



The Corporation of the District of Central Saanich

ANNUAL REPORT

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INTRODUCTION

It is my pleasure to present the District of Central Saanich first annual report as required by Section 98 of the Community Charter for the fiscal year ending December 31, 2003.

The annual report for the previous fiscal year must be presented to Council by June 30 in each year at a council or other public meeting for the purpose of presenting the following:

- the audited financial statements of the preceding year,
- for each tax exemption provided by Council, the amount of property taxes that would have been imposed on the property in the previous year if it were not exempt for that year;
- a report respecting municipal services and operations for the previous year;
- any declarations of disqualifications made under Section 111 of the Community Charter (application to court for declaration of disqualification) in the previous year, including identification of the Council member or former Council member involved and the nature of the disqualification;
- remuneration and expenses paid to or on behalf of each councillor for the previous year.
- a statement of municipal objectives for the next year;
- Financial Information Act reporting requirements, and;
- reporting remuneration and expenses paid to or on behalf of each councillor for the previous year.
- any other information the Council considers advisable.

A copy of the financial statements and reports must be made available for public inspection during regular business hours at least two weeks before being considered by Council. The following report meets or exceeds the 2004 Community Charter annual reporting requirements for the fiscal year ending December 31, 2003.

Respectfully submitted,

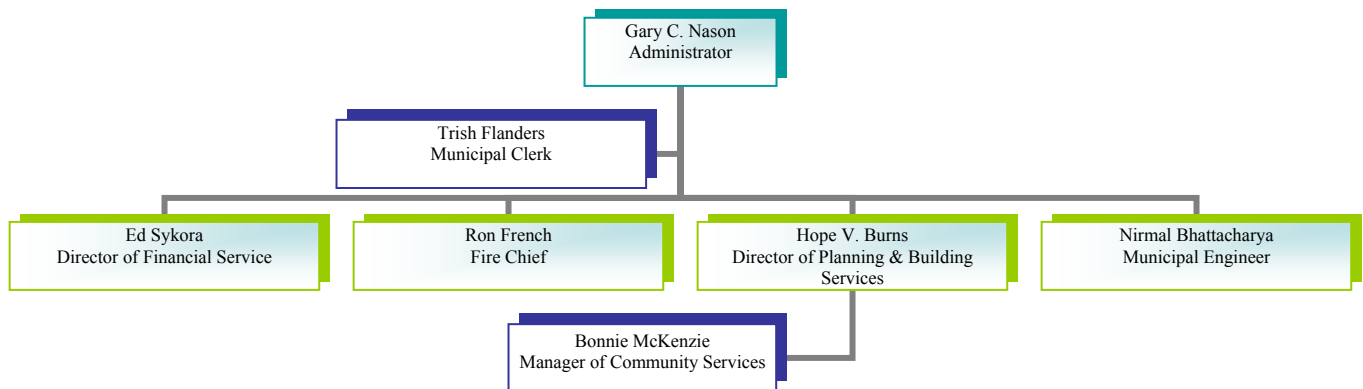
Ed Sykora, CMA
Director of Financial Services



