

Financial Statements of the

TOWN OF SIDNEY

Year ended December 31, 2012



TOWN OF SIDNEY

BRITISH COLUMBIA

TOWN OF SIDNEY

Financial Statements

Year ended December 31, 2012

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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 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.

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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, 2012, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Town of Sidney as at December 31, 2012, 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.

TOWN OF SIDNEY

Consolidated Statement of Financial Position Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Financial assets:		
Cash and cash equivalents (note 2)	\$ 12,038,620	\$ 13,362,969
Property taxes receivable	359,585	522,183
Accounts receivable	1,858,627	1,875,921
Restricted cash	45,022	100,132
	<hr/> 14,301,854	<hr/> 15,861,205
Liabilities:		
Accounts payable and accrued liabilities	1,420,478	1,784,896
Deferred revenue and deposits (note 3)	3,126,232	3,876,250
Employee future benefit obligations (note 4)	638,700	509,400
Lease and other obligations (note 5)	121,889	213,582
Long-term debt (note 6)	3,711,594	3,338,701
	<hr/> 9,018,893	<hr/> 9,722,829
Net financial assets	5,282,961	6,138,376
Non-financial assets:		
Tangible capital assets (note 7)	78,332,067	76,255,232
Inventories of supplies	80,573	79,882
Prepaid expenses	37,294	38,013
	<hr/>	<hr/>
Accumulated surplus (note 8)	\$ 83,732,895	\$ 82,511,503

Commitments and contingent liabilities (note 13)

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

TOWN OF SIDNEY

Statement of Operations and Accumulated Surplus Year ended December 31, 2012, with comparative figures for 2011

	<i>Budget</i> \$	Actual 2012	Actual 2011
	(Unaudited - note 14)		
Revenue:			
Net taxes available for municipal purposes (note 9)	\$ 11,245,689	\$ 11,247,184	\$ 10,920,229
Fees, rates and service charges	5,537,882	5,130,920	5,658,336
Government transfers (note 10)	2,930,739	2,381,601	2,106,688
Investment earnings	131,580	182,657	163,968
Gifts and contributions	23,204	144,284	249,245
Penalties and interest	96,500	99,901	100,596
Actuarial adjustment on debt	-	61,742	148,234
MFA Debt Reserve Fund surplus	-	1,862	89,402
Other	10,700	15,747	217,987
Total revenue	19,976,294	19,265,898	19,654,685
Expenses:			
General government	2,299,381	2,255,490	2,111,391
Protective services	4,081,621	3,846,648	3,623,549
Transportation	3,889,775	3,645,467	3,210,833
Environmental health services	496,640	502,317	486,221
Environmental development	352,900	297,131	326,597
Leisure, parks and cultural	2,534,843	2,549,569	2,319,074
Water utility	1,966,144	1,824,631	1,892,522
Sanitary sewer	2,446,185	2,403,523	2,345,676
Other (note 11)	556,232	719,730	494,977
Total expenses (note 12)	18,623,721	18,044,506	16,810,840
Annual surplus	1,352,573	1,221,392	2,843,845
Accumulated surplus, beginning of year	82,511,503	82,511,503	79,667,658
Accumulated surplus, end of year (Note 8)	\$ 83,864,076	\$ 83,732,895	\$ 82,511,503

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, 2012, with comparative figures for 2011

	2012 <i>Budget</i>	2012 \$	2011 \$
Annual surplus	\$ 1,352,573	\$ 1,221,392	\$ 2,843,845
Acquisition of tangible capital assets	(6,382,320)	(4,526,568)	(4,543,129)
Amortization of tangible capital assets	2,200,000	2,264,474	2,140,659
Loss on sale of tangible capital assets	-	181,159	89,292
Proceeds on sale of tangible capital assets	-	4,100	11,366
	(2,829,747)	(855,443)	542,033
Acquisition of inventories of supplies	-	(80,573)	(79,882)
Acquisition of prepaid expense	-	(37,294)	(38,013)
Consumption of inventories of supplies	-	79,882	83,800
Use of prepaid expense	-	38,013	62,541
Change in net financial assets	(2,829,747)	(855,415)	570,479
Net financial assets, beginning of year	6,138,376	6,138,376	5,567,897
Net financial assets, end of year	\$ 3,308,629	\$ 5,282,961	\$ 6,138,376

