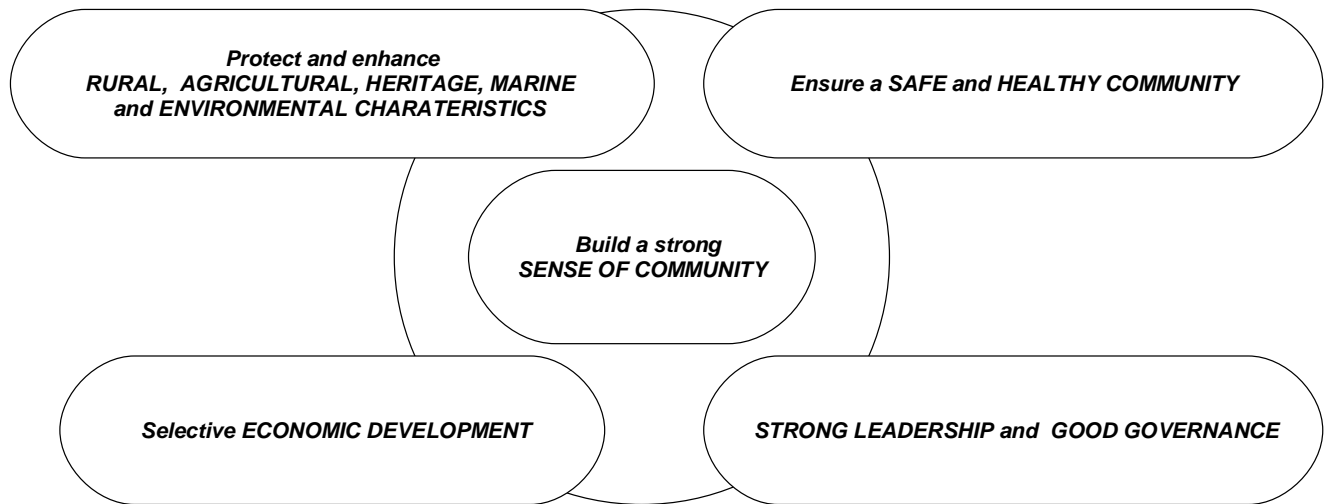


ATTACHMENTS/APPENDICES

- District of North Saanich 2005 Annual Report to the Community

Attachment	Pages
Overview of Initiatives Related to Strategic Priorities	2 – 8
2005 Audited Financial Statements	9 – 30
2005 Council Remuneration and Expenses	31
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June 2006



*Strategic Priority: **Protect and Enhance***
RURAL, AGRICULTURAL, HERITAGE, MARINE and ENVIRONMENTAL CHARACTERISTICS

<i>Desired Long Term Results</i>	<i>2005 Progress/Successes</i>	<i>2006 Initiatives</i>
<i>O1: Sensitive and significant environmental areas and ecosystems protected.</i>	<ul style="list-style-type: none"> • A draft OCP containing up to date techniques and methods for protecting environmental areas and ecosystems and that sets the stage for data and information on sensitive ecosystems that will be obtained in future inventories. • Obtained grant funding for Tseycum CK drainage study 	<ul style="list-style-type: none"> • Adoption of the OCP with the development permit areas for environmental sensitivities and more clearly articulated guidelines.. • Adoption of Development Information Approval Bylaw. • Changes to the OCP to ensure that it meets or exceeds the policy directive associated with Fish Protection Act • A comprehensive inventory of Riparian Areas • Complete Tseycum CK drainage
<i>O2: The agricultural community preserved and enhanced.</i>	<ul style="list-style-type: none"> • Establishment of an Agricultural Task Force. 	<ul style="list-style-type: none"> • Draft paper and bylaw prepared for Task Force on possible zoning and OCP changes to guide ALC non-farm uses.
<i>O3: Sensitive marine and inter-tidal habitats preserved and protected.</i>	<ul style="list-style-type: none"> • A draft OCP that includes a Development Permit area for marine habitats and guidelines supportive of protecting that environment. 	<ul style="list-style-type: none"> • Preparation of a paper for Council on policy options regarding access to the waterfront.
<i>O4: A District & Regional Trail System facilitating access to and enjoyment of natural/rural assets.</i>	<ul style="list-style-type: none"> • Constructed 1.3 km of bike lanes to complete Lochside Regional Trail • Constructed 1.0 km of bike lanes on E. Saanich Rd. • Acquired critical W.Saanich to John Rd trail ROW 	<ul style="list-style-type: none"> • Construct 1.2 km of bike lanes on W. Saanich from Towner Pk to Wain • Design trail link from W. Saanich to John Rd
<i>O5: Significant cultural and heritage features and landscapes protected.</i>	<ul style="list-style-type: none"> • An active Heritage Advisory Commission supported by Council in a number of initiatives aimed at increasing awareness and educating the public on the District heritage resources • Heritage/significant tree designation Lillian Hoffar Pk 	<ul style="list-style-type: none"> • Securing provincial funding and starting the preparation of a Strategic Plan to guide the work of the Heritage Advisory Commission that is endorsed by Council • Enhance GIS with the addition of heritage sites
<i>Others</i>	<ul style="list-style-type: none"> • Provide public internet access to GIS via the District website 	<ul style="list-style-type: none"> • Enhance GIS functionality to provide benefits for staff & public