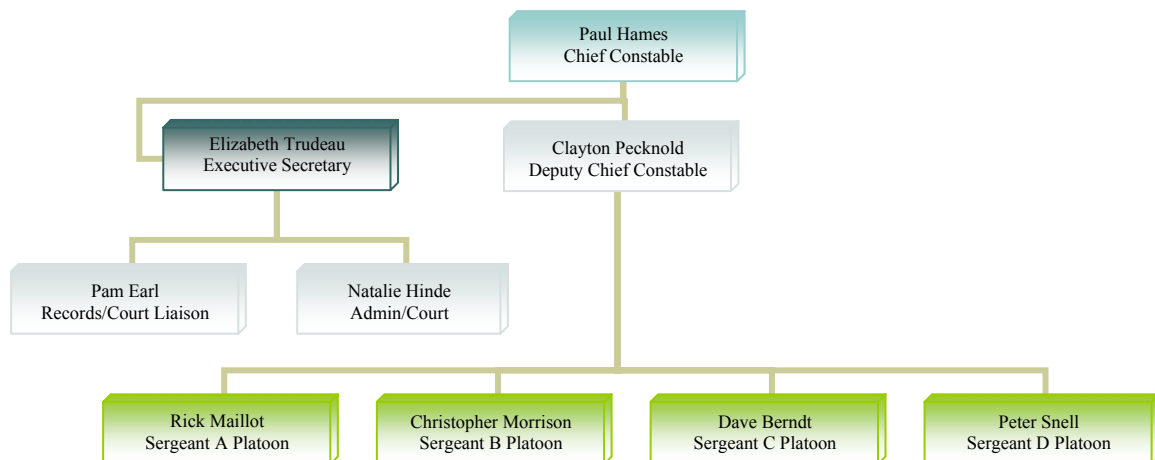
Services and Organizational Structure

The District of Central Saanich provides a wide range of municipal services to the community including Legislative and Administrative Services, Policing, Fire Protection, Planning, Building Inspections, Bylaw Enforcement, Civil Engineering and Public Services including Water and Sewer, and Parks and Cultural Services.

The executive body is comprised of a Mayor and six Councillors. The District has a flat management organization structure. Service delivery provided by the municipality excluding Police Services, are managed by a core group of seven management staff as shown on the following management organizational chart.



The Police Service is governed by a separate five member Police Board, chaired by the Mayor of Central Saanich. The Central Saanich Police force is comprised of three exempt staff, twenty three police officers and nine civilian staff members. Following is the Police Services Administration Organizational Chart:





2003 Audited Financial Statements

During the five-year financial plan review of the core budget, Council received an analysis of the major variances between actual and budgeted expenditures for the 2003 fiscal year, therefore, this report will focus on the audited financial results for 2003.

The District's Financial Statements are presented on a consolidated accrual basis. That means that revenue is recorded in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

The audit field work was completed on April 2, 2004 and the financial statements were finalized, printed and submitted to the Ministry of Community, Aboriginal, and Women's Services in May, as required under the Community Charter before the May 15, 2004 deadline.

Public Sector Accounting and Auditing Board (PSAAB) standards and reporting requirements are continuing to evolve. The District continues to be an early adopter of new public sector accounting standards including funding the District's future post employment benefit obligations. In their report, KPMG indicates that it will be a mandatory PSAAB requirement to base the funding for these obligations based on an actuarial analysis commencing in 2004. This will involve a considerable effort to complete the necessary calculations should this project be undertaken with the limited available staff.

The Financial Statement presentation is different than the quarterly reports to Council in several areas. Some of the differences include:

