

Financial Statements of the

TOWN OF SIDNEY

Year ended December 31, 2023



TOWN OF SIDNEY

BRITISH COLUMBIA

TOWN OF SIDNEY

Financial Statements
Year ended December 31, 2023

	<u>Page</u>
Financial Reporting Responsibility	1
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	5
Statement of Operations and Accumulated Surplus	6
Statement of Changes in Net Financial Assets	7
Statement of Remeasurement Gains and Losses	8
Statement of Cash Flows	9
Notes to Financial Statements	10
BC Safe Restart Grant Schedule (Unaudited)	31
Growing Communities Fund Grant Schedule (Unaudited)	32



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 Auditor’s 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 Hinch", is written over a horizontal line.

Director of Finance



KPMG LLP

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INDEPENDENT AUDITOR'S 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, 2023
- 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 remeasurement gains and losses 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, 2023, and its results of operations, its remeasurement gains and losses, 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 ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our auditor's 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.



Town of Sidney

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.

Auditor's 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 auditor's 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.



Town of Sidney

- 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 auditor's 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 auditor's 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 of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Victoria, Canada
May 13, 2024

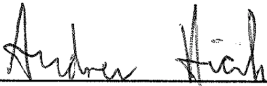
TOWN OF SIDNEY

Statement of Financial Position December 31, 2023, with comparative figures for 2022

	2023	2022
Financial assets:		
Cash	\$ 12,241,489	\$ 13,720,829
Investments	12,020,282	10,029,702
Property taxes receivable	405,727	422,492
Accounts receivable	6,469,904	2,509,322
MFA Debt Reserve Fund cash (note 5b)	137,295	133,156
	<u>31,274,697</u>	<u>26,815,501</u>
Liabilities:		
Accounts payable and accrued liabilities	4,077,952	4,004,459
Deferred revenue and deposits (note 3)	6,146,482	4,775,193
Employee future benefit liability (note 4)	1,133,500	1,072,200
Debt (note 5)	9,649,651	10,031,969
Asset retirement obligations (note 6)	700,600	-
	<u>21,708,185</u>	<u>19,883,821</u>
Net financial assets	9,566,512	6,931,680
Non-financial assets:		
Tangible capital assets (note 7)	111,204,805	104,928,131
Inventory of supplies	320,899	276,131
Prepaid expenses	400,001	184,126
	<u>111,925,705</u>	<u>105,388,388</u>
Accumulated surplus (note 8)	121,527,205	112,320,068
Accumulated remeasurement losses	(34,988)	-
	<u>\$ 121,492,217</u>	<u>\$ 112,320,068</u>

Contractual rights (note 14)
Commitments and contingent liabilities (note 16)

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



Director of Finance

TOWN OF SIDNEY

Statement of Operations and Accumulated Surplus Year ended December 31, 2023, with comparative figures for 2022

	<i>Budget</i> 2023	Actual 2023	Actual 2022
	<i>(note 12)</i>		
Revenue:			
Net taxes available for municipal purposes (note 9)	\$ 16,066,444	\$ 16,082,212	\$ 15,031,340
Fees, rates and service charges	7,251,800	6,745,709	6,863,690
Government transfers (note 10)	2,980,022	9,685,068	1,860,693
Investment earnings	660,000	1,371,055	613,506
Gifts and contributions	2,830,000	1,045,045	655,452
Penalties and interest	112,000	158,312	99,747
Actuarial adjustment on debt	-	57,667	49,603
Other	9,500	18,814	151,945
Total revenue	29,909,766	35,163,882	25,325,976
Expenses:			
General government	3,174,091	3,183,774	2,781,663
Protective services	7,146,928	6,618,262	6,713,768
Transportation	4,729,491	4,621,877	4,135,476
Environmental health services	1,138,814	1,038,156	1,010,063
Environmental development	623,400	544,876	617,433
Leisure, parks and cultural	3,371,796	3,911,922	3,540,936
Water utility	2,559,099	2,320,018	2,263,121
Sewer utility	2,656,468	2,519,764	2,496,076
Other (note 11)	1,026,324	1,198,096	1,170,799
Total expenses	26,426,411	25,956,745	24,729,335
Annual surplus	3,483,355	9,207,137	596,641
Accumulated surplus, beginning of year	112,320,068	112,320,068	111,723,427
Accumulated surplus, end of year	\$ 115,803,423	\$ 121,527,205	\$ 112,320,068

