

Financial Statements of the

TOWN OF SIDNEY

Year ended December 31, 2014



TOWN OF SIDNEY

BRITISH COLUMBIA

TOWN OF SIDNEY

Financial Statements

Year ended December 31, 2014

	<u>Page</u>
Financial Reporting Responsibility	1
Independent Auditors' Report	2
Financial Statements	
Statement of Financial Position	3
Statement of Operations and Accumulated Surplus	4
Statement of Changes in Net Financial Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7



TOWN OF SIDNEY

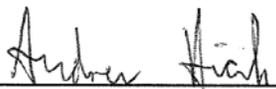
FINANCIAL REPORTING RESPONSIBILITY

The accompanying financial statements of Town of Sidney (the "Town") are the responsibility of management and have been prepared in compliance with legislation, and in accordance with public sector accounting standards for local governments, as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Municipal Council, acting through its Standing Committees, meets with management and the external auditors to review the financial statements and discuss any significant reporting or internal control matters prior to their acceptance of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Town. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination, and their opinion on the Town's financial statements.



Director of Corporate Services



KPMG LLP
Chartered Accountants
St. Andrew's Square II
800 - 730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Fax (250) 480-3539
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Mayor and Councillors of the Town of Sidney

We have audited the accompanying financial statements of the Town of Sidney, which comprise the statement of financial position as at December 31, 2014, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising 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 the audit to obtain reasonable assurance about whether the 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the 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 financial statements present fairly, in all material respects, the financial position of the Town of Sidney as at December 31, 2014, and its results of operations, its changes in net financial assets, and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Chartered Accountants
April 28, 2015
Victoria, Canada

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

TOWN OF SIDNEY

Statement of Financial Position December 31, 2014, with comparative figures for 2013

	2014	2013
Financial assets:		
Cash and cash equivalents (note 2)	\$ 3,439,118	\$ 6,465,634
Investments	9,537,090	6,010,056
Property taxes receivable	499,171	447,087
Accounts receivable	1,605,135	1,196,382
Restricted cash	45,795	45,067
	<u>15,126,309</u>	<u>14,164,226</u>
Liabilities:		
Accounts payable and accrued liabilities	1,408,557	1,134,323
Deferred revenue and deposits (note 3)	1,656,537	2,504,604
Employee future benefit obligations (note 4)	682,400	681,400
Lease and other obligations (note 5)	36,410	60,084
Long-term debt (note 6)	3,307,699	3,489,748
	<u>7,091,603</u>	<u>7,870,159</u>
Net financial assets	8,034,706	6,294,067
Non-financial assets:		
Tangible capital assets (note 7)	78,567,620	78,176,163
Inventory of supplies	104,271	80,864
Prepaid expenses	114,066	39,111
	<u>78,785,957</u>	<u>78,296,138</u>
Accumulated surplus (note 8)	\$ 86,820,663	\$ 84,590,205

Commitments and contingent liabilities (note 14)

The accompanying notes are an integral part of these financial statements.

TOWN OF SIDNEY

Statement of Operations and Accumulated Surplus Year ended December 31, 2014, with comparative figures for 2013

	<i>Budget</i> 2014	Actual 2014	Actual 2013
	<i>(note 12)</i>		
Revenue:			
Net taxes available for municipal purposes (note 9)	\$ 11,980,339	\$ 11,989,745	\$ 11,629,169
Fees, rates and service charges	5,381,917	5,403,264	5,005,584
Government transfers (note 10)	1,285,010	1,959,624	1,683,762
Investment earnings	165,000	215,141	179,997
Gifts and contributions	41,704	291,602	74,308
Penalties and interest	93,547	89,836	90,833
Actuarial adjustment on debt	-	21,460	48,319
MFA Debt Reserve Fund surplus	-	126	2,152
Other	9,314	153,980	55,900
Total revenue	18,956,831	20,124,778	18,770,024
Expenses:			
General government	2,414,996	2,245,787	2,306,174
Protective services	4,281,320	4,069,891	3,954,822
Transportation	3,535,648	3,433,521	3,627,314
Environmental health services	702,272	676,363	514,052
Environmental development	365,540	365,953	342,830
Leisure, parks and cultural	2,802,114	2,776,883	2,682,640
Water utility	1,896,327	1,823,469	1,868,533
Sewer utility	1,984,427	1,920,935	2,097,429
Other (note 11)	628,742	581,518	518,920
Total expenses	18,611,386	17,894,320	17,912,714
Annual surplus	345,445	2,230,458	857,310
Accumulated surplus, beginning of year	84,590,205	84,590,205	83,732,895
Accumulated surplus, end of year	\$ 84,935,650	\$ 86,820,663	\$ 84,590,205

The accompanying notes are an integral part of these financial statements.

