighbourhood Concept Plan (NCP) process.

British Columbia Recreation and Parks Association (Facility Excellence Award)

Received for the innovative design and construction of the Guildford Recreation Centre.

Recreation Facilities Association of BC (Outstanding Facility Award)

Awarded to the Guildford Recreation Centre facility for its innovation in design, development and operation.

Surrey Delta Immigrant Services Society (Cultural Diversity Award for Business Corporate Category)

Received by the City of Surrey Arts Centre. The award recognizes organizations that embrace cultural diversity as a key component to growth and prosperity in programs and services.

Interior Designers Institute of BC (Gold Award of Excellence)

Awarded to Proscenium Architecture and Interiors Inc. for the City of Surrey's Surrey Arts Centre Redevelopment project and its innovative retrofit design.

Industry Canada LibraryNet Best Practices

Strawberry Hill Library electronic classroom. Received in recognition of innovative partnership and technology training opportunities.

Union of British Columbia Municipalities (2003 Excellent Awards - Best Practices)

"Award of Merit" recipient for a paper and practice on "Reducing Uncertainties for Predicting Annual Staffing Costs"

As the City celebrates its ten year anniversary, Surrey is quickly emerging as an international leader known for its well-managed, well-planned services and infrastructure.



Surrey City Hall

CITY OF SURREY OVERVIEWS

The City Manager’s Office

The City Manager's office is responsible for setting the overall direction for short and long term corporate objectives. The office provides advice to City Council related to policies and emerging issues as well as offers direction to the City department's General Managers to achieve implementation of Council policy and to ensure Council resolutions are acted upon. The City Manager's office ensures effective financial management through development of the annual budget and the 5-year Financial Plan and by monitoring performance, ensures that standards are met, priorities are pursued and high quality City services are consistently delivered.

The City Manager's office also includes responsibility for the following operational divisions:

Economic Development Office

The Economic Development Office provides business development services to the business community and promotes Surrey as a good place in which to do business. This office is focused on retaining existing business and supporting expansion plans as well as recruiting new business, investment and jobs to Surrey. This is achieved through marketing programs and the provision of business related information to prospective investors to Surrey.

Special Events & Filming Office

The Special Events & Film Liaison Office plays host to city events throughout the year, provides advice to community event organizers, graphic services to the corporation, manages and coordinates statutory and non-statutory corporate and departmental advertising, and is a one-stop agency for filming within the City of Surrey.

Legal Services

The Legal Services Division provides legal services to Council and the City Departments. City Solicitors act as Court Counsel in both prosecuting and defending legal actions, providing legal advice and rendering legal opinions on a wide variety of matters, we well as drafting or reviewing all forms of legal and legislative documentation required by the City.

The Division is also responsible for Bylaw Enforcement & Licensing Services and for assisting in the drafting and enforcement of a myriad of City By-laws, regulations and business licenses; it is further responsible for regulating animal control and for administering both the operation of the City Pound and parking enforcement and the operation of the City Tow Yard.

Legislative Services

The Legislative Services Division is a service-oriented team providing management, information and co-ordination services in accordance with all statutory, legislative and administrative requirements to City Council, the Public and City Departments in a timely and effective manner.

In 2003 alone, the City saw an expansion of 1.5 million square feet in new commercial/ industrial space.



Department of Finance, Technology and HR

CITY OF SURREY OVERVIEWS

Finance, Technology & HR

The Finance, Technology and HR Department provides financial expertise, information systems (IT) and human resources services, advice and guidance to support City operations. They provide responsive service to its clients, leadership in improving city processes and maintains financial, human resources and information technology practices, policies and standards.

Finance, Technology and HR Department is made up of the following operational divisions:

Financial Services Division

This division includes financial planning, financial reporting, purchasing, payroll, investments and cash management. Staff is also responsible for the calculation and levy of property taxes, as well as the billing and collections for water and sewer utility charges. The Risk Management team oversees the City's risk management program and insurance portfolio, which includes assisting City departments with risk assessments, awareness training and loss control.

Information Technology Division

Manages and supports all of the City's computing networks, hardware, software applications and telecommunications requirements. The division is responsible for enabling internal and external customers with appropriate technology, information, and applications to maximize business effectiveness from the City's investment in information technology.

Human Resources Division

The Human Resource Division is responsible for labour relations, recruitment, retention, training, corporate health, safety, performance management, compensation and benefits. Human Resources staff works in partnership with City departments to attract and maintain a qualified and diverse workforce.

Surrey enjoys one of the healthiest balance sheets among major urban centres in Canada – with no debt and almost \$400 million in cash reserves.



Road improvements in Whalley

CITY OF SURREY OVERVIEWS

Engineering Department

The Engineering department's responsibility is to meet or exceed expectations for delivery of municipal services such as water, sewer, drainage, garbage collection, recycling and transportation systems.

The Engineering department is made up of the following operational divisions.

Land Development Division

The Land Development Division is primarily responsible for promoting and assisting land development in the City as well as ensuring that municipal engineering services installed in conjunction with the development of land in the City meet Council-adopted standards and requirements. The Land Development Division also provides client services via the front counter and the processing of permits for external utilities.

Transportation Division

The Transportation Division is comprised of Roads and Transportation Planning, Traffic Operations, and Roads Design and Construction sections. The Division maintains the existing street light and traffic signal network, rehabilitates roadway and sidewalk networks, plans for the current and future transportation needs of the City, and manages the design and construction of new and upgraded transportation facilities.

Utilities Division

The Utilities Division plans for the upgrade of, and addition to the infrastructure required supporting the orderly growth, development and re-development of the City as well as ongoing utility services to the existing businesses and residences of Surrey. The division also provides survey and drafting services and is also responsible for the delivery of the annual Utilities Capital Program.

Realty Services Division

The Realty Services division is responsible for the acquisition, disposition and management of the City's real estate portfolio.

Operations Division

The Operations division is responsible for the operation and maintenance of the City's infrastructure including the sewer, water, drainage and road systems as well as managing the garbage and recycling contracts.

Surrey has a progressive infrastructure plan investing heavily in roads, capital projects and other major undertakings that help position the City for future needs.



Residential construction in Surrey

CITY OF SURREY OVERVIEWS

Planning and Development Department

The primary functions of the Planning and Development Department are to prepare land use plans, by-laws and policies for consideration by City Council in support of planned and orderly development of the City. They are also responsible for undertaking application review and approval processes consistent with the Council-approved plans, by-laws and policies. This includes the preparation and maintenance of the Official Community Plan and secondary land use plans and policies.

More specifically, the department is divided into the following four divisions.

Area Planning & Development Division

The Area Planning & Development division is responsible for implementing Council-adopted by-laws and policies in relation to the use and development of land. This is accomplished through the process of receiving and reviewing applications for land development projects and preparing reports to Council complete with appropriate recommendations. The Division also participates in the preparation of Local Area Plans, Neighbourhood Concept Plans, and associated planning policies.

Building Division

The Building Division is responsible for administering Council-adopted by-laws and policies related to the construction of buildings in the City through residential and commercial building plan reviews. This includes building, plumbing and electrical inspection services, as well as the administration of the Tree Preservation By-law and Soil Deposition By-law. It is also responsible for providing professional advice to City Council, the Board of Variance, other City Departments and the public on building-related matters.

Long Range Planning & Policy Development Division

The Long Range Planning and Policy Development Division is responsible for developing land use plans and policies in support of the planned and orderly development of the City. Programs include the annual review of the City's Official Community Plan, Zoning By-law amendments, and the monitoring of market trends and community expectations in relation to the ongoing development of the City.

Administration & Special Projects Division

The Administration Division provides administrative support to the other Divisions in the Department and is responsible for customer information services through the City Hall's main switchboard, maintenance of department records and handling related inquiries, and responding to comfort letter requests. Other areas of administrative support for the Department include budget preparation and control, word processing services, time keeping, accounting, information technology initiatives to automate and enhance current processes and to enhance customer service and convenience through initiatives such as e-business.

The City's building permit values exceeded the record-setting amount from 2002 by 20% ending at just under the \$1 billion mark in 2003.



Community policing in Surrey City Centre

CITY OF SURREY OVERVIEWS

Police Department

The City contracts with the Royal Canadian Mounted Police (RCMP) to deliver policing services to the City of Surrey. The Surrey Detachment is the largest municipal detachment in Canada and is committed to providing highly trained professional police services with the support of city staff and volunteers.

The detachment responds to both emergency and non-emergency calls, performs criminal investigations, works to reduce youth crime and increases community awareness of crime prevention activities and opportunities.

RCMP members reduce the impacts of crime on our society through support of data collection intelligence, active participation in investigations, enforcement, collaboration with other agencies and enhancing technical capacity.

Youth crime is addressed via intervention and rehabilitation; focusing the School Liaison and Crime Prevention programs towards education, community partnerships, and prevention while dealing with youth criminal behaviour through alternative justice programs utilizing restorative justice rather than the traditional justice system.

The RCMP, Surrey Detachment is committed to preserve the peace, uphold the law and provide quality service in partnership with our communities. The RCMP is in the process of establishing itself as an 'Organization of Excellence' to enable it to deliver the quality service necessary to fulfil its mandate. Currently the RCMP is moving to integrate many of the specialized investigative units within the Lower Mainland of British Columbia to reduce overhead and increase effectiveness.

At this time, Surrey Detachment is organized into four primary functional groups.

Operations

This group is primarily uniformed RCMP members who are organized into various units: General Duty (Detachment Operations and District Offices) and Traffic Enforcement.

Plainclothes

This group is primarily RCMP members who are organized into specialized investigative units: Drug Section, Criminal Intelligence and General Investigation.

Operations Support

This group is primarily specialized support units: Forensic Identification, Police Dog Services, Special Projects Unit, Crime Prevention, Victim Services, Block Watch, Youth and Diversity.