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

TOWN OF SIDNEY

Statement of Changes in Net Financial Assets Year ended December 31, 2023, with comparative figures for 2022

	Budget 2023	Actual 2023	Actual 2022
	<i>(note 12)</i>		
Annual surplus	\$ 3,483,355	\$ 9,207,137	\$ 596,641
Acquisition of tangible capital assets	(15,782,701)	(9,656,248)	(5,185,527)
Amortization of tangible capital assets	(3,200,000)	3,348,334	3,169,432
Loss (gain) on disposal of tangible capital assets	-	(15,251)	108,740
Proceeds on disposal of tangible capital assets	-	46,491	159,062
	(15,499,346)	2,930,463	(1,151,652)
Acquisition of inventory of supplies	-	(320,899)	(276,131)
Acquisition of prepaid expense	-	(400,001)	(184,126)
Consumption of inventory of supplies	-	276,131	317,320
Use of prepaid expenses	-	184,126	131,487
Change in net financial assets	(15,499,346)	2,669,820	(1,163,102)
Net financial assets, beginning of year	6,931,680	6,931,680	8,094,782
Change in accumulated remeasurement loss	-	(34,988)	-
(Net debt) / Net financial assets, end of year	\$ (8,567,666)	\$ 9,566,512	\$ 6,931,680

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

TOWN OF SIDNEY

Statement of Remeasurement Gains and Losses Year ended December 31, 2023, with comparative figures for 2022

	2023		2022	
Accumulated remeasurement gains (losses), beginning of year	\$	-	\$	-
Adjustment on adoption of new accounting standard		-		-
Unrealized losses attributable to:				
Foreign exchange		(34,988)		-
Net change in remeasurement losses for the year		(34,988)		-
Accumulated remeasurement losses, end of year	\$	(34,988)	\$	-

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

TOWN OF SIDNEY

Statement of Cash Flows

Year ended December 31, 2023, with comparative figures for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 9,207,137	\$ 596,641
Items not involving cash:		
Amortization	3,348,334	3,169,432
Loss (gain) on disposal of tangible capital assets	(15,251)	108,740
Developer contribution of tangible capital assets	(736,819)	(334,891)
Change in employee future benefit liability	61,300	49,400
Actuarial adjustment on debt	(57,667)	(49,603)
Asset retirement expense on inactive assets	12,600	-
Unrealized remeasurement loss on foreign exchange	(34,988)	-
Changes in non-cash assets and liabilities:		
Property taxes receivable	16,765	(42,715)
Accounts receivable	(3,960,582)	(335,272)
Accounts payable and accrued liabilities	73,493	690,121
Deferred revenue	1,371,289	(1,243,229)
Inventory of supplies	(44,768)	41,189
Prepaid expenses	(215,875)	(52,639)
Net change in cash from operating activities	9,024,968	2,597,174
Capital activities:		
Proceeds on disposal of tangible capital assets	46,491	159,062
Cash used to acquire tangible capital assets	(8,231,429)	(4,850,636)
Net change in cash from capital activities	(8,184,938)	(4,691,574)
Investment activities:		
Investments	(1,990,580)	489,773
Net change in cash from investing activities	(1,990,580)	489,773
Financing activities		
Municipal Finance Authority debt reserve adjustment	(4,139)	(1,683)
Long-term debt repaid	(324,651)	(326,036)
Net change in cash from financing activities	(328,790)	(327,719)
Net change in cash and cash equivalents	(1,479,340)	(1,932,346)
Cash and cash equivalents, beginning of year	13,720,829	15,653,175
Cash and cash equivalents, end of year	\$ 12,241,489	\$ 13,720,829
Cash paid for interest	\$ 281,237	\$ 277,033
Cash received from interest	1,398,246	629,559

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

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2023

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 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, 2023

1. Significant accounting policies (continued):

(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 deferred revenue balance.

(g) Financial instruments:

The Town's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities, deferred revenue and deposits, and debt. The carrying amount of these financial instruments approximates the fair value because they are short-term in nature or because they bear interest at market rates.

Financial instruments are recorded at fair value on initial recognition. Derivative instruments, equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Town does not hold any instruments that require fair value reporting and has not elected to record any other financial instruments at fair value.

Financial instruments recorded at cost are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method or effective interest rate method. All financial assets are assessed for impairment on an annual basis.

(h) 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.

