

Financial Statements of

TOWN OF SIDNEY

Year ended December 31, 2010



TOWN OF SIDNEY

BRITISH COLUMBIA

TOWN OF SIDNEY

Financial Statements

Year ended December 31, 2010

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TOWN OF SIDNEY

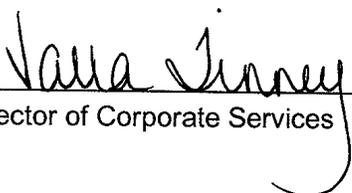
FINANCIAL REPORTING RESPONSIBILITY

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 established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. 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 Town of Sidney

We have audited the accompanying financial statements of Town of Sidney which comprise the statement of financial position as at December 31, 2010, the statements of operations, 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 Town of Sidney as at December 31, 2010, and its results of operations and its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

May 24, 2011
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, 2010, with comparative figures for 2009

	2010	2009
Financial assets:		
Cash and cash equivalents (note 2)	\$ 11,190,747	\$ 10,173,865
Property taxes receivable	446,294	353,182
Accounts receivable	2,106,843	1,379,977
	<u>13,743,884</u>	<u>11,907,024</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,587,957	1,261,815
Deferred revenue (note 3)	3,161,597	2,125,706
Employee future benefit obligations (note 4)	471,700	447,700
Lease and other obligations (note 5)	303,620	386,230
Long-term debt (note 6)	2,651,113	1,550,353
	<u>8,175,987</u>	<u>5,771,804</u>
Net financial assets	5,567,897	6,135,220
Non-financial assets:		
Tangible capital assets (note 7)	73,953,420	72,907,396
Inventories of supplies	83,800	85,235
Prepaid expenses	62,541	37,323
	<u>74,099,761</u>	<u>73,029,953</u>
Accumulated surplus (note 8)	<u>\$ 79,667,658</u>	<u>\$ 79,165,174</u>

Commitments and contingent liabilities (note 13)

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

TOWN OF SIDNEY

Statement of Operations

Year ended December 31, 2010, with comparative figures for 2009

	<i>Budget 2010</i>	Actual 2010	Actual 2009
	(Unaudited – note 14)		
Revenue:			
Net taxes available for municipal purposes (note 9)	\$ 10,574,598	\$ 10,575,193	\$ 10,338,225
Fees, rates and service charges	5,280,750	4,979,853	4,773,941
Government transfers (note 10)	1,687,737	1,446,039	1,728,295
Investment earnings	99,580	88,797	90,352
Gifts and contributions	25,204	33,788	120,930
Penalties and interest	84,000	100,457	97,604
Actuarial adjustment on debt	-	131,833	116,730
Other	9,500	9,424	9,651
Total revenue	17,761,369	17,365,384	17,275,728
Expenses:			
General government	1,952,648	2,026,113	2,018,144
Protective services	3,670,893	3,690,659	3,489,647
Transportation	2,348,322	3,185,598	3,043,750
Environmental health services	501,949	485,354	449,616
Environmental development	349,970	333,589	331,519
Leisure, parks and cultural	2,087,570	2,287,727	2,235,398
Water utility	1,912,373	1,968,556	1,966,161
Sanitary sewer	2,297,666	2,338,624	2,215,774
Other (note 11)	407,635	546,678	425,770
Total expenses (note 12)	15,529,026	16,862,898	16,175,779
Annual surplus	2,232,343	502,486	1,099,949
Accumulated surplus, beginning of year	79,165,172	79,165,172	78,065,225
Accumulated surplus, end of year	\$ 81,397,515	\$ 79,667,658	\$ 79,165,174

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, 2010, with comparative figures for 2009

	<i>Budget</i>	2010	2009
	(Unaudited – note 14)		
Annual surplus	\$ 2,232,343	\$ 502,486	\$ 1,099,949
Acquisition of tangible capital assets	(5,134,051)	(3,317,930)	(3,026,076)
Amortization of tangible capital assets	-	2,058,135	2,008,674
Loss on sale of tangible capital assets	-	149,165	-
Proceeds on sale of tangible capital assets	-	64,606	47,619
	<i>(2,901,708)</i>	<i>(543,538)</i>	130,166
Acquisition of inventories of supplies	-	(83,800)	(85,235)
Acquisition of prepaid expense	-	(62,541)	(37,322)
Consumption of inventories of supplies	-	85,235	96,389
Use of prepaid expense	-	37,322	56,206
Change in net financial assets	<i>(2,901,708)</i>	<i>(567,322)</i>	160,204
Net financial assets, beginning of year	<i>6,135,219</i>	6,135,219	5,975,015
Net financial assets, end of year	<i>\$ 3,233,511</i>	<i>\$ 5,567,897</i>	<i>\$ 6,135,219</i>