TOWN OF SIDNEY

Statement of Changes in Net Financial Assets Year ended December 31, 2014, with comparative figures for 2013

	Budget 2014	Actual 2014	Actual 2013
	<i>(note 12)</i>		
Annual surplus	\$ 345,445	\$ 2,230,458	\$ 857,310
Acquisition of tangible capital assets	(3,899,140)	(2,881,301)	(2,233,076)
Amortization of tangible capital assets	2,400,000	2,377,616	2,349,877
Loss on disposal of tangible capital assets	-	101,675	31,722
Proceeds on disposal of tangible capital assets	-	10,552	7,381
	(1,153,695)	1,839,000	1,013,214
Acquisition of inventory of supplies	-	(104,271)	(80,864)
Acquisition of prepaid expense	-	(114,066)	(39,112)
Consumption of inventory of supplies	-	80,864	80,573
Use of prepaid expenses	-	39,112	37,295
Change in net financial assets	(1,153,695)	1,740,639	1,011,106
Net financial assets, beginning of year	6,294,067	6,294,067	5,282,961
Net financial assets, end of year	\$ 5,140,372	\$ 8,034,706	\$ 6,294,067

The accompanying notes are an integral part of these financial statements.

TOWN OF SIDNEY

Statement of Cash Flows

Year ended December 31, 2014, with comparative figures for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 2,230,458	\$ 857,310
Items not involving cash:		
Amortization	2,377,616	2,349,877
Developer contribution of tangible capital assets	(171,464)	(56,391)
Change in employee benefits and other liabilities	1,000	42,700
Loss on disposal of tangible capital assets	101,675	31,722
Gain on leases	(5,656)	(3,057)
Actuarial adjustment on debt	(21,460)	(48,319)
Change in non-cash assets and liabilities:		
Property taxes receivable	(52,084)	(87,502)
Accounts receivable	(408,754)	662,245
Accounts payable and accrued liabilities	274,234	(286,155)
Deferred revenue	(848,068)	(621,628)
Inventory of supplies	(23,407)	(291)
Prepaid expenses	(74,955)	(1,817)
Net change in cash from operating activities	3,379,135	2,838,694
Capital activities:		
Proceeds on disposal of tangible capital assets	10,552	7,381
Cash used to acquire tangible capital assets	(2,691,120)	(2,162,521)
Net change in cash from capital activities	(2,680,568)	(2,155,140)
Investment activities:		
Investments	(3,527,034)	(6,010,056)
Net change in cash from investing activities	(3,527,034)	(6,010,056)
Financing activities		
MFA debt reserve adjustment	(729)	(45)
Long-term debt repaid	(160,589)	(173,527)
Lease and other obligations repaid	(36,731)	(72,912)
Net change in cash from financing activities	(198,049)	(246,484)
Net change in cash and cash equivalents	(3,026,516)	(5,572,986)
Cash and cash equivalents, beginning of year	6,465,634	12,038,620
Cash and cash equivalents, end of year	3,439,118	6,465,634
Cash paid for interest	\$ 157,911	\$ 166,144
Cash received from interest	304,977	270,830
Assets acquired under capital lease	18,713	14,164

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2014

The Town of Sidney (the "Town") is a municipality in the Province of British Columbia and operates under the provisions of the Local Government Act and Community Charter. Its principal activities are the provision of local government services to residents of the Town. These services include administrative, protective, transportation, environmental, recreational, water, sewer and fiscal services.

1. Significant accounting policies:

The financial statements of the Town are prepared by management in accordance with Canadian public sector accounting standards for local governments, as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Town are as follows:

(a) Reporting entity:

The financial statements include a combination of the assets, liabilities, accumulated surplus, revenues and expenses of all of the Town's activities and funds. Inter-departmental balances and organizational transactions have been eliminated.

(b) Basis of accounting:

The Town follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. 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.

(c) Government transfers:

Government transfers are recognized in the financial statements as revenue in the period the transfers are authorized and any eligibility criteria have been met, except when, and to the extent that, the transfer gives rise to an obligation that meets the definition of a liability for the recipient government. Transfers received which meet the definition of a liability are included in deferred revenue.