(i) Asset retirement obligation:

An asset retirement obligation (ARO) is a legal obligation associated with the retirement of a tangible capital asset and is recognized when, as at the financial reporting date, all of the following criteria are met:

- (i) There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- (ii) The past transaction or event giving rise to the liability has occurred;
- (iii) It is expected that future economic benefit will be given up; and
- (iv) A reasonable estimate of the amount can be made.

The recognition of an ARO liability increases the carrying value of the underlying asset, and is amortized over the asset's remaining useful life in accordance with the accounting policy outlined in note 1(j). Where the underlying asset is no longer in productive use, the obligation is recorded as an expense on the Statement of Operations and Accumulated Surplus.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2023

1. Significant accounting policies (continued):

(i) Asset retirement obligation (continued):

AROs are initially measured at the best estimate of the amount required to retire a tangible capital asset at the financial statement date. In subsequent periods, the assumptions used in determining the ARO will be reviewed annually, and the value of the liability revised, when appropriate.

(j) 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.

(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.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2023

1. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(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.

(k) Foreign currency:

Foreign currency transactions are translated into Canadian dollars at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Unrealized foreign exchange gains or losses, resulting from a change in the exchange rate that arises prior to settlement, are recognized in the Statement of Remeasurement Gains and Losses. In the period of settlement, realized gains or losses are recognized on the Statement of Operations and Accumulated Surplus, and the related unrealized balances are reversed from the Statement of Remeasurement Gains and Losses.

(l) 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, estimating provisions for accrued liabilities, including employee future benefits, contaminated sites, contingent liabilities and asset retirement obligations. Actual results could differ from these estimates.

(m) 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.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2023

2. Change in accounting policies:

(a) PS 3450 – *Financial Instruments* and PS 2601 – *Foreign Exchange Translation*:

On January 1, 2023, the Town adopted Public Accounting Standards PS 3450 – *Financial Instruments* and PS 2601 – *Foreign Exchange Translation*. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments are included on the Statement of Financial Position and measured at either fair value or amortized cost, based on the characteristics of the instrument and the Town’s accounting policy choices (see note 1(g)).

The standards were adopted prospectively.

(b) PS 3280 – *Asset Retirement Obligations*:

On January 1, 2023, the Town adopted Public Accounting Standard PS 3280 – *Asset Retirement Obligations*. This new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of certain tangible capital assets, and replaces PS 3270 – *Solid Waste Landfill Closure and Post-Closure Liability*.

The standard was adopted prospectively.

3. 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, 2022	Recognized as revenue or refunded	Interest earned	Current year deferred	Balance at Dec 31, 2023
Prepaid property taxes	\$ 1,735,690	\$ (1,735,690)	\$ -	\$1,824,349	\$ 1,824,349
Prepaid fees and charges	288,900	(181,037)	-	484,137	592,000
Deferred developer contributions & deposits	1,979,572	(821,229)	11,000	1,344,472	2,513,815
Deposits on hold	771,031	(365,196)	-	810,483	1,216,318
	<u>\$ 4,775,193</u>	<u>\$ (3,103,152)</u>	<u>\$ 11,000</u>	<u>\$ 4,463,441</u>	<u>\$ 6,146,482</u>

4. Employee future benefit liability:

Sick leave and retirement benefits are available to Town employees; these benefits 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.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2023

4. Employee future benefit liability (continued):

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

	2023	2022
Accrued employee benefit obligations:		
Balance, beginning of year	\$ 840,400	\$ 904,200
Current service cost	84,000	97,700
Interest cost	39,100	24,200
Benefits paid	(42,700)	(61,800)
Actuarial adjustment	(10,900)	(123,900)
Balance, end of year	909,900	840,400
Unamortized net actuarial gain	223,600	231,800
Accrued employee benefit liability	\$ 1,133,500	\$ 1,072,200

Any actuarial gain or loss is amortized over a period equal to the employees' average remaining service lifetime, estimated to be 10 years (2022 - 10 years).

The liabilities are based on an actuarial valuation of the Town's employee future benefits completed as at December 31, 2022 and extrapolated to December 31, 2023.

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

	2023	2022
Discount rates	4.10%	4.40%
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 \$104,000 (2022 - \$111,200).

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, 2022, the Plan had about 240,000 active members and approximately 124,000 retired members. Active members include approximately 43,000 contributors from local governments.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2023

4. Employee future benefit liability (continued):

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.

The most recent actuarial valuation for the Municipal Pension Plan, as at December 31, 2021, indicated a \$3.761 billion funding surplus for basic pension benefits on a going concern basis.