Support Services

This group consists of Administrative Support staff: Computer Services, Operational Communications Centre, Finance, Records, Readers, Cells, Court Liaison, Strategic Planning, Crime Analysis, Front Counter and Exhibits.

Over the next few years, the City has committed to add 95 new police officers, construct new community policing stations, and introduce a new program for crime-free multi-housing.



Surrey Fire Department

CITY OF SURREY OVERVIEWS

Surrey Fire Department

The Surrey Fire Service is dedicated to protecting life, property and the environment by providing emergency response, community education and ensuring regulatory compliance. This is accomplished through the involvement of employees, volunteers and the community. The Fire Department has established strong prevention practices, public education, injury prevention and emergency preparedness programs. They provide emergency medical services and environment protection to the City as well as effective aggressive fire fighting tactics. The Fire Department's six divisions include:

Operations

Provides fire suppression, emergency medical response, hazardous materials, technical rescue and staffing.

Training

Delivers training to Surrey career and Volunteer Firefighters and under contract to other agencies.

Support Services

Responsible for administrative support to all divisions, budget, research and development, planning computer-aided dispatch, radio repairs and service.

Fire Prevention

This division includes four functions; Prevention, Enforcement, Investigations and Public Information.

Mechanical

The Mechanical Division is responsible for the repairs and maintenance of the entire fleet of Fire trucks, vehicles and specialty vehicles.

Communications

Dispatchers are the first point of contact for the public when reporting an emergency and also handle evening and weekend emergency Engineering Service calls. Surrey dispatch also contracts dispatch services to other agencies.

“With 8 new firefighters added to the ranks in 2003, the City has been recognized nationally for its optimal manpower resources and improved response time model.”



Fleetwood Youth Park

CITY OF SURREY OVERVIEWS

Parks, Recreation and Culture

Through the involvement of employees, volunteers, and the community, the Parks, Recreation & Culture Department enhances the quality of life of Surrey citizens. They work together with the communities in providing and facilitating the development of quality parks, facilities and services. The department actively promotes individual and community wellness, champions environmental stewardship, and celebrates diversity and community identity. They also preserve, develop and deliver cultural, informational and educational resources and services.

Parks Division

The Parks Division is responsible for the development and operation of the City's over 2,400 hectares of active and passive parkland. Other key roles beyond construction and maintenance activities are the stewardship of the natural environment and living heritage, urban forestry, and partnering with a variety of user and volunteer groups. The division also works very closely with the community to program the use of all outdoor athletic facilities to maximize use while reducing the long-term impact on turf and other infrastructure.

Community and Leisure Services Division

The Community and Leisure Services Division is responsible for the operation of community pools (4), arenas (5), and community recreation centres (6) throughout the City. The division also provides and develops programming for a variety of user groups throughout the City including seniors, children, youth and economically challenged. Programming also strives to promote a healthy and active lifestyle to the citizens of Surrey through health and fitness strategies and communication.

Planning, Design & Corporate Facilities Division

The Planning, Design and Corporate Facilities Division is responsible for the planning and design of parks infrastructure (fields, recreation facilities, parks, etc.), and the planning, design, construction and maintenance of City facilities. The Division also plays a lead role in the Parkland Acquisition Program and the planning and updating of the Parks, Recreation and Culture Master Plan. The Marketing and Community Relations Section provides support through development of print materials, sponsorship, promotion, communications and media relations.

Arts and Community Development Division

The Arts and Community Development Division plans and oversees a wide range of arts services and programs within the City. This includes the operation of the Surrey Arts Centre which encompasses a main theatre, studio theatre and contemporary art gallery as well as administering the City's Public Art Program. The Community Development section seeks to engage and empower community participants in a variety of programs and services provided by the Department.

Heritage Services

Heritage Services operates the Surrey Museum, the City of Surrey Archives, the Historic Stewart Farm and the Hooser Weaving Centre. The role of Heritage Services is to collect and preserve artifacts and historical documents, present exhibits, provide reference services and work with the community and volunteers to develop and present programs that build awareness of and appreciation for Surrey's history and heritage.



The City of Parks became even greener in 2003 with the continuation of planned interconnected greenways and trail initiatives, improvements to its 473 parks and gardens, and the planting of over 3,000 trees throughout the City."



Semiahmoo Public Library

CITY OF SURREY OVERVIEWS

Surrey Public Library

Everyone is welcome at Surrey Public Library. You'll find us in your neighbourhood and on the Internet. The Library is more than books - check out our magazines, compact discs, videos, DVD's, materials in other languages, programs and the Internet. Knowledgeable, friendly staff are available to help you find the information and materials you need, for lifelong learning or leisure time.

Surrey Public Library has 9 branches, located in the town centres of Whalley, Guildford, Port Kells, Fleetwood, Newton, Cloverdale and South Surrey, as well as the Strawberry Hill Shopping Centre and Ocean Park.

The Library is a member of Public Library InterLINK, a federation of 17 library systems in the Lower Mainland that allows citizens of all the participating municipalities to borrow directly from all partner libraries and to return materials at their home library branches for delivery to the owning library. In addition, InterLINK supports the provision of audiobooks to print-disabled customers across the region through production and purchase, and members participate in a variety of cooperative projects that leverage local tax dollars to improve services for all.

Through the Global Librarian partnership with three other public libraries around the world (Vaughan, Ontario; Southampton, U.K. and Eastern Regional Libraries, Australia) Surrey Public Library is able to offer residents of Surrey online answers to questions 24 hours a day, 7 days a week. Access is through the Library's web site at www.spl.surrey.bc.ca.



Library services for the city receive more than 2.5 million visits annually- Surrey's newest Library is located in South Surrey and has the proud reputation as Canada's first green library.



Cloverdale synthetic turf field

CITY OF SURREY

2005 Key Objectives



The newest major addition to Surrey's City Centre - the Central City tower - has already earned award-winning status and will be an architectural landmark to Surrey's skyline for many generations.

Section 98 of the Community Charter requires municipalities to include in their annual report a progress report respecting the previous year in relation to objectives and measures established for that year. The report also sets out current and future year objectives and measures that will be used to determine progress towards those objectives.

Beginning with the 2003 annual report, a three-year timetable has been provided for full implementation of the progress reporting requirement. For the 2003 annual report, the only element of progress reporting required is a statement of municipal objectives for 2005.

1. Provide long range planning that fosters both growth and economic development for Surrey's culturally diverse community while preserving the City's rich environment and quality of life, within the parameters set by Council in the Official Community Plan;
2. Enhance community and individual well being by providing a safe environment that protects residents and visitors to the City through the provision of Police, Fire and Bylaw Services;
3. Protect the City's long term financial health by providing financial planning and management that reflects prudent stewardship and to provide sound financial management by delivering services to the public within the parameters set by Council in the Five-Year Financial Plan;
4. Provide long range and short term planning and implementation of Engineering Infrastructure Services to respond to growth as well as to meet the current needs of the city's citizens and businesses;
5. Plan and deliver Parks, Recreation, Culture and Library services through programs and services that encourage participation from citizens of all ages and backgrounds, living in and visiting the City;
6. Provide open and responsive government through public participation and consultation as required by the Community Charter;
7. Foster co-operative relations with other governments, community organizations and local businesses;
8. Actively plan for the succession of the City's workforce by creating a challenging, market-competitive, healthy and respectful workplace that attracts and retains qualified candidates while reflecting the diverse nature of the City;
9. Develop programs, policies and initiatives that focus on Council's specific key objectives.

FINANCIAL SECTION



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AUDITORS’ REPORT TO THE MAYOR AND COUNCILORS

We have audited the consolidated statement of financial position of the City of Surrey as at December 31, 2003 and the consolidated statements of financial activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Surrey, Canada
March 26, 2004



KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is a member firm of KPMG International, a Swiss association.

Consolidated Statement of Financial Position

as at December 31, 2003 (in thousands of dollars)

	2003	2002
Financial Assets		
Cash and cash equivalents	\$ 19,892	\$ 2,491
Investments (note 2)	471,554	431,378
Accounts receivable (note 3)	70,079	60,991
Deposits, Municipal Finance Authority (note 4)	—	259
	561,525	495,119
Liabilities		
Accounts payable and accrued liabilities (note 5)	50,305	46,730
Deposits and prepayments	56,259	48,943
Deferred revenue	11,204	8,310
Deferred development cost charges (note 6)	136,659	119,091
Long-term debt (note 7)	—	559
	254,427	223,633
Net Financial Assets	307,098	271,486
Capital Assets (note 8)		
	1,612,203	1,510,110
	\$ 1,919,301	\$ 1,781,596
Financial Equity		
Work in progress (note 9)	\$ 95,297	\$ 85,618
Unappropriated surplus (note 10)	16,599	16,599
Appropriated surplus (note 11)	67,209	59,909
Reserve funds (schedule 6)	127,993	109,919
	307,098	272,045
Capital Equity (note 12)	1,612,203	1,509,551
	\$ 1,919,301	\$ 1,781,596
Commitments and Contingencies (note 13)		



Vivienne Wilke, CGA
General Manager,
Finance, Technology & HR Department

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



D.W. McCallum
Mayor, City of Surrey

Consolidated Statement of Financial Activities

for the year ended December 31, 2003 (in thousands of dollars)

