

Financial Statements of the

TOWN OF SIDNEY

Year ended December 31, 2013



TOWN OF SIDNEY

BRITISH COLUMBIA

TOWN OF SIDNEY

Financial Statements

Year ended December 31, 2013

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TOWN OF SIDNEY



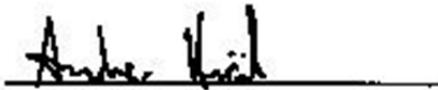
FINANCIAL REPORTING RESPONSIBILITY

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 Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Municipal Council, acting through its Standing Committees, meets with management and the external auditors to review the financial statements and discuss any significant reporting or internal control matters prior to their acceptance of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Town. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's financial statements.

A handwritten signature in black ink, appearing to read 'Andrew Hill', is written over a horizontal line.

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, 2013, 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, 2013, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants
May 6, 2014
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

Consolidated Statement of Financial Position Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
Financial assets:		
Cash and cash equivalents (note 3)	\$ 12,475,690	\$ 12,038,620
Property taxes receivable	447,087	359,585
Accounts receivable	1,196,382	1,858,627
Restricted cash	45,067	45,022
	<u>14,164,226</u>	<u>14,301,854</u>
Liabilities:		
Accounts payable and accrued liabilities	1,134,323	1,420,478
Deferred revenue and deposits (note 4)	2,504,604	3,126,232
Employee future benefit obligations (note 5)	681,400	638,700
Lease obligations (note 6)	60,084	121,889
Long-term debt (note 7)	3,489,748	3,711,594
	<u>7,870,159</u>	<u>9,018,893</u>
Net financial assets	6,294,067	5,282,961
Non-financial assets:		
Tangible capital assets (note 8)	78,176,163	78,332,067
Inventory of supplies	80,864	80,573
Prepaid expenses	39,111	37,294
	<u>\$ 84,590,205</u>	<u>\$ 83,732,895</u>

Commitments and contingent liabilities (note 15).

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

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Statement of Operations and Accumulated Surplus Year ended December 31, 2013, with comparative figures for 2012

	<i>Budget 2013</i>	Actual 2013	Actual 2012
	<i>(note 13)</i>		
Revenue:			
Net taxes available for municipal purposes (note 10)	\$ 11,620,752	\$ 11,629,169	\$ 11,247,184
Fees, rates and service charges	5,119,201	5,005,584	5,130,920
Government transfers (note 11)	1,721,671	1,683,762	2,381,601
Investment earnings	165,000	179,997	182,657
Gifts and contributions	63,938	74,308	144,284
Penalties and interest	98,547	90,833	99,901
Actuarial adjustment on debt	-	48,319	61,742
MFA Debt Reserve Fund surplus	-	2,152	1,862
Other	9,314	55,900	15,747
Total revenue	18,798,423	18,770,024	19,265,898
Expenses:			
General government	2,304,441	2,306,174	2,255,490
Protective services	4,165,993	3,954,822	3,846,648
Transportation	3,433,525	3,627,314	3,645,467
Environmental health services	495,462	514,052	502,317
Environmental development	365,867	342,830	297,131
Leisure, parks and cultural	2,704,448	2,682,640	2,549,569
Water utility	1,861,724	1,868,533	1,824,631
Sewer utility	2,153,352	2,097,429	2,403,523
Other (note 12)	618,438	518,920	719,730
Total expenses	18,103,250	17,912,714	18,044,506
Annual surplus	695,173	857,310	1,221,392
Accumulated surplus, beginning of year	83,732,895	83,732,895	82,511,503
Accumulated surplus, end of year	\$ 84,428,068	\$ 84,590,205	\$ 83,732,895

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

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Statement of Changes in Net Financial Assets Year ended December 31, 2013, with comparative figures for 2012