The next valuation will be as at December 31, 2024, with results available in 2025.

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 \$700,259 for employer contributions (2022 - \$658,117) and Town employees paid \$632,611 for employee contributions (2022 - \$593,570) to the plan in fiscal 2023.

GVLRA – CUPE Long-Term Disability Trust

The Trust was established January 1, 1987 as a result of negotiations between the Greater Victoria Labour Relations Association representing a number of employers and the Canadian Union of Public Employees representing a number of CUPE locals. The Trust's sole purpose is to provide a long-term disability income benefit plan. Employers and employees each contribute equal amounts into the Trust. The total plan provision for approved and unreported claims was fully actuarially determined as at December 31, 2020, with an extrapolation prepared by the actuary as at December 31, 2022. At December 31, 2022, the total plan provision for approved claims was \$24,104,700 (2021 - \$23,012,000) and the provision for unreported claims was \$1,703,800 (2021 - \$1,703,800) with an accumulated deficit of \$3,026,543 (accumulated surplus in 2021 - \$1,664,646).

The Town paid \$105,452 for employer contributions (2022 - \$89,681) and Town employees paid \$105,452 for employee contributions (2022 - \$89,739) to the plan in 2023.

5. 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.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2023

5. Debt (continued):

- (b) The gross amount of debt, the combined amount of principal payments and actuarial allocation applied, and the net amount required to retire debt are as follows:

	Gross debt	Repayment and actuarial allocation	Net debt 2023	Net debt 2022
Short-Term and Other debt	\$ 165,617	\$ -	\$ 165,617	\$ 218,978
Long-Term Debt	11,500,000	2,015,966	9,484,034	9,812,991
	\$ 11,665,617	\$ 2,015,966	\$ 9,649,651	\$ 10,031,969

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, 2023 there were contingent demand notes of \$184,305 (2022 - \$184,305) and cash deposits of \$137,295 (2022 - \$133,156). 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:

2024	\$ 271,291
2025	271,291
2026	271,291
2027	271,291
2028	271,291
2029-2050	8,127,579
	\$ 9,484,034

- (d) Scheduled debt repayments may be suspended should sinking fund accumulations exceed original estimates.
- (e) Total interest paid on debt during the year was \$281,237 (2022 - \$277,033).
- (f) Existing long-term debt matures in annual amounts to the year 2050, and interest rates range from 1.28% to 3.39%. The weighted average interest rate for 2023 was 2.41% (2022 - 2.41%).

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2023

5. Debt (continued):

- (g) Included in other debt are Equipment Financing Loan Agreements with the Municipal Finance Authority totaling \$165,617 (2022 - \$218,978) to finance the purchase of tangible capital assets.

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 floating rate was 5.63% per annum. Interest paid during the year was \$9,991 (2022 - \$4,863) and has been included in expenses on the Statement of Operations and Accumulated Surplus. As a condition of borrowing, the Town has issued promissory notes in the value of \$308,437 to the MFA.

6. Asset retirement obligations:

The Town's asset retirement obligation consists of two obligations as follows:

- (a) Asbestos obligation:

The Town owns and operates buildings that are known to contain asbestos and other hazardous materials, which represent a health hazard upon demolition or certain renovations. Following the adoption of PS 3280 – *Asset retirement obligations*, the Town recognized a liability in the amount of \$688,000, relating to the removal and disposal of the asbestos and other hazardous materials in these buildings, as estimated at January 1, 2023. The estimated liability remains unchanged on December 31, 2023. The recognition of asset retirement obligations involves an accompanying increase to the buildings and building improvements capital assets. This increase in capital assets is amortized on a straight-line basis over the remaining expected useful life of the related assets. These asset retirement activities are estimated to occur between 2028 and 2082.

- (b) Well closure obligation:

The Town is responsible for a number of historic wells. Provincial regulations require wells to be decommissioned, if not in use. The Town recognized a liability in the amount of \$12,600 relating to the decommissioning of historic wells, as estimated at January 1, 2023. The estimated liability remains unchanged on December 31, 2023. This obligation was expensed on the Statement Operations and Accumulated Surplus, as the underlying asset is no longer in productive use.