	2003 Budget	2003 Actuals	2002 Actuals
(note 1(d))			
Revenues (schedule 9)			
Taxation for City purposes	\$ 151,565	\$ 153,956	\$ 145,849
Sales of goods and services	85,009	86,819	84,731
Development cost charges (note 6)	77,877	39,148	25,302
Developer contributions	19,545	16,081	13,477
Investment income	12,761	20,921	19,075
Transfers from other governments	4,549	3,470	2,234
Other	19,035	41,791	32,274
	370,341	362,186	322,942
Expenditures (schedule 10)			
Fire and police protection	88,384	82,174	75,147
Water, sewer and drainage	51,990	48,914	46,131
Parks, recreation and culture	30,114	28,373	28,331
General government	22,372	17,553	18,629
Public works	15,569	14,617	13,759
Environment and health	14,029	13,754	14,315
Planning and development	10,190	9,281	8,664
Surrey Public Library	9,211	9,127	8,202
Debt interest, fiscal services and other	435	688	768
Capital assets (schedule 8)	233,001	102,093	81,585
	475,295	326,574	295,531
Excess (deficiency) of revenues over expenditures	(104,954)	35,612	27,411
Debt principal payments	(559)	(559)	(1,624)
Increase (decrease) in financial equity	\$ (105,513)	35,053	25,787
Financial equity, beginning of year		272,045	246,258
Financial equity, end of year		\$ 307,098	\$ 272,045

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

Consolidated Statement of Cash Flows

for the year ended December 31, 2003 (in thousands of dollars)

	2003	2002
Operating Transactions		
Excess of revenues over expenditures	\$ 35,612	\$ 27,411
Cash generated from (required for):		
Accounts receivables	(9,088)	(5,868)
Deposits, Municipal Finance Authority	259	609
Accounts payable and accrued liabilities	3,575	(307)
Deposits and prepayments	7,316	4,641
Deferred revenue	2,894	1,307
Deferred development cost charges	17,568	22,879
Net cash generated from operations	58,136	50,672
Investing Transactions		
Increase in investments	(40,176)	(42,421)
Financing Transactions		
Debt principal payments	(559)	(1,624)
Increase in cash and cash equivalents	17,401	6,627
Cash and cash equivalents, beginning of year	2,491	(4,136)
Cash and cash equivalents, end of year	\$ 19,892	\$ 2,491

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2003 (tabular amounts in thousands of dollars)

GENERAL

The Notes to the Consolidated Financial Statements are an integral part of the statements. They explain the significant accounting and reporting policies and principles underlying these statements. They also provide relevant supplementary information and explanations, which cannot be conveniently expressed in the Consolidated Financial Statements.

1. Significant Accounting Policies

a) Basis of Accounting

The Consolidated Financial Statements of the City of Surrey are the representation of management prepared in accordance with Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The Consolidated Financial Statements reflect a combination of the City's Operating, Capital and Reserve Funds consolidated with the Surrey Public Library. Inter-fund transactions, fund balances, and activities have been eliminated on consolidation.

Revenues and expenditures of the City must be in accordance with the Financial Plan adopted by City Council. Management is required to make estimates and assumptions that affect the reported amounts in the financial statements and the disclosure of contingent liabilities. Significant areas requiring the use of management estimates relate to the determination of accrued sick benefits, allowance for doubtful accounts receivable and provision for contingencies. Actual results could differ from those estimates. The Consolidated Financial Statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies outlined in Note 1 for the following funds:

Operating Funds

These funds include the General, Water, and Sewer and Drainage Operating Funds as well as the Surrey Public Library. They are used to record the operating costs of the services provided by the City.

Capital Funds

These funds include the General, Water, and Sewer and Drainage Capital Funds. They are used to record the acquisition costs of capital assets and any related long-term debt outstanding.

Reserve Funds

Under the Community Charter of BC, City Council may by by-law establish reserve funds for specified purposes. Money in a reserve fund, and interest earned thereon, must be expended by by-law only for the purpose for which the fund was established. If the amount in a reserve fund is greater than required, City Council may, by by-law, transfer all or part of the amount to another reserve fund.

Trust Funds

These funds account for assets, which must be administered as directed by agreement or statute for certain beneficiaries. In accordance with PSAB recommendations on financial statement presentation for local governments, trust funds are not included in the City's Consolidated Financial Statements. Information relating to the trust funds administered by the City is presented in Note 15.

b) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

c) Revenues

Revenues are recorded using the accrual basis of accounting. The City is required to act as the agent for the collection of taxes and fees imposed by other authorities. Collections for other authorities (schedule 9) are excluded from the City's taxation revenues.

d) Budget Information

Unaudited budget information, presented on a basis consistent with that used for actual results, was included in the Surrey Consolidated Five-Year Financial Plan and was adopted through By-law #14903 on February 17, 2003.

e) Deferred Revenue

The City defers a portion of the revenue collected from permits, licenses and other fees and recognizes this revenue in the year in which related inspections are performed or other related expenditures are incurred.

f) Expenditures

Expenditures are recognized as they are incurred as a result of the receipt of goods and services or the creation of an obligation to pay. Interest expense on debenture and other debt is accrued to December 31, 2003.

g) Replacement of Capital Assets

The replacement of vehicles and equipment is provided for on a straight-line basis in accordance with the estimated useful lives of the assets through equipment usage charges with corresponding transfers to the Equipment and Building Replacement Reserve Fund (schedule 6). Computer system replacements are funded through an annual charge to each department. Except for the City works yard building, a capital consumption or replacement provision for buildings or infrastructure is not charged to City operating departments.

The City's annual operating budget includes a provision for the replacement of existing capital assets and the acquisition of new capital assets, and also a provision for debt repayment related to capital acquired with borrowed money. The City has also appropriated a portion of operating surpluses for the replacement of capital assets.

A capital ranking model is used to assist City Council in setting priorities for the replacement and acquisition of capital assets.

h) Investments

Investments are recorded at cost, which approximates market value, and are comprised of money market instruments, term deposits and bonds.

i) Capital Inventory

Capital inventory is recorded at cost, which is not in excess of replacement cost.

j) Long-Term Debt

Long-term debt is recorded net of any related sinking fund balances.

k) Financial Equity, Work in Progress

These balances represent amounts set aside from operations for specific operating and capital projects in progress previously approved by Council (note 9).

l) Financial Equity, Unappropriated Surplus

These balances represent operating surpluses from current and prior years, which have not yet been allocated for specific purposes (note 10). Interest revenue earned on these monies is used to fund operations. The Community Charter does not allow the City to budget for a deficit unless the deficit can be eliminated through the use of prior years' surplus.

m) Financial Equity, Appropriated Surplus

These balances represent amounts set aside by City Council for specific purposes, including contingency provisions for emergencies, revenue stabilization, self insurance claims and for the internal financing of capital projects (note 11).

n) Capital Assets and Capital Equity

Capital assets consist of capital expenditures recorded at cost (note 8). Amortization is not recorded on capital assets. Capital equity reflects the accumulated historical cost of assets acquired, constructed or developed by the City for which no outstanding debt remains (note 12). The value of infrastructure constructed by developers and transferred to the City at no cost is not included in Capital equity. The costs for repairs and upgrading which do not materially add to the value or the life of an asset are recorded in the financial statements as operating expenditures.

2. Investments

	2003	2002
Investments maturing within one year	\$ 157,498	\$ 159,511
Investments maturing within two years	93,354	81,433
Investments maturing within seven years	220,702	190,434
	\$ 471,554	\$ 431,378

Average portfolio yield 4.65% (2002 - 5.09%). All investments can be liquidated on demand.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2003 (tabular amounts in thousands of dollars)

3. Accounts Receivable, net of allowances

	2003	2002
Property taxes	\$ 10,306	\$ 11,970
Utility rates	986	601
Accounts receivable	10,616	9,530
Due from other authorities	808	731
Development cost charges	46,525	37,176
Property acquired for taxes	838	983
	\$ 70,079	\$ 60,991

4. Deposits, Municipal Finance Authority

The City, along with other municipalities, borrowed money by issuing debt instruments through the Municipal Finance Authority (MFA). Part of the proceeds of the borrowing are withheld as deposits by the MFA to act as security against the possibility of debt repayment default. The deposits were refunded to the City in 2003 upon retirement of the related debt.

5. Accounts Payable and Accrued Liabilities

	2003	2002
Trade accounts payable	\$ 21,649	\$ 19,282
Contractors' holdbacks	3,454	2,906
Due to Federal Government	11,958	12,047
Due to Province of British Columbia	3,832	3,977
Due to regional districts	7,988	7,661
Due to other authorities	1,424	857
	\$ 50,305	\$ 46,730

Notes to the Consolidated Financial Statements

for the year ended December 31, 2003 (tabular amounts in thousands of dollars)

6. Deferred Development Cost Charges

Development Cost Charges (DCC's) are collected to pay for 95% of the general capital costs due to development, and 90% of utility capital costs. In accordance with the Community Charter of BC, these funds must be deposited into a separate reserve fund. DCC's are deferred and recognized as revenue when the related costs are incurred.

