

Financial Statements of the

TOWN OF SIDNEY

Year ended December 31, 2011



TOWN OF SIDNEY

BRITISH COLUMBIA

TOWN OF SIDNEY

Financial Statements

Year ended December 31, 2011

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TOWN OF SIDNEY

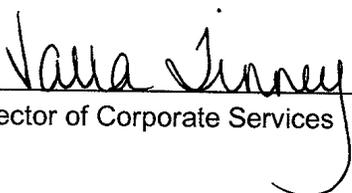
FINANCIAL REPORTING RESPONSIBILITY

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, 2011, 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, 2011, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants
April 23, 2012
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, 2011, with comparative figures for 2010

	2011	2010
Financial assets:		
Cash and cash equivalents (note 2)	\$ 13,362,969	\$ 11,190,747
Property taxes receivable	522,183	446,294
Accounts receivable	1,875,921	2,106,843
Restricted cash	100,132	-
	<u>15,861,205</u>	<u>13,743,884</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,784,896	1,587,957
Deferred revenue and deposits (note 3)	3,876,250	3,161,597
Employee future benefit obligations (note 4)	509,400	471,700
Lease and other obligations (note 5)	213,582	303,620
Long-term debt (note 6)	3,338,701	2,651,113
	<u>9,722,829</u>	<u>8,175,987</u>
Net financial assets	<u>6,138,376</u>	<u>5,567,897</u>
Non-financial assets:		
Tangible capital assets (note 7)	76,255,232	73,953,420
Inventories of supplies	79,882	83,800
Prepaid expenses	38,013	62,541
	<u>76,373,127</u>	<u>74,099,761</u>
Accumulated surplus (note 8)	<u>\$ 82,511,503</u>	<u>\$ 79,667,658</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, 2011, with comparative figures for 2010

	<i>Budget 2011</i>	Actual 2011	Actual 2010
	(Unaudited – note 14)		
Revenue:			
Net taxes available for municipal purposes (note 9)	\$ 10,927,479	\$ 10,920,229	\$ 10,575,193
Fees, rates and service charges	6,060,306	5,658,336	4,979,853
Government transfers (note 10)	3,472,399	2,106,688	1,446,039
Investment earnings	116,580	163,968	88,797
Gifts and contributions	110,204	249,245	33,788
Penalties and interest	96,500	100,596	100,457
Actuarial adjustment on debt	-	148,234	131,833
MFA Debt Reserve Fund surplus		89,402	-
Other	8,800	217,987	9,424
Total revenue	20,792,268	19,654,685	17,365,384
Expenses:			
General government	2,024,438	2,111,391	2,026,113
Protective services	3,806,229	3,623,549	3,690,659
Transportation	2,425,436	3,210,833	3,185,598
Environmental health services	487,800	486,221	485,354
Environmental development	341,012	326,597	333,589
Leisure, parks and cultural	2,114,921	2,319,074	2,287,727
Water utility	2,253,292	1,892,522	1,968,556
Sanitary sewer	2,265,067	2,345,676	2,338,624
Other (note 11)	551,573	494,977	546,678
Total expenses (note 12)	16,269,768	16,810,840	16,862,898
Annual surplus	4,522,500	2,843,845	502,486
Accumulated surplus, beginning of year	79,667,658	79,667,658	79,165,172
Accumulated surplus, end of year	\$ 84,190,158	\$ 82,511,503	\$ 79,667,658

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, 2011, with comparative figures for 2010