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

TOWN OF SIDNEY

Statement of Cash Flows

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,221,392	\$ 2,843,845
Items not involving cash:		
Amortization	2,264,474	2,140,659
Developer contribution of tangible capital assets	(133,420)	(166,800)
Change in employee benefits and other liabilities	129,300	37,700
Loss on sale of tangible capital assets	181,159	89,292
Gain on leases	(334)	-
Actuarial adjustment on debt	(61,742)	(148,234)
MFA Debt Reserve recognition	-	(100,132)
Change in non-cash assets and liabilities:		
Property taxes receivable	162,598	(75,889)
Accounts receivable	17,294	230,922
Accounts payable and accrued liabilities	(364,418)	196,939
Deferred revenue	(750,018)	714,653
Inventories of supplies	(691)	3,918
Prepaid expenses	719	24,528
Net change in cash from operating activities	2,666,312	5,791,401
Capital activities:		
Proceeds on sale of tangible capital assets	4,100	11,366
Cash used to acquire tangible capital assets	(4,384,988)	(4,336,201)
Net change in cash from capital activities	(4,380,888)	(4,324,835)
Financing activities:		
MFA Debt Reserve adjustment	55,110	-
Debt issued and assumed	694,000	1,073,000
Long-term debt repaid	(259,365)	(237,178)
Lease and other obligations repaid	(99,519)	(130,166)
Net change in cash from financing activities	390,226	705,656
Net change in cash and cash equivalents	(1,324,349)	2,172,222
Cash and cash equivalents, beginning of year	13,362,969	11,190,747
Cash and cash equivalents, end of year	\$12,038,620	\$13,362,969
Cash paid for interest	\$ 209,997	\$ 261,919
Cash received from interest	282,557	264,564
Assets acquired under capital lease	8,160	39,067

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

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2012

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

1. Significant accounting policies:

The financial statements of the Town are prepared by management in accordance with Canadian public sector accounting standards for local governments, as recommended by the Public Sector Accounting Board ("PSAB") of the 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, 2012

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, 2012

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 with a term to maturity of 90 days or less at acquisition. Cash equivalents also include investments in the Municipal Finance Authority of British Columbia ("MFA") Money Market Funds which are recorded at cost plus earnings reinvested in the funds.

(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 and contingent liabilities. Actual results could differ from these estimates.

2. Cash and cash equivalents:

	2012	2011
Cash	\$ 2,617,128	\$ 2,773,492
Municipal Finance Authority money market fund	1,363,999	2,294,742
Term deposits	8,057,493	8,294,735
	<hr/>	<hr/>
	\$ 12,038,620	\$ 13,362,969

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2012

3. Deferred revenue and deposits:

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

	2012	2011
Federal Gas Tax Agreement funds		
Deferred gas tax agreement funds, beginning of year	\$ 1,309,855	\$ 1,044,035
Amounts received during the year	354,085	354,085
Interest earned restricted for projects	19,223	20,664
Expenditures	(540,787)	(108,929)
Deferred gas tax agreement funds, end of year	1,142,376	1,309,855
Prepaid property taxes	982,519	891,558
Deferred revenue - prepaid fees and charges	175,849	252,644
Deferred developer contributions	522,466	830,493
Deposits on hold	303,022	591,700
	1,983,856	2,566,395
Total deferred revenue and deposits	\$ 3,126,232	\$ 3,876,250

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:

	2012	2011
Accrued employee benefit obligations:		
Balance, beginning of year	\$ 659,500	\$ 595,100
Current service cost	72,300	60,400
Past Service Cost	42,000	-
Interest cost	25,700	26,600
Benefits paid	(26,900)	(61,600)
Actuarial adjustment	(45,500)	39,000
Balance, end of year	727,100	659,500
Unamortized net actuarial loss	(88,400)	(150,100)
Accrued employee benefit obligations	\$ 638,700	\$ 509,400

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, 2012

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:

	2012	2011
Discount rates	3.40%	3.50%
Expected wage and salary increases	2.58% to 4.63%	2.58% to 4.63%
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 \$156,200 (2011 - \$99,300).

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 176,000 active members and approximately 67,000 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 \$470,765 for employer contributions to the plan in fiscal 2012 (2011 - \$432,856) and Town employees paid \$398,354 for employee contributions to the Plan (2011 - \$368,690).