	2003	2002
Deferred DCC's:		
Drainage/storm water detention	\$ 15,594	\$ 10,540
Arterial roads	31,282	29,051
Collector roads	9,053	6,891
Parkland	55,575	48,079
Water	11,040	12,147
Sanitary sewer	14,115	12,383
	\$ 136,659	\$ 119,091
Deferred DCC's, beginning of year	\$ 119,091	\$ 96,212
Transfers to General Capital Fund	(30,281)	(18,481)
Transfers to Water Capital Fund	(4,888)	(1,821)
Transfers to Sewer and Drainage Capital Fund	(3,979)	(5,000)
Total DCC's recognized as revenue	(39,148)	(25,302)
DCC's levied for the year	53,022	44,778
Investment income	3,694	3,403
Net increase for the year	17,568	22,879
Deferred DCC's, end of year	\$ 136,659	\$ 119,091

7. Long-Term Debt

The City's debenture debt was fully retired in 2003. The City earned interest revenue on monies paid into sinking funds for debt repayment, and this interest revenue was applied to debt principal. Interest rate on debenture debt was 12.35%.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2003 (tabular amounts in thousands of dollars)

8. Capital Assets

	2003	2002
General Capital Fund		
Land	\$ 276,207	\$ 258,193
Buildings	204,632	193,772
Infrastructure	636,240	596,291
Machinery and equipment	103,019	96,829
	1,220,098	1,145,085
Water Capital Fund		
Infrastructure	154,942	142,069
Sewer and Drainage Capital Fund		
Infrastructure	221,659	207,452
Shared Water Facilities		
Whalley-Clayton Facility	2,523	2,523
Surrey-Langley Facility	12,794	12,794
Other	187	187
	15,504	15,504
	\$ 1,612,203	\$ 1,510,110

Notes to the Consolidated Financial Statements

for the year ended December 31, 2003 (tabular amounts in thousands of dollars)

9. Work In Progress

	2003	2002
General		
Operating	\$ 9,098	\$ 8,634
Capital	43,393	38,328
	52,491	46,962
Water		
Operating	162	689
Capital	16,913	15,564
	17,075	16,253
Sewer and Drainage		
Operating	330	330
Capital	24,770	21,584
	25,100	21,914
Surrey Public Library		
Operating	631	489
	\$ 95,297	\$ 85,618

10. Unappropriated Surplus

	2003	2002
General Operating Fund	\$ 10,599	\$ 10,599
Water Operating Fund	3,000	3,000
Sewer and Drainage Operating Fund	3,000	3,000
	\$ 16,599	\$ 16,599

Notes to the Consolidated Financial Statements

for the year ended December 31, 2003 (tabular amounts in thousands of dollars)

11. Appropriated Surplus

	2003	2002
General Operating Fund		
Operating contingency and emergencies	\$ 4,500	\$ 4,500
Environmental emergencies	2,590	2,000
Interest revenue stabilization	1,000	1,000
Revenue stabilization	4,000	4,000
Self insurance	12,643	11,043
Innovation fund	903	878
Employee future benefits	2,500	2,000
	28,136	25,421
Water Operating Fund		
Operating contingency and emergencies	1,500	1,500
Revenue stabilization	8,074	7,483
Infrastructure replacement	8,527	8,168
Capital legacy	4,441	1,210
Self insurance	3,654	3,500
	26,196	21,861
Sewer and Drainage Operating Fund		
Operating contingency and emergencies	1,500	1,500
Infrastructure replacement	2,379	4,668
Self insurance	4,550	4,668
Long term improvements	4,448	1,791
	12,877	12,627
	\$ 67,209	\$ 59,909

Notes to the Consolidated Financial Statements

for the year ended December 31, 2003 (tabular amounts in thousands of dollars)

12. Capital Equity

	2003	2002
General Capital Fund, beginning of year	\$ 1,145,085	\$ 1,093,302
Deferred DCC's	30,281	18,481
Reserve funds	19,856	13,120
Operating funds	14,455	11,520
Government transfers	410	96
Debt retirement	—	415
Other	10,011	8,151
General Capital Fund, end of year	1,220,098	1,145,085
Water Capital Fund, beginning of year	157,014	146,053
Deferred DCC's	4,888	1,821
Restricted capital reserves	1,717	32
Operating funds	5,064	7,777
Government transfers	842	—
Debt retirement	559	1,055
Other	362	276
Water Capital Fund, end of year	170,446	157,014
Sewer and Drainage Capital Fund, beginning of year	207,452	186,987
Deferred DCC's	3,979	5,000
Reserve funds	228	108
Restricted capital reserves	782	—
Operating funds	9,217	14,432
Government transfers	120	—
Debt retirement	—	154
Other	(119)	771
Sewer and Drainage Capital Fund, end of year	221,659	207,452
	\$ 1,612,203	\$ 1,509,551

13. Commitments and Contingencies

a) The City has significant future contractual commitments for incomplete capital acquisitions and capital construction projects in progress. The City records the capital costs incurred to the end of the year on these projects as capital asset expenditures. In order to provide for the completion of the projects, unexpended budget money for incomplete projects is appropriated as work in progress. The Financial Plan, updated annually, provides for the financing of these and future obligations within the estimated financial resources of the City.

b) The City, as a member of the Greater Vancouver Water District, the Greater Vancouver Sewerage and Drainage District, and the Greater Vancouver Regional District, is jointly and severally liable for the net capital liabilities of these Districts.

The City converted two Class "B" shares to Class "A" shares of E-Comm Emergency Communications for Southwest British Columbia (E-Comm) in June 2003. Upon withdrawal from E-Comm, Class "A" shareholders shall be obligated to pay to the withdrawal date as requested by E-Comm their share of the Class "A" Shareholders' obligation to any long-term capital obligations, including any lease obligations, or repayments thereof committed to by E-Comm up to the withdrawal date.

c) The City has entered into an agreement with The YMCA of Greater Vancouver in regard to the joint development of the land and facility in Surrey. The City contributed \$5.5 million dollars towards the completion of the project, which was matched by the YMCA. The City has also entered into an \$8.0 million non-recourse first collateral mortgage in favour of the Royal Bank of Canada registered against the land and facility.

d) The City and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusted pension plan governed by the BC Public Sector Pension Plans Act. 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 the Plan. The Plan is a multi-employer contributory defined benefit pension plan with about 123,000 active contributors, including approximately 28,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The most recent valuation as at December 31, 2000 indicates a surplus of \$436 million. The Joint Trust Agreement specifies how surplus assets can be used. The actuary does not attribute portions of the surplus to individual employers. The City records employer contributions to the Plan as salaries and benefits expenditures in the year in which the payments are made. The City contributed \$6.4 million in 2003 (2002 - \$6.0 million) while employees contributed \$5.0 million (2002 - \$4.8 million).

e) The City insures itself through a combination of insurance policies and self-insurance. The City has a funded self-insurance appropriation (note 11). Based on estimates, this appropriation reasonably provides for all outstanding claims.

There are several lawsuits pending in which the City is involved. It is considered that the potential claims against the City resulting from such litigation and not covered by insurance would not materially affect the consolidated financial statements of the City.

f) Employees of the City accumulate sick leave entitlement at the rate of 1.5 days per month. The sick leave entitlement is not paid out when an employee retires or ceases employment with the City. As at December 31, 2003, the total accumulated entitlement has an approximate value of \$29.2 million, of which \$2.5 million has been recorded as a reserve. This reserve represents the approximate value of sick time taken annually.

14. Significant Taxpayers

The City is not reliant upon the revenue from any specific large property taxpayers or businesses. Tax revenues received from the five largest taxpayers amount to less than three percent of the City's annual gross revenues.

15. Trust Funds

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

	2003	2002
Assets		
Cash and short term investments	\$ 1,914	\$ 1,784

Equity	Employee Benefits Fund	Cemetery Perpetual Care Fund		
Balance, beginning of year	\$ 480	\$ 1,304	\$ 1,784	\$ 1,803
Contributions	—	31	31	23
Interest revenue	21	57	78	87
Employment insurance rebate	47	—	47	45
Benefits purchased	(21)	—	(21)	(153)
Refunded to employees	(5)	—	(5)	(21)
Balance, end of year	\$ 522	\$ 1,392	\$ 1,914	\$ 1,784

16. Comparative Figures

Certain of the 2002 figures have been reclassified to conform to the 2003 financial statement presentation.

**SUPPLEMENTARY
FINANCIAL INFORMATION**



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**AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION
TO THE MAYOR AND COUNCILORS**

We have audited and reported separately herein on the consolidated financial statements of the City of Surrey as at and for the year ended December 31, 2003.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information included in Schedules 1 through 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Chartered Accountants

Surrey, Canada

March 26, 2004



KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is a member firm of KPMG International, a Swiss association.

as at December 31, 2003 (in thousands of dollars)

	Operating Funds					Capital Funds				Consolidated		
	General	Water	Sewer and Drainage	Surrey Public Library		General	Water	Sewer and Drainage	Reserve Funds	Adjustments	2003	2002
Financial Assets												
Cash and cash equivalents	\$ 19,892	\$ —	\$ —	\$ —		\$ —	\$ —	\$ —	\$ —	\$ —	\$ 19,892	\$ 2,491
Investments	473,467	—	—	—		—	—	—	—	(1,913)	471,554	431,378
Accounts receivable	23,274	—	—	—		—	—	—	46,805	—	70,079	60,991
Due from other funds	—	47,319	42,046	656		—	8,899	1,126	207,822	(307,868)	—	—
Deposits, Municipal Finance Authority	—	—	—	—		—	—	—	—	—	—	259
	516,633	47,319	42,046	656		—	8,899	1,126	254,627	(309,781)	561,525	495,119
Liabilities												
Accounts payable and accrued liabilities	50,305	—	—	—		—	—	—	—	—	50,305	46,730
Deposits and prepayments	54,175	1,048	1,036	—		—	—	—	—	—	56,259	48,943
Due to other funds	309,781	—	—	—		—	—	—	—	(309,781)	—	—
Deferred revenue	11,146	—	33	25		—	—	—	—	—	11,204	8,310
Deferred development cost charges	—	—	—	—		—	—	—	136,659	—	136,659	119,091
Long-term debt	—	—	—	—		—	—	—	—	—	—	559
	425,407	1,048	1,069	25		—	—	—	136,659	(309,781)	254,427	223,633
Net Financial Assets	91,226	46,271	40,977	631		—	8,899	1,126	117,968	—	307,098	271,486
Capital Assets	—	—	—	—		1,220,098	170,446	221,659	—	—	1,612,203	1,510,110
	\$ 91,226	\$ 46,271	\$ 40,977	\$ 631		\$ 1,220,098	\$ 179,345	\$ 222,785	\$ 117,968	\$ —	\$ 1,919,301	\$ 1,781,596
Financial Equity												
Work in progress	\$ 52,491	\$ 17,075	\$ 25,100	\$ 631		\$ —	\$ —	\$ —	\$ —	\$ —	\$ 95,297	\$ 85,618
Unappropriated surplus	10,599	3,000	3,000	—		—	—	—	—	—	16,599	16,599
Appropriated surplus	28,136	26,196	12,877	—		—	—	—	—	—	67,209	59,909
Reserve funds	—	—	—	—		—	8,899	1,126	117,968	—	127,993	109,919
	91,226	46,271	40,977	631		—	8,899	1,126	117,968	—	307,098	272,045
Capital Equity	—	—	—	—		1,220,098	170,446	221,659	—	—	1,612,203	1,509,551
	\$ 91,226	\$ 46,271	\$ 40,977	\$ 631		\$ 1,220,098	\$ 179,345	\$ 222,785	\$ 117,968	\$ —	\$ 1,919,301	\$ 1,781,596