	<i>Budget</i>	2011	2010
	(Unaudited – note 14)		
Annual surplus	\$ 4,522,500	\$ 2,843,845	\$ 502,486
Acquisition of tangible capital assets	(8,202,800)	(4,543,129)	(3,317,930)
Amortization of tangible capital assets	-	2,140,659	2,058,135
Loss on sale of tangible capital assets	-	89,292	149,165
Proceeds on sale of tangible capital assets	-	11,366	64,606
	<i>(3,680,300)</i>	542,033	(543,538)
Acquisition of inventories of supplies	-	(79,882)	(83,800)
Acquisition of prepaid expense	-	(38,013)	(62,541)
Consumption of inventories of supplies	-	83,800	85,235
Use of prepaid expense	-	62,541	37,322
Change in net financial assets	<i>(3,680,300)</i>	570,479	(567,322)
Net financial assets, beginning of year	<i>5,567,897</i>	5,567,897	6,135,219
Net financial assets, end of year	<i>\$ 1,887,597</i>	\$ 6,138,376	\$ 5,567,897

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

TOWN OF SIDNEY

Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 2,843,845	\$ 502,486
Items not involving cash:		
Amortization	2,140,659	2,058,135
Developer contribution of tangible capital assets	(166,800)	-
Change in employee benefits and other liabilities	37,700	24,000
Loss on sale of tangible capital assets	89,292	149,165
Actuarial adjustment on deb	(148,234)	(131,833)
MFA Debt Reserve adjustment	(100,132)	-
Change in non-cash assets and liabilities:		
Property taxes receivable	(75,889)	(93,112)
Accounts receivable	230,922	(726,866)
Accounts payable and accrued liabilities	196,939	326,142
Deferred revenue and deposits	714,653	1,035,891
Inventories of supplies	3,918	1,435
Prepaid expenses	24,528	(25,218)
Net change in cash from operating activities	5,791,401	3,120,225
Capital activities:		
Proceeds on sale of tangible capital assets	11,366	64,606
Cash used to acquire tangible capital assets	(4,336,201)	(3,276,334)
Net change in cash from capital activities	(4,324,835)	(3,211,728)
Financing activities:		
Debt issued and assumed	1,073,000	1,448,000
Long-term debt repaid	(237,178)	(215,408)
Lease and other obligations repaid	(130,166)	(124,207)
Net change in cash from financing activities	705,656	1,108,385
Net change in cash and cash equivalents	2,172,222	1,016,882
Cash and cash equivalents, beginning of year	11,190,747	10,173,865
Cash and cash equivalents, end of year	\$13,362,969	\$11,190,747
Supplemental cash flow information:		
Cash paid for interest	\$ 261,919	\$ 229,931
Cash received from interest	264,564	183,998
Assets acquired under capital lease	39,067	41,596

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

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2011

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 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 are 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, 2011

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 is less than the book value.

(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, 2011

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 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.

(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:

	2011	2010
Cash	\$ 2,773,492	\$ 2,004,674
Municipal Finance Authority money market fund investments	2,294,742	2,676,368
Term deposits	8,294,735	6,509,705
	<u>\$ 13,362,969</u>	<u>\$ 11,190,747</u>

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2011

3. Deferred revenue and deposits:

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

	2011	2010
Federal Gas Tax Agreement Funds		
Deferred gas tax agreement funds, beginning of year	\$ 1,044,035	\$ 738,914
Amounts received during the year	354,085	354,120
Interest earned restricted for projects	20,664	2,555
Expenditures	(108,929)	(51,554)
Deferred gas tax agreement funds, end of year	1,309,855	1,044,035
Prepaid property taxes	891,558	809,089
Deferred revenue - prepaid fees and charges	252,644	246,888
Deferred developer contributions	830,493	817,452
Deposits on hold	591,700	244,133
	2,566,395	2,117,562
Total deferred revenue and deposits	\$ 3,876,250	\$ 3,161,597

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:

	2011	2010
Accrued employee benefit obligations:		
Balance, beginning of year	\$ 595,100	\$ 460,100
Current service cost	60,400	48,600
Interest cost	26,600	24,700
Benefits paid	(61,600)	(50,400)
Actuarial adjustment	39,000	112,100
Balance, end of year	659,500	595,100
Unamortized net actuarial loss	(150,100)	(123,400)
Accrued employee benefit obligations	\$ 509,400	\$ 471,700

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, 2011

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, 2011. The significant actuarial assumptions adopted in measuring the Town's accrued benefit obligation are as follows:

	2011	2000
Discount rates	3.50%	4.25%
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 \$99,300 (2010 - \$74,400).