<i>Desired Long Term Results</i>	<i>2005 Progress/Successes</i>	<i>2006 Initiatives</i>
<p><i>01: Reduction of public and/or environmental health risk related to water and waste management.</i></p>	<ul style="list-style-type: none"> • Obtained Council approval and completed design for Deep Cove/Pat Bay Sewers • Installed backflow prevention to protect public water system at Institute of Ocean Sciences • Completed residential meter replacement/backflow protection program 	<ul style="list-style-type: none"> • Complete construction of Deep Cove/Pat Bay and McDonald Park sewers • Development of onsite system education and monitoring programs • Install oil separator for works yard • Install backflow protection for larger commercial water users • Water system study
<p><i>02: Minimize loss of life and property.</i></p>	<ul style="list-style-type: none"> • Procedures in place for management of building permit files that provide users with more information and facilitate a more thorough review of the application at the time of plan check and inspections. Appointment of Senior Building Official to oversee procedures and make decisions on technical matters for Building Section • Burning Bylaw was amended and a 'no burning area' pilot project was implemented • A municipal drop off pit was operated for a one year trial • Completed Fire Underwriters Survey and very high rating given to Fire Department • Amendment OCP identification of fire risk hazard areas • Submitted building design guidelines 	<ul style="list-style-type: none"> • Reduction in the number of section 57 notices by implementing a systematic approach to contacting applicants prior to the expiration of their permits to ensure compliance with the Building Bylaw and BC Building Code • Burning ByLaw & Municipal pit operations to be reviewed & amended as needed; report on status & plan to implement under writers recommendations • Complete space need analysis for Fire Department operations • Complete strategic Plan for Emergency Planning in District • Revise Emergency Plan/PEMO • Establish system to control major capital project expenditures; cost sharing report • Develop a system for adequate disaster response ensuring business continuity for DNS
<p><i>03: Reduction in accident rates on municipal arterial and collector roads.</i></p>	<ul style="list-style-type: none"> • Constructed roundabout at East Saanich/Willingdon 	<ul style="list-style-type: none"> • Work with school board to effectively manage traffic generated by proposed Forest Pk School • Pavement management study • Review speed limits

04: Active/healthy lifestyles supported.	<ul style="list-style-type: none"> Hosted first annual Hike/Bike event at municipal hall 	<ul style="list-style-type: none"> Park Commission planning review of all undeveloped trails and beach accesses
Other initiatives not directly related to above outcomes on Safe and healthy Community	<ul style="list-style-type: none"> Enhance GIS functionality to assist Emergency Services with planning and emergency response Constructed new ocean viewpoint on Fernie Wynd Constructed new trail network in Plumper Pk. Implemented gravel trail standard to reduce fire risk on wilderness trails 	<ul style="list-style-type: none"> Continue to enhance GIS for the benefit of Emergency Services and the public

*Strategic Priority: **Selective ECONOMIC DEVELOPMENT***

<i>Desired Long Term Results</i>	<i>2005 Progress/Successes</i>	<i>2006 Initiatives</i>
<i>O1: A supportive operating environment for existing businesses..</i>		
<i>O2: Selected economic development consistent with the Official Community Plan.</i>	<ul style="list-style-type: none"> Public consultation regarding the concept of Village centres. Integration of village centre concept into OCP. 	<ul style="list-style-type: none"> Adoption of OCP with mutually agreed upon definition of the village centres. Implement Council decisions related to 'Financial Strategy and Taxation Policy Study
<i>O3: A healthy and sustainable agricultural economy.</i>	<ul style="list-style-type: none"> Establishment of an Agricultural Task Force Develop strategies that support the economic viability of farms in the District 	<ul style="list-style-type: none"> Agricultural Task Force to develop agri-tourism, educational and promotional strategies; agricultural land use inventory' development of healthy relationships and promotion of local food production and markets
<i>O4: Increase in number of home occupations compatible with neighbouring uses.</i>		
<i>Other initiatives not directly related to above outcomes</i>		<ul style="list-style-type: none"> Establishment of a Marine Task Force to review the Districts seven marine zones Review of the permitted uses and restrictions on and adjacent to current marina sites while maintaining fragile marine ecosystems

<i>Desired Long Term Results</i>	<i>2005 Progress/Successes</i>	<i>2006 Initiatives</i>
<i>O1: A strong sense of place and pride in North Saanich.</i>	<ul style="list-style-type: none"> • Hosted Public Works Open House for elementary schools in the works yard • Assisted Peninsula Celebrations Society for annual parade events 	<ul style="list-style-type: none"> • Establish and host first Vancouver Island Vadim User Group Meeting
<i>O3: Strengthened understanding of and respect for the diversity of our neighbourhoods.</i>		
<i>O4: A vital voluntary sector committed to improving quality of life in North Saanich.</i>	<ul style="list-style-type: none"> • Continues support of Friends of Dominion Brook Society 	<ul style="list-style-type: none"> • Volunteer Fire Fighters fundraising to purchase two Thermal Imaging Cameras • Towner Park Trail link restoration project to include volunteer participation from the Community
<i>O5: Housing policies that support social diversity.</i>	<ul style="list-style-type: none"> • A willingness to participate in the Regional Affordable Housing Trust supported with a financial contribution. 	<ul style="list-style-type: none"> • Presentation to Council of information on housing options for seniors and agreement by Council to include a policy statement in the OCP directed to the preparation of a housing strategy for North Saanich
Other initiatives not directly related to above outcomes	<ul style="list-style-type: none"> • A Completed set of updated maps have been produced by the Fire Department for computer based response. • Focus in improving customer service through staff training initiatives • Maintain current information within website to efficiently communicate with the public (ongoing) 	<ul style="list-style-type: none"> • Research ways the Fire department can increase its revenues for services offered • Establish staff Customer service committees • Develop quality of service questionnaire to obtain feedback from public • Financial Services to work with IT/GIS to enhance the District's website to provide links to financial information of significance to the community

