

Consolidated Financial Statements of

# **TOWN OF SIDNEY**

Year ended December 31, 2009



# **TOWN OF SIDNEY**

**BRITISH COLUMBIA**

# TOWN OF SIDNEY

Consolidated Financial Statements

Year ended December 31, 2009

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# TOWN OF SIDNEY

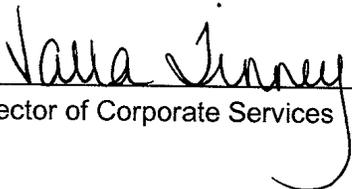
## FINANCIAL REPORTING RESPONSIBILITY

The accompanying consolidated financial statements of Town of Sidney (the “Town”) are the responsibility of management. To ensure their integrity, objectivity and reliability, management has selected appropriate accounting policies that are in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The consolidated financial statements necessarily include some amounts that are based on estimates and the judgment of management with appropriate consideration to materiality.

The Town’s accounting systems and related internal controls and supporting procedures are designed and maintained to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorized use or disposition. The procedures include training and selection of qualified staff, the establishment of an organizational structure that provides a well-defined division of responsibilities, accountability for performance and communication of standards of business conduct.

The Municipal Council, acting through its Standing Committees, oversees management’s responsibilities for the financial reporting and internal control systems. The Committees meet periodically with management and the independent auditors to satisfy themselves that management’s responsibilities are properly discharged, to review the financial statements and to recommend acceptance of the financial statements to Council.

KPMG LLP, Chartered Accountants, the independent auditors appointed by the Town, have examined these consolidated financial statements and issued their report, which follows. The auditors have full and unrestricted access to the Council to discuss their audit and their related findings.

  
\_\_\_\_\_  
Director of Corporate Services



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**Chartered Accountants**  
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## **AUDITORS' REPORT TO THE MAYOR AND COUNCILLORS OF THE TOWN OF SIDNEY**

We have audited the consolidated statement of financial position of Town of Sidney as at December 31, 2009 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Victoria, Canada

May 28, 2010

# TOWN OF SIDNEY

## Consolidated Statement of Financial Position

December 31, 2009, with comparative figures for 2008

	2009	2008
		(Restated – note 2)
<b>Financial assets:</b>		
Cash and cash equivalents (note 3)	\$ 10,173,865	\$ 10,162,716
Property taxes receivable	353,182	404,828
Accounts receivable	1,379,977	1,074,424
	<u>11,907,023</u>	<u>11,641,968</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	1,261,815	1,143,144
Deferred revenue (note 4)	2,125,706	2,034,377
Employee benefit obligations (note 5)	447,700	395,600
Lease and other obligations (note 6)	386,230	250,546
Long-term debt (note 7)	1,550,353	1,843,286
	<u>5,771,804</u>	<u>5,666,953</u>
Net financial assets	6,135,219	5,975,015
<b>Non-financial assets:</b>		
Tangible capital assets (note 8)	72,907,396	71,937,613
Inventories of supplies	85,235	96,389
Prepaid expenses	37,323	56,206
	<u>73,029,953</u>	<u>72,090,208</u>
<b>Accumulated surplus</b> (note 9)	<u>\$ 79,165,172</u>	<u>\$ 78,065,223</u>

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

# TOWN OF SIDNEY

## Consolidated Statement of Operations

Year ended December 31, 2009, with comparative figures for 2008

	<i>Budget 2009</i>	Actual 2009	Actual 2008
	(Unaudited – note 15)		(Restated - note 2)
<b>Revenue:</b>			
Net taxes available for municipal purposes (note 10)	\$ 10,345,604	\$ 10,338,225	\$ 9,660,513
Fees, rates and service charges	4,857,611	4,773,941	4,632,671
Government transfers (note 11)	1,359,217	1,728,295	1,025,188
Investment earnings	307,500	90,352	349,415
Gifts and contributions	192,214	120,930	2,122,107
Penalties and interest	74,000	97,604	90,592
Actuarial adjustment on debt	-	116,730	102,087
Other	1,008,600	9,651	21,186
<b>Total revenue</b>	<b>18,144,746</b>	<b>17,275,728</b>	<b>18,003,759</b>
<b>Expenses:</b>			
General government	1,851,905	2,018,144	1,752,286
Protective services	3,430,201	3,489,647	3,377,095
Transportation	2,868,853	3,043,750	2,920,269
Environmental health services	445,699	449,616	443,945
Environmental development	344,900	331,519	366,921
Leisure, parks and cultural	1,923,966	2,235,398	2,173,804
Water utility	2,065,584	1,966,161	1,965,787
Sanitary sewer	2,299,935	2,215,774	2,190,157
Other (note 12)	1,486,813	425,770	393,018
<b>Total expenses (note 13)</b>	<b>16,717,856</b>	<b>16,175,779</b>	<b>15,583,282</b>
<b>Annual surplus</b>	<b>1,426,890</b>	<b>1,099,949</b>	<b>2,420,477</b>
Accumulated surplus, beginning of year	78,065,223	78,065,223	75,644,746
<b>Accumulated surplus, end of year</b>	<b>\$ 79,492,113</b>	<b>\$ 79,165,172</b>	<b>\$ 78,065,223</b>