Pension plan:

The Town and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined.

The Plan has about 173,000 active members and approximately 63,000 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 latest 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 \$432,856 for employer contributions to the plan in fiscal 2011 (2010 - \$379,217) and Town employees paid \$368,690 for employee contributions to the Plan (2010 - \$335,288).

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2011

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, 2011 was \$3,647 (2010 - \$47,651).
- (b) The Town has entered into capital lease agreements, for various public works and office equipment, for terms ranging from three to five years. The future minimum annual lease payments are as follows:

	2011	2010
2011	\$ -	\$ 132,780
2012	102,230	88,438
2013	75,096	61,303
2014	35,059	22,994
2015	6,120	6,120
2016	-	-
Total minimum lease payments	218,505	311,635
Less: amount representing interest (at prime less 1%)	(4,923)	(8,015)
Present value of net minimum capital lease payments	\$ 213,582	\$ 303,620

Interest expense incurred during 2011 on the above leases amounted to \$4,291 (2010 - \$4,255).

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2011

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 expenditures. Sinking fund balances, managed by the MFA, are netted against related long-term debt.

In 2011, the Town incurred \$1,073,000 in new long-term borrowing. This amount represents the second drawdown on a total borrowing of \$3,000,000 (2010 - \$1,448,000), with the final draw of \$479,000 occurring in April 2012. The term of the loan is 25 years, with the 2011 draw at an interest rate of 3.25%.

	Gross debt	Sinking fund credit	Net debt 2011	Net debt 2010
Demand promissory notes	\$ 15,682	\$ -	\$ 15,682	\$ 23,523
MFA debentures	6,581,534	3,258,515	3,323,019	2,627,590
	<u>\$ 6,597,216</u>	<u>\$ 3,258,515</u>	<u>\$ 3,338,701</u>	<u>\$ 2,651,113</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, 2011 there were contingent demand notes of \$237,167 (2010 - \$220,216) and cash deposits of \$100,132 (2010 - \$87,009). The demand notes are not included in the financial statements of the Town; however, the cash deposits are now included in the financial statements as restricted cash.
- (c) Long-term debt estimated principal repayments over the next five years:

2012	251,524
2013	111,185
2014	106,087
2015	102,984
2016	102,984

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

- (d) Total interest paid during the year was \$249,800 (2010 - \$216,826).
- (e) Existing long-term debt matures in annual amounts to the year 2036, and interest rates range from 3.25% to 5.69%. The weighted average interest rate for 2011 was 4.55%.

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2011

7. Tangible capital assets:

Cost	Balance at Dec. 31, 2010	Additions	Disposals	Balance at Dec. 31, 2011
Land	\$ 15,046,586	\$ -	\$ -	\$ 15,046,586
Land improvements	2,305,688	452,867	-	2,758,555
Buildings and building improvements	19,219,408	242,331	(37,142)	19,424,597
Vehicles, machinery and equipment	8,487,158	617,197	(150,422)	8,953,933
Water and wastewater infrastructure	34,150,376	294,162	(50,212)	34,394,326
Roads infrastructure	22,763,341	1,289,115	(139,677)	23,912,779
Assets under construction	1,409,692	1,647,457	-	3,057,149
Total	\$103,382,249	\$ 4,543,129	\$ (377,453)	\$ 107,547,925