	Budget 2013 <i>(note 13)</i>	Actual 2013	Actual 2012
Annual surplus	\$ 695,173	\$ 857,310	\$ 1,221,392
Acquisition of tangible capital assets	(3,445,420)	(2,233,076)	(4,526,568)
Amortization of tangible capital assets	2,300,000	2,349,877	2,264,474
Loss on disposal of tangible capital assets	-	31,722	181,159
Proceeds on disposal of capital assets	-	7,381	4,100
	(450,247)	1,013,214	(855,443)
Acquisition of inventory of supplies	-	(80,864)	(80,573)
Acquisition of prepaid expense	-	(39,112)	(37,294)
Consumption of inventory of supplies	-	80,573	79,882
Use of prepaid expenses	-	37,295	38,013
Change in net financial assets	(450,247)	1,011,106	(855,415)
Net financial assets, beginning of year	5,282,961	5,282,961	6,138,376
Net financial assets, end of year	\$ 4,832,714	\$ 6,294,067	\$ 5,282,961

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

TOWN OF SIDNEY

Statement of Cash Flows

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 857,310	\$ 1,221,392
Items not involving cash:		
Amortization	2,349,877	2,264,474
Developer contribution of tangible capital assets	(56,391)	(133,420)
Change in employee benefits and other liabilities	42,700	129,300
Loss on disposal of tangible capital assets	31,722	181,159
Gain on leases	(3,057)	(334)
Actuarial adjustment on debt	(48,319)	(61,742)
Change in non-cash assets and liabilities:		
Property taxes receivable	(87,502)	162,598
Accounts receivable	662,245	17,294
Accounts payable and accrued liabilities	(286,155)	(364,418)
Deferred revenue	(621,628)	(750,018)
Inventory of supplies	(291)	(691)
Prepaid expenses	(1,817)	719
Net change in cash from operating activities	2,838,694	2,666,313
Capital activities:		
Proceeds on disposal of tangible capital assets	7,381	4,100
Cash used to acquire tangible capital assets	(2,162,521)	(4,384,988)
Net change in cash from capital activities	(2,155,140)	(4,380,888)
Financing activities		
MFA debt reserve adjustment	(45)	55,110
Debt issued and assumed	-	694,000
Long-term debt repaid	(173,527)	(259,365)
Lease and other obligations repaid	(72,912)	(99,519)
Net change in cash from financing activities	(246,484)	390,226
Net change in cash and cash equivalents	437,070	(1,324,349)
Cash and cash equivalents, beginning of year	12,038,620	13,362,969
Cash and cash equivalents, end of year	\$ 12,475,690	\$ 12,038,620
Cash paid for interest	\$ 166,144	\$ 209,997
Cash received from interest	270,830	282,557
Assets acquired under capital lease	14,164	8,160

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

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2013

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

1. Significant accounting policies:

The financial statements of the Town are prepared by management in accordance with Canadian public sector accounting standards for local governments, as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Town are as follows:

(a) Reporting entity:

The financial statements include a combination of the assets, liabilities, accumulated surplus, revenues and expenses of all of the Town's activities and funds. Inter-departmental balances and organizational transactions have been eliminated.

(b) Basis of accounting:

The Town follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Government transfers:

Government transfers are recognized in the financial statements as revenue in the period the transfers are authorized and any eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient government. Transfers received which meet the definition of a liability are included in deferred revenue.

(d) Property Tax revenue:

Property Tax revenue is recognized on an accrual basis using property assessment values established by BC Assessment for the current year and the tax rates established annually by Council. Tax revenues are recorded at the date property taxes are due. Assessments are subject to appeal and tax adjustments are recorded when the results of the appeals are known and if required. An allowance for unresolved assessment appeals is also recorded.

(e) Deferred revenue:

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation, regulation or agreement, which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services are performed, or the tangible capital assets are acquired.

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Notes to Financial Statements

Year ended December 31, 2013

(f) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(g) Employee future benefits:

The Town and its employees make contributions to the Municipal Pension Plan. These contributions are expensed as incurred.

Sick leave benefits and other retirement benefits are also available to the Town's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and 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.