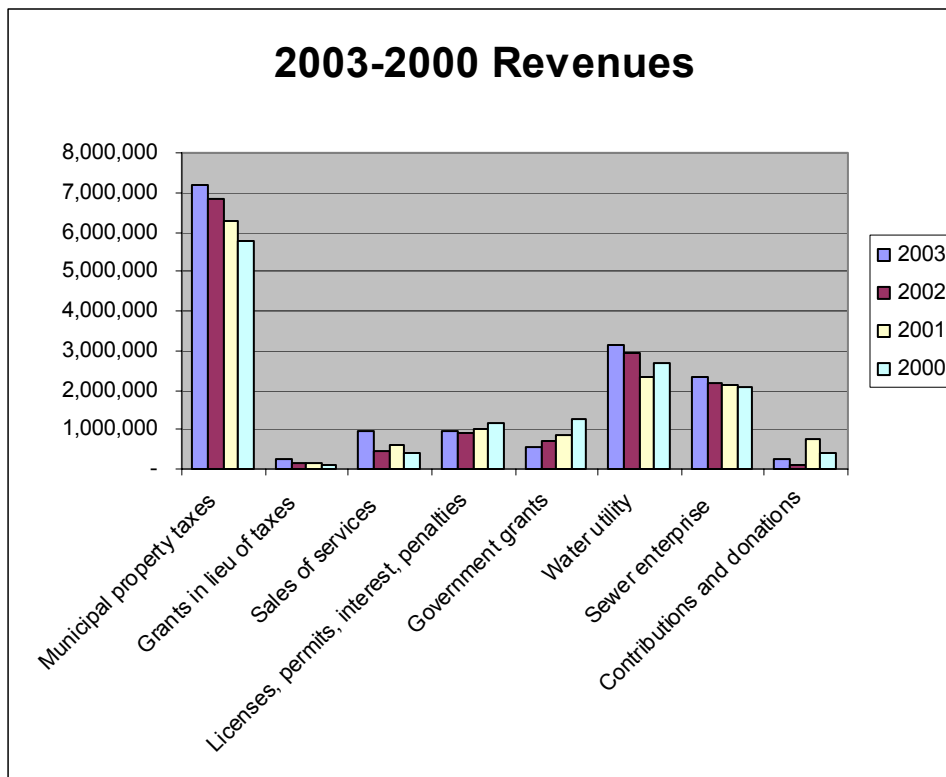
- The information is consolidated instead of presented on an individual fund basis for the various operating and capital funds.
- The statement names have been changed and the statements themselves are much more condensed.
- Reporting of reserves and surplus to fund projects does not flow through the Statement of Financial Activities (Income Statement).
- Property taxes collected for other taxing jurisdictions are included in the notes and not within the statements.
- Capital assets are reported in the notes instead of within the statements.
- Debt principle payments are highlighted.
- The Water and Sewer funds are shown as one line consolidations in the revenue and expenditure sections of the Statement of Financial Activities.

Copies of the Districts' 2003 Audited Financial Statements are attached as appendix A. Following are some of the highlights:

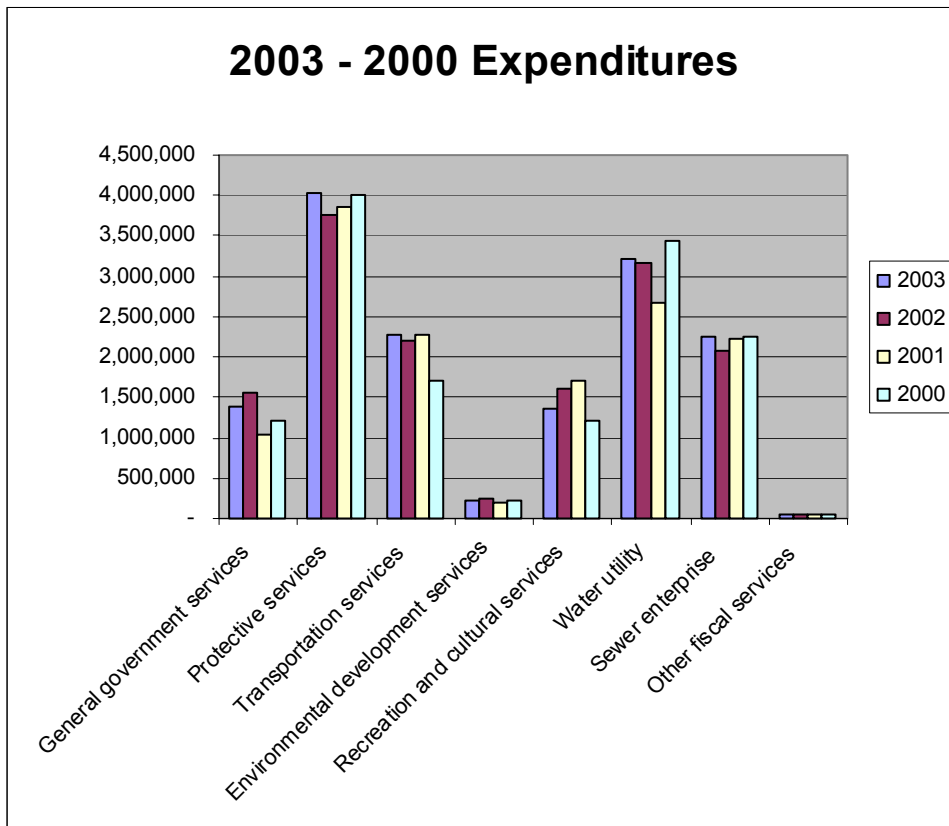
- Excluding funding from Reserves (and Surplus) and Reserve Funds, the consolidated change in fund balance reflected an excess of \$932,507 (deficiency of \$433,060 in 2002) after Sewer Fund Principal Debt Payments of \$37,264. That surplus represents the net increase in accumulated reserves and surplus.
- The Operating Funds Consolidated Statement of Changes in Fund Balance shows that the excess of revenue over expenditures (consolidated operating surplus) was \$1,676,047 (\$905,747 in 2002), but after sewer debt payments, capital expenditures, and transfers to reserve funds, that was reduced to \$301,414 (\$30,867 in 2002).