<i>Desired Long Term Results</i>	<i>2005 Progress/Successes</i>	<i>2006 Initiatives</i>
<p><i>O1: A focused, well-planned municipal corporation; staff implementing the vision, plans, and priorities of both Council /Community</i></p>	<ul style="list-style-type: none"> • Completion of departmental business plans • Completion of strategic planning process and development of a corporate vision by Council & Senior Staff 	<ul style="list-style-type: none"> • Continuation of departmental business planning and strategic planning process; review and revision of corporate vision with new Council • Development of preventative maintenance and capital replacement plans/schedules for all municipal facilities • Ongoing improvement to serving our customer • Review approval processes • Review and strengthen human resource management practices • Implement formalized succession planning for staff • Municipal Hall upgrades
<p><i>O2: Effective governance and leadership</i></p>	<ul style="list-style-type: none"> • Commencement of District policy and bylaw review. • Establish IT/GIS Committee to discuss and prioritize technology related needs 	<ul style="list-style-type: none"> • Completion of District policy and bylaw review project; new council procedures bylaws. • Development of electronic tracking system for outstanding Council issues requiring action. Research development of e-agendas for possible implementation in 2006. • Council senior staff attendance at parliamentary procedures and governance seminars • Initiate process for electronic voter registration for 2008 election.
<p><i>O3: An outcome-driven, performance-oriented staff team</i></p>	<ul style="list-style-type: none"> • Implementation of Human Resources programs such as Performance Planning, Appraisal & Development; training needs analysis, staff orientation program, modified work week • Commenced a log system of identifying customer queries and level of satisfaction for Accounts Payable, Utility Billing and Payroll. Fine tuning criteria and reporting of results. • Day to day monitoring of departmental health and corrective action taken. 	<ul style="list-style-type: none"> • Establishment of Long Service Recognition Program (for staff and members of Council and advisory committees), Outstanding Achievement Recognition Program (“Applause Program”), recruitment policy, and others as required. • Modified work week policy; recommend future direction • Develop terms of reference for Labour-Management Committee to reflect committee objectives . • Establish Labour-Management Job Evaluation Committee • Ongoing maintenance of PPA&D process; review of training needs of outside staff

		<ul style="list-style-type: none"> • Review/revise chart of accounts to facilitate use, improve link between cost centres and business functions; ensure adequate district financial training • Meet external reporting requirements & review all Vadim modules to help monitor indicators & capital asset management • Review financial management system for improved control and financial reporting • Provide leadership for development of a performance mgt and trend analysis system linked to resource allocation • Review and enhance risk management system re loss, insurance coverage, recovery process • Enhance financial policies/procedures
<p><i>04: Continuity of effective, informed leadership.</i></p>	<ul style="list-style-type: none"> • Establishment of corporate training program. • Weekly and monthly staff meetings inform staff of Council decisions and management initiatives • Continuation of Council/Staff workshops 	<ul style="list-style-type: none"> • Further development of corporate training program. • Implementation of Effectiveness of Training Development Management Committee. • Mentoring workshop for managers and foremen • Other workshops (i.e. customer service, harassment and discrimination, etc.) to be scheduled throughout the year. • Continuation of Council/Staff workshops
<p><i>Other initiatives not directly related to above outcomes</i></p>	<ul style="list-style-type: none"> • Upgrade computer network hardware and software • Enhance website with additional functionality • Communicate with neighbouring municipalities to share information related to technology and discuss potential for shared projects • Janitorial contract put in place. • Development Procedures Bylaw drafted. • Assistant Planner hired with fully functional planning established. • New application forms designed, adopted by Council; available on-line. 	<ul style="list-style-type: none"> • Complete 5 year IT strategic plan to assess current situation and recommend future needs • Consolidate cellular communications to improve efficiency and save costs • Ongoing communication with other jurisdictions

Attachment 2:

Audited Financial Statements of

DISTRICT OF NORTH SAANICH

Year ended December 31, 2005

DISTRICT OF NORTH SAANICH

Year ended December 31, 2005

2004/2005

Mayor

F.S. Daly

Councillors

W.D. Bird
H.D. Goulet
D.H. Hartshorne
A.M. Scoones
K.D. Thomas
A.K. Utley

MUNICIPAL OFFICERS

Chief Administrative Officer
Director of Corporate Services
Director of Financial Services
Manager of Financial Services
Director of Infrastructure Services
Director of Development Services
Fire Chief
Auditors
Bankers

2005/2006

Mayor

F.S. Daly

Councillors

P.C. Chandler
S.M. Fea
C.J. Green
A.M. Scoones
R.A. Shaw
R.L. Williamson

B.C. Williams
S.M. Bowden
R.M. Gillis
P.H. Roberts
T.M. Tanton
T.L. Olsen
G.R. Wilton
KPMG LLP
T.D. Canada Trust

DISTRICT OF NORTH SAANICH

Audited Financial Statements

Year ended December 31, 2005

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FINANCIAL REPORTING RESPONSIBILITY

The accompanying financial statements of the District of North Saanich (the “District”) 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 training and selection of qualified staff, the establishment of an organizational 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. Council meets periodically with management to satisfy themselves that management’s responsibilities are properly discharged and to review and approve the consolidated financial statements.