(h) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Assets	Useful Life - Years
Land improvements	20 - 50
Buildings and building improvements	10 - 100
Vehicle, machinery and equipment	3 - 40
Water and wastewater infrastructure	50 - 75
Road infrastructure - base	50 - 100
Road infrastructure - 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) Contribution 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

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2013

Works of art and cultural and historic assets are not recorded as assets in these financial statements

(iv) Interest capitalization

The Town does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

(v) Leased tangible capital assets

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.

(vi) 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.

(vii) 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.

(viii) 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. Change in accounting policy:

The Town adopted Public Sector Accounting Standard PS 3510 - Tax Revenue, on a prospective basis, effective January 1, 2013. This standard provides guidance to government entities who record tax revenue on their financial statements with respect to the accounting treatment of tax transfers, tax concessions and taxes imposed on behalf of others. There were no adjustments as a result of the adoption of this standard.

The Town adopted Public Sector Accounting Standard PS 3410 - Government Transfers, effective January 1, 2013. This standard was adopted on a prospective basis. Under PS 3410,

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Notes to Financial Statements

Year ended December 31, 2013

government transfers with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability for the recipient government. There were no adjustments as a result of the adoption of this standard.

3. Cash and cash equivalents:

	2013	2012
Cash	\$ 1,420,892	\$ 2,617,128
Municipal Finance Authority money market fund	5,044,742	1,363,999
Term deposits	6,010,056	8,057,493
	<u>\$ 12,475,690</u>	<u>\$ 12,038,620</u>

4. Deferred revenue and deposits:

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

	2013	2012
Federal gas tax agreement funds		
Deferred gas tax agreement funds, beginning of year	\$ 1,142,376	\$ 1,309,855
Amounts received during the year	353,943	354,085
Interest earned restricted for projects	13,177	19,223
Expenditures	(807,669)	(540,787)
Deferred gas tax agreement funds, end of year	<u>701,827</u>	<u>1,142,376</u>
Prepaid property taxes	1,044,068	982,519
Deferred revenue - prepaid fees and charges	106,718	175,849
Deferred developer contributions	531,269	522,466
Deposits on hold	120,722	303,022
	<u>\$ 2,504,604</u>	<u>\$ 3,126,232</u>

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

5. Employee future benefit obligations:

The Town provides sick leave and certain other benefits to its employees. Some employees of the Town are entitled to payments related to unused vacation, sick leave and other allowances upon resignation or retirement. These amounts and other employee related liabilities will require funding in future periods.

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Notes to Financial Statements

Year ended December 31, 2013

Information regarding the Town's obligations for employee future benefits is as follows:

	2013	2012
Accrued employee benefit obligations:		
Balance, beginning of year	\$ 727,100	\$ 659,500
Current service cost	75,300	72,300
Past service cost	-	42,000
Interest cost	25,900	25,700
Benefits paid	(70,200)	(26,900)
Actuarial adjustment	(63,500)	(45,500)
Balance, end of year	694,600	727,100
Unamortized net actuarial loss	(13,200)	(88,400)
Accrued employee benefit obligations	\$ 681,400	\$ 638,700

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

The amount recorded for these benefits is based on an actuarial evaluation performed by an independent firm using a projected benefit actuarial valuation method pro-rated on services.

This evaluation is reviewed on a periodic basis. The most recent actuarial valuation of the Town's employee future benefits was completed as at December 31, 2013. The significant actuarial assumptions adopted in measuring the Town's accrued benefit obligation are as follows:

	2013	2012
Discount rates	4.00%	3.40%
Expected wage and salary increases	2.50%	2.58% to 4.63%

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 \$112,900 (2012 - \$156,200).

Other pension plan:

The Town and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 179,000 active members and approximately 71,000 retired members. Active members include approximately 35,000 contributors from local governments.

The most recent valuation, as at December 31, 2012, indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015, with results available in 2016. Employers participating in the Plan record their pension expense as the

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2013

amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and costs to the individual employers participating in the Plan.

The Town paid \$491,435 for employer contributions to the plan in fiscal 2013 (2012 - \$470,765) and Town employees paid \$424,719 for employee contributions to the Plan (2012 - \$398,354).