- Please note that property taxes collected for and remitted to other jurisdictions are excluded from the District's reporting entity.
- The following chart shows the consolidated revenue trends from 2003 back to 2000. The graph clearly shows the increased reliance on municipal property taxes and decrease in government grants. It also shows that sales of services were increased considerably in 2003 over previous years due to extraordinary revenue from the wildfire secondment.



- The chart on the following page shows the consolidated Expenditures from 2003 going back to 2000.
 - Council, Administration, and Financial Services (including Information Technology) are consolidated under General Government Services. Police, Fire, Building, and Bylaw Enforcement are consolidated together under the caption of Protective Services. Transportation Services represents Engineering and Public Works. Environmental Development Services represents Planning. Parks Maintenance and Community Services are presented as Recreation and Cultural Services.
 - The chart indicates that the expenditures for most services have remained relatively stable over the last four years. The increase in General Government represents increased investment in Technology.
 - Protective Services increased in 2003 as a result of increases in Policing and additional Volunteer Fire Department costs for the Kelowna wildfire deployment that was subsequently reimbursed.
 - There has been a decline in Recreation and Cultural Services over the last three years.



- In 2003 the District's cash and short-term investments increased by \$1,654,664 (2001 decrease of \$174,567) primarily due to the extraordinary revenue from the Kelowna wildfire deployment, the contribution from Transport Canada for the two port facilities divested to the District accumulated reserves and surplus, and an increase in other deferred revenue.
- The Public Works Equipment, Capital Expenditures, General and Water Reserves for Future Expenditures declined, while the other Reserves increased slightly compared to December 31, 2002 as previously reported during the 2004-2008 Financial Plan deliberations. The exception was the Fire Equipment Replacement Fund which received a significant cash injection to fund a new pumper truck to be delivered in 2005 and the aerial apparatus that was delivered in 2004.

The auditors have written in their report "that the Districts' financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2003, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles".

In their report the KPMG has made several observations and recommendations that Staff either have already or will be acting on regarding review and tightening up on purchasing policies and internal controls.



2003 Property Tax Exemptions

In 2003 two specific types of permissive exemptions were provided by Council:

- 1) Church properties receive a general statutory exemption for the building of worship and the building footprint. In addition, Council granted additional exemptions for the land and improvements surrounding the facility used for religious purposes and assessed as class 8 – Recreation/Non-Profit.
 - a. Attached as appendix B is the list of religious organizations who received a permissive exemption in 2003. Unfortunately, the assessed value and taxes foregone is not available for those properties.

- 2) In addition to the permissive exemptions granted to religious organizations, in 2003 Council also granted exemptions to several other properties. Generally, when a municipal Council provides a tax exemption, other taxing authorities grant similar exemptions. Following is a list of the properties that received exemptions by Council in 2003 showing both municipal and total property taxes foregone as required:

Organization	2003 Municipal Tax Exemption	2003 Total Tax Exemption
North and South Saanich Ag. Society	4,506	6,678
Central Saanich Lions Club	4,962	7,354
Historical Artifacts Society	8,492	13,630
Brentwood Community Club	5,884	8,721
Centennial Park Fellowship Baptist Church	2,756	4,086
Central Saanich Lions Hall	1,366	2,896
Seniors Centre	17,685	37,509
Central Saanich Lawn Bowling Club	833	1,486
Saanich Vineyard Christian Fellowship	490	943
Total	46,974	83,303

Both the Centennial Park Fellowship Baptist Church and the Saanich Vineyard Christian Fellowship were required to be treated separately from the other religious organizations in the District because of how those properties were assessed.