Changes to the asset retirement obligation in the year are as follows:

	Asbestos removal	Well closure	Total 2023
Asset retirement obligation, beginning of year	\$ -	\$ -	\$ -
Initial recognition	688,000	12,600	700,600
Asset retirement obligation, end of year	\$ 688,000	\$ 12,600	\$ 700,600

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2023

7. Tangible capital assets:

Cost	Balance at Dec 31, 2022	Additions	Disposals / Transfers	Balance at Dec 31, 2023
Land	\$ 14,291,854	\$ -	\$ -	\$ 14,291,854
Land improvements	16,925,695	15,531	23,496	16,964,722
Buildings and building improvements	30,210,360	808,718	(3,293)	31,015,785
Vehicles, machinery and equipment	12,775,598	881,280	(148,107)	13,508,771
Water and wastewater infrastructure	47,883,719	975,769	596,659	49,456,147
Roads infrastructure	34,042,851	1,632,910	234,842	35,910,603
Assets under construction	2,000,895	5,342,040	(1,121,585)	6,221,350
Total	\$ 158,130,972	\$ 9,656,248	\$ (417,988)	\$ 167,369,232

Accumulated Amortization	Balance at Dec 31, 2022	Amortization Expense	Disposals	Balance at Dec 31, 2023
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	7,043,411	456,505	-	7,499,916
Buildings and building improvements	9,350,272	816,134	(36,511)	10,129,895
Vehicles, machinery and equipment	5,918,829	759,862	(337,619)	6,341,072
Water and wastewater infrastructure	18,499,709	685,552	-	19,185,261
Roads infrastructure	12,390,620	630,281	(12,618)	13,008,283
Assets under construction	-	-	-	-
Total	\$ 53,202,841	\$ 3,348,334	\$ (386,748)	\$ 56,164,427

Net Book Value	Balance at Dec 31, 2022	Balance at Dec 31, 2023
Land	\$ 14,291,854	\$ 14,291,854
Land improvements	9,882,284	9,464,806
Buildings and building improvements	20,860,088	20,885,890
Vehicles, machinery and equipment	6,856,769	7,167,699
Water and wastewater infrastructure	29,384,010	30,270,886
Roads infrastructure	21,652,231	22,902,320
Assets under construction	2,000,895	6,221,350
Total	\$ 104,928,131	\$ 111,204,805

(a) Assets under construction

Assets under construction in the amount of \$6,221,350 (2022 - \$2,000,895) 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 \$736,819 (2022 - \$334,891).

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2023

7. 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.

(d) Write-downs

The Town did not write down any tangible capital asset values during 2023 or 2022.

8. Accumulated surplus:

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

	2023	2022
Surplus:		
Invested in tangible capital assets	\$ 100,867,154	\$ 94,896,162
Surplus from operations	3,552,650	3,972,322
Total surplus	104,419,804	98,868,484
Reserves set aside by Council:		
Miscellaneous operating purposes	1,050,466	1,194,879
Miscellaneous capital purposes	490,060	427,368
Total reserves	1,540,526	1,622,247
Reserves funds set aside for specific purposes by Council:		
Land sale proceeds	329,956	477,104
Parkland acquisition	240,444	228,644
Off-street parking	404,197	377,340
Alternative transportation	424,410	431,173
Computer replacement	421,544	420,273
General equipment replacement	1,107,211	908,699
Fire equipment replacement	(432,319)	(451,523)
Water capital	16,224	77,188
Sewer capital	27,316	26,016
Infrastructure replacement	3,724,767	3,657,766
Amenities	1,343,043	1,807,667
Ferry terminal	1,312,327	1,185,240
Agreements	124,452	106,302
Climate action	161,341	121,091
Canada Community-Building Fund	2,404,667	2,323,201
Grow ing Communities Fund	3,820,000	-
Total reserve funds	15,429,580	11,696,181
MFA Debt Reserve Fund cash	137,295	133,156
	\$ 121,527,205	\$ 112,320,068

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2023

8. Accumulated surplus (continued):

The Town periodically receives Canada Community-Building Fund contributions 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 Community Works Fund Agreement.

	2023	2022
Canada Community-Building Fund, beginning of year	\$ 2,323,201	\$ 2,027,084
Amounts received during the year	596,599	571,588
Interest earned restricted for projects	119,600	48,300
Expenditures	(634,733)	(323,771)
Canada Community-Building Fund, end of year	\$ 2,404,667	\$ 2,323,201