GVLRA – CUPE Long-Term Disability Trust

The Trust was established January 1, 1987 and its sole purpose is to provide a long-term disability income benefit plan for municipal employees in the capital region. The Town and its employees (CUPE & Exempt) each contribute equal amounts into the Trust. The total plan provision for approved and unreported claims was actuarially determined as of December 31, 2011. At December 31, 2013, the total plan provision for approved and unreported claims was \$18,615,400 with a net deficit of \$6,484,632. The actuary does not attribute portions of the unfunded liability to individual employers. The Town paid \$78,208 (2012 - \$47,125) for employer contributions and Town employees paid \$78,643 (2012 - \$47,232) for employee contributions to the plan in 2013.

6. Lease obligations:

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

	2013	2012
2013	\$ -	\$ 77,184
2014	40,856	37,147
2015	11,327	8,208
2016	4,335	1,230
2017	2,979	-
2018	1,763	-
Total minimum lease payments	61,260	123,769
Less: amount representing interest (at prime less 1%)	(1,176)	(1,880)
Present value of net minimum capital lease payments	\$ 60,084	\$ 121,889

Interest expense incurred during 2013 on the above leases amounted to \$2,046 (2012 - \$3,262).

7. Long-term debt:

(a) The Town issued debt instruments through the Municipal Finance Authority (MFA) pursuant to security issuing bylaws under authority of the Local Government Act, to finance certain capital expenditures. Sinking fund contributions, managed by the MFA, are made annually. The related actuarial allocations in respect to the repayment structure are reflected as a reduction of the related long-term debt.

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Notes to Financial Statements

Year ended December 31, 2013

- (b) Gross amount of debt and the amount of the actuarial allocation assets available to retire the debt are as follows:

	Gross debt	Actuarial allocation	Net debt 2013	Net debt 2012
Demand promissory notes	\$ 172,000	\$ -	\$ 172,000	\$ 222,841
General capital fund	7,015,534	3,697,786	\$ 3,317,748	3,488,753
	\$ 7,187,534	\$ 3,697,786	\$ 3,489,748	\$ 3,711,594

- (c) 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, 2013 there were contingent demand notes of \$97,815 (2012 - \$102,316) and cash deposits of \$45,067 (2012 - \$45,022). 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.

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

2014	\$ 117,589
2015	114,486
2016	114,486
2017	114,486
2018	114,486

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

- (e) Total interest paid during the year was \$160,618 (2012 - \$221,611).
- (f) 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 2013 was 3.85%.

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Notes to Financial Statements

Year ended December 31, 2013

8. Tangible capital assets:

Cost	Balance at Dec 31, 2012	Additions / Transfers	Disposals	Balance at Dec 31, 2013
Land	\$ 15,129,731	\$ 13,373	\$ -	\$ 15,143,104
Land improvements	3,766,430	78,596	-	3,845,026
Building and building improvements	22,216,639	958,827	-	23,175,466
Vehicles, machinery and equipment	9,307,029	793,560	(340,343)	9,760,247
Water and wastewater infrastructure	34,992,514	99,978	-	35,092,492
Roads infrastructure	24,702,093	1,683,885	(174,394)	26,211,584
Assets under construction	1,447,274	(1,395,143)	(10,307)	41,824
Total	\$ 111,561,710	\$ 2,233,076	\$ (525,044)	\$ 113,269,743

Accumulated Amortization	Balance at Dec 31, 2012	Disposals / Transfers	Amortization Expense	Balance at Dec 31, 2013
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	1,133,101	-	135,745	1,268,846
Building and building improvements	7,267,851	-	648,388	7,916,239
Vehicles, machinery and equipment	4,148,677	(340,343)	614,126	4,422,460
Water and wastewater infrastructure	12,536,021	-	462,108	12,998,129
Roads infrastructure	8,143,993	(145,597)	489,510	8,487,906
Assets under construction	-	-	-	-
Total	\$ 33,229,643	\$ (485,940)	\$ 2,349,877	\$ 35,093,580