(d) Property Tax revenue:

Property Tax revenue is recognized on an accrual basis using property assessment values established by BC Assessment for the current year and the tax rates established annually by Council. Tax revenues are recorded at the date property taxes are due. Assessments are subject to appeal and tax adjustments are recorded when the results of the appeals are known, and if required. An allowance for unresolved assessment appeals is also recorded.

(e) Deferred revenue:

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation, regulation or agreement, which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services are performed, or the tangible capital assets are acquired.

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2014

1. Significant accounting policies (continued):

(f) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the deferred revenue balance.

(g) Employee future benefits:

The Town and its employees make contributions to the Municipal Pension Plan. These contributions are expensed as incurred.

Sick leave benefits and other retirement benefits are also available to the Town's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligation under this benefit plan is accrued based on projected benefits as the employees render services necessary to earn the future benefits.

(h) 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 costs, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Assets	Useful Life - Years
Land improvements	10 - 75
Buildings and building improvements	15 - 100
Vehicle, machinery and equipment	3 - 50
Water and wastewater infrastructure	12 - 75
Road infrastructure	25 - 100

Amortization is charged annually. Assets under construction are not amortized until the asset is available for productive use. Tangible capital assets are written down when conditions indicate that they no longer contribute to the Town's ability to provide goods and services, or when the value of future economic benefits associated with the asset is less than the book value.

(ii) Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, with the value of the contribution recorded as revenue.

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2014

1. Significant accounting policies (continued):

- (iii) Works of art and cultural and historic assets
Works of art and cultural and historic assets are not recorded as assets in these financial statements
- (iv) Interest capitalization
The Town does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.
- (v) Leased tangible capital assets
Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.
- (i) Cash and cash equivalents
Cash and cash equivalents are comprised of cash on hand, demand deposits and short-term, highly liquid investments with a term to maturity of 90 days or less at acquisition. Cash equivalents also include investments in the Municipal Finance Authority of British Columbia ("MFA") Money Market Funds which are recorded at cost plus earnings reinvested in the funds.
- (j) Foreign currency
Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the reporting date, and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Gains or losses on foreign currency translations are included as revenues or expenses.
- (k) Use of estimates
The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets, and estimating provisions for accrued liabilities, including employee future benefits and contingent liabilities. Actual results could differ from these estimates.

2. Cash and cash equivalents:

	2014		2013	
Cash	\$	2,668,135	\$	1,420,892
Municipal Finance Authority money market fund		770,983		5,044,742
	\$	3,439,118	\$	6,465,634

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2014

3. Deferred revenue and deposits:

The deferred revenues and deposits reported on the statement of financial position are comprised of the following:

	2014	2013
Federal Gas Tax Funds	\$ -	\$ 701,827
Prepaid property taxes	1,112,154	1,044,068
Deferred revenue - prepaid fees and charges	96,511	106,718
Deferred developer contributions	335,572	531,269
Deposits on hold	112,300	120,722
	\$ 1,656,537	\$ 2,504,604

The Town receives Gas Tax funds from the Federal Government through an agreement with the Union of BC Municipalities. Effective April 1, 2014 the agreements were revised for all new funding and for amounts unspent from prior periods. The new agreement broadened the scope of eligible expenditures for these funds and eliminated certain potential repayment criteria. These changes have resulted in a change in the accounting for such funds from the previous policy to defer such funds until eligible expenditures were incurred to recognize all amounts into revenue when received, including recognizing as revenue all amounts previously deferred.

4. Employee future benefit obligations:

The Town provides sick leave and certain other benefits to its employees. Some employees of the Town are entitled to payments related to unused vacation, sick leave and other allowances upon resignation or retirement. These amounts and other employee related liabilities will require funding in future periods.

Information regarding the Town's obligations for employee future benefits is as follows:

	2014	2013
Accrued employee benefit obligations:		
Balance, beginning of year	\$ 694,600	\$ 727,100
Current service cost	70,400	75,300
Past service cost	39,100	-
Interest cost	28,100	25,900
Benefits paid	(142,500)	(70,200)
Actuarial adjustment	68,900	(63,500)
Balance, end of year	758,600	694,600
Unamortized net actuarial loss (gain)	(76,200)	(13,200)
Accrued employee benefit obligations	\$ 682,400	\$ 681,400

Any actuarial gain or loss is amortized over a period equal to the employees' average remaining service lifetime, estimated to be eleven (11) years.

The amount recorded for these benefits is based on an actuarial valuation performed by an independent firm using a projected benefit actuarial valuation method pro-rated on services.

