

Financial Statements of the

TOWN OF SIDNEY

Year ended December 31, 2021



TOWN OF SIDNEY

BRITISH COLUMBIA

TOWN OF SIDNEY

Financial Statements
Year ended December 31, 2021

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TOWN OF SIDNEY

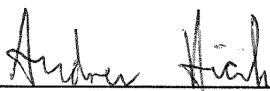
FINANCIAL REPORTING RESPONSIBILITY

The accompanying financial statements of the 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, as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is included 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 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



KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250-480-3500
Fax 250-480-3539

INDEPENDENT AUDITORS' REPORT

To the Mayor and Councillors of the Town of Sidney

Opinion

We have audited the financial statements of the Town of Sidney (the "Town"), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***Auditors' Responsibilities for the Audit of the Financial Statements*** section of our auditors' report.

We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

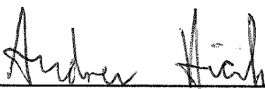
Victoria, Canada
April 25, 2022

TOWN OF SIDNEY

Statement of Financial Position December 31, 2021, with comparative figures for 2020

	2021	2020
Financial assets:		
Cash	\$ 15,653,175	\$ 20,553,605
Investments	10,519,475	9,500,000
Property taxes receivable	379,777	445,856
Accounts receivable	2,174,050	2,240,523
MFA Debt Reserve Fund cash	131,473	141,097
	<u>28,857,950</u>	<u>32,881,081</u>
Liabilities:		
Accounts payable and accrued liabilities	3,314,338	5,484,967
Deferred revenue and deposits (note 2)	6,018,422	8,271,511
Employee future benefit liability (note 3)	1,022,800	947,900
Debt (note 4)	10,407,608	10,548,145
	<u>20,763,168</u>	<u>25,252,523</u>
Net financial assets	8,094,782	7,628,558
Non-financial assets:		
Tangible capital assets (note 5)	103,179,838	102,054,431
Inventory of supplies	317,320	221,731
Prepaid expenses	131,487	196,837
	<u>103,628,645</u>	<u>102,472,999</u>
Accumulated surplus (note 6)	\$ 111,723,427	\$ 110,101,557
Contractual rights (note 12)		
Commitments and contingent liabilities (note 13)		

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



Director of Corporate Services

TOWN OF SIDNEY

Statement of Operations and Accumulated Surplus Year ended December 31, 2021, with comparative figures for 2020

	<i>Budget</i> 2021	Actual 2021	Actual 2020
	<i>(note 10)</i>		
Revenue:			
Net taxes available for municipal purposes (note 7)	\$ 14,329,778	\$ 14,322,161	\$ 13,790,704
Fees, rates and service charges	6,799,027	6,845,194	6,671,431
Government transfers (note 8)	1,732,303	2,306,440	4,654,693
Investment earnings	200,000	209,787	292,571
Gifts and contributions	8,908	1,048,971	1,409,740
Penalties and interest	106,725	110,804	65,970
Actuarial adjustment on debt	-	67,103	62,727
Other	8,000	10,211	25,322
Total revenue	23,184,741	24,920,671	26,973,158
Expenses:			
General government	2,791,162	2,616,403	2,486,146
Protective services	6,472,583	6,180,808	6,311,467
Transportation	4,574,678	3,992,286	4,298,791
Environmental health services	925,428	857,307	770,050
Environmental development	709,700	631,048	570,821
Leisure, parks and cultural	3,162,108	3,367,175	3,179,621
Water utility	2,319,352	2,302,248	2,189,187
Sewer utility	2,425,840	2,357,977	2,209,428
Other (note 9)	1,069,015	993,549	1,008,118
Total expenses	24,449,866	23,298,801	23,023,629
Annual (deficit) / surplus	(1,265,125)	1,621,870	3,949,529
Accumulated surplus, beginning of year	110,101,557	110,101,557	106,152,028
Accumulated surplus, end of year	\$ 108,836,432	\$ 111,723,427	\$ 110,101,557

