

Audited Financial Statements of

**THE CORPORATION OF THE
DISTRICT OF CENTRAL SAANICH**

Year ended December 31, 2004

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Audited Financial Statements

Year ended December 31, 2004

COUNCIL

MAYOR

Allison Habkirk

COUNCILLORS

Christopher Graham
Zeb King
Michele Haddon

Robert Thompson
Rhonda Korol
Susan Mason

POLICE BOARD

Allison Habkirk
Bruce Underwood
Cathie Ounsted

Gordon Irving
John Currie

OFFICIALS

Administrator
Municipal Clerk
Director of Financial Services
Director of Planning and
Development Services
Municipal Engineer
Manager of Community Services
Fire Chief
Chief Constable

Gary C. Nason
Trish Flanders
Ed Sykora

Hope V. Burns
Nirmal Bhattacharya
Bonnie McKenzie
Ron French
Paul Hames

AUDITORS

KPMG LLP

BANKERS

Canadian Imperial Bank of Commerce

SOLICITORS

Lidstone, Young & Anderson

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH
2004 Financial Statements

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FINANCIAL REPORTING RESPONSIBILITY

The accompanying financial statements for The Corporation of the District of Central Saanich are the responsibility of management. To ensure their integrity, objectivity, and reliability, management has selected appropriate accounting policies that are consistent with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The financial statements necessarily include some amounts that are based on estimates and the judgment of management with appropriate consideration to materiality.

The District's accounting systems and related internal controls and supporting procedures are designed and maintained to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorized use or disposition. The procedures include selection and training of qualified staff, establishment of an organization structure that provides a well-defined division of responsibilities, accountability for performance, and communication of standards of business conduct.

The Municipal Council oversees management's responsibilities for the financial reporting and internal control systems.

KPMG LLP, Chartered Accountants, the independent auditors appointed by the District, have examined our financial statements and issued their report which follows. The auditors have full and complete access to the records of the District.



Ed Sykora, CMA
Director of Financial Services



KPMG LLP
Chartered Accountants

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800 - 730 View Street
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AUDITORS' REPORT TO THE MAYOR AND COUNCILLORS OF THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

We have audited the consolidated statement of financial position of The Corporation of the District of Central Saanich as at December 31, 2004 and the related consolidated statements of financial activities and changes in financial position and the operating funds, capital funds and reserve funds consolidated statements of financial activities and fund balance for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Victoria, Canada

April 13, 2005



THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Consolidated Statement of Financial Position

Statement A

December 31, 2004, with comparative figures for 2003

| | 2004 | 2003 |
|--|----------------------|----------------------|
| Assets | | |
| Financial assets: | | |
| Cash and short-term investments (note 2) | \$ 10,503,956 | \$ 11,202,469 |
| Property taxes, utilities and trade receivables | 2,549,351 | 2,272,729 |
| Other government receivables | 238,706 | 74,390 |
| Other assets | 399,722 | 327,588 |
| Municipal Finance Authority Debt Reserve Fund deposits | 67,576 | 65,482 |
| | <u>13,759,311</u> | <u>13,942,658</u> |
| Physical assets: | | |
| Materials and supplies | 414,455 | 384,183 |
| | <u>\$ 14,173,766</u> | <u>\$ 14,326,841</u> |

Liabilities

| | | |
|--|------------------|------------------|
| Accounts payable and accrued liabilities (note 3) | \$ 1,575,939 | \$ 1,242,726 |
| Refundable deposits | 797,873 | 787,557 |
| Deferred revenue (note 4) | 2,741,355 | 2,749,434 |
| Employee benefit obligations (note 5) | 622,886 | 579,245 |
| Capital lease obligations (note 6) | 10,585 | - |
| Municipal Finance Authority Debt Reserve Fund (note 7) | 67,576 | 65,482 |
| | <u>5,816,214</u> | <u>5,424,444</u> |
| Long-term debt (note 8) | 48,276 | 90,691 |
| | <u>5,864,490</u> | <u>5,515,135</u> |

Municipal Position

| | | |
|--------------------------------------|----------------------|----------------------|
| Fund balances: | | |
| Operating Funds (Statement D) | 2,440,035 | 2,453,535 |
| Capital Funds (Statement E) | 85,096 | 85,096 |
| Reserve Funds (Statement F) (note 9) | 5,428,551 | 5,979,583 |
| | <u>7,953,682</u> | <u>8,514,214</u> |
| Less outstanding debt | (58,861) | (90,691) |
| | <u>7,894,821</u> | <u>8,427,523</u> |
| Equity in physical assets | 414,455 | 384,183 |
| | <u>8,309,276</u> | <u>8,811,706</u> |
| | <u>\$ 14,173,766</u> | <u>\$ 14,326,841</u> |

Contingent liabilities (note 10)

See accompanying notes to financial statements.