Net Book Value	Balance at Dec 31, 2012	Balance at Dec 31, 2013
Land	\$ 15,129,731	\$ 15,143,104
Land improvements	2,633,329	2,576,180
Building and building improvements	14,948,789	15,259,228
Vehicles, machinery and equipment	5,158,351	5,337,786
Water and wastewater infrastructure	22,456,494	22,094,364
Roads infrastructure	16,558,100	17,723,677
Assets under construction	1,447,274	41,824
Total	\$ 78,332,067	\$ 78,176,163

(a) Assets under construction

Assets under construction having a value of \$41,824 (2012 - \$1,447,274) 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 net book value of contributed assets received during the year is \$56,391 (2012 - \$133,420).

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Notes to Financial Statements

Year ended December 31, 2013

(c) Works of art and historical cultural assets

The Town manages and controls a limited number of works of art and non-operational historical cultural assets including artifacts, paintings and sculptures located at Town sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

9. Accumulated surplus:

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

	2013	2012
Surplus:		
Invested in tangible capital assets	\$ 74,674,330	\$ 74,546,584
Surplus from operations	3,540,875	3,484,869
Total surplus	78,215,205	78,031,453
Reserves set aside by Council:		
Third parties for operating purposes	-	2,752
Third parties for capital purposes	148,645	134,832
Miscellaneous operating purposes	568,576	822,696
Miscellaneous capital purposes	453,216	359,937
Total reserves	1,170,437	1,320,217
Reserves funds set aside for specific purpose by Council:		
Land sale proceeds	15,852	15,675
Parkland acquisition	619	612
Off-street parking	68,686	72,577
Computer replacement	396,537	381,771
General equipment replacement	491,742	398,516
Fire equipment replacement	325,379	249,524
Water capital	335,275	267,541
Sewer capital	22,216	21,927
Infrastructure replacement	2,326,558	1,745,147
Water rates stabilization	236,255	233,183
Amenities	97,549	107,029
Ferry terminal	553,377	549,894
Contingency	201,133	218,257
Agreements	88,318	74,550
Total reserve funds	5,159,496	4,336,203
Restricted cash	45,067	45,022
	\$ 84,590,205	\$ 83,732,895

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2013

10. Net taxes available for municipal purposes:

	2013	2012
Taxes:		
Property taxes	\$ 21,397,672	\$ 20,976,180
Revenue in lieu of taxes	216,323	212,063
Other	1,166,395	908,931
	<u>22,780,390</u>	<u>22,097,174</u>
Less taxes on behalf of:		
Provincial Government School Authorities	6,546,582	6,638,686
Capital Regional District	2,073,928	2,015,948
Capital Regional Hospital District	1,003,698	1,001,766
BC Transit	1,059,308	970,414
BC Assessment Authority	217,032	222,480
Municipal Finance Authority	673	696
Business Improvement Association	250,000	-
	<u>11,151,221</u>	<u>10,849,990</u>
Net taxes available for municipal purposes	\$ 11,629,169	\$ 11,247,184

11. Government transfers:

Government transfers are recognized in the financial statements as revenue in the period the transfers are authorized and any eligibility criteria have been met. The government transfers reported on the statement of operations are:

	2013	2012
Federal grants:		
Federal / provincial capital grant programs	\$ -	\$ 419,481
Gas tax agreement	794,492	540,787
Other operating grants	-	2,500
	<u>794,492</u>	<u>962,768</u>
Provincial grants:		
Federal / provincial capital grant programs	240,000	278,273
Small community protection grant	216,089	462,343
Traffic fine revenue sharing	96,593	197,767
Emergency programs	4,973	-
Other provincial grants	116	1,660
	<u>557,771</u>	<u>940,043</u>
Regional and other local government transfers:		
Policing	288,746	402,422
Recreation	42,153	67,313
Other	600	9,055
	<u>331,499</u>	<u>478,790</u>
Total government transfer revenue	\$ 1,683,762	\$ 2,381,601