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

TOWN OF SIDNEY

Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 502,486	\$ 1,099,949
Items not involving cash:		
Amortization	2,058,135	2,008,674
Loss on sale of tangible capital assets	149,165	-
Actuarial adjustment on debt	(131,833)	(116,730)
Change in non-cash assets and liabilities:		
Property taxes receivable	(93,112)	51,646
Accounts receivable	(726,866)	(305,552)
Accounts payable and accrued liabilities	326,142	118,671
Deferred revenue	1,035,891	91,329
Employee future benefit obligations and other liabilities	24,000	52,100
Inventories of supplies	1,435	11,154
Prepaid expenses	(25,218)	18,884
Net change in cash from operating activities	3,120,225	3,030,125
Capital activities:		
Proceeds on sale of tangible capital assets	64,606	47,619
Cash used to acquire tangible capital assets	(3,276,334)	(2,791,271)
Net change in cash from capital activities	(3,211,728)	(2,743,652)
Financing activities:		
Debt issued and assumed	1,448,000	39,205
Long-term debt repaid	(215,408)	(215,408)
Lease and other obligations repaid	(124,207)	(99,121)
Net change in cash from financing activities	1,108,385	(275,324)
Net change in cash and cash equivalents	1,016,882	11,149
Cash and cash equivalents, beginning of year	10,173,865	10,162,716
Cash and cash equivalents, end of year	\$ 11,190,747	\$ 10,173,865
Supplemental cash flow information:		
Cash paid for interest	\$ 229,931	\$ 188,465
Cash received from interest	183,998	187,956
Assets acquired under capital lease	41,596	234,805

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

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2010

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 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) Reporting entity:

The financial statements include a combination of all 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:

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 Financial Statements

Year ended December 31, 2010

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:

Asset	Useful Life - Years
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

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 are less than the book value of the asset.

(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.

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2010

1. Significant accounting policies (continued):

(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.

(h) Cash and cash equivalents:

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

(i) 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.

(j) 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, 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 historical cost and useful lives of tangible capital assets and estimating provisions for accrued liabilities, including employee future benefits. Actual results could differ from these estimates.

2. Cash and cash equivalents:

	2010	2009
Cash	\$ 2,004,674	\$ 1,592,377
Municipal Finance Authority money market fund investments	2,676,368	8,581,489
Term deposits	6,509,705	-
	<hr/> \$ 11,190,747	<hr/> \$ 10,173,865

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2010

3. Deferred revenue:

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

	2010	2009
Federal Gas Tax Agreement Funds		
Deferred gas tax agreement funds, beginning of year	\$ 738,914	\$ 418,984
Amounts received during the year	354,120	358,855
Interest earned restricted for projects	2,555	5,120
Expenditures	(51,554)	(44,045)
Deferred gas tax agreement funds, end of year	1,044,035	738,914
Other deferred government grants	-	33,291
Prepaid property taxes	809,089	738,133
Deferred revenue - prepaid fees and charges	246,888	138,599
Deferred developer contributions	919,419	431,069
Other deferred revenue	142,166	45,700
	2,117,562	1,386,792
Total deferred revenue	\$ 3,161,597	\$ 2,125,706

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.

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:

	2010	2009
Accrued employee benefit obligations:		
Balance, beginning of year	\$ 447,700	\$ 395,600
Current service cost	48,600	42,900
Interest cost	24,700	22,300
Benefits paid	(50,400)	(38,600)
Past service cost	-	25,500
Actuarial adjustment	112,100	12,400
Balance, end of year	582,700	460,100
Unamortized net actuarial gain / loss	(111,000)	(12,400)
Accrued employee benefit obligations	\$ 471,700	\$ 447,700

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

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2010

4. Employee benefit obligations (continued):

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, 2010. The significant actuarial assumptions adopted in measuring the Town's accrued benefit obligation are as follows:

	2010	2009
Discount rates	4.25%	5.00%
Expected wage and salary increases	2.58% to 4.63%	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 financial statements in respect of obligations under this plan amounts to \$74,400 (2009 - \$90,700).