Director of Financial Services

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Consolidated Statement of Financial Activities

Statement B

Year ended December 31, 2004, with comparative figures for 2003

| | Budget | 2004 | 2003 |
|---|-----------------------|--------------|--------------|
| Revenue: | | | |
| Municipal property taxes | \$ 7,894,100 | \$ 7,694,916 | \$ 7,207,330 |
| Grants in lieu of taxes | 251,700 | 248,165 | 259,462 |
| Sales of services | 422,700 | 630,106 | 984,149 |
| Licenses, permits, interest and penalties | 966,500 | 850,082 | 937,455 |
| Government grants | 893,888 | 892,202 | 542,377 |
| Water utility | 3,046,500 | 3,116,661 | 3,159,871 |
| Sewer enterprise | 2,345,200 | 2,356,270 | 2,348,797 |
| Contributions and donations | - | 236,650 | 250,520 |
| | 15,820,588 | 16,025,052 | 15,689,961 |
| Expenditure: | | | |
| General government services | 1,638,200 | 1,499,612 | 1,382,234 |
| Protective services | 5,062,700 | 5,000,527 | 4,069,417 |
| Transportation services | 2,366,700 | 2,554,310 | 2,298,549 |
| Environmental development services | 270,800 | 226,377 | 219,409 |
| Recreation and cultural services | 1,830,000 | 1,616,320 | 1,356,968 |
| Water utility | 3,397,500 | 3,320,728 | 3,350,921 |
| Sewer enterprise | 2,343,300 | 2,299,924 | 2,153,345 |
| Other fiscal services | 32,000 | 39,957 | 48,003 |
| | 16,941,200 | 16,557,755 | 14,878,846 |
| Excess (deficiency) of revenue over expenditure | (1,120,612) | (532,703) | 811,115 |
| Less debt principal repayments | (37,300) | (42,414) | (37,264) |
| Capital lease financing | - | 12,813 | - |
| Capital lease repayment | - | (2,228) | - |
| Change in fund balances | <u>\$ (1,157,912)</u> | (564,532) | 773,851 |
| Fund balances, beginning of year | | 8,518,214 | 7,744,363 |
| Fund balances, end of year | | \$ 7,953,682 | \$ 8,518,214 |

See accompanying notes to financial statements.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Consolidated Statement of Changes in Financial Position

Statement C

Year ended December 31, 2004, with comparative figures for 2003

| | 2004 | 2003 |
|---|----------------------|----------------------|
| Net cash inflow (outflow) related to the following activities: | | |
| Changes in non-cash working capital items: | | |
| Excess (deficiency) of revenue over expenditure | \$ (532,703) | \$ 811,115 |
| Increase in receivables | (440,938) | (16,391) |
| Increase in other assets | (72,135) | (237,411) |
| Increase in materials and supplies | (30,272) | (58,867) |
| Increase (decrease) in accounts payable and accrued liabilities | 333,213 | (77,544) |
| Increase in employee benefit obligations | 43,641 | 76,786 |
| Increase in refundable deposits | 10,316 | 166,600 |
| Increase (decrease) in deferred revenue | (8,078) | 968,773 |
| | <u>(696,956)</u> | <u>1,633,061</u> |
| Financing: | | |
| Repayment of long-term debt | (42,414) | (37,264) |
| Capital lease financing | 12,813 | - |
| Capital lease repaid | (2,228) | - |
| Change in investment in materials and supplies | 30,272 | 58,867 |
| | <u>(1,557)</u> | <u>21,603</u> |
| Increase (decrease) in cash and short-term investments | (698,513) | 1,654,664 |
| Cash and short-term investments, beginning of year | 11,202,469 | 9,547,805 |
| Cash and short-term investments, end of year | <u>\$ 10,503,956</u> | <u>\$ 11,202,469</u> |

See accompanying notes to financial statements.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