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

TOWN OF SIDNEY

Statement of Changes in Net Financial Assets (Net Debt) Year ended December 31, 2021, with comparative figures for 2020

	Budget 2021	Actual 2021	Actual 2020
	<i>(note 10)</i>		
Annual (deficit) / surplus	\$ (1,265,125)	\$ 1,621,870	\$ 3,949,529
Acquisition of tangible capital assets	(10,024,020)	(4,122,093)	(4,401,164)
Amortization of tangible capital assets	3,050,000	2,993,238	2,995,929
Loss on disposal of tangible capital assets	-	2,848	42,580
Proceeds on disposal of tangible capital assets	-	600	48,784
	(8,239,145)	496,463	2,635,658
Acquisition of inventory of supplies	-	(317,320)	(221,731)
Acquisition of prepaid expense	-	(131,487)	(196,837)
Consumption of inventory of supplies	-	221,731	162,615
Use of prepaid expenses	-	196,837	85,260
Change in net financial assets	(8,239,145)	466,224	2,464,965
Net financial assets, beginning of year	7,628,558	7,628,558	5,163,593
(Net debt) / Net financial assets , end of year	\$ (610,587)	\$ 8,094,782	\$ 7,628,558

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

TOWN OF SIDNEY

Statement of Cash Flows Year ended December 31, 2021, with comparative figures for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,621,870	\$ 3,949,529
Items not involving cash:		
Amortization	2,993,238	2,995,929
Loss on disposal of tangible capital assets	2,848	42,580
Developer contribution of tangible capital assets	(586,526)	(29,246)
Change in employee future benefit liability	74,900	106,800
Actuarial adjustment on debt	(67,103)	(62,727)
Changes in non-cash assets and liabilities:		
Property taxes receivable	66,079	(133,637)
Accounts receivable	66,473	274,145
Accounts payable and accrued liabilities	(2,170,629)	3,526,209
Deferred revenue	(2,253,089)	2,679,546
Inventory of supplies	(95,589)	(59,116)
Prepaid expenses	65,350	(111,577)
Net change in cash from operating activities	(282,178)	13,178,435
Capital activities:		
Proceeds on disposal of tangible capital assets	600	48,784
Cash used to acquire tangible capital assets	(3,535,567)	(4,371,917)
Net change in cash from capital activities	(3,534,967)	(4,323,133)
Investment activities:		
Investments	(1,019,475)	(444,003)
Net change in cash from investing activities	(1,019,475)	(444,003)
Financing activities		
Municipal Finance Authority debt reserve adjustment	9,624	(32,668)
Debt issued and assumed	265,000	3,043,437
Long-term debt repaid	(338,434)	(4,739,515)
Net change in cash from financing activities	(63,810)	(1,728,746)
Net change in cash and cash equivalents	(4,900,430)	6,682,553
Cash and cash equivalents, beginning of year	20,553,605	13,871,052
Cash and cash equivalents, end of year	\$ 15,653,175	\$ 20,553,605
Cash paid for interest	\$ 307,199	\$ 328,937
Cash received from interest	320,591	358,541

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

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2021

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.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2021

1. Significant accounting policies (continued):

(f) Investments:

Investments are recorded at cost and are comprised of guaranteed investment certificates.

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 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.

Leave benefits such as banked sick, discretionary, or vacation, along with retirement allowance 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 benefit 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	10 - 75
Buildings and building improvements	15 - 100
Vehicle, machinery and equipment	3 - 50
Water and wastewater infrastructure	12 - 75
Road infrastructure	25 - 100

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 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, with the value of the contribution recorded as revenue.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2021

1. Significant accounting policies (continued):

(h) Non-financial assets (continued):

(iii) Works of art and cultural and historic assets

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

(iv) Interest capitalization

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

(v) Leased tangible capital assets

Leased assets 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.