KPMG LLP, Chartered Accountants, the independent auditors appointed by the District, have examined these financial statements and issued their report, which follows. The auditors have full and unrestricted access to the Council to discuss their audit and their related findings as to the integrity of the financial reporting process.

Chief Administrative Officer

Director of Financial Services

KPMG LLP
Chartered Accountants
St. Andrew's Square II
800 - 730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Fax (250) 480-3539
Internet www.kpmg.ca

AUDITORS' REPORT TO THE MAYOR AND COUNCILLORS OF THE DISTRICT OF NORTH SAANICH

We have audited the consolidated statement of financial position of the District of North Saanich as at December 31, 2005 and the consolidated statements of financial activities and changes in fund balances and changes in financial position and the consolidated statements of operating funds, capital funds and reserve funds 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 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 consolidated 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.



Chartered Accountants

Victoria, Canada

March 30, 2006

DISTRICT OF NORTH SAANICH

Consolidated Statement of Financial Position

STATEMENT A

December 31, 2005, with comparative figures for 2004

	2005	2004
Financial Assets		
Cash and short-term investments (note 2)	\$ 6,219,462	\$ 6,365,319
Property taxes receivable	249,934	178,057
Accounts receivable	2,344,896	736,721
Other assets	16,212	20,216
	8,830,504	7,300,313
Liabilities		
Accounts payable and accrued liabilities	2,580,933	939,184
Deferred revenue	112,508	113,294
Deposits	391,953	299,828
Employee future benefit obligations (note 3)	276,086	290,430
Lease obligation (note 4)	52,919	85,971
Bank loan (note 5)	2,500,000	-
Long-term debt (note 6)	5,388,387	5,917,932
	11,302,786	7,646,639
Net financial assets (liabilities)	(2,472,282)	(346,326)
Physical assets:		
Capital assets (note 7)	48,137,829	42,714,659
Materials and supplies	110,830	124,450
	48,248,659	42,839,109
Total net financial assets and physical assets	\$ 45,776,377	\$ 42,492,783
Municipal Position		
Fund balances:		
Operating Fund (Statement D) (note 8)	\$ 2,782,446	\$ 2,594,527
Capital Fund (Statement E) (note 9)	136,379	136,379
Reserve Funds (Statement F)	2,661,029	3,051,121
	5,579,854	5,782,027
Equity in physical assets (note 15)	40,196,523	36,710,756
Total municipal position	\$ 45,776,377	\$ 42,492,783

Contingencies and commitments (note 16)

See accompanying notes to consolidated financial statements.

Approved by the Director of Financial Services:

DISTRICT OF NORTH SAANICH

Consolidated Statement of Financial Activities and Changes in Fund Balances STATEMENT B

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

	Actual 2005	Budget 2005	Actual 2004
Revenue:			
Net taxes available for municipal purposes (note 11)	\$ 7,312,902	\$ 7,903,333	\$ 7,521,548
Sales of services	215,441	139,569	256,792
Sales of water	1,570,241	1,743,624	1,609,476
Sewer user charges	432,043	442,072	373,342
Other revenue from own sources	529,560	485,950	597,217
Investment earnings	201,915	146,800	174,409
Interest and penalties	65,842	61,200	54,779
Government transfers (note 12)	1,787,686	4,691,459	610,854
Other contributions	42,376	9,642,374	103,425
MFA actuarial adjustments on debt	100,959	-	52,052
	12,258,965	25,256,381	11,353,894
Expenditure:			
General government services	1,527,121	1,691,459	1,324,199
Protective services	2,045,898	2,272,648	1,948,156
Transportation services	1,338,688	1,625,942	1,449,925
Environmental services	46,409	76,700	34,917
Recreational and cultural services	767,042	806,961	727,557
Other fiscal services	14,134	125,500	19,205
Water utility	2,363,678	2,544,211	2,468,480
Sewer utility	744,701	822,345	764,521
Capital expenditures (note 13)	5,550,861	16,320,850	1,745,261
	14,398,532	26,286,616	10,482,221
Excess (deficiency) of revenue over expenditure	(2,139,567)	(1,030,235)	871,673
Debt borrowings	2,527,413	-	100,358
Debt and lease principal repaid	(489,060)	(489,060)	(497,098)
MFA actuarial adjustment on debt	(100,959)	-	(52,052)
Change in fund balances	(202,173)	(1,519,295)	422,881
Fund balances, beginning of year	5,782,027	5,782,027	5,359,146
Fund balances, end of year	\$ 5,579,854	\$ 4,262,732	\$ 5,782,027

See accompanying notes to consolidated financial statements.