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

# TOWN OF SIDNEY

## Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2009, with comparative figures for 2008

	<i>Budget</i>	2009	2008
Annual surplus	\$ 1,426,890	\$ 1,099,949	\$ 2,420,477
Acquisition of tangible capital assets	(3,514,427)	(3,026,076)	(4,200,997)
Amortization of tangible capital assets	-	2,008,674	1,892,008
Proceeds on sale of tangible capital assets	-	47,619	6,549
	(2,087,537)	130,166	118,037
Acquisition of inventories of supplies	-	(85,235)	(96,389)
Acquisition of prepaid expense	-	(37,322)	(56,206)
Consumption of inventories of supplies	-	96,389	107,818
Use of prepaid expense	-	56,206	60,643
Change in net financial assets	(2,087,537)	160,204	133,903
Net financial assets, beginning of year	5,975,015	5,975,015	5,841,112
Net financial assets, end of year	\$ 3,887,478	\$ 6,135,219	\$ 5,975,015

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

# TOWN OF SIDNEY

## Consolidated Statement of Cash Flows

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
		(Restated – Note 2)
Cash provided by (used in):		
<b>Operating activities:</b>		
Annual surplus	\$ 1,099,949	\$ 2,420,477
Items not involving cash:		
Amortization	2,008,674	1,892,008
Developer contributions of tangible capital assets	-	(1,934,293)
Change in employee benefits and other liabilities	52,100	79,700
Change in non-cash assets and liabilities:		
Property taxes receivable	51,646	(63,589)
Accounts receivable	(303,552)	35,054
Accounts payable and accrued liabilities	118,671	74,486
Deferred revenue	91,329	352,665
Inventories of supplies	11,154	11,429
Prepaid expenses	18,884	4,437
Net change in cash from operating activities	3,146,855	2,872,374
<b>Capital activities:</b>		
Proceeds on sale of tangible capital assets	47,619	6,549
Cash used to acquire tangible capital assets	(2,791,271)	(2,153,686)
Net change in cash from capital activities	(2,743,652)	(2,147,137)
<b>Financing activities:</b>		
Debt issued and assumed	39,205	-
Long-term debt repaid	(215,408)	(207,568)
Actuarial adjustment on debt	(116,730)	(102,087)
Lease obligations repaid	(99,121)	(60,297)
Net change in cash from financing activities	(392,054)	(369,952)
Net change in cash	11,149	355,285
Cash and cash equivalents, beginning of year	10,162,716	9,807,431
Cash and cash equivalents, end of year	\$ 10,173,865	\$ 10,162,716
Supplemental cash flow information:		
Cash paid for interest	\$ 188,465	\$ 206,636
Cash received from interest	187,956	440,007
Assets acquired under capital lease	234,805	113,018

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

# TOWN OF SIDNEY

## Notes to Consolidated Financial Statements

Year ended December 31, 2009

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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 consolidated financial statements of the Town are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Town are as follows:

(a) Basis of consolidation:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable to the Town for the administration of their financial affairs and resources, and which are owned or controlled by the Town.

(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:

Transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. Transfers received for which expenses are not yet incurred are included in deferred revenue

(d) 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 performed, or the tangible capital assets are acquired.

(e) 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 investment and forms part of the deferred revenue balance.

# TOWN OF SIDNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2009

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## 1. Significant accounting policies (continued):

(f) 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.

