

Financial Statements of the

TOWN OF SIDNEY

Year ended December 31, 2015



TOWN OF SIDNEY

BRITISH COLUMBIA

TOWN OF SIDNEY

Financial Statements

Year ended December 31, 2015

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TOWN OF SIDNEY

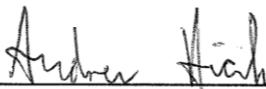
FINANCIAL REPORTING RESPONSIBILITY

The accompanying financial statements of the 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



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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, 2015, 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, 2015, 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
May 9, 2016
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, 2015, with comparative figures for 2014

	2015	2014
Financial assets:		
Cash and cash equivalents (note 3)	\$ 4,009,671	\$ 3,439,118
Investments	10,542,038	9,537,090
Property taxes receivable	491,790	499,171
Accounts receivable	1,449,475	1,605,135
Restricted cash	46,968	45,795
	<u>16,539,942</u>	<u>15,126,309</u>
Liabilities:		
Accounts payable and accrued liabilities	1,449,801	1,408,557
Deferred revenue and deposits (note 4)	2,247,426	1,656,537
Employee future benefit obligations (note 5)	624,100	682,400
Lease obligations (note 6)	20,917	36,410
Long-term debt (note 7)	3,148,384	3,307,699
	<u>7,490,628</u>	<u>7,091,603</u>
Net financial assets	9,049,314	8,034,706
Non-financial assets:		
Tangible capital assets (note 8)	79,608,895	78,567,620
Inventory of supplies	122,766	104,271
Prepaid expenses	83,163	114,066
	<u>80,814,824</u>	<u>78,785,957</u>
Accumulated surplus (note 9)	<u>\$ 88,864,138</u>	<u>\$ 86,820,663</u>

Commitments and contingent liabilities (note 15)

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

TOWN OF SIDNEY

Statement of Operations and Accumulated Surplus Year ended December 31, 2015, with comparative figures for 2014

	<i>Budget</i>	Actual	Actual
	2015	2015	2014
	<i>(note 13)</i>		
Revenue:			
Net taxes available for municipal purposes (note 10)	\$ 12,264,223	\$ 12,274,566	\$ 11,989,745
Fees, rates and service charges	5,328,874	5,765,649	5,403,264
Government transfers (note 11)	1,533,801	1,367,563	1,959,624
Investment earnings	195,000	207,978	215,141
Gifts and contributions	18,500	479,969	291,602
Penalties and interest	93,052	102,915	89,836
Actuarial adjustment on debt	-	25,497	21,460
Other	16,800	212,319	154,106
Total revenue	19,450,250	20,436,456	20,124,778
Expenses:			
General government	2,301,885	2,195,906	2,245,787
Protective services	4,453,631	4,170,584	4,069,891
Transportation	3,606,722	3,575,292	3,433,521
Environmental health services	700,260	692,105	676,363
Environmental development	388,365	375,017	365,953
Leisure, parks and cultural	2,736,193	2,767,498	2,776,883
Water utility	1,919,923	2,048,836	1,823,469
Sewer utility	1,997,117	1,938,618	1,920,935
Other (note 12)	637,290	629,125	581,518
Total expenses	18,741,386	18,392,981	17,894,320
Annual surplus	708,864	2,043,475	2,230,458
Accumulated surplus, beginning of year	86,820,663	86,820,663	84,590,205
Accumulated surplus, end of year	\$ 87,529,527	\$ 88,864,138	\$ 86,820,663

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, 2015, with comparative figures for 2014

	Budget 2015	Actual 2015	Actual 2014
	<i>(note 13)</i>		
Annual surplus	\$ 708,864	\$ 2,043,475	\$ 2,230,458
Acquisition of tangible capital assets	(4,879,460)	(3,473,284)	(2,881,301)
Amortization of tangible capital assets	2,450,000	2,390,729	2,377,616
Loss on disposal of tangible capital assets	-	23,437	101,675
Proceeds on disposal of tangible capital assets	-	17,843	10,552
	(1,720,596)	1,002,200	1,839,000
Acquisition of inventory of supplies	-	(122,766)	(104,271)
Acquisition of prepaid expense	-	(83,163)	(114,066)
Consumption of inventory of supplies	-	104,271	80,864
Use of prepaid expenses	-	114,066	39,112
Change in net financial assets	(1,720,596)	1,014,608	1,740,639
Net financial assets, beginning of year	8,034,706	8,034,706	6,294,067
Net financial assets, end of year	\$ 6,314,110	\$ 9,049,314	\$ 8,034,706