DISTRICT OF NORTH SAANICH

Consolidated Statement of Changes in Financial Position

STATEMENT C

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

	2005	2004
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenditure	\$ (2,139,567)	\$ 871,673
Decrease (increase) in taxes receivable	(71,877)	56,044
Increase in accounts receivable	(1,608,175)	(266,651)
Decrease in other assets	4,004	23,630
Increase in accounts payable and accrued liabilities	1,641,749	27,535
Decrease in deferred revenue	(786)	(40,886)
Increase in deposits	92,125	20,663
Decrease in employee benefit obligations	(14,344)	(13,237)
Decrease (increase) in materials and supplies	13,620	(9,034)
Add back non-cash item:		
MFA actuarial adjustment	(100,959)	(52,052)
	(2,184,210)	617,685
Financing activities:		
Repayment of debt and lease obligation	(489,060)	(497,098)
Proceeds from leases	27,413	100,358
Proceeds from bank loan	2,500,000	-
	2,038,353	(396,740)
Increase (decrease) in cash and short-term investments	(145,857)	220,945
Cash and short-term investments, beginning of year	6,365,319	6,144,374
Cash and short-term investments, end of year	\$ 6,219,462	\$ 6,365,319

See accompanying notes to consolidated financial statements.

DISTRICT OF NORTH SAANICH

Consolidated Operating Funds - Statement of Financial Activities

STATEMENT D

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

	Actual 2005	Budget 2005	Actual 2004
Revenue:			
Net taxes available for municipal purposes	\$ 7,312,902	\$ 7,903,333	\$ 7,521,548
Sales of services	215,441	139,569	256,792
Sales of water	1,570,241	1,743,624	1,609,476
Sewer user charges	432,043	442,072	373,342
Other revenue from own sources	529,560	485,950	597,217
Investment earnings	125,053	146,800	89,356
Interest and penalties	65,842	61,200	54,779
Government transfers	489,655	428,433	479,405
Other contributions	5,080	2,400	-
	10,745,817	11,353,381	10,981,915
Expenditure:			
General government services	1,527,121	1,691,459	1,324,199
Protective services	2,045,898	2,272,648	1,948,156
Transportation services	1,338,688	1,625,942	1,449,925
Environmental services	46,409	76,700	34,917
Recreational and cultural services	767,042	806,961	727,557
Other fiscal services	14,134	125,500	19,205
Water utility	2,363,678	2,544,211	2,468,480
Sewer utility	744,701	822,345	764,521
	8,847,671	9,965,766	8,736,960
Excess of revenue over expenditure	1,898,146	1,387,615	2,244,955
Net interfund transfers:			
To Capital Fund	(823,078)	(1,033,900)	(683,911)
To Reserve Funds	(398,089)	(359,902)	(439,378)
Debt and lease obligation repayment	(489,060)	(489,060)	(497,098)
	(1,710,227)	(1,882,862)	(1,620,387)
Change in fund balance	187,919	(495,247)	624,568
Operating Fund balance, beginning of year	2,594,527	2,594,527	1,969,959
Operating Fund balance, end of year	\$ 2,782,446	\$ 2,099,280	\$ 2,594,527

See accompanying notes to consolidated financial statements.

DISTRICT OF NORTH SAANICH

Consolidated Capital Funds - Statement of Financial Activities

STATEMENT E

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

	Actual 2005	Budget 2005	Actual 2004
Revenue:			
Government transfers	\$ 1,298,032	\$ 4,263,026	\$ 131,449
Other contributions	-	9,639,974	54,099
MFA actuarial adjustment on debt	100,959	-	52,052
	1,398,991	13,903,000	237,600
Expenditure:			
Capital expenditures (note 13)	5,550,861	16,320,850	1,745,261
Deficiency of revenue over expenditure	(4,151,870)	(2,417,850)	(1,507,661)
Net interfund transfers:			
From Operating Fund	823,078	1,033,900	683,911
From Reserve Funds	902,338	1,905,000	741,792
MFA actuarial adjustment on debt	(100,959)	-	(52,052)
Debt borrowings	2,527,413	-	100,358
	4,151,870	2,938,900	1,474,009
Change in fund balance	-	521,050	(33,652)
Capital Fund balance, beginning of year	136,379	136,379	170,031
Capital Fund balance, end of year	\$ 136,379	\$ 657,429	\$ 136,379

See accompanying notes to consolidated financial statements.

DISTRICT OF NORTH SAANICH

Notes to Consolidated Financial Statements

Year ended December 31, 2005

The District of North Saanich (the "District") is a municipality in the Province of British Columbia and is incorporated under the provisions of the Local Government Act of BC.

1. Significant accounting policies:

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

(a) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, and changes in fund balances and in financial position of the District. The consolidated financial statements of the District are comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the District and which are owned or controlled by the District.

(b) Fund accounting:

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

(c) Short-term investments:

Short-term investments are recorded at cost, which approximate fair market value.

(d) Employee benefits obligations:

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

Sick leave benefits 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.

(e) Capital assets:

Capital assets are recognized as expenditures in the period they are acquired. Donated capital assets are reported at estimated fair value at the time of receipt.

Capital assets are carried on the consolidated statement of financial position at cost. The District does not record amortization of capital assets in the consolidated financial statements.

DISTRICT OF NORTH SAANICH

Notes to Consolidated Financial Statements

Year ended December 31, 2005

1. Significant accounting policies (continued):

(f) Materials and supplies:

Inventories of materials and supplies are valued at cost with allowances made for damaged or obsolete goods.

(g) Equity in capital assets:

Equity in capital assets represents the investment in capital assets, after deducting the portion financed by debt.

(h) 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 liability is incurred or transfers are due.