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2014

4. Employee future benefit obligations (continued):

This valuation is reviewed on a periodic basis. The most recent actuarial valuation of the Town's employee future benefits was completed as at December 31, 2014.

The significant actuarial assumptions adopted in measuring the Town's accrued benefit obligation are as follows:

	2014	2013
Discount rates	3.10%	4.00%
Expected wage and salary increases	2.50%	2.50%

The Town funds the employee future benefits with the tax revenues from the general operating fund and from surplus amounts appropriated for this purpose. The total expense recorded in the financial statements in respect of obligations under this plan amounts to \$143,500 (2013 - \$112,900).

Other pension plan:

The Town and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for 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 182,000 active members and approximately 75,000 retired members. Active members include approximately 36,000 contributors from local governments.

The most recent valuation, as at December 31, 2012, indicated a \$1,370 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 costs to the individual employers participating in the Plan.

The Town paid \$510,151 for employer contributions to the plan in fiscal 2014 (2013 - \$491,435) and Town employees paid \$440,840 for employee contributions to the Plan (2013 - \$424,719).

GVLRA – CUPE Long-Term Disability Trust

The Trust was established January 1, 1987 and its sole purpose is to provide a long-term disability income benefit plan for municipal employees in the capital region. The Town and its employees (CUPE & Exempt) each contribute equal amounts into the Trust. The total plan provision for approved and unreported claims was actuarially determined as of December 31, 2011. At December 31, 2014, the total plan provision for approved and unreported claims was \$15,368,300 with a net deficit of \$729,956. The actuary does not attribute portions of the unfunded liability to individual employers. The Town paid \$77,662 (2013 - \$78,208) for employer contributions and Town employees paid \$78,461 (2013 - \$78,643) for employee contributions to the plan in 2014.

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2014

5. Lease obligations:

The Town has entered into capital lease agreements, for various public works and office equipment, for terms ranging to five years. The future minimum annual lease payments are as follows:

	2014		2013	
2014	\$	-	\$	40,856
2015		15,412		11,327
2016		8,271		4,335
2017		6,915		2,979
2018		5,696		1,763
2019		1,335		-
Total minimum lease payments		37,629		61,260
Less: amount representing interest (at prime less 1%)		(1,219)		(1,176)
Present value of net minimum capital lease payments	\$	36,410	\$	60,084

Interest expense incurred during 2014 on the above leases amounted to \$1,014 (2013 - \$2,046).

6. Long-term debt:

- (a) The Town issued debt instruments through the Municipal Finance Authority (MFA), pursuant to loan authorization and security issuing bylaws under authority of the Community Charter and the Local Government Act, to finance certain capital expenditures. Sinking fund contributions, managed by the MFA, are made annually. The related actuarial allocations in respect to the repayment structure are reflected as a reduction of the related long-term debt.
- (b) Gross amount of debt and the amount of the actuarial allocation assets available to retire the debt are as follows:

	Gross debt		Actuarial allocation		Net debt	
					2014	2013
Other Debt	\$	129,000	\$	-	\$	129,000
General capital fund		3,889,034		710,335	\$	3,178,699
	\$	4,018,034	\$	710,335	\$	3,307,699
					\$	3,489,748

Under borrowing arrangements with the MFA, the Town is required to lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund. These deposits are held by the MFA as security against the possibility of debt repayment default. If the debt is repaid without default, the deposits are refunded to the Town. At December 31, 2014 there were contingent demand notes of \$95,705 (2013 - \$97,815) and cash deposits of \$45,795 (2013 - \$45,067). The demand notes are not included in the financial statements of the Town; however, the cash deposits are included in the financial statements as restricted cash.

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2014

6. Long-term debt (continued):

(c) Long-term debt estimated principal repayments over the next five years:

2015	\$	114,486
2016		114,486
2017		114,486
2018		114,486
2019		114,486

Scheduled debt repayments may be suspended due to excess sinking fund accumulations.

(d) Total interest paid during the year was \$157,261 (2013 - \$160,618).

(e) Existing long-term debt matures in annual amounts to the year 2037, and interest rates range from 2.4% to 4.65%. The weighted average interest rate for 2014 was 3.83%. (2013 – 3.85%).