Vivienne Wilke, CGA
General Manager,
Finance, Technology & HR Department


D.W. McCallum
Mayor, City of Surrey

for the year ended December 31, 2003 (in thousands of dollars)

	Operating Funds				Capital Funds				Consolidated			
	General	Water	Sewer and Drainage	Surrey Public Library	General	Water	Sewer and Drainage	Reserve Funds	Adjustments	2003	2002	
Revenues												
Taxation, grants-in-lieu, assessments	\$ 300,183	\$ 142	\$ 17,536	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 317,861	\$ 301,385	
Collections for other authorities	(163,905)	—	—	—	—	—	—	—	—	(163,905)	(155,536)	
Taxation for City purposes	136,278	142	17,536	—	—	—	—	—	—	153,956	145,849	
Sales of goods and services	35,064	27,787	23,683	189	—	—	—	96	—	86,819	84,731	
Development cost charges	—	—	—	—	—	—	—	39,148	—	39,148	25,302	
Developer contributions	—	—	—	—	9,461	362	(119)	6,377	—	16,081	13,477	
Investment income	9,618	2,006	1,760	—	—	1,992	1,252	4,293	—	20,921	19,075	
Transfers from other governments	1,260	—	—	838	410	842	120	—	—	3,470	2,234	
Other	20,813	299	261	432	550	—	—	19,436	—	41,791	32,274	
	203,033	30,234	43,240	1,459	10,421	3,196	1,253	69,350	—	362,186	322,942	
Expenditures												
Fire and police protection	82,174	—	—	—	—	—	—	—	—	82,174	75,147	
Water, sewer and drainage	—	18,940	29,974	—	—	—	—	—	—	48,914	46,131	
Parks, recreation and culture	28,373	—	—	—	—	—	—	—	—	28,373	28,331	
General government	17,553	—	—	—	—	—	—	—	—	17,553	18,629	
Public work	14,617	—	—	—	—	—	—	—	—	14,617	13,759	
Environment and health	13,754	—	—	—	—	—	—	—	—	13,754	14,315	
Planning and development	9,281	—	—	—	—	—	—	—	—	9,281	8,664	
Surrey Public Library	—	—	—	9,127	—	—	—	—	—	9,127	8,202	
Debt interest, fiscal services and other	656	29	—	3	—	—	—	—	—	688	768	
Capital assets	—	—	—	—	75,013	12,873	14,207	—	—	102,093	81,585	
	166,408	18,969	29,974	9,130	75,013	12,873	14,207	—	—	326,574	295,531	
Excess (deficiency) of revenues over expenditures	36,625	11,265	13,266	(7,671)	(64,592)	(9,677)	(12,954)	69,350	—	35,612	27,411	
Debt principal payments	—	(559)	—	—	—	—	—	—	—	(559)	(1,624)	
Transfer from (to) operating funds	(7,460)	(172)	(181)	7,813	14,455	5,064	9,217	7,211	(35,947)	—	—	
Transfer from (to) reserve funds	(6,466)	(313)	(432)	—	50,137	4,888	4,207	—	(52,021)	—	—	
Transfer from (to) capital funds	(14,455)	(5,064)	(9,217)	—	—	—	—	(59,232)	87,968	—	—	
Increase in financial equity	8,244	5,157	3,436	142	—	275	470	17,329	—	35,053	25,787	
Financial equity, beginning of year	82,982	41,114	37,541	489	—	8,624	656	100,639	—	272,045	246,258	
Financial equity, end of year	\$ 91,226	\$ 46,271	\$ 40,977	\$631	\$ —	\$ 8,899	\$ 1,126	\$ 117,968	\$ —	\$ 307,098	\$ 272,045	

Schedule 3 General Operating Fund

for the year ended December 31, 2003 (in thousands of dollars)

	2003 Tax Levy Budget	2003 Actuals	2002 Actuals
		(schedule 2)	
Revenues			
Taxation, grants-in-lieu, assessments	\$ 287,621	\$ 300,183	\$ 284,334
Collections for other authorities	(151,653)	(163,905)	(155,536)
Taxation for city purposes	135,968	136,278	128,798
Sales of goods and services	31,867	35,064	35,895
Investment income	9,447	9,618	8,903
Transfers from other governments	1,844	1,260	1,358
Other	18,720	20,813	19,569
	197,846	203,033	194,523
Expenditures			
Fire and police protection	88,384	82,174	75,147
Parks, recreation and culture	30,114	28,373	28,331
General government	22,372	17,553	18,629
Public works	15,569	14,617	13,759
Environment and health	14,029	13,754	14,315
Planning and development	10,190	9,281	8,664
Debt interest, fiscal services and other	400	656	394
	181,058	166,408	159,239
Excess of revenues over expenditures	16,788	36,625	35,284
Debt principal payments	—	—	(415)
Net excess of revenues over expenditures	16,788	36,625	34,869
Transfers to other funds and reserves	(16,788)	(28,381)	(23,301)
Increase in financial equity	\$ —	8,244	11,568
Financial equity, beginning of year		82,982	71,414
Financial equity, end of year		\$ 91,226	\$ 82,982

The 2003 Tax Levy Budget was used to determine 2003 taxation rates.

Water Operating Fund Schedule 4

for the year ended December 31, 2003 (in thousands of dollars)

	2003 Utility Rates Budget	2003 Actuals	2002 Actuals
		(schedule 2)	
Revenues			
Taxation, grants-in-lieu, assessments	\$ —	\$ 142	\$ 224
Sales of goods and services	28,254	27,787	27,200
Investment income	1,740	2,006	2,377
Transfers from other governments	1,525	—	—
Other	135	299	209
	31,654	30,234	30,010
Expenditures			
Water operations	19,534	18,940	17,961
Debt interest, fiscal services and other	35	29	328
	19,569	18,969	18,289
Excess of revenues over expenditures	12,085	11,265	11,721
Debt principal payments	(559)	(559)	(1,055)
Net excess of revenues over expenditures	11,526	10,706	10,666
Transfers to other funds and reserves	(11,526)	(5,549)	(8,818)
Increase in financial equity	\$ —	5,157	1,848
Financial equity, beginning of year		41,114	39,266
Financial equity, end of year		\$ 46,271	\$ 41,114

The 2003 Utility Rates Budget was used to determine 2003 taxation rates.

Schedule 5 Sewer and Drainage Operating Fund

for the year ended December 31, 2003 (in thousands of dollars)

	2003 Utility Rates Budget	2003 Actuals (schedule 2)	2002 Actuals
Revenues			
Taxation, grants-in-lieu, assessments	\$ 15,597	\$ 17,536	\$ 16,827
Sales of goods and services	24,888	23,683	21,373
Investment income	1,574	1,760	2,721
Other	1,360	261	262
	43,419	43,240	41,183
Expenditures			
Sewer and drainage operations	32,456	29,974	28,170
Debt interest, fiscal services and other	—	—	43
	32,456	29,974	28,213
Excess of revenues over expenditures	10,963	13,266	12,970
Debt principal payments	—	—	(154)
Net excess of revenues over expenditures	10,963	13,266	12,816
Transfers to other funds and reserves	(10,963)	(9,830)	(15,968)
Increase (decrease) in financial equity	\$ —	3,436	(3,152)
Financial equity, beginning of year		37,541	40,693
Financial equity, end of year		\$ 40,977	\$ 37,541

The 2003 Utility Rates Budget was used to determine 2003 taxation rates.

for the year ended December 31, 2003 (in thousands of dollars)

												Restricted Capital Reserves		
	Equipment and Building Replacement	Tax Sale Land	Municipal Land	Park Land Acquisition	*Capital Legacy	**Local Improvement Financing	Water Claims	Affordable Housing	Parking Space	Neighbourhood Concept Plan	Reserves Subtotal	Water Capital	Sewer and Drainage Capital	Reserves Total
Balance, beginning of year	\$ 26,857	\$ 130	\$ 17,213	\$ 2,757	\$ 30,152	\$ 8,849	\$ 899	\$ 8,496	\$ 1,072	\$ 4,214	\$ 100,639	\$ 8,624	\$ 656	\$ 109,919
Investment income	1,182	6	757	122	1,327	254	39	374	47	185	4,293	1,992	1,252	7,537
Asset disposals	—	—	19,436	—	—	—	—	—	—	—	19,436	—	—	19,436
Other revenue	43	—	24	3,188	—	—	—	—	29	3,189	6,473	—	—	6,473
Capital expenditures	—	—	—	—	—	—	—	—	—	—	—	(1,717)	(782)	(2,499)
	1,225	6	20,217	3,310	1,327	254	39	374	76	3,374	30,202	275	470	30,947
Transfers from (to)														
Operating funds	5,494	—	—	—	740	977	—	—	—	—	7,211	—	—	7,211
Capital funds	(4,607)	—	(9,104)	(2,750)	(1,943)	(228)	—	(245)	—	(1,207)	(20,084)	—	—	(20,084)
	887	—	(9,104)	(2,750)	(1,203)	749	—	(245)	—	(1,207)	(12,873)	—	—	(12,873)
Balance, end of year	\$ 28,969	\$ 136	\$ 28,326	\$ 3,317	\$ 30,276	\$ 9,852	\$ 938	\$ 8,625	\$ 1,148	\$ 6,381	\$ 117,968	\$ 8,899	\$ 1,126	\$ 127,993