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

(i) Reserve accounts:

The following reserve accounts, as disclosed in note 8, are non-statutory reserves established at the discretion of Council:

(i) The reserve for future expenditures represents amounts set aside from current operations for future operating and capital expenditures.

(ii) The working capital reserve, established from surplus, provides funding for accounts receivable and materials and supplies.

(j) 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, provided the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(k) Use of estimates:

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

DISTRICT OF NORTH SAANICH

Notes to Consolidated Financial Statements

Year ended December 31, 2005

2. Cash and short-term investments:

	2005	2004
Cash	\$ 3,734,401	\$ 3,871,184
Bonds and money market funds	2,485,061	2,494,135
	\$ 6,219,462	\$ 6,365,319

3. Employee future 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:

	2005	2004
Employee future benefits obligations:		
Accumulated sick leave	\$ 60,808	\$ 59,630
Retirement benefit payment	90,880	127,238
Vacation pay	124,398	103,562
Total employee future benefits obligations	\$ 276,086	\$ 290,430

Accumulated sick leave represents the liability for sick leave banks accumulated for possible draw down at future dates.

Retirement benefit payments represent the District's share of the cost to provide employees with various benefits upon retirement including lump sum retirement payments and death benefits.

The amount recorded for these benefits is based on an actuarial evaluation performed by the District using a projected benefit actuarial valuation method pro-rated on services. This evaluation will be reviewed on a periodic basis.

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

	2005	2004
Discount rates	5.00%	5.00%
Expected wage and salary increases	3.00%	3.00%
Expected inflation rate	2.50%	2.50%

DISTRICT OF NORTH SAANICH

Notes to Consolidated Financial Statements

Year ended December 31, 2005

4. Lease obligation:

During 2001, the District acquired computer equipment with a cost of \$125,703, which was financed under a leasing arrangement that commenced in January 2003 with interest at prime less 1%, due February 2005.

During 2004, the District acquired additional computer equipment with a cost of \$71,720, which was financed under a leasing arrangement that commenced in March 2004 with annual interest of 3.25%, due February 2006. During 2004, the District also acquired office equipment with a cost of \$26,660, which was financed under a leasing arrangement that commenced in September 2004 with an annual interest rate of 3%, due September 2009.

During 2005, the District acquired copier equipment with a cost of \$27,413, which was financed under a leasing arrangement that commenced September 2005 with annual interest of 3.75%, due September 2010.

The following is a schedule of minimum lease payments under the leases, together with the balance of the obligations:

Year ending December 31, 2005:

2006	\$	17,902
2007		11,845
2008		11,845
2009		11,063
2010		4,881
Total minimum lease payments		57,536
Less amount representing interest		4,617
Lease obligation at December 31, 2005	\$	52,919

5. Bank loan:

Bank loan of \$2,500,000, due on demand, secured by the North Saanich Temporary Borrowing By-law No. 1100, 2005, authorizing the borrowing of money up to \$13,615,000. Monthly payments are interest only. Advances for this interim construction loan bear interest of prime bank rate less .625% with a fee of .29% per annum for outstandings equal to or less than \$5,250,000 and a fee of .375% per annum for outstandings greater than \$5,250,000.

DISTRICT OF NORTH SAANICH

Notes to Consolidated Financial Statements

Year ended December 31, 2005

6. Long-term debt:

	Gross debt	Sinking fund asset	Net debt 2005	Net debt 2004
Term bank loan	\$ 205,805	\$ -	\$ 205,805	\$ 308,708
MFA debenture debt	7,465,066	2,282,484	5,182,582	5,609,224
	\$ 7,670,871	\$ 2,282,484	\$ 5,388,387	\$ 5,917,932

(a) MFA debenture debt:

The District issues debt instruments through the MFA, pursuant to security issuing bylaws under authority of the Local Government Act, to finance certain capital expenditures. Sinking fund balances, managed by the MFA, are netted against related long-term debt.

Existing MFA debenture debt matures in annual amounts to the year 2018 and debenture interest is payable at rates ranging from 4.775% to 8.9% per annum.

The loan agreements with the Capital Regional District and the MFA provide that if, at any time, the scheduled payments provided for in the agreements are not sufficient to meet the MFA's obligations in respect of such borrowings, the resulting deficiency becomes a liability of the District.

(b) Term bank loan:

Floating rate loan, five-year repayment term, maturing in December 2007, secured by the District of North Saanich Borrowing By-Law No. 1018, authorizing the borrowing of money up to \$521,800. The loan is repayable with monthly principal payments of \$8,575, and interest paid monthly at bank prime minus .375% per annum.

Principal payments on long-term debt for the next five years are estimated as follows:

	MFA debenture debt	Term bank loan	Total 2005
2006	\$ 325,694	\$ 102,903	\$ 428,597
2007	325,693	102,902	428,595
2008	325,693	-	325,693
2009	290,937	-	290,937
2010	256,180	-	256,180
	\$ 1,524,197	\$ 205,805	\$ 1,730,002

DISTRICT OF NORTH SAANICH

Notes to Consolidated Financial Statements

Year ended December 31, 2005

7. Capital assets:

	2005	2004
Engineering structures	\$ 33,613,452	\$ 32,527,790
Buildings	2,683,581	2,558,766
Machinery and equipment	5,429,816	5,417,124
Land	2,738,664	2,074,552
Work-in-process	3,672,316	136,427
	<u>\$ 48,137,829</u>	<u>\$ 42,714,659</u>