(g) 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:

<b>Asset</b>	<b>Useful Life - Years</b>
Land improvements	20 - 50
Buildings and building improvements	10 - 100
Vehicles, machinery and equipment	3 - 40
Water and wastewater infrastructure	50 - 75
Roads infrastructure - Base	50 - 100
- Surface	25 - 75

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Annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

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

(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.

# TOWN OF SIDNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2009

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## 1. Significant accounting policies (continued):

### (v) Leased tangible capital assets

Leases which transfer substantially all of 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.

### (h) Foreign currency:

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at December 31, 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.

### (i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and 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 provisions for accrued liabilities, and in performing actuarial valuations of employee future benefits.

In addition, the Town's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

## 2. Change in accounting policies:

The Town has implemented PSAB sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets.

Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. PS 1200 determines that four key figures describe the financial position of governments: cash resources (financial assets); net asset (debt) position (financial assets minus liabilities); non-financial assets available for service provision; and accumulated surplus or deficit. The financial statement format has been changed from prior years to comply with this standard.

Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction. This change in accounting policy has been applied retroactively and prior periods have been restated.

# TOWN OF SIDNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2009

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## 2. Change in accounting policies (continued):

### Methods used for determining the cost of each major category of tangible capital assets

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The Town applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset.

After defining replacement or reproduction cost, the Consumer Price Index for Canada and the Engineering News Record Construction Price Index were used as resources for determining appropriate indices in order to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition.

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:

### Accumulated surplus at January 1, 2008:

Operating fund balance	\$ 3,571,736
Reserves	3,666,874
Reserve funds	1,013,911
Equity in capital assets	58,525,886
Accumulated surplus, as previously reported	68,778,407
Change in net book value of tangible capital assets	8,866,339
Accumulated surplus at January 1, 2008, as restated	\$ 75,644,746

### Annual surplus for 2008:

Net revenues, as previously reported	\$ 125,366
Developer contribution of tangible capital assets	1,934,293
Assets capitalized but previously expensed	2,266,704
Amortization expense not previously recorded	(1,892,008)
Change in inventory	(11,429)
Proceeds on disposal reported as revenue	(6,549)
Lease principal adjustment	4,100
Annual surplus, as restated	\$ 2,420,477

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Accumulated surplus at December 31, 2008, as restated	\$ 78,065,223
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# TOWN OF SIDNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2009

### 3. Cash and cash equivalents:

Cash equivalents represent short-term, highly liquid investments with a term to maturity of 90 days or less at acquisition.

	2009	2008
Cash	\$ 1,592,377	\$ 1,051,622
Municipal Finance Authority money market fund investments	8,581,489	9,111,094
	<u>\$10,173,865</u>	<u>\$ 10,162,716</u>

### 4. Deferred revenue:

The deferred revenues reported on the consolidated statement of financial position are made up of the following:

	2009	2008
Federal Gas Tax Agreement Funds		
Deferred gas tax agreement funds, beginning of year	\$ 418,984	\$ 220,564
Amounts received during the year	358,855	186,495
Interest earned restricted for projects	5,120	11,925
Expenditures	(44,045)	-
Deferred gas tax agreement funds, end of year	<u>738,914</u>	<u>418,984</u>
Other deferred government grants	33,290	70,824
Prepaid property taxes	738,133	677,380
Deferred revenue - prepaid fees and charges	138,599	246,559
Deferred developer contributions	431,069	569,420
Other deferred revenue	45,700	51,210
	<u>1,386,791</u>	<u>1,615,433</u>
Total deferred revenue	<u>\$ 2,125,705</u>	<u>\$ 2,034,377</u>

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

# TOWN OF SIDNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2009

## 5. Employee 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:

	2009	2008
Accrued employee benefit obligations:		
Balance, beginning of year	\$ 395,600	\$ 311,000
Current service cost	42,900	33,200
Interest cost	22,300	15,300
Benefits paid	(38,600)	(33,000)
Past service cost	25,500	91,200
Actuarial adjustment	12,400	(22,100)
Balance, end of year	460,100	395,600
Unamortized net actuarial gain / loss	(12,400)	-
Accrued employee benefit obligations	\$ 447,700	\$ 395,600

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

The amount recorded for these benefits is based on an actuarial evaluation performed by an independent firm using a projected benefit actuarial valuation method pro-rated on services. This evaluation is reviewed on a periodic basis. The most recent actuarial valuation of the Town's employee future benefits was completed as at December 31, 2009. The significant actuarial assumptions adopted in measuring the Town's accrued benefit obligation are as follows:

	2009	2008
Discount rates	5.00%	5.25%
Expected wage and salary increases	2.58% to 4.50%	2.58% to 4.50%
Expected inflation rates	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 consolidated financial statements in respect of obligations under this plan amounts to \$90,700 (2008 - \$112,700).