Accumulated amortization	Balance at Dec. 31, 2010	Disposals	Amortization expense	Balance at Dec. 31, 2011
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	892,248	-	105,108	997,356
Buildings and building improvements	6,120,362	(26,775)	560,140	6,653,727
Vehicles, machinery and equipment	3,281,338	(135,878)	579,095	3,724,555
Water and wastewater infrastructure	11,718,128	(23,421)	457,723	12,152,430
Roads infrastructure	7,416,753	(90,721)	438,593	7,764,625
Assets under construction	-	-	-	-
Total	\$ 29,428,829	\$ (276,795)	\$ 2,140,659	\$ 31,292,693

	Net book value Dec. 31, 2010	Net book value Dec. 31, 2011
Land	\$ 15,046,586	\$ 15,046,586
Land improvements	1,413,440	1,761,199
Buildings and building improvements	13,099,046	12,770,870
Vehicles, machinery and equipment	5,205,820	5,229,378
Water and wastewater infrastructure	22,432,248	22,241,896
Roads infrastructure	15,346,588	16,148,154
Assets under construction	1,409,692	3,057,149
Total	\$ 73,953,420	\$ 76,255,232

a) Assets under construction

Assets under construction having a value of \$3,057,149 (2010 - \$1,409,692) 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 \$166,800 (2010 - 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, 2011

8. Accumulated surplus:

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

	2011	2010
Surplus:		
Invested in tangible capital assets	\$ 73,154,712	\$ 72,068,571
Surplus from operations	3,966,278	3,597,148
Total surplus	77,120,990	75,665,719
Reserves set aside by Council:		
20-Year plans	-	1,136,082
Third parties for operating purposes	5,702	5,192
Third parties for capital purposes	191,049	171,209
Miscellaneous operating purposes	652,001	1,104,887
Miscellaneous capital purposes	720,222	863,834
Total reserves	1,568,974	3,281,204
Reserve funds set aside for specific purpose by Council:		
Land sale proceeds	97,764	96,761
Parkland acquisition	606	600
Off-street parking	100,012	183,819
Software replacement	346,538	237,761
General equipment replacement	295,089	144,046
Fire equipment replacement	124,427	57,748
Water capital	143,805	-
Sewer capital	21,535	-
Infrastructure	1,520,756	-
Water rate stabilization	229,012	-
Amenities	130,159	-
Ferry Terminal	431,020	-
Contingency	214,353	-
Agreements	66,331	-
Total reserve funds	3,721,407	720,735
Restricted cash	100,132	-
	\$ 82,511,503	\$ 79,667,658

In 2011, the Town created, by bylaw, a number of new statutory reserve funds, and transferred funds previously held as appropriations of surplus into these reserves. This accounts for the significant change in the balances of the two reserve classifications above.

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Notes to Financial Statements

Year ended December 31, 2011

9. Net taxes available for municipal purposes:

	2011	2010
Taxes:		
Property taxes	\$20,622,234	\$19,785,202
Revenue in lieu of taxes	201,731	201,514
Other	933,640	932,578
	21,757,605	20,919,294
Less taxes on behalf of:		
Provincial Government School Authorities	6,710,055	6,631,430
Capital Regional District	1,933,879	1,773,761
Capital Regional Hospital District	996,106	963,958
BC Transit	966,359	742,567
BC Assessment Authority	230,280	231,725
Municipal Finance Authority	697	660
	10,837,376	10,344,101
Net taxes available for municipal purposes	\$10,920,229	\$10,575,193

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:

	2011	2010
Federal transfers:		
Federal/Provincial capital grant programs	\$ 470,582	\$ 378,118
Gas tax agreement	108,929	51,554
Ferry contribution agreement	-	33,290
Other federal grants	2,500	2,500
	582,011	465,462
Provincial transfers:		
Federal/Provincial capital grant programs	470,582	378,117
Small community protection grant	449,533	90,064
Traffic fine revenue sharing	169,985	43,492
Emergency programs	9,033	22,836
Other provincial grants	4,008	7,849
	1,103,141	542,358
Regional and other local government transfers:		
Policing	386,326	398,604
Recreation	35,210	39,615
	421,536	438,219
	\$ 2,106,688	\$ 1,446,039