7. Tangible capital assets:

Cost	Balance at Dec 31, 2013	Additions / Transfers	Disposals	Balance at Dec 31, 2014
Land	\$ 15,143,104	\$ -	\$ -	\$ 15,143,104
Land improvements	3,845,026	209,870	-	4,054,896
Building and building improvements	23,175,466	136,258	-	23,311,724
Vehicles, machinery and equipment	9,760,247	487,479	(36,700)	10,211,026
Water and wastewater infrastructure	35,092,492	496,467	(124,144)	35,464,815
Roads infrastructure	26,211,584	957,953	(165,101)	27,004,436
Assets under construction	41,824	516,457	-	558,281
Total	\$ 113,269,743	\$ 2,804,484	\$ (325,945)	\$ 115,748,282

Accumulated Amortization	Balance at Dec 31, 2013	Disposals / Transfers	Amortization Expense	Balance at Dec 31, 2014
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	1,268,846	-	149,244	1,418,090
Building and building improvements	7,916,239	-	653,752	8,569,991
Vehicles, machinery and equipment	4,422,460	(112,364)	595,898	4,905,994
Water and wastewater infrastructure	12,998,129	(73,299)	470,234	13,395,064
Roads infrastructure	8,487,906	(104,871)	508,488	8,891,523
Assets under construction	-	-	-	-
Total	\$ 35,093,580	\$ (290,534)	\$ 2,377,616	\$ 37,180,662

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2014

7. Tangible capital assets (continued):

Net Book Value	Balance at Dec 31, 2013	Balance at Dec 31, 2014
Land	\$ 15,143,104	\$ 15,143,104
Land improvements	2,576,180	2,636,806
Building and building improvements	15,259,227	14,741,733
Vehicles, machinery and equipment	5,337,787	5,305,032
Water and wastewater infrastructure	22,094,363	22,069,751
Roads infrastructure	17,723,678	18,112,913
Assets under construction	41,824	558,281
Total	\$ 78,176,163	\$ 78,567,620

(a) Assets under construction

Assets under construction having a value of \$558,281 (2013 - \$41,824) have not been amortized. Amortization of these assets will commence when the asset is available for service.

(b) Contributed tangible capital assets

Contributed capital assets are recognized at fair market value at the date of contribution and consist of Water, Wastewater and Roads infrastructure. The value of contributed assets received during the year is \$171,464 (2013 - \$56,391).

(c) Works of art and historical cultural assets

The Town manages and controls a limited number of works of art and non-operational historical cultural assets including artifacts, paintings and sculptures located at Town sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2014

8. Accumulated surplus:

Accumulated surplus consists of individual fund surpluses, reserves and reserve funds as follows:

	2014	2013
Surplus:		
Invested in tangible capital assets	\$ 75,264,240	\$ 74,674,330
Surplus from operations	4,183,717	3,540,875
Total surplus	79,447,957	78,215,205
Reserves set aside by Council:		
Miscellaneous operating purposes	412,640	568,576
Miscellaneous capital purposes	493,320	601,861
Total reserves	905,960	1,170,437
Reserves funds set aside for specific purposes by Council:		
Land sale proceeds	16,152	15,852
Parkland acquisition	619	619
Off-street parking	74,586	68,686
Computer replacement	504,561	396,537
General equipment replacement	671,082	491,742
Fire equipment replacement	450,779	325,379
Water capital	340,875	335,275
Sewer capital	22,616	22,216
Infrastructure replacement	2,201,990	2,326,559
Water rates stabilization	240,155	236,255
Amenities	39,476	97,549
Ferry terminal	490,005	553,377
Contingency	62,933	201,133
Agreements	120,078	88,318
Gas Tax - Community Works Fund	1,185,044	-
Total reserve funds	6,420,951	5,159,497
Restricted cash	45,795	45,067
	\$ 86,820,663	\$ 84,590,206

The Town periodically receives Gas Tax Agreement funds from the federal government. These funds, along with interest earned on the funds, are recorded as revenues and transferred to reserves until they are used to fund eligible expenditures under the Agreement. Prior to 2014, these funds were recorded as deferred revenue until they were used to fund eligible expenditures.