### Pension plan:

The Town and its employees contribute to the Municipal Pension Plan (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 pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined.

# TOWN OF SIDNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2009

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## 5. Employee benefit obligations (continued):

The Plan has about 158,000 active members and approximately 57,000 retired members. Active members include approximately 33,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation, as at December 31, 2006, indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009, with results available in 2010. The actuary does not attribute portions of the surplus to individual employers. The Town paid \$349,344 for employer contributions to the plan in fiscal 2009 (2008 - \$327,044) and Town employees paid \$311,030 for employee contributions to the Plan (2008 - \$286,843).

## 6. Lease and other obligations:

- (a) The Town has financed the purchase of a commercial kitchen adjacent to its Seniors Centre. The purchase price of \$470,000 consisted of a cash payment of \$250,000 and a non-interest-bearing promissory note in the amount of \$220,000. The amount of \$220,000 is to be paid through monthly installments of \$3,667, with the first monthly payment having been made in February 2007 and the last payment to be made in January 2012. The outstanding obligation at December 31, 2009 was \$91,655 (2008 - \$135,659).
- (b) The Town has entered into capital lease agreements, for various public works and office equipment, for terms ranging from four to five years, as summarized below:

	2009	2008
Lease obligation, beginning of year	\$ 114,887	\$ 18,162
Add: new lease obligations	234,805	113,018
Less: principal payments made	(55,117)	(16,293)
Lease obligation, end of year	\$ 294,575	\$ 114,887

The interest rate on the above leases is the prime rate, minus one percent. Interest expense incurred during 2009 on these leases amounted to \$3,211 (2008 - \$2,924).

Estimated principal payments over the next five years, including the commercial kitchen:

2010	\$ 123,392
2011	124,390
2012	80,431
2013	49,297
2014	8,720

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# TOWN OF SIDNEY

## Notes to Consolidated Financial Statements

Year ended December 31, 2009

### 7. Long-term debt:

- (a) The Town issued debt instruments through the Municipal Finance Authority (MFA) pursuant to security issuing bylaws under authority of the Local Government Act, to finance certain capital expenses. Sinking fund balances, managed by the MFA, are netted against related long-term debt.

	Gross debt	Sinking fund credit	Net debt 2009	Net debt 2008
Demand promissory notes	\$ 44,364	\$ -	\$ 44,364	\$ 26,000
MFA debentures	4,060,534	2,554,545	1,505,989	1,817,286
	<u>\$ 4,104,898</u>	<u>\$ 2,554,545</u>	<u>\$ 1,550,353</u>	<u>\$ 1,843,286</u>

- (b) 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, 2009 there were contingent demand notes of \$184,731 (2008 - \$184,731) and cash deposits of \$69,877 (2008 - \$67,941) which are not included in the financial statements of the Town.

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

2010	194,568
2011	194,568
2012	190,990
2013	50,651
2014	45,553

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

- (d) Total interest expense during the year was \$184,246 (2008 - \$186,473).
- (e) Existing long-term debt matures in annual amounts to the year 2022, and interest rates range from 4.25% to 5.69%. The weighted average interest rate for 2009 was 4.6%.

# TOWN OF SIDNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2009

## 8. Tangible capital assets:

Cost	Balance at Dec. 31, 2008 (note 2)	Additions	Disposals	Balance at Dec. 31, 2009
Land	\$ 15,406,586	\$ -	\$ -	\$ 15,046,586
Land improvements	1,779,784	525,904	-	2,305,688
Buildings and building improvements	19,031,741	179,443	-	19,211,184
Vehicles, machinery and equipment	7,150,641	883,618	(284,935)	7,749,324
Water and wastewater infrastructure	33,146,858	658,840	(65,543)	33,740,155
Roads infrastructure	21,993,696	614,022	(174,266)	22,433,452
Assets under construction	146,771	164,249	-	311,020
<b>Total</b>	<b>\$ 98,296,077</b>	<b>\$ 3,026,076</b>	<b>\$ (524,744)</b>	<b>\$ 100,797,409</b>