OPERATING FUNDS

Consolidated Statement of Financial Activities and Fund Balance

Statement D

Year ended December 31, 2004, with comparative figures for 2003

| | Budget | 2004 | 2003 |
|---|---------------------|--------------|--------------|
| Revenue: | | | |
| Municipal property taxes | \$ 7,894,100 | \$ 7,694,916 | \$ 7,207,330 |
| Grants in lieu of taxes | 251,700 | 248,165 | 259,462 |
| Sale of services | 422,700 | 630,106 | 984,149 |
| Licenses, permits, interest and penalties | 966,500 | 806,803 | 877,697 |
| Donations and contributions | - | 15,100 | 12,000 |
| Government grants | 893,888 | 892,202 | 542,377 |
| Water utility | 3,046,500 | 3,116,661 | 3,159,871 |
| Sewer enterprise | 2,345,200 | 2,356,270 | 2,348,797 |
| | 15,820,588 | 15,760,223 | 15,391,683 |
| Expenditure: | | | |
| General government services | 1,588,700 | 1,448,087 | 1,332,617 |
| Protective services | 4,086,900 | 4,035,011 | 3,941,561 |
| Transportation services | 1,690,800 | 1,695,129 | 1,677,994 |
| Environmental development services | 270,800 | 226,337 | 219,409 |
| Parks and cultural services | 1,352,800 | 1,391,819 | 1,279,866 |
| Water utility | 3,186,000 | 3,152,268 | 3,211,636 |
| Sewer enterprise | 2,124,900 | 2,145,423 | 2,155,678 |
| Other fiscal services | 32,000 | 39,962 | 45,671 |
| | 14,332,900 | 14,134,036 | 13,864,432 |
| Excess of revenue over expenditure | 1,487,688 | 1,626,187 | 1,527,251 |
| Less debt principal repayment | (37,300) | (42,414) | (37,264) |
| Capital lease financing | - | 12,813 | - |
| Capital lease repayment | - | (2,228) | - |
| Net interfund transfers: | | | |
| To Capital Funds | (822,400) | (790,126) | (227,484) |
| To Reserve Funds | (739,600) | (817,732) | (1,109,885) |
| | (1,599,300) | (1,639,687) | (1,374,633) |
| Change in fund balance | \$ <u>(111,612)</u> | (13,500) | 152,618 |
| Balance, beginning of year | | 2,453,535 | 2,300,917 |
| Balance, end of year | | \$ 2,440,035 | \$ 2,453,535 |

See accompanying notes to financial statements.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

CAPITAL FUNDS

Consolidated Statement of Financial Activities and Fund Balance

Statement E

Year ended December 31, 2004, with comparative figures for 2003

| | Budget | 2004 | 2003 |
|---|--------------------|--------------------|------------------|
| Revenue: | | | |
| Contributions by developers | \$ - | \$ 221,550 | \$ 238,520 |
| Expenditure: | | | |
| General government services | 49,500 | 51,559 | 49,617 |
| Protective services | 975,800 | 965,516 | 127,853 |
| Transportation services | 675,900 | 859,181 | 620,555 |
| Parks and cultural services | 477,200 | 224,501 | 77,102 |
| Water utility | 211,500 | 168,460 | 30,260 |
| Sewer enterprise | 218,400 | 154,501 | 109,025 |
| | 2,608,300 | 2,423,718 | 1,014,412 |
| Excess of expenditure over revenue | (2,608,300) | (2,202,168) | (775,892) |
| Net interfund transfers: | | | |
| From Operating Funds | 822,400 | 790,126 | 227,484 |
| From Reserve Funds | 1,785,900 | 1,412,042 | 548,408 |
| | 2,608,300 | 2,202,168 | 775,892 |
| Change in fund balance | \$ - | - | - |
| Balance, beginning of year | | 85,096 | 85,096 |
| Balance, end of year | | \$ 85,096 | \$ 85,096 |

See accompanying notes to financial statements.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

RESERVE FUNDS

Consolidated Statement of Financial Activities and Fund Balance

Statement F

Year ended December 31, 2004, with comparative figures for 2003

| | Budget | 2004 | 2003 |
|-------------------------------------|--------------|--------------|--------------|
| Revenue: | | | |
| Investment income | \$ - | \$ 43,278 | \$ 59,756 |
| Excess of revenue over expenditure | - | 43,278 | 59,756 |
| Net interfund transfers: | | | |
| From Operating Funds | 739,600 | 817,732 | 1,109,885 |
| To Capital Funds | (1,785,900) | (1,412,042) | (548,408) |
| | (1,046,300) | (594,310) | 561,477 |
| Change in fund balance | (1,046,300) | (551,032) | 621,233 |
| Balance, beginning of year | 6,334,081 | 5,979,583 | 5,358,350 |
| Balance, end of year | \$ 5,287,781 | \$ 5,428,551 | \$ 5,979,583 |
| Summary of Reserve Funds positions: | | | |
| Public Works Equipment | | \$ 453,519 | \$ 550,238 |
| Fire Department Equipment | | 272,939 | 969,539 |
| Local Improvement | | 95,487 | 93,443 |
| Capital Expenditures | | 781,020 | 708,592 |
| Reserves for Future Expenditures: | | | |
| General government | | 3,330,417 | 3,019,417 |
| Water utility | | 401,198 | 431,135 |
| Sewer enterprise | | 93,971 | 207,219 |
| | | \$ 5,428,551 | \$ 5,979,583 |