	2014	2013
Federal Gas Tax Agreement funds		
Deferred Gas Tax Agreement funds, beginning of year	\$ 701,827	\$ 1,142,376
Amounts received during the year	506,967	353,943
Interest earned restricted for projects	11,700	13,177
Expenditures	(35,450)	(807,669)
Gas Tax Agreements Funds, end of year	\$ 1,185,044	\$ 701,827

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2014

9. Net taxes available for municipal purposes:

	2014	2013
Taxes:		
Property taxes	\$ 22,054,881	\$ 21,397,672
Revenue in lieu of taxes	212,198	216,323
Other	1,179,366	1,166,395
	<u>23,446,445</u>	<u>22,780,390</u>
Less taxes on behalf of:		
Provincial Government School Authorities	6,660,279	6,546,582
Capital Regional District	2,134,275	2,073,928
Capital Regional Hospital District	1,044,756	1,003,698
BC Transit	1,142,336	1,059,308
BC Assessment Authority	218,127	217,032
Municipal Finance Authority	677	673
Business Improvement Association	256,250	250,000
	<u>11,456,700</u>	<u>11,151,221</u>
Net taxes available for municipal purposes	\$ 11,989,745	\$ 11,629,169

10. Government transfers:

Government transfers are recognized in the financial statements as revenue in the period the transfers are authorized and any eligibility criteria have been met. The government transfers reported on the statement of operations are:

	2014	2013
Federal grants:		
Gas Tax - Community Works Funding	\$ 1,208,794	\$ 794,492
Gas Tax - Regionally Significant Project Funding	58,412	-
	<u>1,267,206</u>	<u>794,492</u>
Provincial grants:		
Federal / provincial capital grant programs	20,500	240,000
Small community protection grant	214,743	216,089
Traffic fine revenue sharing	96,960	96,593
Emergency programs	-	4,973
Other provincial grants	195	116
	<u>332,398</u>	<u>557,771</u>
Regional and other local government transfers:		
Policing	284,912	288,746
Recreation	65,108	42,153
Other	10,000	600
	<u>360,020</u>	<u>331,499</u>
Total government transfer revenue	\$ 1,959,624	\$ 1,683,762

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2014

11. Other expenses:

	2014	2013
Grants to non-government organizations:		
Sidney and North Saanich Memorial Park Society	\$ 208,852	\$ 191,132
Saanich Peninsula Chamber of Commerce	60,000	60,000
New Marine Centre Society	42,600	42,600
Sidney Business Improvement Area Society	35,500	-
Peninsula Celebrations Society	12,000	12,500
Other	30,909	43,110
	<u>389,861</u>	<u>349,342</u>
Interest on prepaid taxes	5,644	5,499
Amortization and net loss on miscellaneous assets	130,556	52,510
Other	55,457	111,569
	<u>\$ 581,518</u>	<u>\$ 518,920</u>

12. Budget data:

The budget data presented in these financial statements is based upon the 2014-2018 Financial Plan adopted by Council on May 12, 2014. The table below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenues:	
Financial Plan	\$ 18,584,729
Add:	
Vancouver Island Regional Library Levy	628,352
Less:	
Sidney Business Improvement Area Levy	(256,250)
Total revenue	<u>18,956,831</u>
Expenses:	
Financial Plan	18,239,284
Add:	
Vancouver Island Regional Library Levy	628,352
Less:	
Sidney Business Improvement Area Levy	(256,250)
Total Expenses	<u>18,611,386</u>
Annual surplus	\$ 345,445

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2014

13. Segmented information:

The Town of Sidney is a diversified organization that provides a wide range of services. These services have been captured in specific functions that have been separately disclosed in the segmented information as follows:

(i) General Government:

The General Government function is comprised of Legislative Services (Council and Committees) and General Administration, which includes Financial Management, Driver Services, Computer Services, Common Services, and other administrative activities related to the management of the Town.

(ii) Protective Services:

The Protective Services function is comprised of five core services: Emergency Measures, Fire Protection, Police Protection, Court House, and Building & Bylaw Enforcement.

Emergency Measures captures the Town's emergency preparedness programs that ensure the Town is prepared and able to respond to the devastating effects of a disaster or major catastrophic event.

Fire Protection services are carried out by the Town's Fire Department, whose mandate is to provide critical, life-saving services in preventing or minimizing the loss of life and property from fire and natural or man-made emergencies.

Police Protection services are performed under contract by the RCMP, who ensure the safety of lives and property in the Town through law enforcement, the maintenance of law and order, and the prevention of crime.

Building and Bylaw Enforcement promotes, facilitates and enforces general compliance with the provisions of bylaws that pertain to the health, safety and welfare of the community.

(iii) Transportation Services:

The Transportation Services function is responsible for a wide variety of transportation services including Roads, Storm Drainage, Dock & Port Facilities, and Hydrants.

The Roads function's principal activity is the development and maintenance of the Town's roadway systems through the Public Works department. The main services include Traffic Services consisting of street sign, street painting and traffic light control maintenance; Street Lighting; Road, Curb, Sidewalk and Cul-de-sac repairs and maintenance; Boulevard Trees; and Street Sweeping.