Accumulated amortization	Balance at Dec. 31, 2008 (note 2)	Disposals	Amortization expense	Balance at Dec. 31, 2009
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	734,476	-	78,886	813,362
Buildings and building improvements	5,022,710	-	548,552	5,571,262
Vehicles, machinery and equipment	2,771,093	(237,316)	521,327	3,055,104
Water and wastewater infrastructure	10,935,342	(65,543)	449,000	11,318,799
Roads infrastructure	6,894,843	(174,266)	410,909	7,131,486
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ 26,358,464</b>	<b>\$ (477,125)</b>	<b>\$ 2,008,674</b>	<b>\$ 27,890,013</b>

	Net book value Dec. 31, 2008	Net book value Dec. 31, 2009
Land	\$ 15,046,586	\$ 15,046,586
Land improvements	1,045,308	1,492,326
Buildings and building improvements	14,009,031	13,639,922
Vehicles, machinery and equipment	4,379,548	4,694,220
Water and wastewater infrastructure	22,211,516	22,421,356
Roads infrastructure	15,098,853	15,301,966
Assets under construction	146,771	311,020
<b>Total</b>	<b>\$ 71,937,613</b>	<b>\$ 72,907,396</b>

# TOWN OF SIDNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2009

## 8. Tangible capital assets (continued):

Cost	Balance at Dec. 31, 2007	Additions	Disposals	Balance at Dec. 31, 2008 (note 2)
Land	\$ 15,046,586	\$ -	\$ -	\$ 15,046,586
Land improvements	1,779,784	-	-	1,779,784
Buildings and building improvements	16,971,052	2,160,689	(100,000)	19,031,741
Vehicles, machinery and equipment	6,505,851	749,293	(104,503)	7,150,641
Water and wastewater infrastructure	32,853,656	364,530	(71,328)	33,146,858
Roads infrastructure	21,421,586	779,714	(207,604)	21,993,696
Assets under construction	-	146,771	-	146,771
<b>Total</b>	<b>\$ 94,578,515</b>	<b>\$ 4,200,997</b>	<b>\$ (483,435)</b>	<b>\$ 98,296,077</b>

Accumulated amortization	Balance at Dec. 31, 2007	Disposals	Amortization expense	Balance at Dec. 31, 2008 (note 2)
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	680,910	-	53,566	734,476
Buildings and building improvements	4,582,459	(100,000)	540,251	5,022,710
Vehicles, machinery and equipment	2,417,110	(97,954)	451,937	2,771,093
Water and wastewater infrastructure	10,564,604	(71,328)	442,066	10,935,342
Roads infrastructure	6,698,259	(207,604)	404,188	6,894,843
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ 24,943,342</b>	<b>\$ (476,886)</b>	<b>\$ 1,892,008</b>	<b>\$ 26,358,464</b>

	Net book value Dec. 31, 2007	Net book value Dec. 31, 2008
Land	\$ 15,046,586	\$ 15,046,586
Land improvements	1,098,874	1,045,308
Buildings and building improvements	12,388,593	14,009,031
Vehicles, machinery and equipment	4,088,741	4,379,548
Water and wastewater infrastructure	22,289,052	22,211,516
Roads infrastructure	14,723,327	15,098,853
Assets under construction	-	146,771
<b>Total</b>	<b>\$ 69,635,173</b>	<b>\$ 71,937,613</b>

### a) Assets under construction

Assets under construction having a value of \$311,020 (2008 - \$146,771) have not been amortized. Amortization of these assets will commence when the asset is put into service.

### b) Contributed tangible capital assets

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$ nil (2008 - \$1,934,293).

# TOWN OF SIDNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2009

## 8. Tangible capital assets (continued):

### 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.

## 9. Accumulated surplus:

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

	2009	2008
<b>Surplus:</b>		
Invested in tangible capital assets	\$70,970,813	\$69,843,781
Surplus from operations	3,745,434	3,289,981
Total surplus	74,716,247	73,133,762
<b>Reserves set aside by Council:</b>		
20-Year plans	1,264,053	1,254,087
Third parties for operating purposes	5,354	3,692
Third parties for capital purposes	149,874	260,410
Miscellaneous operating purposes	1,100,653	1,142,849
Miscellaneous capital purposes	1,003,607	1,052,058
Total reserves	3,523,541	3,713,096
<b>Reserve funds set aside for specific purpose by Council:</b>		
Land sale proceeds	96,173	95,136
Parkland acquisition	596	590
Off-street parking	180,315	175,998
Software replacement	213,398	228,056
General equipment replacement	66,860	247,132
Fire equipment replacement	206,541	353,299
Water equipment replacement	70,334	57,705
Sewer equipment replacement	91,167	60,449
Total reserve funds	925,384	1,218,365
	\$79,165,172	\$78,065,223