(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) Measurement uncertainty:

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. 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, contaminated sites and contingent liabilities. Actual results could differ from these estimates.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2021

1. Significant accounting policies (continued):

(k) Contaminated sites:

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

- (i) An environmental standard exists;
- (ii) Contamination exceeds the environmental standard;
- (iii) The Town is directly responsible or accepts responsibility;
- (iv) It is expected that future economic benefits will be given up; and
- (v) A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site. Management has not identified any Town sites that meet the criteria of a contaminated site.

2. Deferred revenue and deposits:

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

	Balance at Dec 31, 2020	Recognized as revenue or refunded	Interest earned	Current year deferred	Balance at Dec 31, 2021
Prepaid property taxes	\$ 1,595,097	\$ (1,595,097)	\$ -	\$ 1,676,795	\$ 1,676,795
Prepaid fees and charges	947,409	(903,621)	-	408,151	451,939
Deferred developer contributions & deposits	3,637,867	(1,337,392)	1,600	297,460	2,599,535
Deposits on hold	2,091,138	(1,083,593)	-	282,608	1,290,153
	<u>\$ 8,271,511</u>	<u>\$ (4,919,703)</u>	<u>\$ 1,600</u>	<u>\$ 2,665,014</u>	<u>\$ 6,018,422</u>

3. Employee future benefit liability:

Sick leave and retirement benefits are available to Town employees that will require funding in future periods. The amounts recorded for these benefits are actuarially determined based on years of service and best estimates of retirement ages and expected future salary and wage increases. The obligations are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

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

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2021

3. Employee future benefit liability (continued):

	2021	2020
Accrued employee benefit obligations:		
Balance, beginning of year	\$ 901,000	\$ 800,700
Current service cost	100,500	90,200
Interest cost	19,300	22,300
Benefits paid	(45,000)	(17,200)
Actuarial adjustment	(71,600)	5,000
Balance, end of year	904,200	901,000
Unamortized net actuarial gain (loss)	118,600	46,900
Accrued employee benefit liability	\$ 1,022,800	\$ 947,900

Any actuarial gain or loss is amortized over a period equal to the employees' average remaining service lifetime, estimated to be 11 years (2020 - 11 years).

The liabilities are based on an actuarial valuation of the Town's employee future benefits completed as at October 1, 2019 and extrapolated to December 31, 2021.

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

	2021	2020
Discount rates	2.50%	2.00%
Expected wage and salary increases	2.50%	2.50%

The Town funds the employee future benefits with tax revenues from the general operating fund. The total expense recorded in the financial statements in respect of obligations under this plan amounts to \$119,000 (2020 - \$124,000).

Municipal 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 assets and administration of benefits. The Plan is a multi-employer, defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2020, the Plan had about 220,000 active members and approximately 112,000 retired members. Active members include approximately 42,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. The rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2021

3. Employee future benefit liability (continued):

The most recent actuarial valuation for the Municipal Pension Plan, as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The next valuation will be as at December 31, 2021, with results available in 2022.

Employers participating in the Plan record their pension expense as the 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, resulting in no consistent and reliable basis for allocating the obligation, assets and costs to the individual employers participating in the Plan.

The Town paid \$675,860 for employer contributions (2020 - \$629,925) and Town employees paid \$581,386 for employee contributions (2020 - \$543,949) to the plan in fiscal 2021.

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, 2020. At December 31, 2020, the total plan provision for approved and unreported claims was \$21,661,600 with a net surplus of \$4,450,361. The actuary does not attribute any portions of the net surplus to individual employers.

The Town paid \$78,682 for employer contributions (2020 - \$73,080) and Town employees paid \$78,353 for employee contributions (2019 - \$73,067) to the plan in 2021.