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

TOWN OF SIDNEY

Statement of Cash Flows

Year ended December 31, 2015, with comparative figures for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 2,043,475	\$ 2,230,458
Items not involving cash:		
Amortization	2,390,729	2,377,616
Developer contribution of tangible capital assets	(273,334)	(171,464)
Change in employee benefits and other liabilities	(58,300)	1,000
Loss on disposal of tangible capital assets	23,437	101,675
Loss (gain) on leases	25	(5,656)
Actuarial adjustment on debt	(25,497)	(21,460)
Change in non-cash assets and liabilities:		
Property taxes receivable	7,381	(52,084)
Accounts receivable	155,660	(408,754)
Accounts payable and accrued liabilities	41,244	274,234
Deferred revenue	590,889	(848,068)
Inventory of supplies	(18,495)	(23,407)
Prepaid expenses	30,903	(74,955)
Net change in cash from operating activities	4,908,117	3,379,135
Capital activities:		
Proceeds on disposal of tangible capital assets	17,843	10,552
Cash used to acquire tangible capital assets	(3,199,950)	(2,691,120)
Net change in cash from capital activities	(3,182,107)	(2,680,568)
Investment activities:		
Investments	(1,004,948)	(3,527,034)
Net change in cash from investing activities	(1,004,948)	(3,527,034)
Financing activities		
Municipal Finance Authority debt reserve adjustment	(1,173)	(729)
Debt issued and assumed	25,300	-
Long-term debt repaid	(157,486)	(160,589)
Lease obligations repaid	(17,150)	(36,731)
Net change in cash from financing activities	(150,509)	(198,049)
Net change in cash and cash equivalents	570,553	(3,026,516)
Cash and cash equivalents, beginning of year	3,439,118	6,465,634
Cash and cash equivalents, end of year	\$ 4,009,671	\$ 3,439,118
Cash paid for interest	\$ 155,941	\$ 157,911
Cash received from interest	310,893	304,977
Assets acquired under capital lease	-	18,713

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

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2015

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, 2015

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 benefit 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 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, 2015

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

Leased assets 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 may 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, contaminated sites and contingent liabilities. Actual results could differ from these estimates.

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2015

2. Adoption of new accounting policy:

The Town of Sidney adopted Public Sector Accounting Board Standard *PS 3260 Liability for Contaminated Sites* effective January 1, 2015. Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use when an unexpected event resulted in contamination. The Town of Sidney adopted this standard on a retroactive basis and there were no adjustments as a result of the adoption of this standard.

3. Cash and cash equivalents:

The cash and cash equivalents reported on the statement of financial position are comprised of the following:

	2015		2014	
Cash	\$	4,009,671	\$	2,668,135
Municipal Finance Authority money market fund		-		770,983
	\$	4,009,671	\$	3,439,118

4. Deferred revenue and deposits:

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

	Balance at Dec 31, 2014	Recognized as revenue	Interest earned	Current year deferred	Balance at Dec 31, 2015
Prepaid property taxes	\$ 1,112,154	\$ (1,112,154)	\$ -	\$1,242,846	\$ 1,242,846
Prepaid fees and charges	96,511	(81,704)	-	167,124	181,931
Deferred developer contributions & deposits	335,572	(255,110)	2,100	419,815	502,377
Deposits on hold	112,300	(77,200)	-	285,172	320,272
	\$ 1,656,537	\$ (1,526,168)	\$ 2,100	\$ 2,114,957	\$ 2,247,426

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2015

5. 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:

	2015	2014
Accrued employee benefit obligations:		
Balance, beginning of year	\$ 758,600	\$ 694,600
Current service cost	86,900	70,400
Past service cost	-	39,100
Interest cost	24,900	28,100
Benefits paid	(182,300)	(142,500)
Actuarial adjustment	97,200	68,900
Balance, end of year	785,300	758,600
Unamortized net actuarial loss	(161,200)	(76,200)
Accrued employee benefit obligations	\$ 624,100	\$ 682,400

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.

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, 2013.