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2011

11. Other expenses:

	2011	2010
Grants to non-government organizations:		
Sidney and North Saanich Memorial Park Society	\$ 187,021	\$ 173,485
Saanich Peninsula Chamber of Commerce	60,000	50,000
New Marine Centre Society	42,600	21,300
Peninsula Celebrations Society	12,500	17,500
Other	22,520	23,100
Interest on prepaid taxes	4,543	1,019
Amortization and net loss on miscellaneous assets	98,226	158,099
Other	67,567	102,175
	<u>\$ 494,977</u>	<u>\$ 546,678</u>

12. Expenses by object:

	2011	2010
Salaries, wages and employee benefits	\$ 6,101,281	\$ 5,860,062
Contracted services	5,992,026	6,227,536
Supplies and equipment	1,900,166	2,018,621
Debt interest	266,942	259,711
Other	409,766	438,833
Amortization	2,140,659	2,058,135
	<u>\$ 16,810,840</u>	<u>\$ 16,862,898</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.

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2011

13. 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 financial statements of the Town.
- (e) On March 1, 2011, the Town assumed control of the Sidney International Ferry Terminal, which had previously been held by a third party through a long-term lease agreement. The Town subsequently entered into another long-term lease agreement, with Washington State Ferries (a division of the Washington State Department of Transportation) for the operation of the ferry terminal. Under the terms of the new lease agreement, the Town is responsible for the periodic replacement of the assets at the ferry terminal; this replacement will be partially funded through annual rental payments collected from the lessee.

As a result of the new lease agreement, the Town assumed control of two buildings, some street lighting, as well as the fencing and paved areas at the terminal. These assets have been recorded in the financial statements at a net book value of \$194,924, which represents the best estimate of their market value at the time the new lease agreement was signed. The Town already had on its books the marine components of the terminal.

As at December 31, 2011, the total assets for which the Town is responsible had a net book value of \$3.67 million, an estimated replacement cost of up to \$7 million, and remaining lifespans ranging from 7 to 51 years (with the most expensive assets being at the high end of the range).

- (f) 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.

- (g) Subsequent to the development of the financial plan covering the 2012 budget year, a portion of the Town's seawall was heavily damaged by a storm event. Estimates ranging from \$257,800 to \$418,400 to repair the damage and reinstate the seawall have been obtained. The Town will carry out the necessary repairs during the year, with the project being funded through internal borrowing from accumulated surplus funds.

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2011

13. Commitments and contingent liabilities (continued):

- (h) The Town has a contract with the provincial government, who in turn contracts with the federal government for the provision of Royal Canadian Mounted Police (RCMP) policing services. RCMP members and the federal government are currently in legal proceedings regarding pay raises for 2009 and 2010 that were retracted for RCMP members. As the final outcome of the legal action and the potential financial impact to the Town is not determinable, the Town has not recorded any provision for this matter in the financial statements as at December 31, 2011.

14. Budget data:

The unaudited budget data presented in these financial statements is based upon the 2011 operating and capital budgets approved by Council on March 28, 2011. Amortization has not been included in this budget, as the Town has not yet modified its financial plan to reflect the accounting changes resulting from adoption of PSAB section 3150. The table below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget amount
Revenues:	
Financial plan	\$ 27,086,184
Add:	
Regional library	527,595
Less:	
Transfers from own funds	(981,166)
Transfers from surplus	(2,968,463)
Proceeds of debt issue	(2,871,882)
Total revenue	20,792,268
Expenses:	
Financial plan	\$ 27,086,184
Add:	
Regional library	527,595
Less:	
Transfers to own funds	(2,727,000)
Transfers to surplus	(50,000)
Debt principal payments	(364,211)
	24,472,568
Less:	
Capital budget	(8,202,800)
Total expenses	16,269,768
Annual surplus	\$ 4,522,500