4. Debt:

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

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

	Gross debt	Actuarial allocation	Net debt 2021	Net debt 2020
Short-Term and Other debt	\$ 272,413	\$ -	\$ 272,413	\$ 37,776
Long-Term Debt	12,350,000	2,214,805	10,135,195	10,510,369
	<u>\$ 12,622,413</u>	<u>\$ 2,214,805</u>	<u>\$ 10,407,608</u>	<u>\$ 10,548,145</u>

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2021

4. Debt (continued):

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, 2021 there were contingent demand notes of \$187,311 (2020 - \$215,833) and cash deposits of \$131,473 (2020 - \$141,097). The demand notes are not included in the financial statements of the Town; however, the cash deposits are included in the financial statements as MFA Debt Reserve Fund Cash.

- (c) Principal repayments for current long-term debt are estimated as follows over the next five years and thereafter:

2022	\$	272,601
2023		268,606
2024		268,606
2025		268,606
2026		268,606
2027-2050		8,788,170
	\$	10,135,195

- (d) Scheduled debt repayments may be suspended should sinking fund accumulations exceed original estimates.
- (e) Total interest paid on debt during the year was \$307,199 (2020 - \$328,937).
- (f) Existing long-term debt matures in annual amounts to the year 2050, and interest rates range from 1.28% to 3.40%. The weighted average interest rate for 2021 was 2.40% (2020 - 2.53%).
- (g) Included in other debt are Equipment Financing Loan Agreements with the Municipal Finance Authority totaling \$272,413 (2020 - \$37,776) to finance the purchase of a tangible capital asset.

The loans are repaid in monthly payments of \$5,279 with maturity dates in 2025 and 2026. The loans are repayable on demand upon occurrence of any event of default. Interest is charged on a daily floating rate basis and compounded monthly. At year end, the current floating rate was 0.90 % per annum. Interest paid during the year was \$1,531 (2020 - \$422) and has been included in expenses on the statement of operations. As a condition of borrowing, the Town has issued promissory notes in the value of \$308,437 to the MFA.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2021

5. Tangible capital assets:

Cost	Balance at Dec 31, 2020	Additions	Disposals / Transfers	Balance at Dec 31, 2021
Land	\$ 14,291,854	\$ -	\$ -	\$ 14,291,854
Land improvements	16,220,914	141,715	269,744	16,632,373
Building and building improvements	30,060,933	108,653	1,169	30,170,755
Vehicles, machinery and equipment	11,944,195	613,032	(662,648)	11,894,579
Water and wastewater infrastructure	44,997,088	402,857	317,734	45,717,679
Roads infrastructure	31,956,714	569,174	116,928	32,642,816
Assets under construction	1,791,019	2,286,662	(822,701)	3,254,980
Total	\$ 151,262,717	\$ 4,122,093	\$ (779,774)	\$ 154,605,036

Accumulated Amortization	Balance at Dec 31, 2020	Amortization Expense	Disposals	Balance at Dec 31, 2021
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	6,236,591	439,657	-	6,676,248
Building and building improvements	7,927,857	718,037	-	8,645,894
Vehicles, machinery and equipment	6,419,445	621,701	(662,648)	6,378,498
Water and wastewater infrastructure	17,202,356	634,519	-	17,836,875
Roads infrastructure	11,422,037	579,324	(113,678)	11,887,683
Assets under construction	-	-	-	-
Total	\$ 49,208,286	\$ 2,993,238	\$ (776,326)	\$ 51,425,198

Net Book Value	Balance at Dec 31, 2020	Balance at Dec 31, 2021
Land	\$ 14,291,854	\$ 14,291,854
Land improvements	9,984,323	9,956,125
Building and building improvements	22,133,076	21,524,861
Vehicles, machinery and equipment	5,524,750	5,516,081
Water and wastewater infrastructure	27,794,732	27,880,804
Roads infrastructure	20,534,677	20,755,133
Assets under construction	1,791,019	3,254,980
Total	\$ 102,054,431	\$ 103,179,838

(a) Assets under construction

Assets under construction in the amount of \$3,254,980 (2020 - \$1,791,019) have not been amortized. Amortization of these assets will commence when the assets are available for service.