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

	2015	2014
Discount rates	3.10%	3.10%
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 \$124,000 (2014 - \$143,500).

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

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2015

5. Employee future benefit obligations (continued):

of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2015, the Plan has about 185,000 active members and approximately 80,000 retired members. Active members include approximately 37,000 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 \$574,537 for employer contributions (2014 - \$510,151) and Town employees paid \$492,060 for employee contributions (2014 - \$440,840) to the plan in fiscal 2015.

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, 2014. At December 31, 2015, the total plan provision for approved and unreported claims was \$19,101,700 with a net deficit of \$1,519,599. The actuary does not attribute portions of the unfunded liability to individual employers. The Town paid \$79,959 (2014 - \$77,662) for employer contributions and Town employees paid \$80,369 (2014 - \$78,461) for employee contributions to the plan in 2015.

6. Lease obligations:

The Town has entered into capital lease agreements, for various office equipment, for terms ranging to five years, expiring in 2019. The future minimum annual lease payments are as follows:

	2015	2014
2015	\$ -	\$ 15,412
2016	8,145	8,271
2017	6,915	6,915
2018	5,696	5,696
2019	1,335	1,335
Total minimum lease payments	22,091	37,628
Less: amount representing interest (at prime less 1%)	(1,174)	(1,219)
Present value of net minimum capital lease payments	\$ 20,917	\$ 36,410

Interest expense incurred during 2015 on the above leases amounted to \$549 (2014 - \$1,014).

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2015

7. Long-term debt:

- (a) The Town issues 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 of assets available to retire the debt are as follows:

	Gross debt	Actuarial allocation	Net debt 2015	Net debt 2014
Other debt	\$ 109,668	\$ -	\$ 109,668	\$ 129,000
General capital fund	3,850,000	811,284	3,038,716	3,178,699
	<u>\$ 3,959,668</u>	<u>\$ 811,284</u>	<u>\$ 3,148,384</u>	<u>\$ 3,307,699</u>

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, 2015 there were contingent demand notes of \$95,705 (2014 - \$95,705) and cash deposits of \$46,968 (2014 - \$45,795). 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.

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

2016	\$ 162,413
2017	162,482
2018	119,551
2019	119,620
2020	118,032

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

- (d) Total interest paid during the year was \$155,394 (2014 - \$157,261).
- (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 2015 was 3.82% (2014 - 3.83%).

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2015

7. Long-term debt (continued):

- (f) Included in other debt is an Equipment Financing Loan Agreement with the Municipal Finance Authority. The Town borrowed proceeds of \$25,300 to finance the purchase of tangible capital assets.

The loan is repaid in monthly payments of \$435 with a maturity date of August 31, 2020. The loan is repayable on demand upon occurrence of any events of default. Interest is charged on a daily floating rate basis and compounded monthly. At year end, the current floating rate was 1.38% per annum. Interest paid during the year was \$127 (2014 - \$nil) and has been included in expenses on the statement of operations. As a condition of borrowing, the Town has issued a promissory note in the value of \$25,300 to the MFA.

8. Tangible capital assets:

Cost	Balance at Dec 31, 2014	Additions / Transfers	Disposals	Balance at Dec 31, 2015
Land	\$ 15,143,104	\$ -	\$ -	\$ 15,143,104
Land improvements	4,054,896	91,539	-	4,146,435
Building and building improvements	23,311,724	553,359	(13,048)	23,852,035
Vehicles, machinery and equipment	10,211,026	572,757	(431,661)	10,352,122
Water and wastewater infrastructure	35,464,815	1,453,238	-	36,918,053
Roads infrastructure	27,004,436	649,198	(155,935)	27,497,699
Assets under construction	558,281	153,193	-	711,474
Total	\$ 115,748,282	\$ 3,473,284	\$ (600,644)	\$ 118,620,922

Accumulated Amortization	Balance at Dec 31, 2014	Disposals	Amortization Expense	Balance at Dec 31, 2015
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	1,418,090	-	152,138	1,570,228
Building and building improvements	8,569,991	(14,911)	614,344	9,169,424
Vehicles, machinery and equipment	4,905,994	(420,864)	632,276	5,117,406
Water and wastewater infrastructure	13,395,064	-	489,610	13,884,674
Roads infrastructure	8,891,523	(123,589)	502,361	9,270,295
Assets under construction	-	-	-	-
Total	\$ 37,180,662	\$ (559,364)	\$ 2,390,729	\$ 39,012,027