See accompanying notes to financial statements.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements

Year ended December 31, 2004

The Corporation of the District of Central Saanich (the "District") is a municipality in the Province of British Columbia and operates under the provisions of the Local Government Act.

1. Significant accounting policies:

The consolidated financial statements of the District are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the District are as follows:

(a) Revenue recognition:

Sources of revenue are recorded on the accrual basis and include revenue 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.

Revenue unearned in the current period is recorded as deposits or deferred revenue.

(b) Fund accounting:

Funds within the consolidated financial statements consist of the operating, capital, water, sewer and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(c) Investments:

Investments are recorded at cost except for the investments in the Municipal Finance Authority of British Columbia funds, which are recorded at cost plus interest earned and reinvested in the funds.

(d) Physical assets:

(i) Capital assets are expensed when acquired or constructed. Donated capital assets are recorded at nominal value at the time of receipt.

(ii) Materials and supplies on hand are inventoried and recorded at their average cost.

(e) Reserves for future expenditures:

Certain amounts as approved by Council are set aside in reserves for future operating and capital expenditures. Transfers to and/or from reserves are reflected as an adjustment to the respective fund.

(f) Government transfers:

Government transfers are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements

Year ended December 31, 2004

1. Significant accounting policies (continued):

(g) Employee future benefits:

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

Sick leave and other retirement benefits are also available to the District's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligation under this benefit plan is accrued based on projected benefits as the employees render services necessary to earn the future benefits.

(h) Use of estimates:

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenditures during the period. Significant areas requiring the use of management estimates relate to the determination of employee benefit obligations and provision for contingencies. Actual results could differ from those estimates.

2. Cash and short-term investments:

Included in cash and short-term investments are short-term investments that can only be used for expenditures as provided by the development cost charge reserve bylaw and the relevant sections of the Local Government Act, unless otherwise authorized by the Ministry of Community, Aboriginal and Women's Services, Province of British Columbia.

| | 2004 | 2003 |
|-----------------------------------|------------|------------|
| Restricted short-term investments | \$ 651,220 | \$ 572,503 |

3. Accounts payable and accrued liabilities:

| | 2004 | 2003 |
|---------------------------------------|--------------|--------------|
| Trade accounts | \$ 531,469 | \$ 420,525 |
| Other governments and agencies | 673,056 | 430,439 |
| Accrued employee benefit obligations: | | |
| Payroll | 141,801 | 142,110 |
| Vacation pay | 114,140 | 149,490 |
| Unpaid overtime | 115,473 | 100,162 |
| | \$ 1,575,939 | \$ 1,242,726 |

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements

Year ended December 31, 2004

4. Deferred revenue:

| | 2004 | 2003 |
|---|---------------------|---------------------|
| Development cost charges | \$ 651,220 | \$ 572,503 |
| Donations in lieu of parkland | 362,457 | 354,498 |
| Contractor donations | 644,004 | 595,632 |
| Prepaid property taxes | 489,021 | 387,044 |
| Transport Canada contribution agreement | 337,708 | 402,677 |
| Other | 256,945 | 437,080 |
| | <u>\$ 2,741,355</u> | <u>\$ 2,749,434</u> |

The development cost charges will be recognized as revenue in future years when the related capital project, for which they were collected, is completed. The other revenues will be recognized as revenue when the related services or grant project is performed/completed including the contribution received during the year from Transport Canada for the operation of dock facilities.