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2013

12. Other Expenses:

	2013	2012
Grants to non-government organizations:		
Sidney and North Saanich Memorial Park Society	\$ 191,132	\$ 185,123
Saanich Peninsula Chamber of Commerce	60,000	60,000
New Marine Centre Society	42,600	46,100
Peninsula Celebration Society	12,500	12,500
Other	43,110	52,309
	<u>349,342</u>	<u>356,032</u>
Interest on prepaid taxes	5,499	5,014
Amortization and net loss on miscellaneous assets	52,510	203,217
Other	111,569	155,467
	<u>\$ 518,920</u>	<u>\$ 719,730</u>

13. Budget data

The budget data presented in these financial statements is based upon the 2013-2017 Financial Plan adopted by Council on May 13, 2013. The table below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenues:	
Financial Plan	\$ 18,201,095
Add:	
Vancouver Island Regional Library Levy	597,328
Total revenue	<u>18,798,423</u>
Expenses:	
Financial Plan	17,505,922
Add:	
Vancouver Island Regional Library Levy	597,328
Total Expenses	<u>18,103,250</u>
Annual surplus	\$ 695,173

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2013

14. Segmented information:

The Town of Sidney is a diversified organization that provides a wide range of services. These services have been captured in specific functions that have been separately disclosed in the segmented information as follows:

(i) General Government:

The General Government function is comprised of Legislative Services (Council and Committees) and General Administration, which includes Financial Management, Driver Services, Computer Services, Common Services, and other administrative activities related to the management of the Town.

(ii) Protective Services:

The Protective Services function is comprised of five core services: Emergency Measures, Fire Protection, Police Protection, Court House, and Building & Bylaw Enforcement.

Emergency Measures captures the Town's emergency preparedness programs that ensure the Town is prepared and able to respond to the devastating effects of a disaster or major catastrophic event.

Fire Protection services are carried out by the Town's Fire Department whose mandate is to provide critical, life-saving services in preventing or minimizing the loss of life and property from fire and natural or man-made emergencies.

Police Protection services are performed under contract by the RCMP, who ensure the safety of lives and property in the Town through law enforcement, the maintenance of law and order, and the prevention of crime.

Building and Bylaw Enforcement promotes, facilitates and enforces general compliance with the provisions of bylaws that pertain to the health, safety and welfare of the community.

(iii) Transportation Services:

Transportation Services function is responsible for a wide variety of transportation services including Roads, Storm Drainage, Docks & Port Facilities, and Hydrants.

The Roads principal activity is the development and maintenance of the Town's roadway systems through the Public Works department. The main services include Traffic Services consisting of street sign, street painting and traffic light control maintenance; Street Lighting; Road, Curb, Sidewalk and Cul-de-sac repairs and maintenance; Boulevard Trees; and Street Sweeping.

The Storm Drains service performs preventative maintenance and repairs to the Town's storm drain system, maintains and repairs storm drain ditches, and cleans catch basins.

Docks & Ports Facilities captures maintenance of the Town's docks and ports.

Hydrant services pertain to the maintenance of existing and installation of new fire hydrants.

(iv) Environmental Health Services:

Environmental Health Services provides garbage, organics and compost collection and disposal services to residents and businesses through the Town's designated contractor.

(v) Environmental Development Services:

Environmental Development Services administer zoning and related bylaws and provides long range planning and policy services, as well as providing administrative support to Building and Bylaw Enforcement functions.

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2013

(vi) Leisure, Parks and Cultural Services:

Leisure, Parks & Cultural Services is comprised of four different functions: Parks, Library, Senior's Centre and Museums.

Parks is responsible for the maintenance, planning and development of Town park facilities such as ornamental gardens, natural ecosystems, playgrounds for recreational and cultural enjoyment in a beautiful and safe environment. It also preserves and enhances green spaces on public lands.

Library services are specific to maintenance of the Town owned library building and funding to Vancouver Island Regional Library to operate and manage the library.