# TOWN OF SIDNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2009

## 10. Net taxes available for municipal purposes:

	2009	2008
Taxes:		
Property taxes	\$19,130,974	\$17,875,139
Revenue in lieu of taxes	197,933	196,183
Other	963,347	1,031,118
	20,292,254	19,102,440
Less taxes on behalf of:		
Provincial Government School Authorities	6,542,341	6,446,880
Capital Regional District	1,761,063	1,539,826
Capital Regional Hospital District	753,266	656,164
BC Transit	673,816	584,361
BC Assessment Authority	222,896	214,184
Municipal Finance Authority	648	512
	9,954,030	9,441,927
Net taxes available for municipal purposes	\$10,338,224	\$ 9,660,513

## 11. Government transfers:

The Town recognizes the transfer of government funding as revenues in the period that the events giving rise to the transfer occurred. The Government transfers reported on the statement of operations are:

	2009	2008
Federal transfers:		
Federal/Provincial capital grant programs	\$ 88,089	\$ 50,750
Gas tax agreement	44,045	-
Ferry contribution agreement	14,270	1,550
Other federal grants	5,000	-
	151,404	52,300
Provincial transfers:		
Federal/Provincial capital grant programs	88,089	50,750
Provincial capital grant programs	208,265	66,734
Small community protection grant	567,227	269,968
Traffic fine revenue sharing	173,122	115,203
Tourism grants	29,837	53,513
Emergency programs	4,613	7,590
Policing	32,549	-
Other provincial grants	16,029	178
	1,119,731	563,936
Regional and other local government transfers:		
Policing	415,416	354,698
Recreation	41,194	31,656
Miscellaneous	550	22,598
	457,160	408,952
	\$ 1,728,295	\$ 1,025,188

# TOWN OF SIDNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2009

## 12. Other expenses:

	2009	2008
Grants to non-government organizations:		
Sidney and North Saanich Memorial Park Society	\$ 161,363	\$ 153,075
Sidney Business Association	45,000	74,000
New Marine Centre Society	80,974	49,886
Friends of the Marine Ecology Station	21,300	42,600
Other	30,700	27,000
Interest on prepaid taxes	1,008	17,239
Amortization on miscellaneous assets	8,934	8,934
Other	76,491	20,284
	<u>\$ 425,770</u>	<u>\$ 393,018</u>

## 13. Expenses by object:

	2009	2008
Salaries, wages and employee benefits	\$ 5,541,002	\$ 5,236,970
Contracted services	6,176,805	6,058,252
Supplies and equipment	1,987,368	1,917,343
Debt interest	188,272	188,760
Other	273,658	289,949
Amortization	2,008,674	1,892,008
	<u>\$ 16,175,779</u>	<u>\$ 15,583,282</u>

## 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 against any member in excess of \$10,000. 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.

# TOWN OF SIDNEY

Notes to Consolidated Financial Statements

Year ended December 31, 2009

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## 14. Commitments and contingent liabilities (continued):

- (d) There are lawsuits pending in which the Town is involved. It is considered that the potential claims against the Town resulting from such litigation would be covered by insurance, and would, therefore, not materially affect the consolidated financial statements of the Town.

## 15. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2009 operating and capital budgets approved by Council on May 11, 2009. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	Budget amount
Revenues:	
Operating budget	\$ 17,853,221
Capital budget	3,514,427
Add:	
Regional library	496,696
Less:	
Transfers from own funds	(3,319,598)
Proceeds of debt issue	(400,000)
Total revenue	18,144,746
Expenses:	
Operating budget	17,853,221
Capital budget	3,514,427
Add:	
Regional library	496,696
Less:	
Transfers to own funds	(1,316,326)
Debt principal payments	(315,735)
	20,232,283
Less:	
Capital budget	(3,514,427)
Total expenses	16,717,856
Annual surplus	\$ 1,426,890