5. Employee benefit obligations:

The District provides sick leave and certain other benefits to its employees. These amounts and other employee related liabilities will require funding in future periods and are set out below:

| | 2004 | 2003 |
|---------------------------------------|-------------------|-------------------|
| Employee benefit obligations: | | |
| Retirement/severance benefit payments | \$ 370,486 | \$ 348,545 |
| Accumulated sick leave | 252,400 | 230,700 |
| | <u>\$ 622,886</u> | <u>\$ 579,245</u> |

Retirement benefit payments represent the District's share of the cost to provide employees with various benefits upon retirement including lump sum retirement payments, death benefits, certain vacation entitlements in the year of retirement, and pension buyback arrangements for qualified employees. Accumulated sick leave represents the liability for sick leave banks accumulated for possible draw down at future dates and/or for payout either on an approved retirement, or upon termination or death. The accrued benefit obligation and the net periodic benefit cost were estimated by an actuarial valuation completed as of December 2004.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements

Year ended December 31, 2004

5. Employee benefit obligations (continued):

Information about liabilities for employee benefit plans is as follows:

| | Sick leave | Retirement benefit payments | 2004 | 2003 |
|-----------------------------------|-------------------|-----------------------------|-------------------|-------------------|
| Accrued benefit liability: | | | | |
| Beginning of year | \$ 230,700 | \$ 342,886 | \$ 573,586 | \$ 532,845 |
| Service cost | 21,400 | 31,500 | 52,900 | 51,400 |
| Interest cost | 11,700 | 15,700 | 27,400 | 25,100 |
| Benefit payments | (4,000) | (10,600) | (14,600) | (30,100) |
| Actuarial loss (gain) | (7,400) | (9,000) | (16,400) | - |
| End of year | \$ 252,400 | \$ 370,486 | \$ 622,886 | \$ 579,245 |

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

| | Sick leave | Retirement benefit payments |
|------------------------------------|------------|-----------------------------|
| Discount rates | 4.75% | 4.75% |
| Expected future inflation rates | 2.50% | 2.50% |
| Expected wage and salary increases | 2.50% | 2.50% |

Adoption of new accounting standard:

Effective January 1, 2004, the District has adopted the recommendations under Section PS 3255 of the CICA Handbook for accounting for post-employment benefits. The new standard requires the District to accrue all future obligations relating to employee sick leave benefits and other retirement benefit arrangements. This change has been applied retroactively and has increased amounts previously reported for employee benefit obligations and decreased amounts previously reported for municipal position as at and for the years ended December 31, 2003 and 2002 by \$76,787 and \$43,152 respectively. This change has also increased amounts previously reported for expenditures for the year ended December 31, 2003 and 2002 by \$76,787 and \$43,152 respectively.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements

Year ended December 31, 2004

6. Capital lease obligations:

The District leases radio equipment under a lease agreement, which is classified as a capital lease. The future minimum annual lease payments are as follows:

| | | |
|--|-----------|---------------|
| 2005 | \$ | 3,024 |
| 2006 | | 3,024 |
| 2007 | | 3,024 |
| 2008 | | 3,024 |
| | | 12,096 |
| Less amounts representing interest | | (1,511) |
| Present value of capital lease obligation | \$ | 10,585 |

Total interest expense incurred during 2004 on capital leases amounted to \$795 (2003 - \$nil).

7. Municipal Finance Authority Debt Reserve Fund:

The District issues its debt instruments through the Municipal Finance Authority. As a condition of the borrowing, the District must lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing.

8. Long-term debt:

| | 2004 | 2003 |
|--------------------|--|-----------|
| Sewer Capital Fund | | |
| <u>Issue</u> | <u>Description</u> | |
| 28 | Agreement payable (in U.S. funds) in annual installments of \$54,948, principal and interest, maturing in 2005 | |
| | \$ 48,276 | \$ 90,691 |

Issue 28 is stated and payable in United States funds. Should this debt have been converted into Canadian dollars at the rate of exchange prevailing at December 31, 2004, the District's liability for such debenture debt would have exceeded the amount recorded in its accounts by approximately \$16,897 (2003 - \$26,890).

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements

Year ended December 31, 2004

9. Reserve Funds:

The Reserve Funds include various reserves to be used to fund specified future expenditures as authorized by Council. They include statutory reserves, set up by bylaw under the authority of the Community Charter Act (British Columbia) and reserves for future expenditures.

10. Contingent liabilities:

(a) Regional district debt:

Regional district debt is, under the provisions of the Local Government Act (British Columbia), a direct, joint and several liability of the regional district and each member municipality within the regional district including the District.

(b) Claims for damages:

- (i) In the normal course of a year, claims for damages are made against the District and are recorded when settled. The District is self-insured for general liability claims through membership in the Municipal Insurance Association of British Columbia, a reciprocal insurance exchange. Under this program, member municipalities are to share jointly for such claims in excess of individual deductibles ranging from \$5,000 to \$50,000 against any member. The District's deductible is \$10,000.
- (ii) Subsequent to the fiscal year end, the District received a claim relative to construction envelope damage. No determination of the District's liability, if any, has been made and no estimate of potential loss can be made or recorded at this time. Any liability will be recorded when a settlement is likely and the amounts are determinable.