(b) Contributed tangible capital assets

Contributed capital assets are recognized at fair market value at the date of contribution and consist of water, wastewater and roads infrastructure. The value of contributed assets received during the year is \$586,526 (2020 - \$29,246).

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2021

5. Tangible capital assets (continued):

(c) Works of art and historical cultural assets

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

(d) Write-downs

The Town did not write-down any tangible capital asset values during 2021 or 2020.

6. Accumulated surplus:

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

	2021	2020
Surplus:		
Invested in tangible capital assets	\$ 92,772,230	\$ 91,506,286
Surplus from operations	4,418,388	4,258,233
Total surplus	97,190,618	95,764,519
Reserves set aside by Council:		
Miscellaneous operating purposes	1,728,984	2,777,352
Miscellaneous capital purposes	601,578	757,422
Total reserves	2,330,562	3,534,774
Reserves funds set aside for specific purposes by Council:		
Land sale proceeds	634,912	1,060,663
Parkland acquisition	223,344	221,344
Off-street parking	854,725	886,525
Computer replacement	493,599	420,805
General equipment replacement	1,166,610	1,004,356
Fire equipment replacement	613,853	449,753
Water capital	186,127	187,055
Sewer capital	25,416	25,216
Infrastructure replacement	3,035,180	2,465,155
Water rates stabilization	-	66,667
Amenities	1,627,757	1,320,279
Ferry terminal	982,940	975,618
Agreements	199,227	185,143
Gas Tax - Community Works Fund	2,027,084	1,392,588
Total reserve funds	12,070,774	10,661,167
MFA Debt Reserve Fund cash	131,473	141,097
	\$ 111,723,427	\$ 110,101,557

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2021

6. Accumulated surplus (continued):

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

	2021	2020
Federal gas tax agreement funds		
Gas tax agreement funds, beginning of year	\$ 1,392,588	\$ 1,088,964
Amounts received during the year	1,118,244	546,656
Interest earned restricted for projects	12,800	13,100
Expenditures	(496,548)	(256,132)
Gas tax agreements funds, end of year	\$ 2,027,084	\$ 1,392,588

7. Net taxes available for municipal purposes:

	2021	2020
Taxes:		
Property taxes	\$ 25,852,942	\$ 23,938,373
Revenue in lieu of taxes	292,583	276,154
Other	1,025,600	956,280
	27,171,125	25,170,807
Less taxes on behalf of:		
Provincial Government School Authorities	7,296,566	5,794,650
Capital Regional District	2,729,302	2,675,642
Capital Regional Hospital District	1,000,391	1,066,493
BC Transit	1,267,100	1,294,928
BC Assessment Authority	233,638	235,083
Municipal Finance Authority	1,107	1,093
Business Improvement Area	320,860	312,214
	12,848,964	11,380,103
Net taxes available for municipal purposes	\$ 14,322,161	\$ 13,790,704

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2021

8. 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:

	2021	2020
Federal grants:		
Gas Tax - Community Works Funding	\$ 1,118,244	\$ 546,656
Provincial grants:		
COVID-19 Restart Grant	-	2,758,000
COVID-19 Emergency Operations Center	4,663	326,343
Federal / provincial capital grant programs	24,430	50,989
Small community protection grant	318,000	331,056
Traffic fine revenue sharing	106,769	112,620
Other provincial grants	161,186	12,234
	615,048	3,591,242
Regional and other local governments:		
Policing	428,660	459,146
Recreation	93,107	57,649
Other	51,381	-
	573,148	516,795
Total government transfer revenue	\$ 2,306,440	\$ 4,654,693