The Town owned Shoal Centre is operated by Beacon Community Services, who receive funding from the Town to provide senior related programs.

Museum services include providing space and funding to the Saanich Peninsula Museum Society to manage and operate the Town's Historical Museum. The Town also provides space to the New Marine Centre Society for the operation of the Shaw Ocean Discovery Centre.

(vii) Water and Sewer Utilities:

The Sewer Utility protects the environment and human health from the impacts of liquid waste generated as a result of human occupation and development in the Town.

The Water Utility delivers clean, safe and aesthetically pleasing potable water, in accordance with the Provincial Drinking Water Protection Act, to the residents of the Town. The water is for the purpose of domestic consumption, irrigation and firefighting.

Certain allocation methodologies have been employed in the preparation of the segmented financial information. Property taxation and payments in-lieu of taxes are apportioned to the functions based on budgeted taxation revenue as presented in the 2013 – 2017 financial plan.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1.

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2013

	General Government	Protective Services	Transportation	Environmental Health Services	Environmental Development	Leisure, Parks and Cultural	Water Utility	Sewer Utility	Other	2013	2012
Revenue:											
Taxes for municipal purposes	\$1,710,119	\$3,277,780	\$ 1,862,907	\$ 124,155	\$ 345,386	\$ 2,003,061	\$ 341,125	\$ 575,269	\$ 1,389,367	\$ 11,629,169	\$ 11,247,184
Fees, rates and service charges	348,263	369,783	448,058	355,494	24,383	175,237	1,543,173	1,725,631	15,562	5,005,584	5,130,920
Government transfers	-	291,585	116	-	-	42,153	-	-	1,349,908	1,683,762	2,381,601
Investment earnings	9,508	-	-	-	-	-	-	-	170,489	179,997	182,657
Gifts and contributions	5,148	11,719	-	-	(350)	1,500	-	-	56,291	74,308	144,284
Penalties and interest	-	-	-	1,368	-	-	4,910	5,742	78,812	90,833	99,901
Actuarial adjustment on debt	-	-	-	-	-	-	-	-	48,319	48,319	61,742
MFA debt reserve fund surplus	-	-	-	-	-	-	-	-	2,152	2,152	1,862
Other	-	-	-	-	-	-	-	-	55,900	55,900	15,747
Total revenue	2,073,038	3,950,867	2,311,081	481,017	369,419	2,221,951	1,889,208	2,306,642	3,166,801	18,770,024	19,265,898
Expenses:											
Salaries, wages and benefits	1,703,877	1,505,337	1,557,834	94,251	304,733	912,243	301,783	263,679	4,503	6,648,240	6,194,329
Contracted services	615,175	2,044,703	343,417	385,333	34,876	988,844	33,057	1,498,184	317,016	6,260,605	6,721,171
Supplies and equipment	(225,126)	149,252	582,715	34,468	3,221	230,234	1,343,223	179,207	-	2,297,194	2,042,249
Debt interest	316	4,797	346	-	-	-	-	-	159,041	164,500	206,735
Other	3,653	6,565	38,581	-	-	119,173	(628)	-	24,954	192,298	615,548
Amortization	208,279	244,168	1,104,421	-	-	432,146	191,098	156,359	13,406	2,349,877	2,264,474
Total expenses	2,306,174	3,954,822	3,627,314	514,052	342,830	2,682,640	1,868,533	2,097,429	518,920	17,912,714	18,044,506
Annual surplus (deficit)	\$ (233,136)	\$ (3,955)	\$ (1,316,234)	\$ (33,035)	\$ 26,590	\$ (460,689)	\$ 20,675	\$ 209,213	\$ 2,647,881	\$ 857,310	\$ 1,221,392

TOWN OF SIDNEY

Notes to Financial Statements

Year ended December 31, 2013

15. Commitments and contingent liabilities:

- (a) Under Section 836 of the Local Government Act, all member municipalities are jointly and severally liable for the indebtedness of the Capital Regional District in the event of default by the Regional District.
- (b) The Town is 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 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.