Additional Information:

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

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

Capital Legacy Fund prior to internal borrowing	\$ 37,886
Principal repayable, Surrey Sport and Leisure Complex Ice Arena loan	(6,184)
Principal repayable, Surrey Sport and Leisure Complex Aquatic Retail Complex loan	(1,041)
Principal repayable, Port Kells pre-servicing loan	(385)
Funds on hand for financing projects	\$ 30,276

** Local Improvement Financing Reserve Fund:

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

Equity, December 31, 2003	\$ 9,852
Receivable from property owners	(2,728)
Funds on hand for financing projects	\$ 7,124

Schedule 7 Reserves, Contingencies and Surplus

for the year ended December 31, 2003 (in thousands of dollars)

Reserve Funds	2003	2002	2001	2000	1999
Equipment and building replacement	\$ 28,969	\$ 26,857	\$ 24,990	\$ 21,965	\$ 19,368
Tax sale land	136	130	124	117	111
Municipal land	28,326	17,213	9,002	12,157	15,505
Park land acquisition	3,317	2,757	1,158	1,120	1,071
Capital Legacy	30,276	30,152	29,558	29,142	27,390
Local improvement financing	9,852	8,849	7,621	6,491	5,447
Water claims	938	899	857	812	770
Affordable housing	8,625	8,496	8,142	7,731	7,344
Parking space	1,148	1,072	993	942	893
Neighbourhood Concept Plan	6,381	4,214	3,606	3,378	3,008
	117,968	100,639	86,051	83,855	80,907
Restricted capital reserves	10,025	9,280	8,271	9,516	11,566
	\$ 127,993	\$ 109,919	\$ 94,322	\$ 93,371	\$ 92,473
Unappropriated Surplus					
General Operating fund	\$ 10,599	\$ 10,599	\$ 10,599	\$ 10,015	\$ 10,623
Water Operating fund	3,000	3,000	3,000	3,854	546
Sewer and Drainage Operating fund	3,000	3,000	2,450	1,983	2,092
Surrey Public Library	—	—	42	69	65
	\$ 16,599	\$ 16,599	\$ 16,091	\$ 15,921	\$ 13,326
Appropriated Surplus					
Operating contingency and emergencies	\$ 7,500	\$ 7,500	\$ 6,500	\$ 6,500	\$ 5,500
Environmental emergencies	2,590	2,000	2,000	2,000	2,000
Interest revenue stabilization	1,000	1,000	1,000	1,000	1,000
Revenue stabilization	12,074	11,483	9,892	8,000	7,922
Self insurance	18,676	19,211	18,757	17,560	16,412
Innovation fund	903	878	853	828	1,078
Employee future benefits	2,500	2,000	2,000	2,000	—
Capital Legacy fund	4,441	1,210	—	—	—
Sport and leisure complex	—	—	—	137	1,448
Infrastructure replacement	13,077	12,836	12,243	11,605	11,000
Long term improvements	4,448	1,791	9,644	21,664	24,973
Surrey Public Library	—	—	1	1	1
	\$ 67,209	\$ 59,909	\$ 62,890	\$ 71,295	\$ 71,334
Work in Progress					
General operating and capital	\$ 52,491	\$ 46,962	\$ 36,496	\$ 40,330	\$ 39,569
Water operating and capital	17,075	16,253	17,244	12,897	12,953
Sewer and Drainage operating and capital	25,100	21,914	18,695	15,688	16,326
Surrey Public Library	631	489	520	378	307
	\$ 95,297	\$ 85,618	\$ 72,955	\$ 69,293	\$ 69,155

Capital Expenditures and Funding Sources Schedule 8

for the year ended December 31, 2003 (in thousands of dollars)

	Contributions from					Total Expenditures	
	Reserves & DCC's	Restricted Capital Reserves	Government Transfers	Other	Operating Funds	2003	2002
General Capital Fund							
Land	\$ 16,839	\$ —	\$ —	\$ 120	\$ 1,055	\$ 18,014	\$ 9,738
Buildings	2,822	—	—	1,239	6,799	10,860	7,733
Infrastructure	25,843	—	410	8,627	5,069	39,949	27,731
Machinery and equipment	4,633	—	—	25	1,532	6,190	6,166
	\$ 50,137	\$ —	\$ 410	\$ 10,011	\$ 14,455	\$ 75,013	\$ 51,368
Water Capital Fund							
Infrastructure	\$ 4,888	\$ 1,717	\$ 842	\$ 362	\$ 5,064	\$ 12,873	\$ 9,906
Sewer and Drainage Capital Fund							
Infrastructure	\$ 4,207	\$ 782	\$ 120	\$ (119)	\$ 9,217	\$ 14,207	\$ 20,311
Summary							
General Capital	\$ 50,137	\$ —	\$ 410	\$ 10,011	\$ 14,455	\$ 75,013	\$ 51,368
Water Capital	4,888	1,717	842	362	5,064	12,873	9,906
Sewer and Drainage Capital	4,207	782	120	(119)	9,217	14,207	20,311
	\$ 59,232	\$ 2,499	\$ 1,372	\$ 10,254	\$ 28,736	\$ 102,093	\$ 81,585

Schedule 9 Consolidated Revenues

for the year ended December 31, 2003 (in thousands of dollars)

	2003	2002	2001	2000	1999
Taxation for City Purposes					
Property taxes	\$ 127,589	\$ 120,557	\$ 116,884	\$ 114,420	\$ 111,773
Sewer frontage taxes	17,268	16,719	12,886	12,710	12,520
Grants-in-lieu of taxes	8,576	8,064	7,184	6,774	6,520
Other	448	617	865	753	636
Collections for other authorities					
Province of BC - school taxes	132,139	127,350	122,073	119,689	117,253
Greater Vancouver Regional District	10,175	8,883	8,485	7,058	6,952
BC Assessment Authority	4,398	4,337	4,234	4,176	4,102
Greater Vancouver Transportation Authority	14,664	13,779	10,694	10,413	10,223
Other	2,604	1,079	55	8	8
	317,861	301,385	283,360	276,001	269,987
Collections for other authorities	(163,905)	(155,536)	(145,637)	(141,444)	(138,535)
	153,956	145,849	137,723	134,557	131,452
Sales of Goods and Services					
Application fees	2,172	1,740	1,307	1,138	866
Garbage levy	15,437	15,098	14,085	14,049	13,408
Recreation and culture	8,431	8,121	7,016	6,444	6,849
Utility rates and fees	51,470	48,560	47,191	44,614	41,144
Other	9,309	11,212	8,668	5,964	7,420
	86,819	84,731	78,267	72,209	69,687
Development Cost Charges	39,148	25,302	22,019	23,869	46,796
Developer Contributions	16,081	13,477	11,008	8,658	8,342
Investment Income	20,921	19,075	20,072	19,299	18,265
Transfers from Other Governments					
Provincial government	3,023	1,882	3,210	5,000	3,660
Federal government	447	352	236	259	121
	3,470	2,234	3,446	5,259	3,781
Other					
Licenses and permits	14,072	13,456	10,317	10,076	10,471
Leases and rentals	3,449	3,056	3,117	2,787	2,528
Penalties and interest on taxes	2,929	2,772	3,328	2,992	2,835
Miscellaneous	1,906	1,210	1,175	1,301	1,629
Asset disposals	19,435	11,780	4,119	5,762	6,726
	41,791	32,274	22,056	22,918	24,189
Total Revenues	\$ 362,186	\$ 322,942	\$ 294,591	\$ 286,769	\$ 302,512

Consolidated Expenditures Schedule 10

for the year ended December 31, 2003 (in thousands of dollars)

	2003	2002	2001	2000	1999
Expenditures by Function					
Fire and police protection	\$ 82,174	\$ 75,147	\$ 75,181	\$ 67,835	\$ 62,643
Water, sewer and drainage	48,914	46,131	44,401	41,567	39,638
Parks, recreation and culture	28,373	28,331	26,487	25,698	24,459
General government	17,553	18,629	16,347	16,462	16,486
Public works	14,617	13,759	12,406	12,522	11,655
Environment and health	13,754	14,315	13,892	13,752	11,627
Planning and development	9,281	8,664	8,224	8,172	8,430
Surrey public library	9,127	8,202	7,767	7,266	6,744
	223,793	213,178	204,705	193,274	181,682
Debt interest and fiscal services	688	768	2,165	2,307	2,534
Capital assets	102,093	81,585	89,597	86,575	124,644
	\$ 326,574	\$ 295,531	\$ 296,467	\$ 282,156	\$ 308,860
Expenditures by Object					
Salaries and benefits	\$ 106,624	\$ 100,478	\$ 96,158	\$ 93,430	\$ 90,245
Consulting and professional services	3,802	3,998	3,038	3,715	4,317
RCMP contracted services	38,171	34,510	36,892	31,575	27,808
Telephone and communications	1,874	1,805	1,573	1,578	1,916
Regional district utility charges	33,377	31,327	29,688	27,476	25,262
Utilities	6,804	6,660	7,127	5,815	5,292
Garbage collection and disposal	12,057	12,777	12,288	12,054	10,884
Maintenance	4,093	3,936	3,966	2,706	3,471
Insurance and claims	2,001	2,178	1,464	1,637	850
Leases and rentals	2,879	3,003	2,525	3,291	2,621
Supplies and materials	11,783	11,693	10,253	10,576	10,923
Advertising and media	2,012	2,100	2,177	2,157	1,976
Grants and sponsorships	1,017	848	808	936	975
Sundry	10,137	9,686	7,723	8,654	8,572
Other	1,207	1,142	1,198	1,228	1,170
Cost recoveries, net	(14,045)	(12,963)	(12,173)	(13,554)	(14,600)
	223,793	213,178	204,705	193,274	181,682
Debt interest and fiscal services	688	768	2,165	2,307	2,534
Capital assets	102,093	81,585	89,597	86,575	124,644
	\$ 326,574	\$ 295,531	\$ 296,467	\$ 282,156	\$ 308,860

SURREY PUBLIC LIBRARY



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AUDITORS' REPORT

TO THE CHAIR AND MEMBERS OF THE BOARD OF TRUSTEES OF
THE SURREY PUBLIC LIBRARY

We have audited the statement of financial position of the Surrey Public Library as at December 31, 2003 and the statements of financial activities and cash flows for the year then ended. These financial statements are the responsibility of the Library's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Library as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Surrey, Canada
March 26, 2004



KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is a member firm of KPMG International, a Swiss association.

