

Audited Financial Statements of

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

Year ended December 31, 2005

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Audited Financial Statements

Year ended December 31, 2005

COUNCIL

MAYOR

Jack Mar

COUNCILLORS

Christopher Graham
Zeb King
John Garrison

Robert Thompson
Alastair Bryson
Susan Mason

POLICE BOARD

Jack Mar
Bruce Underwood
Cathie Ounsted

Gordon Irving
John Currie
Andrew Harcombe

OFFICIALS

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

Gary C. Nason
Trish Flanders
Steve Epp

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

2005 Financial Statements

Table of Contents

	<u>Page</u>
Financial Reporting Responsibility.....	1
Auditors' Report.....	2
Statements	
Consolidated:	
A Statement of Financial Position.....	3
B Statement of Financial Activities.....	4
C Statement of Changes in Financial Position.....	5
D Operating Funds Statement of Financial Activities and Fund Balance.....	6
E Capital Funds Statement of Financial Activities and Fund Balance.....	7
F Reserve Funds Statement of Financial Activities and Fund Balance.....	8
Notes to Financial Statements.....	9
Auditors' Report on Supplementary Information.....	16
Schedules	
1 Revenue.....	17
2 Expenditure.....	18
Other Information (unaudited)	
3 2005 Net Taxable Assessments.....	19
4 2005 Property Tax Rates.....	20

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.



Acting Director of Financial Services



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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, 2005 and the 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Victoria, Canada

April 7, 2006

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Consolidated Statement of Financial Position

Statement A

December 31, 2005, with comparative figures for 2004

	2005	2004
Assets		
Financial assets:		
Cash and short-term investments (note 2)	\$ 13,237,401	\$ 10,503,956
Property taxes, utilities and trade receivables	2,383,905	2,549,351
Other government receivables	137,991	238,706
Other assets	24,908	399,722
Municipal Finance Authority Debt Reserve Fund deposits	-	67,576
	<u>15,784,205</u>	<u>13,759,311</u>
Physical assets:		
Materials and supplies	369,862	414,455
	<u>\$ 16,154,067</u>	<u>\$ 14,173,766</u>

Liabilities

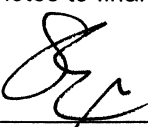
Accounts payable and accrued liabilities (note 3)	\$ 2,104,830	\$ 1,610,525
Refundable deposits	650,081	797,873
Deferred revenue (note 4)	4,462,492	2,741,355
Employee benefit obligations (note 5)	594,500	588,300
Capital lease obligations (note 6)	8,202	10,585
Municipal Finance Authority Debt Reserve Fund (note 7)	-	67,576
	<u>7,820,105</u>	<u>5,816,214</u>
Long-term debt (note 8)	-	48,276
	<u>7,820,105</u>	<u>5,864,490</u>

Municipal Position

Fund balances:		
Operating Funds (Statement D)	2,765,605	2,440,035
Capital Funds (Statement E)	85,096	85,096
Reserve Funds (Statement F) (note 9)	5,121,601	5,428,551
	<u>7,972,302</u>	<u>7,953,682</u>
Less outstanding debt	(8,202)	(58,861)
	<u>7,964,100</u>	<u>7,894,821</u>
Equity in physical assets	369,862	414,455
	<u>8,333,962</u>	<u>8,309,276</u>
	<u>\$ 16,154,067</u>	<u>\$ 14,173,766</u>

Contingent liabilities (note 10)

See accompanying notes to financial statements.


Acting Director of Financial Services

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Consolidated Statement of Financial Activities