9. Net taxes available for municipal purposes:

	2023	2022
Taxes:		
Property taxes	\$ 29,337,505	\$ 26,858,812
Revenue in lieu of taxes	319,927	289,812
Other	1,065,290	1,051,379
	30,722,722	28,200,003
Less taxes on behalf of:		
Provincial Government School Authorities	8,421,067	7,502,181
Capital Regional District	2,965,529	2,829,788
Capital Regional Hospital District	948,407	925,103
BC Transit	1,701,664	1,340,530
BC Assessment Authority	265,324	240,861
Municipal Finance Authority	1,519	1,319
Business Improvement Area	337,000	328,881
	14,640,510	13,168,663
Net taxes available for municipal purposes	\$ 16,082,212	\$ 15,031,340

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2023

10. Government transfers:

Government transfers are recognized in the financial statements as revenue in the period the transfers are authorized and any eligibility criteria and stipulations have been met. The government transfers reported on the Statement of Operations and Accumulated Surplus are:

	2023	2022
Federal grants:		
Canada Community-Building Fund	\$ 596,599	\$ 571,588
Provincial grants:		
Federal / provincial capital grant programs	3,917,530	45,464
Small community protection grant	315,000	403,000
Traffic fine revenue sharing	86,000	103,060
Growing Communities Fund grant	3,820,000	-
Other provincial grants	432,414	174,780
	8,570,944	726,304
Regional and other local governments:		
Policing	424,836	439,092
Recreation	82,689	113,709
Other	10,000	10,000
	517,525	562,801
Total government transfer revenue	\$ 9,685,068	\$ 1,860,693

11. Other expenses:

	2023	2022
Grants to non-government organizations:		
Saanich Peninsula Memorial Park Society	\$ 385,364	\$ 365,600
Shaw Centre for the Salish Sea	205,000	205,000
Sidney Business Improvement Area Society	170,300	165,075
ArtSea Community Arts Council	54,800	44,800
South Island Prosperity Partnership	27,452	31,782
Peninsula Celebrations Society	12,000	12,000
Other	54,129	56,383
	909,045	880,640
Interest on prepaid taxes	82,011	20,867
Amortization and net loss on miscellaneous assets	7,906	119,545
Other	199,134	149,747
	\$ 1,198,096	\$ 1,170,799

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2023

12. Budget data:

The budget data presented in these financial statements is based upon the 2023-2027 Financial Plan adopted by Council on May 8, 2023. The table below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenues:	
Financial Plan	\$ 29,394,248
Add:	
Vancouver Island Regional Library Levy	852,518
Less:	
Sidney Business Improvement Area Levy	(337,000)
Total revenue	29,909,766
Expenses:	
Financial Plan	25,910,893
Add:	
Vancouver Island Regional Library Levy	852,518
Less:	
Sidney Business Improvement Area Levy	(337,000)
Total expenses	26,426,411
Annual surplus	\$ 3,483,355

13. 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, 2023

13. 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 or contracted service providers. The main services include Traffic Services consisting of street signs, 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 is comprised of two functions: Solid Waste and Environmental Programs.

Solid Waste provides garbage, organics and compost collection and disposal services to residents and businesses through the Town's designated contractors.

Environmental Programs undertakes initiatives in the Town that address the impacts of climate change.

(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, 2023

13. 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, 2023

13. Segmented information (continued):

	General Government	Protective Services	Transportation	Environmental Health Services	Environmental Development Services	Leisure, Parks and Cultural	Water Utility	Sewer Utility	Other	2023
Revenue:										
Taxes for municipal purposes	\$ 2,388,304	\$ 5,131,303	\$ 2,183,804	\$ 255,120	\$ 544,151	\$ 2,854,769	\$ 483,150	\$ 582,140	\$ 1,659,471	\$ 16,082,212
Fees, rates and service charges	400,471	438,505	893,040	586,309	30,725	154,627	2,095,316	1,969,959	176,757	6,745,709
Government transfers	60,938	607,679	3,907,675	205,488	-	85,689	-	-	4,817,599	9,685,068
Investment earnings	-	-	-	-	-	-	-	-	1,371,055	1,371,055
Gifts and contributions	-	-	684,029	-	-	54,128	18,250	35,000	253,638	1,045,045
Penalties and interest	-	-	-	1,760	-	-	6,025	6,206	144,321	158,312
Actuarial adjustment on debt	-	-	-	-	-	-	-	-	57,667	57,667
Other	-	-	-	-	-	-	-	-	18,814	18,814
Total revenue	2,849,713	6,177,487	7,668,548	1,048,677	574,876	3,149,213	2,602,741	2,593,305	8,499,322	35,163,882
Expenses:										
Salaries, wages and benefits	1,920,286	2,894,810	1,888,705	231,856	498,200	1,323,185	518,581	321,018	2,546	9,599,187
Contracted services	843,676	2,554,922	600,244	710,659	46,191	1,317,493	41,313	1,853,371	792,364	8,760,233
Supplies and equipment	54,164	258,954	495,891	72,841	485	404,842	1,508,970	134,795	-	2,930,942
Debt interest	-	229,800	32,903	-	-	18,534	-	-	-	281,237
Other	115,497	5,902	136,553	22,800	-	353,607	905	6,268	395,280	1,036,812
Amortization	250,151	673,874	1,467,581	-	-	494,261	250,249	204,312	7,906	3,348,334
Total expenses	3,183,774	6,618,262	4,621,877	1,038,156	544,876	3,911,922	2,320,018	2,519,764	1,198,096	25,956,745
Annual surplus (deficit)	\$ (334,061)	\$ (440,775)	\$ 3,046,671	\$ 10,521	\$ 30,000	\$ (762,709)	\$ 282,723	\$ 73,541	\$ 7,301,226	\$ 9,207,137