Surrey Public Library Statement of Financial Position

as at December 31, 2003

	2003	2002
Financial Assets		
Due from City of Surrey (note 2)	\$ 656,122	\$ 532,452
Liabilities		
Deferred revenues (note 3)	25,382	43,826
Net financial assets	\$ 630,740	\$ 488,626
Financial Equity (note 4)	\$ 630,740	\$ 488,626

On behalf of the Board:



..... Chairperson



..... Chief Librarian

To be read in conjunction with the notes to the financial statements.

Statement of Financial Activities Surrey Public Library

for the year ended December 31, 2003

	2003 Budget	2003 Actuals	2002 Actuals
(Note 1(c))			
Revenues			
City of Surrey grant	\$ 7,851,000	\$ 7,851,000	\$ 6,991,112
Provincial & Federal grants	780,000	838,376	779,000
Fines and fees	458,000	443,825	423,422
Other	191,000	245,794	266,090
	9,280,000	9,378,995	8,459,624
Expenditures			
Salaries and benefits	6,395,250	6,572,669	5,736,252
Books and materials	1,356,400	1,306,872	1,282,512
Site operations	1,056,450	860,822	864,025
Supplies and equipment	147,100	173,093	155,940
Professional services	135,800	107,230	102,247
Inter-Library services	100,000	101,372	96,427
Other	89,000	76,598	76,846
Contribution to the City of Surrey for facilities and equipment	—	38,225	219,501
	9,280,000	9,236,881	8,533,750
Excess (deficiency) of revenues over expenditures	—	142,114	(74,126)
Transfer from Library Endowment Fund	—	—	1,189
Increase (decrease) in financial equity	\$ —	142,114	(72,937)
Financial equity, beginning of year		488,626	561,563
Financial equity, end of year		\$ 630,740	\$ 488,626

To be read in conjunction with the notes to the financial statements.

	2003	2002
Operating Transactions		
Excess (deficiency) of revenues over expenditures	\$ 142,114	\$ (74,126)
Cash generated from (required for):		
Deferred revenues	(18,444)	(12,521)
Endowment fund	—	55
Increase (decrease) in cash	123,670	(86,592)
Cash, beginning of year	532,452	619,044
Cash, end of year	\$ 656,122	\$ 532,452

Cash is defined as due from the City of Surrey (note 2)

GENERAL

The Surrey Public Library, which is funded and supported primarily by the City of Surrey, was established in 1983 pursuant to the Library Act of British Columbia (Part 2) as a Municipal Public Library. The Library Board, on behalf of the residents and taxpayers of the City of Surrey, oversees the management and operation of the Surrey Public Library and further serves as a policy making body for the organization. The Library Board is appointed by the Council of the City of Surrey.

1. Significant accounting policies

The accounting policies of the Surrey Public Library conform to Canadian generally accepted accounting principles for municipal financial reporting in British Columbia as prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, and include the following specific policies:

a) Revenue Recognition

Revenues are recorded using the accrual method of accounting.

Restricted grants, donations and fund raising activity revenues are recognized in the year in which the related expenditures are incurred.

b) Purchases

Purchases of books and library materials are recorded as expenditures in the year of acquisition.

c) Budget Information

Unaudited budget information, presented on a basis consistent with that used for actual results, was included in the City of Surrey's Consolidated Five-Year Financial Plan and was adopted through By-law #14903 on February 17, 2003.

d) Capital Expenditures

Minor capital items are recorded as an expenditure in the year of purchase. Major capital expenditures are recorded in the City of Surrey's General Capital Fund.

2. Due from the City of Surrey

All cash transactions of the Surrey Public Library are handled by the City of Surrey, including payroll and accounts payable processing. The amount shown as Due from City of Surrey represents the balance of cash held by the City of Surrey and owed to the Surrey Public Library.

for the year ended December 31, 2003

3. Deferred Revenues

		2003		2002
Balance, beginning of year	\$	43,826	\$	56,347
Donations		26,882		30,860
Grants, sponsorships, other		48,641		16,454
		75,523		47,314
Recognized as revenue		(93,967)		(59,835)
Balance, end of year	\$	25,382	\$	43,826

4. Financial Equity

	Appropriated for Materials on Order	Appropriated for Electronic Classroom	2003	2002
Balance, beginning of year	\$ 488,626	\$ –	\$ 488,626	\$ 561,563
Transfer from Library Endowment Fund	–	–	–	1,189
Excess (deficiency) of revenues over expenditures	117,762	24,352	142,114	(74,126)
Balance, end of year	\$ 606,388	\$ 24,352	\$ 630,740	\$ 488,626

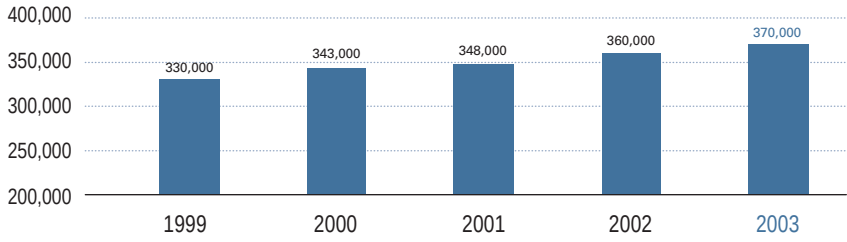
5. Comparative Figures

Certain of the 2002 figures have been reclassified to conform to the 2003 financial statement presentation.

STATISTICAL SECTION

Population

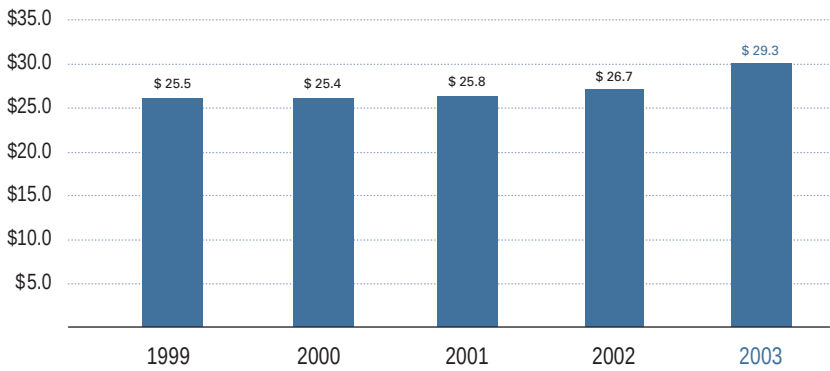
Source: City of Surrey Planning Department



Assessment for General Taxation

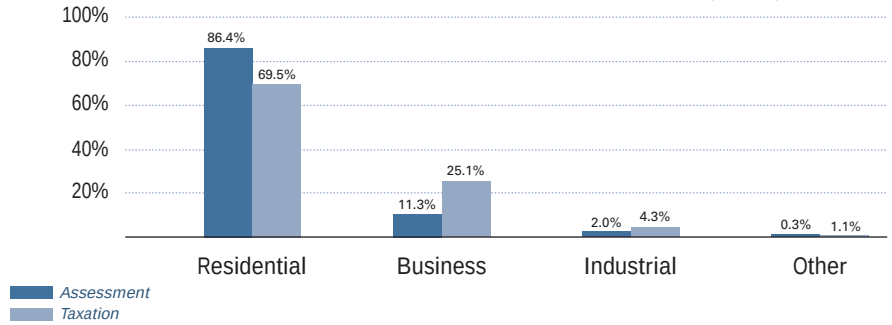
Source: City of Surrey Financial Services Division

(in billions of dollars)



2003 General Revenue Fund Assessment and Taxation by Property Class

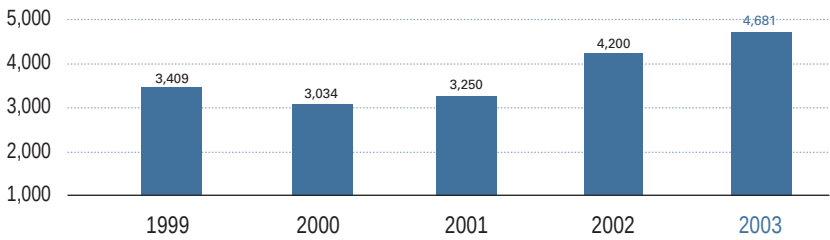
Source: City of Surrey Financial Services Division



Building Permits

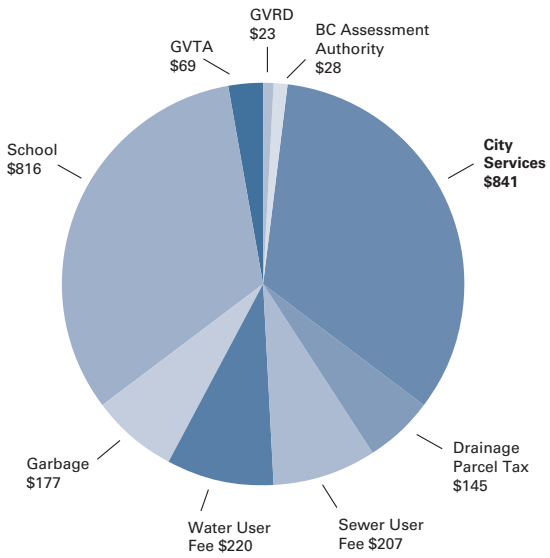
Source: City of Surrey Planning Department

(# of permits issued)



2003 Average Residential Tax and Utilities Bill

Source: City of Surrey Financial Services Division



*Based on an average single family residential dwelling with assessed value of \$240,000.