Statement B

Year ended December 31, 2005, with comparative figures for 2004

	Budget	2005	2004
Revenue:			
Municipal property taxes	\$ 8,102,400	\$ 8,104,082	\$ 7,694,916
Grants in lieu of taxes	269,600	255,482	248,165
Sales of services	571,300	1,007,509	630,106
Licenses, permits, interest and penalties	779,100	896,761	850,082
Government grants	2,681,200	902,997	892,202
Water utility	3,006,500	3,067,142	3,116,661
Sewer enterprise	2,507,900	2,512,706	2,356,270
Contributions and donations	3,000	831,000	236,650
	<u>17,921,000</u>	<u>17,577,679</u>	<u>16,025,052</u>
Expenditure:			
General government services	1,851,000	1,685,588	1,499,612
Protective services	4,826,300	4,898,276	5,000,527
Transportation services	4,861,100	2,927,509	2,554,310
Environmental development services	313,800	265,537	226,377
Recreation and cultural services	2,284,000	1,906,663	1,616,320
Water utility	3,493,500	3,287,603	3,320,728
Sewer enterprise	2,778,900	2,495,443	2,299,924
Other fiscal services	32,600	41,781	39,957
	<u>20,441,200</u>	<u>17,508,400</u>	<u>16,557,755</u>
Excess (deficiency) of revenue over expenditure	(2,520,200)	69,279	(532,703)
Less debt principal repayments	(42,400)	(48,276)	(42,414)
Capital lease financing	-	-	12,813
Capital lease repayment	-	(2,383)	(2,228)
Change in fund balances	<u>\$ (2,562,600)</u>	<u>18,620</u>	<u>(564,532)</u>
Fund balances, beginning of year		7,953,682	8,518,214
Fund balances, end of year		<u>\$ 7,972,302</u>	<u>\$ 7,953,682</u>

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, 2005, with comparative figures for 2004

	2005	2004
Net cash inflow (outflow) related to the following activities:		
Changes in non-cash working capital items:		
Excess (deficiency) of revenue over expenditure	\$ 69,279	\$ (532,703)
Decrease (increase) in receivables	266,161	(440,938)
Increase (decrease) in other assets	374,814	(72,135)
Increase in accounts payable and accrued liabilities	461,132	333,213
Increase in employee benefit obligations	39,373	43,641
Increase (decrease) in refundable deposits	(147,792)	10,316
Increase (decrease) in deferred revenue	1,721,137	(8,078)
	<u>2,784,104</u>	<u>(666,684)</u>
Financing:		
Repayment of long-term debt	(48,276)	(42,414)
Capital lease financing	-	12,813
Capital lease repaid	(2,383)	(2,228)
	<u>(50,659)</u>	<u>(31,829)</u>
Increase (decrease) in cash and short-term investments	2,733,445	(698,513)
Cash and short-term investments, beginning of year	10,503,956	11,202,469
Cash and short-term investments, end of year	<u>\$ 13,237,401</u>	<u>\$ 10,503,956</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, 2005, with comparative figures for 2004

	Budget	2005	2004
Revenue:			
Municipal property taxes	\$ 8,102,400	\$ 8,104,082	\$ 7,694,916
Grants in lieu of taxes	269,600	255,482	248,165
Sale of services	571,300	1,007,509	630,106
Licenses, permits, interest and penalties	779,100	862,393	806,803
Donations and contributions	3,000	118,390	15,100
Government grants	2,681,200	902,997	892,202
Water utility	3,006,500	3,067,142	3,116,661
Sewer enterprise	2,507,900	2,512,706	2,356,270
	17,921,000	16,830,701	15,760,223
Expenditure:			
General government services	1,683,500	1,527,247	1,448,087
Protective services	4,317,800	4,373,607	4,035,011
Transportation services	1,929,500	1,903,962	1,695,129
Environmental development services	313,800	265,537	226,337
Parks and cultural services	1,432,200	1,462,402	1,391,819
Water utility	3,098,000	2,992,290	3,152,268
Sewer enterprise	2,293,900	2,193,069	2,145,423
Other fiscal services	32,600	41,781	39,962
	15,101,300	14,759,895	14,134,036
Excess of revenue over expenditure	2,819,700	2,070,806	1,626,187
Less debt principal repayment	(42,400)	(48,276)	(42,414)
Capital lease financing	-	-	12,813
Capital lease repayment	-	(2,383)	(2,228)
Net interfund transfers:			
To Capital Funds	(2,852,400)	(780,687)	(790,126)
To Reserve Funds	(964,800)	(913,890)	(817,732)
	(3,859,600)	(1,745,236)	(1,639,687)
Change in fund balance	<u>\$ (1,039,900)</u>	325,570	(13,500)
Balance, beginning of year		2,440,035	2,453,535
Balance, end of year		\$ 2,765,605	\$ 2,440,035

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, 2005, with comparative figures for 2004