The Storm Drains service performs preventative maintenance and repairs to the Town's storm drain system, maintains and repairs storm drain ditches, and cleans catch basins.

Dock & Ports Facilities captures maintenance of the Town's docks and port infrastructure.

Hydrant services pertain to the maintenance of existing and installation of new fire hydrants.

(iv) Environmental Health Services:

Environmental Health Services provides garbage, organics and compost collection and disposal services to residents and businesses through the Town's designated contractor.

(v) Environmental Development Services:

Environmental Development Services administers zoning and related bylaws, and provides long range planning and policy services, as well as providing administrative support to Building and Bylaw Enforcement functions.

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2014

13. Segmented information (continued):

(vi) Leisure, Parks and Cultural Services:

Leisure, Parks & Cultural Services is comprised of four different functions: Parks, Library, Senior's Centre and Museums.

Parks is responsible for the maintenance, planning and development of Town park facilities such as ornamental gardens, natural ecosystems, playgrounds for recreational and cultural enjoyment in a beautiful and safe environment. It also preserves and enhances green spaces on public lands.

Library services are specific to maintenance of the Town owned library building, and funding to Vancouver Island Regional Library to operate and manage the library.

The Town owned Shoal Centre is operated by Beacon Community Services, who receive funding from the Town to provide senior related programs.

Museum services include providing space and funding to the Saanich Peninsula Museum Society to manage and operate the Town's Historical Museum and Archives. The Town also provides space to the New Marine Centre Society for the operation of the Shaw Ocean Discovery Centre.

(vii) Water and Sewer Utilities:

The Sewer Utility protects the environment and human health from the impacts of liquid waste generated as a result of human occupation and development in the Town. The Town operates a collection system, which transfers wastewater to a sub-regional treatment facility.

The Water Utility delivers clean, safe and aesthetically pleasing potable water, in accordance with the Provincial Drinking Water Protection Act, to the residents of the Town. The water is for the purpose of domestic consumption, irrigation and firefighting. The Town operates a water distribution system only, using treated water purchased in bulk from the Regional District.

Certain allocation methodologies have been employed in the preparation of the segmented financial information. Property taxation and payments in-lieu of taxes are apportioned to the functions based on budgeted taxation revenue, as presented in the 2014 – 2018 Financial Plan.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements, as disclosed in note 1.

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2014

13. Segmented information (continued):

	General Government	Protective Services	Transportation	Environmental Health Services	Environmental Development	Leisure, Parks and Cultural	Water Utility	Sewer Utility	Other	2014
Revenue:										
Taxes for municipal purposes	\$ 1,789,039	\$ 3,426,915	\$ 1,856,057	\$ 144,042	\$ 346,940	\$ 2,033,411	\$ 360,390	\$ 583,717	\$ 1,449,234	\$ 11,989,745
Fees, rates and service charges	381,691	340,527	531,304	571,081	29,190	175,977	1,604,011	1,765,908	3,575	5,403,264
Government transfers	-	282,727	195	-	-	54,249	-	-	1,622,453	1,959,624
Investment earnings	9,216	-	-	-	-	-	-	-	205,925	215,141
Gifts and contributions	300	1,810	-	-	250	-	-	-	289,242	291,602
Penalties and interest	-	-	-	1,834	-	-	4,587	5,515	77,900	89,836
Actuarial adjustment on debt	-	-	-	-	-	-	-	-	21,460	21,460
MFA debt reserve fund surplus	-	-	-	-	-	-	-	-	126	126
Other	-	-	-	-	-	-	-	-	153,980	153,980
Total revenue	2,180,246	4,051,979	2,387,556	716,957	376,380	2,263,637	1,968,988	2,355,140	3,823,895	20,124,778
Expenses:										
Salaries, wages and benefits	1,717,811	1,632,889	1,493,467	106,773	323,116	985,304	289,507	240,034	5,971	6,794,872
Contracted services	573,847	2,048,460	425,153	525,873	39,707	1,022,096	27,042	1,362,736	380,212	6,405,126
Supplies and equipment	(238,639)	153,871	327,483	43,717	3,130	208,841	1,317,510	157,826	-	1,973,739
Debt interest	365	69	37,464	-	-	119,311	-	-	702	157,911
Other	4,451	7,102	-	-	-	-	(2,398)	-	175,902	185,057
Amortization	187,952	227,500	1,149,954	-	-	441,331	191,808	160,339	18,731	2,377,615
Total expenses	2,245,787	4,069,891	3,433,521	676,363	365,953	2,776,883	1,823,469	1,920,935	581,518	17,894,320
Annual surplus	\$ (65,541)	\$ (17,912)	\$ (1,045,965)	\$ 40,594	\$ 10,427	\$ (513,246)	\$ 145,519	\$ 434,205	\$ 3,242,377	\$ 2,230,458