TOWN OF SIDNEY

Notes to Financial Statements
Year ended December 31, 2023

13. Segmented information (continued):

	General Government	Protective Services	Transportation	Environmental Health Services	Environmental Development Services	Leisure, Parks and Cultural	Water Utility	Sewer Utility	Other	2022
Revenue:										
Taxes for municipal purposes	\$ 2,170,458	\$ 4,893,492	\$ 2,109,412	\$ 226,054	\$ 512,327	\$ 2,754,610	\$ 475,350	\$ 576,030	\$ 1,313,607	\$ 15,031,340
Fees, rates and service charges	464,663	575,307	1,032,059	589,949	42,931	133,854	2,080,302	1,767,129	177,496	6,863,690
Government transfers	-	461,883	35,024	143,082	12,175	130,881	-	-	1,077,648	1,860,693
Investment earnings	-	-	-	-	-	-	-	-	613,506	613,506
Gifts and contributions	100	-	316,721	-	-	52,966	14,850	10,320	260,495	655,452
Penalties and interest	-	-	-	2,051	-	-	5,436	6,145	86,115	99,747
Actuarial adjustment on debt	-	-	-	-	-	-	-	-	49,603	49,603
Other	-	-	-	-	-	-	-	-	151,945	151,945
Total revenue	2,635,221	5,930,682	3,493,216	961,136	567,433	3,072,311	2,575,938	2,359,624	3,730,415	25,325,976
Expenses:										
Salaries, wages and benefits	1,807,987	2,744,608	1,357,701	229,722	529,484	1,281,897	557,684	369,973	8,039	8,887,095
Contracted services	696,529	2,774,929	707,289	711,012	86,620	1,278,553	27,137	1,842,038	760,048	8,884,155
Supplies and equipment	70,411	246,527	540,870	56,579	1,329	365,754	1,436,975	83,080	-	2,801,525
Debt interest	-	225,070	32,518	-	-	19,035	-	-	-	276,623
Other	11,699	65,737	112,155	12,750	-	115,089	1,168	-	391,907	710,505
Amortization	195,037	656,897	1,384,943	-	-	480,608	240,157	200,985	10,805	3,169,432
Total expenses	2,781,663	6,713,768	4,135,476	1,010,063	617,433	3,540,936	2,263,121	2,496,076	1,170,799	24,729,335
Annual surplus (deficit)	\$ (146,442)	\$ (783,086)	\$ (642,260)	\$ (48,927)	\$ (50,000)	\$ (468,625)	\$ 312,817	\$ (136,452)	\$ 2,559,616	\$ 596,641

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2023

14. 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:

2024	\$	644,927
2025		654,006
2026		663,219
	\$	1,962,152

In addition to these contractual rights, the Town has agreements with several parties that provide for the recovery of operating costs, infrastructure construction costs, and payment of annual fees and commissions. The timing and extent of these future contributions vary depending on annual results, construction progress, and fair value of assets received at time of contribution, which cannot be determined with certainty at the financial statement date.

15. Financial risk management:

The Town is exposed to the following risks from its use of financial instruments in the normal course of operations: liquidity risk, credit risk, interest rate risk and foreign exchange risk. It is management's opinion that the Town is not exposed to significant risks, from its use of financial instruments, which could affect its ability to achieve strategic objectives.