11. Capital assets:

Capital assets are expensed when acquired. Total capital expenditures (less proceeds from disposals) made to date are as follows:

| | General | Water | Sewer | Total 2004 | Total 2003 |
|-------------------------|---------------|--------------|--------------|---------------|---------------|
| Infrastructure | \$ 17,003,710 | \$ 7,410,040 | \$ 6,840,561 | \$ 31,254,311 | \$ 30,322,493 |
| Land | 1,993,130 | 6,500 | - | 1,999,630 | 1,999,629 |
| Buildings | 4,826,437 | - | - | 4,826,437 | 4,740,771 |
| Equipment and furniture | 6,923,613 | 204,472 | 129,402 | 7,257,487 | 6,034,508 |
| | \$ 30,746,890 | \$ 7,621,012 | \$ 6,969,963 | \$ 45,337,865 | \$ 43,097,401 |

In 2003, the District received donated land with a fair market value of \$1,135,000. The land is recorded at a nominal value of \$1.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements

Year ended December 31, 2004

12. Expenditure by object:

| | 2004 | 2003 |
|---------------------------------------|----------------------|----------------------|
| Salaries, wages and employee benefits | \$ 6,755,093 | \$ 6,420,667 |
| Materials and supplies | 3,982,298 | 3,155,660 |
| Services | 5,781,200 | 5,257,140 |
| Equipment maintenance | 39,164 | 45,379 |
| | <u>\$ 16,557,755</u> | <u>\$ 14,878,846</u> |

13. Taxes levied for other authorities:

In addition to taxes levied for municipal purposes, the District is legally obligated to collect and remit taxes levied for the following authorities. These collections and remittances are not recorded as revenue and expenditures.

| | 2004 | 2003 |
|--------------------------------------|----------------------|---------------------|
| Provincial Government - school taxes | \$ 7,476,614 | \$ 6,994,593 |
| Capital Regional District | 1,348,780 | 1,354,741 |
| Capital Regional Hospital District | 701,006 | 698,000 |
| B.C. Transit Authority | 473,764 | 393,427 |
| B.C. Assessment Authority | 249,841 | 240,845 |
| Municipal Finance Authority | 548 | 479 |
| | <u>\$ 10,250,553</u> | <u>\$ 9,682,085</u> |

14. Pension plan:

The municipality and its employees contribute to the Municipal Pension Plan (the plan), a jointly trusteesd pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 130,000 active contributors including approximately 29,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2003 indicated a unfunded liability of \$789 million for basic pension benefits. The next valuation will be as at December 31, 2006 with results available in 2007. The actuary does not attribute portions of the surplus to individual employers. The District paid \$444,420 for employer contributions to the plan in fiscal 2004.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements

Year ended December 31, 2004

15. Comparative figures:

Effective January 1, 2004, the District has adopted the standard in section PS 1200 of the CICA Handbook for the accounting of inventory. This change has been applied retroactively and has decreased amounts previously reported in the operating fund and increased the amount reported as equity in physical assets as at December 31, 2003 by \$384,183. This change has also increased the amount previously reported for expenditures for the year ended December 31, 2003 by \$58,867.

Further, during the year it was determined that certain amounts recorded in fiscal 2003 were restated.

- (a) Donations in lieu of parkland totaling \$354,498 were transferred from the reserve fund balance to deferred revenue.
- (b) Building and other permits revenue totaling \$100,113 were transferred from the operating fund balance to deferred revenue.
- (c) Certain other comparative figures have been restated to conform with the current year's presentation.



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AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION TO THE MAYOR AND COUNCILLORS OF THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

We have audited and reported separately herein on the consolidated financial statements of The Corporation of the District of Central Saanich as at and for the year ended December 31, 2004 in accordance with Canadian generally accepted auditing standards.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information included in Schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Victoria, Canada