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 Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined.

The Plan has about 163,000 active members and approximately 60,000 retired members. Active members include approximately 35,000 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, 2009, indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012, with results available in 2013. The actuary does not attribute portions of the unfunded liability to individual employers. The Town paid \$379,217 for employer contributions to the plan in fiscal 2010 (2009 - \$349,344) and Town employees paid \$335,288 for employee contributions to the Plan (2009 - \$311,030).

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2010

5. 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, 2010 was \$47,651 (2009 - \$91,655).
- (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:

	2010	2009
Lease obligation, beginning of year	\$ 294,575	\$ 114,887
Add: new lease obligations	41,596	234,805
Less: principal payments made	(80,202)	(55,117)
Lease obligation, end of year	\$ 255,969	\$ 294,575

The interest rate on the above leases is the prime rate, minus one percent. Interest expense incurred during 2010 on these leases amounted to \$4,255 (2009 - \$3,211).

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

2011	\$ 128,586
2012	85,904
2013	60,281
2014	22,776
2015	6,073

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2010

6. 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 2010	Net debt 2009
Demand promissory notes	\$ 23,523	\$ -	\$ 23,523	\$ 44,364
MFA debentures	5,508,534	2,880,944	2,627,590	1,505,989
	<u>\$ 5,532,057</u>	<u>\$ 2,880,944</u>	<u>\$ 2,651,113</u>	<u>\$ 1,550,353</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, 2010 there were contingent demand notes of \$220,216 (2009 - \$184,731) and cash deposits of \$87,009 (2009 - \$69,877) which are not included in the financial statements of the Town.

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

2011	229,337
2012	225,759
2013	85,420
2014	80,322
2015	77,219

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

- (d) Total interest paid during the year was \$216,826 (2009 - \$184,246).
- (e) Existing long-term debt matures in annual amounts to the year 2035, and interest rates range from 4.25% to 5.69%. The weighted average interest rate for 2010 was 4.6%.

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2010

7. Tangible capital assets:

Cost	Balance at Dec. 31, 2009	Additions	Disposals	Balance at Dec. 31, 2010
Land	\$ 15,046,586	\$ -	\$ -	\$ 15,046,586
Land improvements	2,305,688	-	-	2,305,688
Buildings and building improvements	19,211,184	8,224	-	19,219,408
Vehicles, machinery and equipment	7,749,324	1,194,622	(456,788)	8,487,158
Water and wastewater infrastructure	33,740,155	549,834	(139,613)	34,150,376
Roads infrastructure	22,433,452	466,578	(136,689)	22,763,341
Assets under construction	311,020	1,098,672	-	1,409,692
Total	\$100,797,409	\$ 3,317,930	\$ (733,090)	\$ 103,382,249

Accumulated amortization	Balance at Dec. 31, 2009	Disposals	Amortization expense	Balance at Dec. 31, 2010
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	813,362	-	78,886	892,248
Buildings and building improvements	5,571,262	-	549,100	6,120,362
Vehicles, machinery and equipment	3,055,104	(334,798)	561,032	3,281,338
Water and wastewater infrastructure	11,318,799	(55,141)	454,470	11,718,128
Roads infrastructure	7,131,486	(129,380)	414,647	7,416,753
Assets under construction	-	-	-	-
Total	\$ 27,890,013	\$ (519,319)	\$ 2,058,135	\$ 29,428,829

	Net book value Dec. 31, 2009	Net book value Dec. 31, 2010
Land	\$ 15,046,586	\$ 15,046,586
Land improvements	1,492,326	1,413,440
Buildings and building improvements	13,639,922	13,099,046
Vehicles, machinery and equipment	4,694,220	5,205,820
Water and wastewater infrastructure	22,421,356	22,432,248
Roads infrastructure	15,301,966	15,346,588
Assets under construction	311,020	1,409,692
Total	\$ 72,907,396	\$ 73,953,420

a) Assets under construction

Assets under construction having a value of \$1,409,692 (2009 - \$311,020) 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 are recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$nil (2009 - nil).