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2012

5. Lease and other obligations:

- (a) 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:

	2012	2011
2012	\$ -	\$ 102,230
2013	77,184	75,096
2014	37,147	35,059
2015	8,208	6,120
2016	1,230	-
2017	-	-
Total minimum lease payments	123,769	218,505
Less: amount representing interest (at prime less 1%)	(1,880)	(4,923)
Present value of net minimum capital lease payments	\$ 121,889	\$ 213,582

Interest expense incurred during 2012 on the above leases amounted to \$3,262 (2011 - \$4,291).

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 contributions, managed by the MFA, are made annually. The related actuarial allocations in respect to the repayment structure are reflected below as a reduction of the related long-term debt.

In 2012, the Town incurred \$479,000 in new long-term borrowing with a term of 25 years. This amount represents the third and final drawdown on a total borrowing of \$3,000,000. The Town also incurred \$215,000 of short-term borrowing during 2012 with a term of 5 years.

	Gross debt	Actuarial allocation	Net debt 2012	Net debt 2011
Demand promissory notes	\$ 222,841	\$ -	\$ 222,841	\$ 15,682
General Capital Fund	7,015,534	3,526,781	3,488,753	3,323,019
	\$ 7,238,375	\$ 3,526,781	\$ 3,711,594	\$ 3,338,701

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2012

6. Long-term debt (continued):

(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, 2012 there were contingent demand notes of \$102,316 (2011 - \$237,167) and cash deposits of \$45,022 (2011 - \$100,132). The demand notes are not included in the financial statements of the Town; however, the cash deposits are included in the financial statements as restricted cash.

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

2013	122,687
2014	117,589
2015	114,486
2016	114,486
2017	114,486

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

(d) Total interest paid during the year was \$221,611 (2011 - \$249,800).

(e) Existing long-term debt matures in annual amounts to the year 2037, and interest rates range from 2.4% to 4.86%. The weighted average interest rate for 2012 was 3.86%.

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2012

7. Tangible capital assets:

Cost	Balance at Dec. 31, 2011	Additions / Transfers	Disposals	Balance at Dec. 31, 2012
Land	\$ 15,046,586	\$ 83,145	\$ -	\$ 15,129,731
Land improvements	2,758,555	1,007,875	-	3,766,430
Buildings and building improvements	19,424,597	2,854,798	(62,755)	22,216,640
Vehicles, machinery and equipment	8,953,933	490,765	(137,669)	9,307,029
Water and wastewater infrastructure	34,394,326	787,903	(189,715)	34,992,514
Roads infrastructure	23,912,779	911,955	(122,641)	24,702,093
Assets under construction	3,057,149	(1,609,875)	-	1,447,274
Total	\$107,547,925	\$ 4,526,566	\$ (512,781)	\$ 111,561,710

Accumulated amortization	Balance at Dec. 31, 2011	Disposals	Amortization expense	Balance at Dec. 31, 2012
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	997,356	-	135,745	1,133,101
Buildings and building improvements	6,653,727	(21,337)	635,461	7,267,851
Vehicles, machinery and equipment	3,724,555	(151,184)	575,306	4,148,677
Water and wastewater infrastructure	12,152,430	(82,180)	465,770	12,536,020
Roads infrastructure	7,764,625	(72,820)	452,189	8,143,993
Assets under construction	-	-	-	-
Total	\$ 31,292,693	\$ (327,522)	\$ 2,264,472	\$ 33,229,643

	Net book value Dec. 31, 2011	Net book value Dec. 31, 2012
Land	\$ 15,046,586	\$ 15,129,731
Land improvements	1,761,199	2,633,329
Buildings and building improvements	12,770,870	14,948,789
Vehicles, machinery and equipment	5,229,378	5,158,351
Water and wastewater infrastructure	22,241,896	22,456,494
Roads infrastructure	16,148,154	16,558,100
Assets under construction	3,057,149	1,447,274
Total	\$ 76,255,232	\$ 78,332,067

a) Assets under construction

Assets under construction having a value of \$1,447,274 (2011 - \$3,057,149) have not been amortized. Amortization of these assets will commence when the asset is available for service.

b) Contributed tangible capital assets

Contributed capital assets are recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$133,420 (2011- \$166,800).