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2015

8. Tangible capital assets (continued):

Net Book Value	Balance at Dec 31, 2014	Balance at Dec 31, 2015
Land	\$ 15,143,104	\$ 15,143,104
Land improvements	2,636,806	2,576,207
Building and building improvements	14,741,733	14,682,611
Vehicles, machinery and equipment	5,305,032	5,234,716
Water and wastewater infrastructure	22,069,751	23,033,379
Roads infrastructure	18,112,913	18,227,404
Assets under construction	558,281	711,474
Total	\$ 78,567,620	\$ 79,608,895

(a) Assets under construction

Assets under construction having a value of \$711,474 (2014 - \$558,281) have not been amortized. Amortization of these assets will commence when the assets are 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 \$273,334 (2014 - \$171,464).

(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, 2015

9. Accumulated surplus:

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

	2015	2014
Surplus:		
Invested in tangible capital assets	\$ 76,521,602	\$ 75,264,240
Surplus from operations	4,785,701	4,183,717
Total surplus	81,307,303	79,447,957
Reserves set aside by Council:		
Miscellaneous operating purposes	504,780	412,640
Miscellaneous capital purposes	612,122	493,320
Total reserves	1,116,902	905,960
Reserves funds set aside for specific purposes by Council:		
Land sale proceeds	16,452	16,152
Parkland acquisition	125,494	619
Off-street parking	80,586	74,586
Computer replacement	436,427	504,561
General equipment replacement	715,225	671,082
Fire equipment replacement	478,205	450,779
Water capital	346,475	340,875
Sewer capital	23,016	22,616
Infrastructure replacement	1,566,553	2,201,990
Water rates stabilization	244,055	240,155
Amenities	20,076	39,476
Ferry terminal	467,725	490,005
Contingency	69,933	62,933
Agreements	143,428	120,078
Gas Tax - Community Works Fund	1,659,315	1,185,044
Total reserve funds	6,392,965	6,420,951
Restricted cash	46,968	45,795
	\$ 88,864,138	\$ 86,820,663

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.

	2015	2014
Federal gas tax agreement funds		
Gas tax agreement funds, beginning of year	\$ 1,185,044	\$ 701,827
Amounts received during the year	506,971	506,967
Interest earned restricted for projects	(52,000)	11,700
Expenditures	19,300	(35,450)
Gas tax agreements funds, end of year	\$ 1,659,315	\$ 1,185,044

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2015

10. Net taxes available for municipal purposes:

	2015	2014
Taxes:		
Property taxes	\$ 22,369,590	\$ 22,054,881
Revenue in lieu of taxes	217,674	212,198
Other	1,108,836	1,179,366
	23,696,100	23,446,445
Less taxes on behalf of:		
Provincial Government School Authorities	6,581,187	6,660,279
Capital Regional District	2,206,380	2,134,275
Capital Regional Hospital District	1,022,555	1,044,756
BC Transit	1,136,257	1,142,336
BC Assessment Authority	211,814	218,127
Municipal Finance Authority	685	677
Business Improvement Association	262,656	256,250
	11,421,534	11,456,700
Net taxes available for municipal purposes	\$ 12,274,566	\$ 11,989,745

11. 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:

	2015	2014
Federal grants:		
Gas Tax - Community Works Funding	\$ 506,971	\$ 1,208,794
Gas Tax - Regionally Significant Project Funding	-	58,412
	506,971	1,267,206
Provincial grants:		
Federal / provincial capital grant programs	15,518	20,500
Small community protection grant	349,363	214,743
Traffic fine revenue sharing	130,384	96,960
Other provincial grants	120	195
	495,385	332,398
Regional and other local government transfers:		
Policing	279,653	284,912
Recreation	64,441	65,108
Other	21,113	10,000
	365,207	360,020
Total government transfer revenue	\$ 1,367,563	\$ 1,959,624