9. Other expenses:

	2021	2020
Grants to non-government organizations:		
Sidney and North Saanich Memorial Park Society	\$ 351,904	\$ 359,860
Shaw Centre for the Salish Sea	205,000	205,000
Sidney Business Improvement Area Society	167,140	102,208
ArtSea Community Arts Council	44,800	28,000
South Island Prosperity Project	26,129	26,722
Peninsula Celebrations Society	-	12,000
Other	70,261	35,309
	865,234	769,099
Interest on prepaid taxes	-	6,722
Amortization and net loss on miscellaneous assets	13,309	112,362
Other	115,006	119,935
	\$ 993,549	\$ 1,008,118

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2021

10. Budget data:

The budget data presented in these financial statements is based upon the 2021-2025 Financial Plan adopted by Council on April 12, 2021. The table below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenues:	
Financial Plan	\$ 22,683,267
Add:	
Vancouver Island Regional Library Levy	822,334
Sidney Business Improvement Area Levy	(320,860)
Total revenue	23,184,741
Expenses:	
Financial Plan	23,948,392
Add:	
Vancouver Island Regional Library Levy	822,334
Less:	
Sidney Business Improvement Area Levy	(320,860)
Total expenses	24,449,866
Annual surplus	\$ (1,265,125)

11. 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:

(a) 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.

(b) 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.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2021

11. Segmented information (continued):

(c) Transportation Services:

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

The Roads function's principal activity is the development and maintenance of the Town's roadway systems by 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.

Dock & Port Facilities captures maintenance of the Town's waterfront infrastructure.

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

(d) Environmental Health Services:

Environmental Health Services provides garbage, organics and compost collection and disposal services to residents and businesses through the Town's designated contractors, as well as any programs, services or projects having an environmental focus.

(e) Environmental Development Services:

Environmental Development Services administers zoning and related bylaws, and provides long range planning and policy services, as well as providing administrative support to the Building Inspection function.

(f) 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, and 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 the Vancouver Island Regional Library service to operate and manage the library.

The Town owned Shoal Activity 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 Sidney Museum and Archives Society to manage and operate the Town's Historical Museum and Archives. The Town also provides space to the New Marine Centre Society for the operation of the Shaw Centre for the Salish Sea.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2021

11. Segmented information (continued):

(g) Sewer and Water 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 Town operates a collection system, which transfers wastewater to a sub-regional treatment facility.

The Water Utility delivers clean, safe and aesthetically pleasing potable water, in accordance with the Provincial Drinking Water Protection Act, to the residents and businesses of the Town. The water is for the purposes of domestic and commercial consumption, irrigation and firefighting. The Town operates a water distribution system only, using treated water purchased in bulk from the Regional District.

(h) Other:

Other includes all revenues and expenses not captured in the above-named segmentation categories.

Other revenues include municipal taxes, provincial and federal government grants, traffic fine revenues, investment income, developer contributions, and other miscellaneous sources of revenue.

Other expenses include community support funding and grants, economic development, contingencies, and other miscellaneous expenses.

The resulting annual surplus is primarily used for budgeted transfers to reserves, and debt principal repayments.

Certain allocation methodologies have been employed in the preparation of the segmented financial information. Property taxation and revenue in-lieu of taxes are apportioned to the functions based on year end operating results and funding of capital expenditures.