April 13, 2005



THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

CONSOLIDATED OPERATING FUNDS Schedule of Revenue

Schedule 1

Year ended December 31, 2004, with comparative figures for 2003

| | 2004 | 2003 |
|---|----------------------|----------------------|
| Revenue: | | |
| Municipal property taxes: | | |
| Residential | \$ 5,840,535 | \$ 5,455,503 |
| Utilities | 8,539 | 7,148 |
| Light industrial | 332,797 | 333,951 |
| Business | 1,377,924 | 1,290,034 |
| Recreation | 111,313 | 94,943 |
| Farm | 23,114 | 25,057 |
| Parcel tax | 694 | 694 |
| | <u>7,694,916</u> | <u>7,207,330</u> |
| Grants in lieu of taxes: | | |
| Federal government | 4,797 | 4,726 |
| Provincial government agencies | 157,479 | 170,015 |
| Non-government | 85,889 | 84,721 |
| | <u>248,165</u> | <u>259,462</u> |
| Sale of services: | | |
| Services provided to other governments | 137,812 | 125,088 |
| Transportation services | 18,429 | 26,707 |
| Environmental development services | 50,908 | 47,943 |
| Recreation and cultural services | 4,038 | 8,713 |
| Other services | 418,919 | 775,698 |
| | <u>630,106</u> | <u>984,149</u> |
| Licenses, permits, interest and penalties: | | |
| Professional, business and vehicle licenses | 78,294 | 48,290 |
| Building and other permits | 333,526 | 363,949 |
| Dog licenses | 17,988 | 17,684 |
| Fines | 949 | 17,517 |
| Rentals | 24,069 | 29,151 |
| Penalties and interest | 98,698 | 101,995 |
| Investment income | 253,279 | 299,111 |
| | <u>806,803</u> | <u>877,697</u> |
| Donations and contributions | 15,100 | 12,000 |
| Government grants: | | |
| Federal government | 65,800 | 43,073 |
| Provincial government | 474,707 | 288,219 |
| Regional district and other | 351,695 | 211,085 |
| | <u>892,202</u> | <u>542,377</u> |
| Water utility: | | |
| Sale of water | 2,461,298 | 2,436,909 |
| Regional levy | 655,363 | 722,962 |
| | <u>3,116,661</u> | <u>3,159,871</u> |
| Sewer enterprise: | | |
| User fees | 668,084 | 674,862 |
| Regional levy | 1,688,186 | 1,673,935 |
| | <u>2,356,270</u> | <u>2,348,797</u> |
| Total revenue | \$ 15,760,223 | \$ 15,391,683 |

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

CONSOLIDATED OPERATING FUNDS Schedule of Expenditure

Schedule 2

Year ended December 31, 2004, with comparative figures for 2003

| | 2004 | 2003 |
|--|----------------------------|----------------------------|
| Expenditure: | | |
| General government services: | | |
| Legislative | \$ 127,193 | \$ 125,648 |
| Administrative | 1,165,070 | 1,062,719 |
| Municipal Hall | 155,824 | 144,250 |
| | <hr/> 1,448,087 | <hr/> 1,332,617 |
| Protective services: | | |
| Police | 3,028,002 | 2,964,394 |
| Fire | 569,342 | 548,815 |
| Building inspections and bylaw enforcement | 348,876 | 353,953 |
| Animal and pest control | 79,814 | 57,294 |
| Emergency measures | 8,977 | 17,105 |
| | <hr/> 4,035,011 | <hr/> 3,941,561 |
| Transportation services: | | |
| Common | 262,768 | 274,852 |
| Administration | 442,896 | 391,788 |
| Roads and streets | 725,493 | 774,976 |
| Street lighting | 87,849 | 88,965 |
| Traffic | 112,714 | 105,090 |
| Dock facilities | 63,409 | 42,323 |
| | <hr/> 1,695,129 | <hr/> 1,677,994 |
| Environmental development services: | | |
| Planning and zoning | 226,337 | 219,409 |
| Parks and cultural services: | | |
| Parks | 623,235 | 564,453 |
| Community services | 142,821 | 134,733 |
| Greater Victoria Public Library | 530,588 | 499,907 |
| Cultural services | 95,175 | 80,773 |
| | <hr/> 1,391,819 | <hr/> 1,279,866 |
| Water utility: | | |
| Water supply system | 2,275,129 | 2,252,639 |
| Capital Regional District | 877,139 | 958,997 |
| | <hr/> 3,152,268 | <hr/> 3,211,636 |
| Sewer enterprise: | | |
| Sewage collection system | 456,364 | 481,736 |
| Capital Regional District | 1,689,059 | 1,673,942 |
| | <hr/> 2,145,423 | <hr/> 2,155,678 |
| Other fiscal services | 39,962 | 45,671 |
| Total expenditure | <hr/> \$ 14,134,036 | <hr/> \$ 13,864,432 |