8. Operating Fund:

	2005	2004
Closing Operating Fund balance is represented by:		
Reserve for future expenditures	\$ 126,500	\$ 300,000
Working capital reserve	450,000	450,000
Surplus	2,205,946	1,844,527
	<u>\$ 2,782,446</u>	<u>\$ 2,594,527</u>

9. Capital Fund:

	2005	2004
Closing Capital Fund balance is represented by:		
Reserve for future expenditures	\$ 136,379	\$ 136,379

DISTRICT OF NORTH SAANICH

Notes to Consolidated Financial Statements

Year ended December 31, 2005

10. Municipal Finance Authority debt reserve fund:

Under borrowing arrangements with the Municipal Finance Authority ("MFA"), the District is required to lodge security by means of demand notes and interest bearing cash deposits based on the amount of borrowing. As debt principal is retired, demand notes are released and the cash deposits are refunded and recorded as operating income in the period received.

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 to act as security against the possibility of debt repayments default. If the debt is returned without default, the deposits are refunded to the District.

As the security and debt reserve funds are held and maintained separately from the District's assets and liabilities, they are excluded from the consolidated statement of financial position. The MFA Debt Reserve Fund, held for the Water and Sewer Operating Funds, at December 31, 2005, is comprised of cash deposits in the amount of \$100,920 (2004 - \$96,669), and demand notes in the amount of \$293,933 (2004 - \$293,933).

DISTRICT OF NORTH SAANICH

Notes to Consolidated Financial Statements

Year ended December 31, 2005

11. Net taxes available for municipal purposes:

	2005	2004
Taxes:		
Property and business taxes	\$ 16,809,955	\$ 16,454,043
Local improvement levies	80,360	80,558
Grants in lieu of taxes	819,879	808,939
	17,710,194	17,343,540
Less transfers to other governments:		
School authorities	7,443,626	7,128,931
Regional Hospital District	704,702	690,530
Municipal Finance Authority	701	584
British Columbia Assessment Authority	259,574	246,129
BC Transit	439,086	433,840
Regional District	1,353,304	1,321,978
	10,200,993	9,821,992
	7,509,201	7,521,548
Less 2004 municipal taxes refundable to B.C. Ferry Services Inc.	(196,299)	-
Net taxes available for municipal purposes	\$ 7,312,902	\$ 7,521,548

The property and business taxes collected for and transferred to other governments are shown on an as levied basis. These amounts have not been adjusted to reflect the other governments' share of the successful appeal by B.C. Ferry Services Inc. because such adjustments would not impact net taxes for municipal purposes.

12. Government transfers:

The following government transfers have been included in revenues:

	2005	2004
Operating transfers:		
Provincial	\$ 325,602	\$ 316,929
Regional	164,053	162,476
	489,655	479,405
Capital transfers:		
Provincial	1,273,031	131,449
Regional	25,000	-
	\$ 1,787,686	\$ 610,854

DISTRICT OF NORTH SAANICH

Notes to Consolidated Financial Statements

Year ended December 31, 2005

13. Capital expenditures:

	2005	2004
General government	\$ 778,838	\$ 452,366
Protective	34,313	37,406
Transportation	844,126	494,879
Recreational and cultural	44,025	58,876
Water utility	279,061	503,868
Sewer utility	3,570,498	197,866
	<u>\$ 5,550,861</u>	<u>\$ 1,745,261</u>

14. Expenditures by object:

	2005	2004
Salaries, wages and employee benefits	\$ 2,884,897	\$ 2,605,903
Contracted and general services	7,877,230	3,862,645
Materials, goods, supplies and utilities	3,119,241	3,577,948
Interest on long-term debt	517,164	435,725
	<u>\$ 14,398,532</u>	<u>\$ 10,482,221</u>

15. Equity in capital assets:

	2005	2004
Equity in physical assets, beginning of year	\$ 36,710,756	\$ 34,569,994
Add debt retirement:		
Lease obligation principal repayment	60,464	68,502
Debt principal repayment	428,586	428,596
MFA actuarial adjustments on debt	100,959	52,052
	<u>590,009</u>	<u>549,150</u>
Disposals	(127,690)	(53,291)
Capital expenditures	5,550,861	1,745,261
Increase in capital leases	(27,413)	(100,358)
Increase in bank loan	(2,500,000)	-
Equity in physical assets, end of year	<u>\$ 40,196,523</u>	<u>\$ 36,710,756</u>

DISTRICT OF NORTH SAANICH

Notes to Consolidated Financial Statements

Year ended December 31, 2005

16. Contingencies and commitments:

(a) Regional District debt:

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

(b) CREST:

The District is a shareholder and member of the Capital Regional 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 government and their agencies, and emergency service organizations through the Greater Victoria region and the Gulf Islands. Pursuant to a Members' Agreement, members are obligated to share in funding the ongoing operations and costs related to capital assets. During 2005, the District made a contribution of \$26,400 in support of CREST.

(c) Insurance:

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 \$25,000 per occurrence.

(d) Pension liability:

The municipality and its employees contribute to the Municipal Pension Plan (the plan), a jointly trusted 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 members and approximately 48,000 retired members. 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 an 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 unfunded liability to individual employers. The District of North Saanich paid \$155,629 for employer contributions to the plan in fiscal 2005.