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2014

13. Segmented information (continued):

	General Government	Protective Services	Transportation	Environmental Health Services	Environmental Development	Leisure, Parks and Cultural	Water Utility	Sewer Utility	Other	2013
Revenue:										
Taxes for municipal purposes	\$ 1,710,119	\$ 3,277,780	\$ 1,862,907	\$ 124,155	\$ 345,386	\$ 2,003,061	\$ 341,125	\$ 575,269	\$ 1,389,367	\$ 11,629,169
Fees, rates and service charges	348,263	369,783	448,058	355,494	24,383	175,237	1,543,173	1,725,631	15,562	5,005,584
Government transfers	-	291,585	116	-	-	42,153	-	-	1,349,908	1,683,762
Investment earnings	9,508	-	-	-	-	-	-	-	170,489	179,997
Gifts and contributions	5,148	11,719	-	-	(350)	1,500	-	-	56,291	74,308
Penalties and interest	-	-	-	1,368	-	-	4,910	5,742	78,813	90,833
Actuarial adjustment on debt	-	-	-	-	-	-	-	-	48,319	48,319
MFA debt reserve fund surplus	-	-	-	-	-	-	-	-	2,152	2,152
Other	-	-	-	-	-	-	-	-	55,900	55,900
Total revenue	2,073,038	3,950,867	2,311,081	481,017	369,419	2,221,951	1,889,208	2,306,642	3,166,801	18,770,024
Expenses:										
Salaries, wages and benefits	1,703,877	1,505,337	1,557,834	94,251	304,732	912,244	301,784	263,678	4,503	6,648,240
Contracted services	615,175	2,044,703	343,416	385,333	34,876	988,844	33,057	1,498,184	317,017	6,260,606
Supplies and equipment	(225,126)	149,252	582,715	34,468	3,221	230,234	1,343,223	179,207	-	2,297,195
Debt interest	316	4,797	346	-	-	-	-	-	159,041	164,500
Other	3,653	6,565	38,581	-	-	119,173	(628)	-	24,953	192,297
Amortization	208,279	244,168	1,104,421	-	-	432,146	191,098	156,359	13,406	2,349,875
Total expenses	2,306,174	3,954,822	3,627,314	514,052	342,830	2,682,640	1,868,533	2,097,429	518,920	17,912,714
Annual surplus	\$ (233,136)	\$ (3,955)	\$ (1,316,233)	\$ (33,035)	\$ 26,589	\$ (460,689)	\$ 20,675	\$ 209,213	\$ 2,647,881	\$ 857,310

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2014

14. Commitments and contingent liabilities:

- (a) Under Section 836 of the Local Government Act, all member municipalities are jointly and severally liable for the indebtedness of the Capital Regional District in the event of default by the Regional District.
- (b) The Town is self-insured through membership in the Municipal Insurance Association of British Columbia. Under this program, member municipalities are to share jointly for general liability claims in excess of \$10,000 against any member. Should the Association pay out claims in excess of premiums received, it is possible that the Town, along with the other participants, would be required to contribute towards the deficit.
- (c) The Town is a shareholder and member of Capital Regional Emergency Service Telecommunications (CREST) Incorporated, which provides centralized emergency communications and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout the Greater Victoria region and the Gulf Islands. Members' obligations to share in funding ongoing operations and any additional costs relating to capital assets are to be contributed pursuant to a Members' Agreement.
- (d) The Town has an RCMP Premises Agreement with the District of North Saanich for the provision of accommodations for a joint RCMP detachment. The parties jointly own the building occupied by the policing detachment, in proportion to their relative contributions to the principal repayment of the debt incurred in order to construct the building. North Saanich's proportionate share is approximately 36%. The Agreement requires the Town to pay to North Saanich their proportionate share of the fair market value of the building should the parties eventually decide to terminate their agreement to provide joint accommodations.

A market value study commissioned in 2011 places North Saanich's share at approximately \$615,000. The Town has in place a temporary borrowing bylaw to cover any potential payout should the agreement be terminated; however, there is no intention at this time to contemplate termination of the agreement.