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Authenticated Assessment Roll 2004 Net Taxable Assessments (Unaudited)

Schedule 3

| | General purposes | Hospital purposes | School purposes |
|-----------------------|-------------------------|-------------------------|-------------------------|
| Residential | \$ 1,685,656,300 | \$ 1,658,586,150 | \$ 1,658,588,850 |
| Utilities | 492,500 | 11,783,500 | 25,454,500 |
| Light industrial | 43,625,200 | 43,625,200 | 43,625,200 |
| Business/other | 180,831,850 | 180,831,850 | 180,831,850 |
| Recreation/non-profit | 14,893,600 | 14,893,600 | 14,893,600 |
| Farm | 6,651,300 | 3,325,650 | 3,325,650 |
| Totals | \$ 1,932,150,750 | \$ 1,913,045,950 | \$ 1,926,719,650 |

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

2004 Property Tax Rates
(Dollars per 1,000 of Taxable Assessment)
(Unaudited)

| Taxing authority | Residential Class 1 | Utilities Class 2 | Unmanaged forests Class 3 | Major industry Class 4 | Light industry Class 5 | Business/ other Class 6 | Managed forest Class 7 | Recreational/ non-profit Class 8 | Farm Class 9 |
|---------------------------------|---------------------|-------------------|---------------------------|------------------------|------------------------|-------------------------|------------------------|----------------------------------|--------------|
| General | | | | | | | | | |
| Municipal - general | 1.93763 | 9.68815 | 7.75052 | 4.26279 | 4.26279 | 4.26279 | 5.81289 | 4.26279 | 1.93763 |
| Municipal - police | 1.29103 | 6.45515 | 5.16412 | 2.84027 | 2.84027 | 2.84027 | 3.87309 | 2.84027 | 1.29103 |
| Subtotal - Central | | | | | | | | | |
| Saanich | 3.22866 | 16.14330 | 12.91464 | 7.10306 | 7.10306 | 7.10306 | 9.68598 | 7.10306 | 3.22866 |
| Greater Victoria Public Library | 0.23887 | 1.19435 | 0.95548 | 0.52551 | 0.52551 | 0.52551 | 0.71661 | 0.52551 | 0.23887 |
| Subtotal - general | | | | | | | | | |
| Regional District - General | 3.46753 | 17.33765 | 13.87012 | 7.62857 | 7.62857 | 7.62857 | 10.40259 | 7.62857 | 3.46753 |
| Regional District - Water | 0.60785 | 3.03926 | 2.43141 | 1.33727 | 1.33727 | 1.33727 | 1.82356 | 1.33727 | 0.60785 |
| Regional District - Sewer | 0.32787 | 1.63935 | 1.31148 | 0.72131 | 0.72131 | 0.72131 | 0.98361 | 0.72131 | 0.32787 |
| Total general | | | | | | | | | |
| School | 0.97479 | 4.87395 | 3.89916 | 2.14454 | 2.14454 | 2.14454 | 2.92437 | 2.14454 | 0.97479 |
| Total general | 5.37804 | 26.89021 | 21.51217 | 11.83169 | 11.83169 | 11.83169 | 16.13413 | 11.83169 | 5.37804 |
| School | 2.88770 | 15.00000 | 12.00000 | 12.50000 | 9.90000 | 9.90000 | 2.30000 | 4.50000 | 6.80000 |
| Other governments | | | | | | | | | |
| Regional Hospital District | 0.30379 | 1.06327 | 1.21516 | 1.03289 | 1.03289 | 0.74429 | 0.91137 | 0.30379 | 0.30379 |
| B.C. Assessment | 0.10570 | 0.54240 | 0.66330 | 0.54240 | 0.29590 | 0.29590 | 0.33170 | 0.10570 | 0.10570 |
| Municipal Finance Authority | 0.00030 | 0.00050 | 0.00100 | 0.00050 | 0.00050 | 0.00010 | 0.00080 | 0.00020 | 0.00020 |
| B.C. Transit | 0.16060 | 0.86720 | 0.86720 | 0.86720 | 0.86720 | 0.86720 | 0.86720 | 0.16060 | 0.16060 |
| Total other governments | 0.57039 | 2.47337 | 2.74666 | 2.44299 | 2.19649 | 1.90749 | 2.11107 | 0.57029 | 0.57029 |
| Total tax rate | 8.83613 | 44.36358 | 36.25883 | 26.77468 | 23.92818 | 23.6318 | 20.54520 | 16.90198 | 12.74833 |

Bolded areas indicate no activity in property class.