DISTRICT OF NORTH SAANICH

Notes to Consolidated Financial Statements

Year ended December 31, 2005

16. Contingencies and commitments (continued):

(e) Commitment:

The District has entered into a five-year renewable agreement with the Town of Sidney, effective December 31, 2002, for the use of the RCMP facilities located in the Town of Sidney. This agreement requires that the District reimburse the Town of Sidney for a share of facility, equipment and staffing costs, based upon the ratio of staff assigned to the District and the total number of staff assigned to the detachment under the Policy Agreement.

(f) Sewer main infrastructure upgrade:

During 2004, the District commenced a project to upgrade the sewer main infrastructure. Total project costs are expected to be approximately \$14,000,000 and will be funded by the Canada/BC Infrastructure program up to \$3,975,026 with the balance to be funded by the Deep Cove, Patricia Bay and McDonald Park specified areas. Construction costs during 2005 were \$3,540,866, and projects costs to December 31, 2005 are \$3,672,315.

Declaration of Disqualification of Council members

In reasons for judgment dated May 18, 2005, Mr. Justice Burnyeat of the B.C. Supreme Court granted an order to 12 North Saanich electors pursuant to section 111(6)(c) of the Community Charter. That order declared William Bird disqualified from holding office as a member of a local government Council by reason of Mr. Bird's failure to disclose and declare pecuniary and other interests in a matter that constituted a conflict of interest.

2005 Council Remuneration & Expense Report

Following is a schedule reporting Council remuneration and expenses for 2005 in accordance with Section 168 (1) (a) & (b) of the Community Charter:

COUNCIL MEMBER	REMUNERATION	EXPENSES
Bird, B. (Councillor)	\$3,591.71	\$959.87
Chandler, P. (Councillor)	721.31	-
Daly, T. (Mayor)	18,002.93	1,021.23
Fea, S. (Councillor)	721.31	-
Goulet, H. (Councillor)	7,919.57	731.00
Green, C. (Councillor)	721.31	-
Hartshorne, D. (Councillor)	3,591.71	-
Scoones, A. (Councillor)	8,640.88	-
Shaw, R. (Councillor)	721.31	-
Thomas, K. (Councillor)	7,919.57	552.50
Utle, A. (Councillor)	7,919.57	-
Williamson R. (Councillor)	721.31	-

Insurance Policy (Section 168 (1)(c) of the Community Charter)

2005 Personal Accident Insurance – coverage for Mayor and Councillors while on District business through Citadel General Assurance Company, Policy #9224102.

Principal Sum - \$25,000/Weekly Indemnity - \$100. Aggregate Limit - \$175,000

Disclosure of contracts with Council members (Section 168 (1)(d) of the Community Charter)

There were no contracts in 2005 with Council members relevant to the requirements set out under Section 168 (1) (d) of the Community Charter.

2005 Property Tax Exemptions

Council has granted permissive tax exemptions to properties owned by churches, several non-profit organizations and other municipalities. Some of the exemptions have been with the assent of the electorate and are for a period of 10 years. Others are reviewed annually by Council and provide an exemption for that year.

Following is a list of the properties that received tax exemptions for 2005:

Organization Civic Address Legal Description	Bylaw No.	Term	Expire Date	Municipal Taxes
Memorial Parks Society McDonald Park Rd Lot 1, Section 16, Range 2E, Plan 20832	879	10 yrs	2008	23,461
Memorial Parks Society 10714 McDonald Park Rd Lot 1, Section 16, Range 2E, Plan 20832	879	10 yrs	2008	12,811
BC Aviation Museum 1910 Norseman Rd. Part Lot A, Plan 38759 Comprising 5.56 acres VAA Lease #PR3212	921	10 yrs	2010	7,841
Sea Cadets & Navy League 6595 B Hurricane Rd. Comprising 2569.8 sq meters VAA lease #YYJLB110	926	10 yrs	2010	927
Air Cadets 1979 Anson Dr. Comprising 2200 sq. meters VAA lease #PR7077	927	10 yrs	2010	1,140
St. John's United Church 10990 W. Saanich Rd. Northerly 175 ft of Block 1, Sect 19, Range 2W, Plan 1211	1069	1 yr	2005	2,433
Holy Trinity Anglican Church 1319 Mills Rd. Sect. 12 & 13, Range 1W, and Lot A, Sect. 12, Range 1E, and 1W, Plan 38698.	1069	1 yr	2005	1,790

Organization Civic Address Legal Description	Bylaw No.	Term	Expire Date	Municipal Taxes
Sidney Pentecostal Church 10364 McDonald Park Rd. Lot A, Sect. 15, Range 2E, Plan 16395	1069	1 yr	2005	4,687
Saanich Peninsula Presbyterian Church 9296 E. Saanich Rd. Lot F, Sect. 7, Range 2E, Plan 42734	1069	1 yr	2005	9,222
Seventh Day Adventist Church 9300 Willingdon Rd. Lot B, Sect. 7, Range 2E, Plan 2822	1069	1 yr	2005	10,951
Kiwanis Elderly Citizens Village 10585 McDonald Pk. Rd. Lot 1, Sect. 16 & 17, Range 2E, Plan 25496	1069	1 yr	2005	4968
Town of Sidney 1665 McTavish Rd. Rem. of Lot E, Sect. 5, Range 2E, Composite Plan 2986 except Plan 38864	1069	1 yr	2005	6,815