	Budget	2005	2004
Revenue:			
Contributions by developers	\$ -	\$ 712,610	\$ 221,550
Expenditure:			
General government services	167,500	158,341	51,559
Protective services	508,500	524,669	965,516
Transportation services	2,931,600	1,023,547	859,181
Parks and cultural services	851,800	444,261	224,501
Water utility	395,500	295,313	168,460
Sewer enterprise	485,000	302,374	154,501
	5,339,900	2,748,505	2,423,718
Excess of expenditure over revenue	(5,339,900)	(2,035,895)	(2,202,168)
Net interfund transfers:			
From Operating Funds	2,852,400	780,687	790,126
From Reserve Funds	2,487,500	1,255,208	1,412,042
	5,339,900	2,035,895	2,202,168
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, 2005, with comparative figures for 2004

	Budget	2005	2004
Revenue:			
Investment income	\$ -	\$ 34,368	\$ 43,278
Excess of revenue over expenditure	-	34,368	43,278
Net interfund transfers:			
From Operating Funds	964,800	913,890	817,732
To Capital Funds	(2,487,500)	(1,255,208)	(1,412,042)
	(1,522,700)	(341,318)	(594,310)
Change in fund balance	-	(306,950)	(551,032)
Balance, beginning of year	-	5,428,551	5,979,583
Balance, end of year	\$ -	\$ 5,121,601	\$ 5,428,551
Summary of Reserve Funds positions:			
Public Works Equipment		\$ 420,054	\$ 453,519
Fire Department Equipment		3,015	272,939
Local Improvement		97,428	95,487
Capital Expenditures		874,270	781,020
Reserves for Future Expenditures:			
General government		3,210,318	3,330,417
Water utility		378,542	401,198
Sewer enterprise		137,974	93,971
		\$ 5,121,601	\$ 5,428,551

See accompanying notes to financial statements.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements

Year ended December 31, 2005

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 prescribed 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, 2005

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) Measurement uncertainty:

The preparation of consolidated financial statements in conformity with Canadian 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 Services, Province of British Columbia.

	2005	2004
Restricted short-term investments	\$ 814,690	\$ 651,220

3. Accounts payable and accrued liabilities:

	2005	2004
Trade accounts	\$ 897,303	\$ 531,469
Other governments and agencies	654,141	673,056
Accrued salary, wages and employee benefits:		
Payroll	232,788	141,801
Vacation pay	145,104	114,140
Unpaid overtime	107,735	115,473
Pension purchase of service	67,759	34,586
	\$ 2,104,830	\$ 1,610,525

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements

Year ended December 31, 2005

4. Deferred revenue:

	2005	2004
Development cost charges	\$ 814,690	\$ 651,220
Donations in lieu of parkland	371,751	362,457
Contractor donations	805,615	644,004
Prepaid property taxes	449,352	489,021
Transport Canada contribution agreement	204,029	337,708
Other	1,817,055	256,945
	<u>\$ 4,462,492</u>	<u>\$ 2,741,355</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 will require funding in future periods and are recorded as follows:

	2005	2004
Employee benefit obligations:		
Retirement/severance benefit payments	\$ 339,800	\$ 335,900
Accumulated sick leave	254,700	252,400
	<u>\$ 594,500</u>	<u>\$ 588,300</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 and certain vacation entitlements in the year of retirement 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 and updated as of December 31, 2005 to reflect specific changes in the assumptions.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements

Year ended December 31, 2005

5. Employee benefit obligations (continued):

Information about liabilities for employee benefit plans is as follows:

	Sick leave	Retirement benefit payments	2005	2004
Accrued benefit liability:				
Beginning of year	\$ 252,400	\$ 335,900	\$ 588,300	\$ 539,000
Service cost	22,000	32,500	54,500	52,900
Interest cost	12,800	17,000	29,800	27,400
Benefit payments	(32,500)	(45,600)	(78,100)	(31,000)
Accrued benefit liability, end of year	\$ 254,700	\$ 339,800	\$ 594,500	\$ 588,300

The difference between the actuarially determined accrued benefit obligation of \$669,500 and the accrued benefit liability of \$594,500 as at December 31, 2005 is an actuarial loss of \$75,000. Commencing in 2006, this actuarial loss will be amortized over a period equal to the employees' average remaining service lifetime.