Municipal Services and Operations

Fourth quarter department reports for 2003 are attached as appendix C

Community Charter Section 111 Council Disqualifications

There were no Council disqualifications in 2003.

Statement of Municipal Objectives for 2004

- Appendix D contains the service delivery objectives for the District's operating departments.
- Overall corporate objectives for 2004 and subsequent years are summarized in the Districts Corporate Strategic Plan attached as appendix E.
- Both strategic and operational supplementary objectives for 2004 and subsequent years are prioritized by year and quantified in the excerpt from the District's Five Year Financial Plan supporting documentation and attached as appendix F.

2003 Council Remuneration and Expenses Report

Following is a schedule reporting council remuneration and expenses for 2003:

Schedule of Council Remuneration and Expenses For the Year Ended December 31, 2003						
Councillor	Salaries	Allowance	Benefits	Salaries, Benefits, & Allowances	Expenses	Total
Allison Habkirk *	12,531.21	6,267.57	731.75	19,530.53	1,677.16	21,207.69
Christopher Graham	6,265.58	3,133.82	278.70	9,678.10	1,828.53	11,506.63
Michele Haddon	6,265.58	3,133.82	278.70	9,678.10	1,270.56	10,948.66
Zeb King	6,265.58	3,133.82	278.70	9,678.10	300.27	9,978.37
Rhonda Korol	6,265.58	3,133.82	278.70	9,678.10	1,212.16	10,890.26
Susan Mason	6,265.58	3,133.82	278.70	9,678.10	1,979.38	11,657.48
Robert Thompson	6,265.58	3,133.82	278.70	9,678.10	1,901.24	11,579.34
Total	\$50,124.69	\$25,070.49	2,403.95	\$77,599.13	\$10,169.30	\$87,768.43

*It should be noted that \$300.13 of Mayor Habkirks' \$1,677.16 expenses were on behalf of the Police Services as Police Board Chair.



Financial Information Act

In addition to the annual audited financial statements, the District is also required to prepare an additional Statement of Financial Information (SOFI) and supporting schedules of information pursuant to the *Financial Information Act*. The audited financial statements form part of the information included in the SOFI which is attached as appendix G for additional information.

As reported last year, in 2003 the *Financial Information Act* imposed new reporting requirements on local government without any consultation. Previously, local government was required to also file Statements of Financial Information. The entity was required to file its' Financial Statements in addition to other "cash basis" reporting requirements such as employee remuneration and expenses, and suppliers expenditures over a certain threshold.

Timing differences occur between cash and accrual basis reporting. When reporting on a cash basis expenditures are reported when paid and revenues are recorded when received. Accrual reporting however results in revenues and expenditures being reported in the period that they relate to regardless of when the cash was actually received or paid out. The District is required to present its financial statements on an accrual basis, which better matches the timing of the transaction with the event that resulted in the transaction.

Local Governments are now required to reconcile these non-standard "cash basis" schedules to the audited consolidated accrual basis Financial Statements required by PSAAB. Accordingly for *Financial Information Act* purposes, the remuneration and expenditures are based on T-4 earnings, while the Council remuneration and expenditures reported previously in this report are on an accrual basis, which is consistent with the audited Financial Statements.

The cash to accrual reconciliation adds a significant workload to Staff, particularly when the Financial Act cash statements provide little if any added value to the reader and often results in some confusion if they are not aware of the timing differences between cash and accrual reporting. Another additional requirement is that Council is now required to review and approve the Statements of Financial Information under the *Financial Information Act*.