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, 2021

11. Segmented information (continued):

	General Government	Protective Services	Transportation	Environmental Health Services	Environmental Development Services	Leisure, Parks and Cultural	Water Utility	Sewer Utility	Other	2021
Revenue:										
Taxes for municipal purposes	\$ 1,993,939	\$ 4,138,120	\$ 2,115,720	\$ 261,211	\$ 527,675	\$ 2,606,784	\$ 461,400	\$ 564,200	\$ 1,653,112	\$ 14,322,161
Fees, rates and service charges	445,494	603,654	810,656	585,524	33,130	153,436	2,118,849	1,915,314	179,137	6,845,194
Government transfers	-	623,028	31,540	-	8,825	100,034	-	-	1,543,013	2,306,440
Investment earnings	-	-	-	-	-	-	-	-	209,787	209,787
Gifts and contributions	-	-	464,095	-	-	32,367	58,180	53,190	441,139	1,048,971
Penalties and interest	-	-	-	1,917	-	-	6,133	6,570	96,184	110,804
Actuarial adjustment on debt	-	-	-	-	-	-	-	-	67,103	67,103
Other	-	-	-	-	-	-	-	-	10,211	10,211
Total revenue	2,439,433	5,364,802	3,422,011	848,652	569,630	2,892,621	2,644,562	2,539,274	4,199,686	24,920,671
Expenses:										
Salaries, wages and benefits	1,722,066	2,700,298	1,459,745	193,333	491,520	1,191,478	306,172	259,847	5,675	8,330,134
Contracted services	634,366	2,381,599	504,374	613,344	137,505	1,218,541	45,957	1,762,864	738,171	8,036,721
Supplies and equipment	61,900	186,776	547,154	41,879	2,023	356,528	1,718,157	172,222	-	3,086,639
Debt interest	-	206,795	47,287	-	-	31,114	-	-	-	285,196
Other	25,344	83,548	97,878	8,751	-	105,136	52	5,442	240,722	566,873
Amortization	172,727	621,792	1,335,848	-	-	464,378	231,910	157,602	8,981	2,993,238
Total expenses	2,616,403	6,180,808	3,992,286	857,307	631,048	3,367,175	2,302,248	2,357,977	993,549	23,298,801
Annual surplus (deficit)	\$ (176,970)	\$ (816,006)	\$ (570,275)	\$ (8,655)	\$ (61,418)	\$ (474,554)	\$ 342,314	\$ 181,297	\$ 3,206,137	\$ 1,621,870

TOWN OF SIDNEY

Notes to Financial Statements
Year ended December 31, 2021

11. Segmented information (continued):

	General Government	Protective Services	Transportation	Environmental Health Services	Environmental Development Services	Leisure, Parks and Cultural	Water Utility	Sewer Utility	Other	2020
Revenue:										
Taxes for municipal purposes	\$ 1,874,168	\$ 4,191,104	\$ 1,818,859	\$ 179,889	\$ 555,361	\$ 2,365,703	\$ 395,850	\$ 560,430	\$ 1,849,340	\$ 13,790,704
Fees, rates and service charges	475,615	837,766	1,000,659	584,089	11,459	128,701	1,776,536	1,677,974	178,632	6,671,431
Government transfers	-	850,710	200	-	4,000	51,449	-	-	3,748,334	4,654,693
Investment earnings	-	-	-	-	-	-	-	-	292,571	292,571
Gifts and contributions	-	-	130,724	-	-	16,214	-	-	1,262,802	1,409,740
Penalties and interest	-	-	-	1,102	-	-	3,114	3,232	58,522	65,970
Actuarial adjustment on debt	-	-	-	-	-	-	-	-	62,727	62,727
Other	-	-	-	-	-	-	-	-	25,322	25,322
Total revenue	2,349,783	5,879,580	2,950,442	765,080	570,820	2,562,067	2,175,500	2,241,636	7,478,250	26,973,158
Expenses:										
Salaries, wages and benefits	1,596,665	2,442,259	1,264,397	129,401	489,696	1,051,567	280,583	277,722	5,138	7,537,428
Contracted services	612,383	2,619,033	534,817	598,023	80,349	1,201,646	43,291	1,510,976	736,131	7,936,649
Supplies and equipment	71,494	324,061	435,963	42,626	776	277,404	1,631,721	187,163	-	2,971,208
Debt interest	32	220,234	51,549	-	-	57,122	-	-	17,967	346,904
Other	5,607	97,201	662,832	-	-	145,614	5,629	78,726	239,902	1,235,511
Amortization	199,965	608,679	1,349,233	-	-	446,268	227,963	154,841	8,980	2,995,929
Total expenses	2,486,146	6,311,467	4,298,791	770,050	570,821	3,179,621	2,189,187	2,209,428	1,008,118	23,023,629
Annual surplus (deficit)	\$ (136,363)	\$ (431,887)	\$ (1,348,349)	\$ (4,970)	\$ (1)	\$ (617,554)	\$ (13,687)	\$ 32,208	\$ 6,470,132	\$ 3,949,529