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

	2005	2004
Discount rates	4.25%	4.75%
Expected future inflation rates	2.50%	2.50%
Expected wage and salary increases	2.50%	2.50%

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:

2006	\$ 3,024
2007	3,024
2008	3,024
	9,072
Less amounts representing interest	(870)
Present value of capital lease obligation	\$ 8,202

Total interest expense incurred during 2005 on capital leases amounted to \$640 (2004 - \$795).

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements

Year ended December 31, 2005

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:

		2005	2004
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, matured in 2005	\$ -	\$ 48,276

Issue 28 was 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.

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) The municipality is a shareholder and member of the Capital Region Emergency Service Telecommunications (CREST) Incorporated whose services provide 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 through 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.

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements

Year ended December 31, 2005

10. Contingent liabilities (continued):

(c) 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) During the year, 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 2005	Total 2004
Infrastructure	\$ 17,854,676	\$ 7,611,642	\$ 7,139,663	\$ 32,605,981	\$ 31,254,311
Land	1,993,129	6,500	-	1,999,629	1,999,630
Buildings	5,187,897	-	-	5,187,897	4,826,437
Equipment and furniture	7,797,887	281,985	132,673	8,212,545	7,257,487
	\$ 32,833,589	\$ 7,900,127	\$ 7,272,336	\$ 48,006,052	\$ 45,337,865

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.

12. Expenditure by object:

	2005	2004
Salaries, wages and employee benefits	\$ 7,224,587	\$ 6,755,093
Materials and supplies	4,266,563	3,982,298
Services	5,975,470	5,781,200
Other	41,780	39,164
	\$ 17,508,400	\$ 16,557,755

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Notes to Financial Statements

Year ended December 31, 2005

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.

	2005	2004
Provincial Government - school taxes	\$ 7,886,027	\$ 7,476,614
Capital Regional District	1,410,196	1,348,780
Capital Regional Hospital District	713,001	701,006
B.C. Transit Authority	483,795	473,764
B.C. Assessment Authority	266,145	249,841
Municipal Finance Authority	652	548
	<u>\$ 10,759,816</u>	<u>\$ 10,250,553</u>

14. Pension plan:

The municipality 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 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. Active members include approximately 30,000 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 \$557,331 for employer contributions to the plan in fiscal 2005.



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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, 2005 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 7, 2006

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

CONSOLIDATED OPERATING FUNDS Schedule of Revenue

Schedule 1

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Revenue:		
Municipal property taxes:		
Residential	\$ 6,258,216	\$ 5,840,535
Utilities	7,829	8,539
Light industrial	236,169	332,797
Business	1,458,498	1,377,924
Recreation	97,625	111,313
Farm	20,329	23,114
Parcel tax	694	694
Taxes levied for previous years	24,722	-
	8,104,082	7,694,916
Grants in lieu of taxes:		
Federal government	4,977	4,797
Provincial government agencies	156,209	157,479
Non-government	94,296	85,889
	255,482	248,165
Sale of services:		
Services provided to other governments	152,026	137,812
Transportation services	14,031	18,429
Environmental development services	122,674	50,908
Recreation and cultural services	4,797	4,038
Other services	713,981	418,919
	1,007,509	630,106
Licenses, permits, interest and penalties:		
Professional, business and vehicle licenses	75,436	78,294
Building and other permits	304,755	333,526
Dog licenses	18,443	17,988
Fines	555	949
Rentals	38,602	24,069
Penalties and interest	89,532	98,698
Investment income	335,070	253,279
	862,393	806,803
Donations and contributions	118,390	15,100
Government grants:		
Federal government	137,268	65,800
Provincial government	563,377	474,707
Regional district and other	202,352	351,695
	902,997	892,202
Water utility:		
Sale of water	2,481,535	2,461,298
Regional levy	585,607	655,363
	3,067,142	3,116,661
Sewer enterprise:		
User fees	710,788	668,084
Regional levy	1,801,918	1,688,186
	2,512,706	2,356,270
Total revenue	\$ 16,830,701	\$ 15,760,223