(a) Liquidity risk:

Liquidity risk is the risk that the Town will not be able to meet its financial obligations as they become due. The Town manages its liquidity risk by continually monitoring cash flows from operations and anticipated investing and financial activities to ensure, as far as possible, that it will always have sufficient liquidity to meet obligations when due.

(b) Credit risk:

Credit risk is the risk of financial loss to the Town if a counter party to a financial instrument fails to meet their contractual obligations. The Town is exposed to credit risk through its receivables and investment holdings.

Receivables primarily consist of grants receivable from senior levels of government and other government organizations, and payment for cost sharing agreements with neighboring local governments. The risk of default on these receivables is very low. Receivables from other parties are monitored regularly and an allowance for potentially uncollectible amounts is established when needed.

Investments consist of guaranteed investment certificates, issued by either Canadian Chartered banks with a credit rating of AA or higher, or credit unions with 100% guarantee from the Credit Union Deposit Insurance Corporation of British Columbia.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2023

15. Financial risk management (continued):

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Town is exposed to interest rate risk on its floating rate deposits and variable rate equipment financing loans. Maintaining an adequate level of readily accessible floating rate deposits is necessary for working capital and mitigates the Town's exposure to liquidity risk. The balance of the Town's variable rate equipment financing loans does not expose the Town to a significant level of interest rate risk, and is partially offset by the floating rate deposits.

(d) Foreign exchange risk:

Foreign exchange risk is the risk that the fair value of financial instruments will fluctuate due to changes in foreign exchange rates. The functional currency of the Town is the Canadian dollar, and the Town occasionally makes certain purchases denominated in U.S. dollars. The Town is exposed to foreign exchange risks on its U.S. dollar bank account; however, the exposure does not significantly impact the Town's operations.

16. 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 its accumulated reserves, 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.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2023

16. Commitments and contingent liabilities (continued):

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.

- (e) The Town has entered into two agreements with the Saanich Peninsula Memorial Park Society, which commit the Town to the following payment streams until the current agreements expire in 2032, at which time the funding formula may be renegotiated.

Base Funding Agreement: The Town will provide annual funding to the Society in the amount of 2.5% of the previous year's municipal property tax revenues. The 2023 payment was \$321,136; and the 2024 payment will be \$345,808; future year payments are estimated to increase by 4% annually.

Parking Agreement: The Town uses a part of the Society's lands for the purpose of a public parking lot. This agreement commits the Town to pay the equivalent of 0.5% of the previous year's municipal property tax revenues. The 2023 payment was \$64,227; and the 2024 payment will be \$69,162; future year payments are estimated to increase by 4.0% 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. The maximum commitment for 2024 will be \$27,732. This commitment is included in the Town's annual operating budget, under Leisure, Parks and Cultural Services.

- (f) The Town has entered into a Cost Sharing Agreement and a Memorandum of Understanding with the Victoria Airport Authority and the District of North Saanich for the design and construction of road improvements in the area of Beacon Avenue West, Galaran Road and Stirling Way in the Town of Sidney. In April 2023, the Town was informed that it had been successful in a grant application for the project. A \$5 million grant will reduce the net costs for all three parties. The Town's net contribution to the project is \$1,040,000, 40% of the approved project cost. Construction work for the project was in progress at December 31, 2023 and is expected to be completed during 2024.

17. Subsequent event:

On April 2, 2024, the Town acquired two parcels of land, in the amount of \$1,510,000, for the purpose of creating a new neighborhood park.

TOWN OF SIDNEY

BC Safe Restart Grant Schedule Year ended December 31, 2023 (Unaudited)

On November 19, 2020, the Town received a BC Safe Restart Grant from senior governments 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.

	2023	2022
COVID-19 Safe Restart Grant, beginning of year	\$ 536,991	\$ 1,192,341
Eligible costs incurred:		
Revenue Shortfalls	(350,000)	(535,000)
Community support	(60,000)	(66,350)
Economic development	-	(54,000)
COVID-19 Safe Restart Grant, end of year	\$ 126,991	\$ 536,991

TOWN OF SIDNEY

Growing Communities Fund Grant Schedule Year Ended December 31, 2023 (Unaudited)

On March 23, 2023, the Town received \$3,820,000 in a one-time grant from the Provincial Growing Communities Fund. The grant was recognized as revenue when received and transferred to a statutory reserve to fund future eligible expenditures.

	2023
Growing Communities Fund Grant, beginning of year	\$ -
Received during the year	3,820,000
Eligible costs incurred	-
Growing Communities Fund Grant, end of year	\$ 3,820,000