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2021

12. Contractual rights:

The Town holds contractual rights arising from contracts and agreements that have been entered into with various parties that provide the Town with enforceable future payments. The estimated contractual rights under these contracts, for the years ending December 31, are as follows:

2022	579,988
2023	579,822
2024	583,438
	\$ 1,743,248

In addition to these contractual rights, the Town has agreements with several parties that provide for the recovery of costs and payment of annual fees and commissions based on annual results.

13. Commitments and contingent liabilities:

- (a) Under Section 412 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 a participant in the Municipal Insurance Association of British Columbia (MIABC). Should the MIABC pay out claims in excess of premiums received, it is possible that the Town, along with other participants, would be required to contribute towards the deficit. Management does not consider external payment under this contingency to be likely and therefore, no amounts have been accrued.
- (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) 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, and the RCMP Premises Agreement caps the maximum payout at \$715,000. However, there is no intention at this time to contemplate termination of the agreement.

TOWN OF SIDNEY

Notes to Financial Statements
Year ended December 31, 2021

13. Commitments and contingent liabilities (continued):

- (e) The Town has entered into an Easement Agreement and Parking Agreement with the Saanich Memorial Park Society (MPS) for the use of part of their lands for two specific purposes: the Easement Agreement is to provide easement access to the Town's Community Safety Building just south of MPS lands; and the Parking Agreement is for the location of a parking lot for employees working in the downtown core. The agreements commit the Town to two separate payment streams, neither of which is considered a liability at December 31, 2021. Under the terms of the agreements, the Town will make payments to MPS as follows:

For the Easement Agreement: a total of \$400,000, payable over a five-year term. The payment shall be \$80,000 per calendar year. The first payment in 2017 was pro-rated to \$46,667 to reflect the actual start date of May 23, 2017, and the final payment in 2022 will be \$33,333.

For the Parking Agreement: the Town shall pay the equivalent of 0.5% of the previous year's municipal property tax revenues, for as long as the parking agreement continues to be in place. The first payment in 2017 was pro-rated to \$31,396 to reflect the actual start date of May 23, 2017. The 2021 payment was \$58,652 and the 2022 payment will be \$60,932; future year payments are estimated to increase by 2.5% annually.

The Town has also committed to assuming responsibility for grounds maintenance at the Mary Winspear Centre (the local theatre and conference facility owned and operated by MPS), beginning in 2017, at a maximum cost of \$25,000 per year, with an annual inflation factor being applied starting in the sixth year. This commitment is included in the Town's annual operating budget, under Leisure, Parks and Cultural Services.

TOWN OF SIDNEY

BC Safe Restart Grant Schedule Year Ended December 31, 2021 (Unaudited)

On November 19, 2020, the Town received a BC Safe Restart Grant from the BC Government to help address the fiscal impacts of COVID-19. The grant was recognized as revenue when received and transferred to an operating reserve to fund future eligible expenditures.

	2021	2020
COVID-19 Safe Restart Grant, beginning of year	\$ 2,108,000	\$ -
COVID-19 Safe Restart Grant received	-	2,758,000
Eligible costs incurred:		
Revenue Shortfalls	\$ (735,000)	\$ (550,000)
Protective services	(68,000)	(50,000)
Engineering and public works	(23,559)	(50,000)
Community support	(89,100)	-
COVID-19 Safe Restart Grant, end of year	\$ 1,192,341	\$ 2,108,000