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, 2012

8. Accumulated surplus:

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

	2012	2011
Surplus:		
Invested in tangible capital assets	\$ 74,546,584	\$ 73,154,712
Surplus from operations	3,484,869	3,966,278
Total surplus	78,031,453	77,120,990
Reserves set aside by Council:		
Third parties for operating purposes	2,752	5,702
Third parties for capital purposes	134,832	191,049
Miscellaneous operating purposes	822,696	652,001
Miscellaneous capital purposes	359,937	720,222
Total reserves	1,320,217	1,568,974
Reserve funds set aside for specific purpose by Council:		
Land sale proceeds	15,675	97,764
Parkland acquisition	612	606
Off-street parking	72,577	100,012
Software replacement	381,771	346,538
General equipment replacement	398,516	295,089
Fire equipment replacement	249,524	124,427
Water capital	267,541	143,805
Sewer capital	21,927	21,535
Infrastructure	1,745,147	1,520,756
Water rate stabilization	233,183	229,012
Amenities	107,029	130,159
Ferry Terminal	549,894	431,020
Contingency	218,257	214,353
Agreements	74,550	66,331
Total reserve funds	4,336,203	3,721,407
Restricted cash	45,022	100,132
	\$ 83,732,895	\$ 82,511,503

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2012

9. Net taxes available for municipal purposes:

	2012	2011
Taxes:		
Property taxes	\$20,976,180	\$20,622,234
Revenue in lieu of taxes	212,063	201,731
Other	908,931	933,640
	<u>22,097,174</u>	<u>21,757,605</u>
Less taxes on behalf of:		
Provincial Government School Authorities	6,638,686	6,710,055
Capital Regional District	2,015,948	1,933,879
Capital Regional Hospital District	1,001,766	996,106
BC Transit	970,414	966,359
BC Assessment Authority	222,480	230,280
Municipal Finance Authority	696	697
	<u>10,849,990</u>	<u>10,837,376</u>
Net taxes available for municipal purposes	<u>\$11,247,184</u>	<u>\$10,920,229</u>

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:

	2012	2011
Federal grants:		
Federal/Provincial capital grant programs	\$ 419,481	\$ 470,583
Gas tax agreement	540,787	108,928
Other operating grants	2,500	2,500
	<u>962,778</u>	<u>582,011</u>
Provincial grants:		
Federal/Provincial capital grant programs	278,273	470,582
Small community protection grant	462,343	449,533
Traffic fine revenue sharing	197,767	169,985
Emergency programs	-	9,033
Other provincial grants	1,660	4,008
	<u>940,043</u>	<u>1,103,141</u>
Regional and other local government transfers:		
Policing	402,423	386,326
Recreation	67,313	35,210
Other	9,055	-
	<u>478,780</u>	<u>421,536</u>
Total government transfer revenue	<u>\$ 2,381,601</u>	<u>\$ 2,106,688</u>

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2012

11. Other expenses:

	2012	2011
Grants to non-government organizations:		
Sidney and North Saanich Memorial Park Society	\$ 185,123	\$ 187,021
Saanich Peninsula Chamber of Commerce	60,000	60,000
New Marine Centre Society	46,100	42,600
Peninsula Celebrations Society	12,500	12,500
Other	52,309	22,520
	356,032	324,641
Interest on prepaid taxes	5,014	4,543
Amortization and net loss on miscellaneous assets	203,217	98,226
Other	155,467	67,567
	\$ 719,730	\$ 494,977

12. Expenses by object:

	2012	2011
Salaries, wages and employee benefits	\$ 6,194,329	\$ 6,101,281
Contracted services	6,721,171	5,992,026
Supplies and equipment	2,042,249	1,900,166
Debt interest	206,735	266,942
Other	615,548	409,766
Amortization	2,264,474	2,140,659
	\$ 18,044,506	\$ 16,810,840

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, 2012

13. Commitments and contingent liabilities (continued):

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

14. Budget data:

The unaudited budget data presented in these financial statements is based upon the 2012 operating and capital budgets approved by Council on March 6, 2012, as reflected in the amended financial plan adopted on July 9, 2012. The table below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget amount
Revenues:	
Financial plan	\$ 18,115,819
Add:	
Regional library	565,475
Transfers from own funds	100,000
Gas Tax funding	1,195,000
Total revenue	19,976,294
Expenses:	
Financial plan	\$ 17,744,413
Add:	
Regional library	565,475
Capital in operating budget	456,650
Less:	
Transfers to own funds	(131,850)
Transfers to surplus	(6,000)
Debt principal payments	(4,967)
Total expenses	18,623,721
Annual surplus	\$ 1,352,573