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, 2010

8. Accumulated surplus:

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

	2010	2009
Surplus:		
Invested in tangible capital assets	\$ 72,068,571	\$ 70,970,813
Surplus from operations	3,597,148	3,745,436
Total surplus	75,665,719	74,716,249
Reserves set aside by Council:		
20-Year plans	1,136,082	1,264,053
Third parties for operating purposes	5,192	5,354
Third parties for capital purposes	171,209	149,874
Miscellaneous operating purposes	1,104,887	1,100,653
Miscellaneous capital purposes	863,834	1,003,607
Total reserves	3,281,204	3,523,541
Reserve funds set aside for specific purpose by Council:		
Land sale proceeds	96,761	96,173
Parkland acquisition	600	596
Off-street parking	183,819	180,315
Software replacement	237,761	213,398
General equipment replacement	184,851	66,860
Fire equipment replacement	57,748	206,541
Water equipment replacement	51,298	70,334
Sewer equipment replacement	(92,103)	91,167
Total reserve funds	720,735	925,384
	\$ 79,667,658	\$ 79,165,174

9. Net taxes available for municipal purposes:

	2010	2009
Taxes:		
Property taxes	\$19,785,202	\$19,130,974
Revenue in lieu of taxes	201,514	197,933
Other	932,578	963,347
	20,919,294	20,292,254
Less taxes on behalf of:		
Provincial Government School Authorities	6,631,430	6,542,341
Capital Regional District	1,773,761	1,761,063
Capital Regional Hospital District	963,958	753,266
BC Transit	742,567	673,816
BC Assessment Authority	231,725	222,896
Municipal Finance Authority	660	647
	10,344,101	9,954,029
Net taxes available for municipal purposes	\$10,575,193	\$10,338,225

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2010

10. 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:

	2010	2009
Federal transfers:		
Federal/Provincial capital grant programs	\$ 378,118	\$ 88,089
Gas tax agreement	51,554	44,045
Ferry contribution agreement	33,290	14,270
Other federal grants	2,500	5,000
	465,462	151,404
Provincial transfers:		
Federal/Provincial capital grant programs	378,117	88,089
Provincial capital grant programs	-	208,265
Small community protection grant	90,064	567,227
Traffic fine revenue sharing	43,492	173,122
Tourism grants	-	29,837
Emergency programs	22,836	4,613
Policing	-	32,549
Other provincial grants	7,849	16,029
	542,358	1,119,731
Regional and other local government transfers:		
Policing	398,604	415,416
Recreation	39,615	41,194
Miscellaneous	-	550
	438,219	457,160
	\$ 1,446,039	\$ 1,728,295

11. Other expenses:

	2010	2009
Grants to non-government organizations:		
Sidney and North Saanich Memorial Park Society	\$ 173,485	\$ 161,363
Saanich Peninsula Chamber of Commerce	50,000	-
Sidney Business Association	-	45,000
New Marine Centre Society	21,300	80,974
Friends of the Marine Ecology Station	-	21,300
Peninsula Celebrations Society	17,500	5,000
Other	23,100	25,700
Interest on prepaid taxes	1,019	1,008
Amortization and net loss on miscellaneous assets	158,099	8,934
Other	102,175	76,491
	\$ 546,678	\$ 425,770

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2010

12. Expenses by object:

	2010	2009
Salaries, wages and employee benefits	\$ 5,860,062	\$ 5,541,002
Contracted services	6,227,536	6,176,805
Supplies and equipment	2,018,621	1,987,368
Debt interest	259,711	188,272
Other	438,833	273,658
Amortization	2,058,135	2,008,674
	<u>\$ 16,862,898</u>	<u>\$ 16,175,779</u>

13. 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.
- (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 financial statements of the Town.

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2010

14. Budget data:

The unaudited budget data presented in these financial statements is based upon the 2010 operating and capital budgets approved by Council on March 22, 2010. 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 financial statements.

	Budget amount
Revenues:	
Financial plan	\$ 21,138,319
Add:	
Regional library	498,056
Less:	
Transfers from own funds	(717,171)
Transfers from surplus	(1,709,835)
Proceeds of debt issue	(1,448,000)
Total revenue	17,761,369
Expenses:	
Financial plan	\$ 21,138,319
Add:	
Regional library	498,056
Less:	
Transfers to own funds	(531,701)
Transfers to surplus	(116,000)
Debt principal payments	(325,597)
	20,663,077
Less:	
Capital budget	(5,134,051)
Total expenses	15,529,026
Annual surplus	\$ 2,232,343