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2015

12. Other expenses:

	2015	2014
Grants to non-government organizations:		
Sidney and North Saanich Memorial Park Society	\$ 255,527	\$ 208,852
Saanich Peninsula Chamber of Commerce	60,000	60,000
New Marine Centre Society	65,000	42,600
Sidney Business Improvement Area Society	24,000	35,500
Peninsula Celebrations Society	12,000	12,000
Other	32,303	30,909
	448,830	389,861
Interest on prepaid taxes	3,908	5,644
Amortization and net loss on miscellaneous assets	69,997	130,556
Other	106,390	55,457
	\$ 629,125	\$ 581,518

13. Budget data:

The budget data presented in these financial statements is based upon the 2015-2019 Financial Plan adopted by Council on April 27, 2015. The table below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenues:	
Financial Plan	\$ 19,051,838
Add:	
Vancouver Island Regional Library Levy	661,068
Less:	
Sidney Business Improvement Area Levy	(262,656)
Total revenue	19,450,250
Expenses:	
Financial Plan	18,342,974
Add:	
Vancouver Island Regional Library Levy	661,068
Less:	
Sidney Business Improvement Area Levy	(262,656)
Total Expenses	18,741,386
Annual surplus	\$ 708,864

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2015

14. 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 contractors.

(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, 2015

14. 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 Activity 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) Sewer and Water 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.

(viii) Other:

Other includes all revenues and expenses not captured in the other segmentation categories.

Other revenues include municipal taxes, provincial and federal government grants, traffic fine revenues, investment income, developer contributions and other miscellaneous sources of revenue.

Other expenses include community support funding and grants, economic development, contingencies and other miscellaneous expenses.

The resulting annual surplus is primarily used for budgeted transfers to reserves and debt principal repayments.

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 year end operating results and funding of capital expenditures.

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, 2015

14. Segmented information (continued):

	General Government	Protective Services	Transportation	Environmental Health Services	Environmental Development	Leisure, Parks and Cultural	Water Utility	Sewer Utility	Other	2015
Revenue:										
Taxes for municipal purposes	\$ 1,669,495	\$ 3,412,764	\$ 1,695,252	\$ 142,471	\$ 332,059	\$ 2,058,427	\$ 356,141	\$ 501,000	\$ 2,106,957	\$ 12,274,566
Fees, rates and service charges	383,987	493,148	694,444	569,566	42,958	186,192	1,689,236	1,702,701	3,417	5,765,649
Government transfers	-	303,700	12,707	-	-	64,441	-	-	986,715	1,367,563
Investment earnings	-	-	-	-	-	-	-	-	207,978	207,978
Gifts and contributions	-	1,760	149,984	-	-	5,000	33,000	90,350	199,875	479,969
Penalties and interest	-	-	-	2,175	-	-	5,354	6,169	89,217	102,915
Actuarial adjustment on debt	-	-	-	-	-	-	-	-	25,497	25,497
MFA debt reserve fund surplus	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	212,319	212,319
Total revenue	2,053,482	4,211,372	2,552,387	714,212	375,017	2,314,060	2,083,731	2,300,220	3,831,975	20,436,456
Expenses:										
Salaries, wages and benefits	1,710,815	1,650,965	1,661,080	104,408	342,463	916,421	411,682	265,526	15,186	7,078,546
Contracted services	557,569	2,147,357	350,159	546,881	26,469	1,073,764	36,857	1,370,205	355,102	6,464,363
Supplies and equipment	(254,414)	125,149	353,197	40,816	6,085	224,290	1,373,169	141,604	55	2,009,951
Debt interest	407	14	36,222	-	-	119,299	-	-	-	155,942
Other	4,590	9,256	7,750	-	-	-	31,803	-	240,051	293,450
Amortization	176,939	237,843	1,166,884	-	-	433,724	195,325	161,283	18,731	2,390,729
Total expenses	2,195,906	4,170,584	3,575,292	692,105	375,017	2,767,498	2,048,836	1,938,618	629,125	18,392,981
Annual surplus	\$ (142,424)	\$ 40,788	\$ (1,022,905)	\$ 22,107	\$ -	\$ (453,438)	\$ 34,895	\$ 361,602	\$ 3,202,850	\$ 2,043,475

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2015

14. 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, 2015

15. 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 a participant in the Municipal Insurance Association of British Columbia (MIABC). Should the MIABC pay out claims in excess of premiums received, it is possible that the Town, along with other participants, would be required to contribute towards the deficit. Management does not consider external payment under this contingency to be likely and therefore, no amounts have been accrued.
- (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.