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

CONSOLIDATED OPERATING FUNDS Schedule of Expenditure

Schedule 2

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Expenditure:		
General government services:		
Legislative	\$ 159,180	\$ 127,193
Administrative	1,203,391	1,165,070
Municipal Hall	164,676	155,824
	<u>1,527,247</u>	<u>1,448,087</u>
Protective services:		
Police	3,282,955	3,028,002
Fire	653,520	569,342
Building inspections and bylaw enforcement	332,199	348,876
Animal and pest control	88,706	79,814
Emergency measures	16,227	8,977
	<u>4,373,607</u>	<u>4,035,011</u>
Transportation services:		
Common	287,350	262,768
Administration	468,186	442,896
Roads and streets	832,217	725,493
Street lighting	78,734	87,849
Traffic	103,796	112,714
Dock facilities	133,679	63,409
	<u>1,903,962</u>	<u>1,695,129</u>
Environmental development services:		
Planning and zoning	265,537	226,337
Parks and cultural services:		
Parks	660,613	623,235
Community services	141,195	142,821
Greater Victoria Public Library	561,108	530,588
Cultural services	99,486	95,175
	<u>1,462,402</u>	<u>1,391,819</u>
Water utility:		
Water supply system	2,211,928	2,275,129
Capital Regional District	780,362	877,139
	<u>2,992,290</u>	<u>3,152,268</u>
Sewer enterprise:		
Sewage collection system	403,647	456,364
Capital Regional District	1,789,422	1,689,059
	<u>2,193,069</u>	<u>2,145,423</u>
Other fiscal services	41,781	39,962
Total expenditure	\$ 14,759,895	\$ 14,134,036

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Authenticated Assessment Roll 2005 Net Taxable Assessments (Unaudited)

Schedule 3

	General purposes	Hospital purposes	School purposes
Residential	\$ 2,047,137,201	\$ 2,012,216,551	\$ 2,012,220,651
Utilities	512,700	12,417,700	25,006,100
Light industrial	35,147,600	35,147,600	35,147,600
Business/other	221,353,550	221,353,550	221,353,550
Recreation/non-profit	14,528,900	14,528,900	14,528,900
Farm	6,634,400	3,317,200	3,317,200
Totals	\$ 2,325,314,351	\$ 2,298,981,501	\$ 2,311,574,001

THE CORPORATION OF THE DISTRICT OF CENTRAL SAANICH

Schedule 4

2005 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	1.74851	8.74255	6.99404	3.84672	3.84672	3.84672	5.24553	3.84672	1.74851
Municipal - Police	1.09417	5.47085	4.37668	2.40717	2.40717	2.40717	3.28251	2.40717	1.09417
Subtotal - Central	2.84268	14.21340	11.37072	6.25389	6.25389	6.25389	8.52804	6.25389	2.84268
Saanich									
Greater Victoria Public Library	0.21157	1.05785	0.84628	0.46545	0.46545	0.46545	0.63471	0.46545	0.21157
Subtotal - General	3.05425	15.27125	12.21700	6.71934	6.71934	6.71934	9.16275	6.71934	3.05425
Municipal									
Regional District - General	0.53234	2.66168	2.12934	1.17114	1.17114	1.17114	1.59701	1.17114	0.53234
Regional District - Water	0.24543	1.22715	0.98172	0.53995	0.53995	0.53995	0.73629	0.53995	0.24543
Regional District - Sewer	0.87936	4.39680	3.51744	1.93459	1.93459	1.93459	2.63808	1.93459	0.87936
Total General	4.71138	23.55688	18.84551	10.36502	10.36502	10.36502	14.13413	10.36502	4.71138
School	2.46890	14.90000	12.00000	12.50000	9.60000	9.60000	2.30000	4.50000	6.80000
Other governments									
Regional Hospital District	0.26101	0.91354	1.04404	0.88743	0.88743	0.63947	0.78303	0.26101	0.26101
B.C. Assessment	0.09200	0.52390	0.66330	0.54240	0.28600	0.28600	0.33170	0.09200	0.09200
Municipal Finance Authority	0.00030	0.00050	0.00100	0.00050	0.00050	0.00010	0.00080	0.00020	0.00020
B.C. Transit	0.13410	0.79120	0.79120	0.79120	0.79120	0.79120	0.79120	0.13410	0.13410
Total other Governments	0.48741	2.22914	2.49954	2.22153	1.96513	1.71677	1.90673	0.48731	0.48731
Total tax rate	7.66769	40.68602	33.34505	25.08655	21.93015	21.68179	18.34086	15.35233	11.99869

Bolded areas indicate no activity in property class.