Note: If eligible for the full Provincial Home Owner Grant, taxes are reduced by \$470 (\$745 if over 65 years of age or disabled)

City Services

Protection Services	\$	277
Parks, Recreation & Culture		96
General Government		90
Engineering Services		96
Surrey Public Library		30
Capital Contributions		252
	\$	\$841

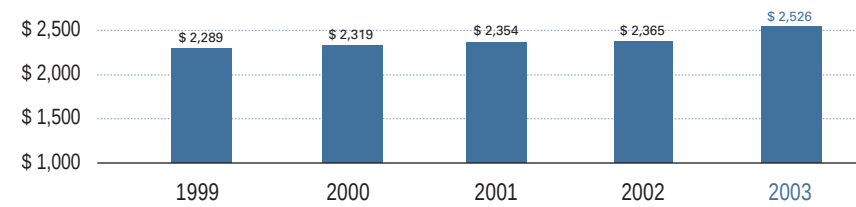
Summary

City Services	\$	841
School		816
Water, Sewer and Drainage		572
Garbage		177
Other		120
	\$	2,526

2003 Average Residential Tax and Utilities Bill

(Amount would be reduced by Provincial Home Owner Grant, if eligible)

Source: City of Surrey Financial Services Division



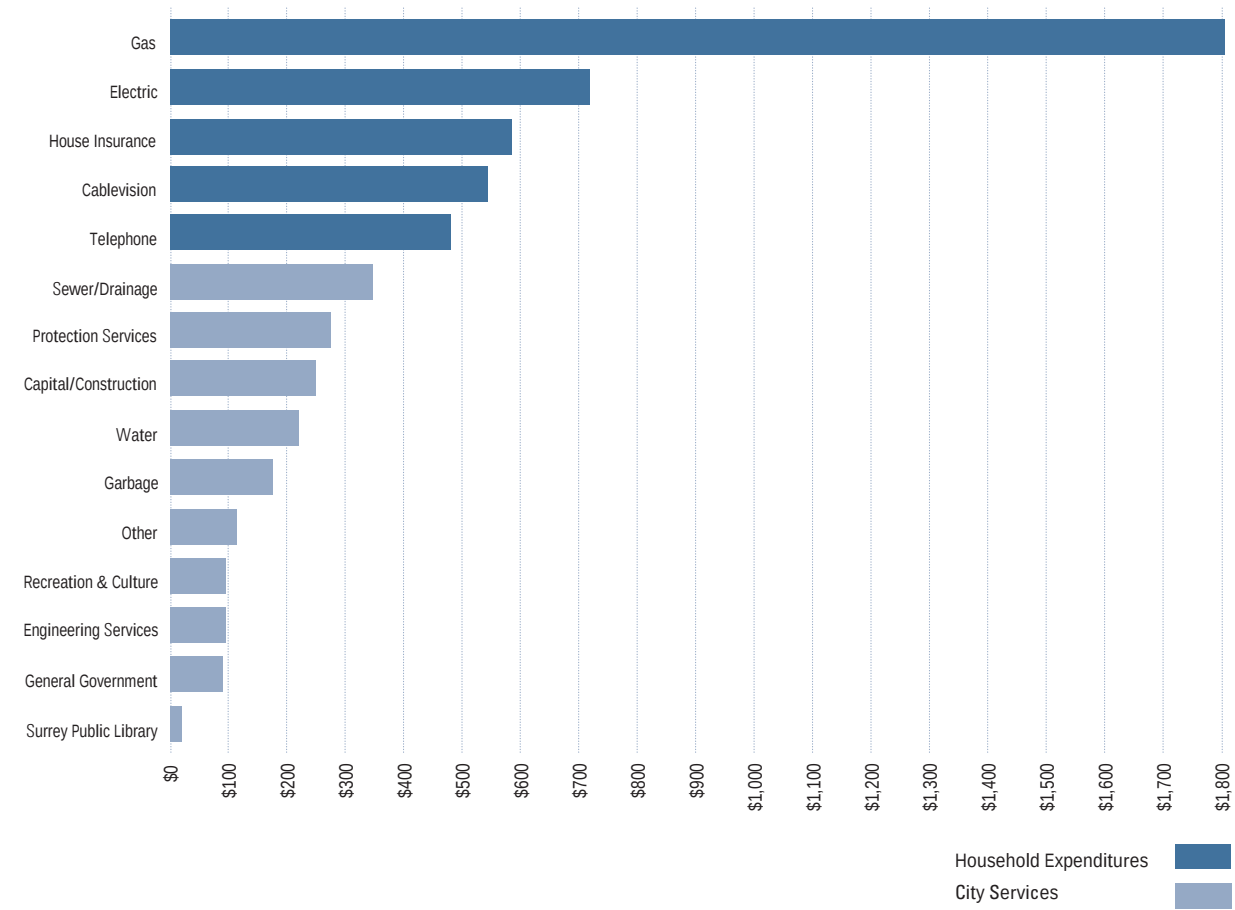
Five Year General Assessment and Taxation Statistics

Source: City of Surrey Financial Services Division

	1999	2000	2001	2002	2003
General Assessment	\$ 25,509,585	\$ 25,423,497	\$ 25,846,681	\$ 26,664,694	\$ 29,346,250
Total Assessed Properties	105,585	105,755	105,167	111,264	113,794
Assessment Per Capita	\$ 241,602	\$ 240,400	\$ 245,768	\$ 239,652	\$ 257,889
Percentage of General Assessment represented by:					
Residential	86.5%	86.0%	85.6%	85.3%	86.29%
Utilities	0.1%	0.1%	0.1%	0.1%	0.10%
Major Industrial	0.1%	0.1%	0.1%	0.3%	0.21%
Light Industrial	1.4%	1.7%	1.8%	1.8%	1.70%
Business / Other	11.4%	11.6%	11.9%	12.1%	11.33%
Non-Profit Recreation	0.3%	0.3%	0.3%	0.3%	0.24%
Farm	0.2%	0.2%	0.1%	0.1%	0.13%
	100.0%	100.0%	100.0%	100.0%	100.0%
Taxes Collected: (in thousands)					
Current Year's Levy	\$ 261,102	\$ 266,368	\$ 272,389	\$ 277,503	\$ 291,498
Current Taxes Collected	250,833	250,448	263,148	268,415	284,342
Current Taxes Outstanding	\$ 10,269	\$ 15,920	\$ 9,241	\$ 9,088	\$ 7,156
Percentage of Taxes Collected	96.1%	94.0%	96.6%	96.7%	97.5%
Levy per Capita	\$ 2,473	\$ 2,519	\$ 2,590	\$ 2,494	\$ 2,562

2003 Household Expenditures vs City Services

Source: City of Surrey Financial Services Division

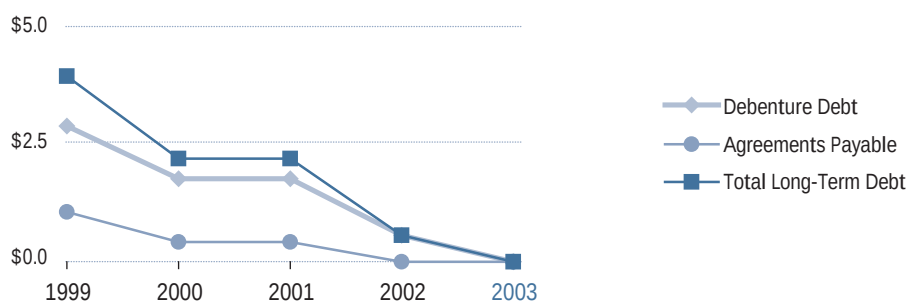


Statistical Review

Long-Term Debt Statistics

Source: City of Surrey Financial Services Division

Five Year Comparison of Long-Term Debt (in millions of dollars)



(in millions of dollars, except where noted)		1999	2000	2001	2002	2003
Debenture Debt						
Water Capital Fund	\$	2.6	\$ 1.6	\$ 1.6	\$ 0.6	\$ —
Sewer Capital Fund		0.3	0.2	0.2	—	—
		2.9	1.8	1.8	0.6	—
Agreements Payable						
General Capital Fund		0.8	0.4	0.4	—	—
Water Capital Fund		0.2	—	—	—	—
		1.0	0.4	0.4	—	—
Total Long-Term Debt	\$	3.9	\$ 2.2	\$ 2.2	\$ 0.6	\$ —
Debt Per Capita (in whole dollars)						
Debt Per Capita	\$	41	\$ 22	\$ 22	\$ 6	\$ —
Legal Debt Limit	\$	5,273.7	\$ 5,385.3	\$ 5,435.4	\$ 5,529.7	\$ 5,812.4
Overlapping Debt	\$	1,435.0	\$ 1,442.2	\$ 1,568.4	\$ 1,588.2	\$ 1,811.3

Overlapping debt represents the total debt of regional districts where the City of Surrey is a member, and therefore is jointly and severally liable.

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