

Audited Financial Statements of

DISTRICT OF NORTH SAANICH

Year ended December 31, 2004

DISTRICT OF NORTH SAANICH

Year ended December 31, 2004

2003/2004

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

Clerk

Treasurer/Collector

Municipal Engineer

Director of Services

Fire Chief

Auditors

Bankers

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

B. C. Williams

S.M. Bowden

R.M. Gillis

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, 2004

	<u>Page</u>
Financial Reporting Responsibility	1
Auditors' Report	2
Statements	
A Consolidated Statement of Financial Position	3
B Consolidated Statement of Financial Activities and Changes in Fund Balances	4
C Consolidated Statement of Changes in Financial Position	5
D Operating Fund - Statement of Financial Activities	6
E Capital Fund - Statement of Financial Activities	7
F Reserve Funds - Statement of Financial Activities	8
Notes to Consolidated Financial Statements	9

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, 2004 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, 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

March 21, 2005

DISTRICT OF NORTH SAANICH

Consolidated Statement of Financial Position

STATEMENT A

December 31, 2004, with comparative figures for 2003

	2004	2003
Financial Assets		
Cash and short-term investments (note 2)	\$ 6,365,319	\$ 6,144,374
Property taxes receivable	178,057	234,101
Accounts receivable	736,721	470,070
Other assets	20,216	43,846
	<u>7,300,313</u>	<u>6,892,391</u>
Liabilities		
Accounts payable and accrued liabilities	939,184	911,648
Deferred revenue	113,294	154,180
Deposits	299,828	279,165
Employee future benefit obligations (note 13)	290,430	303,667
Lease obligation (note 3)	85,971	54,115
Long-term debt (note 5)	5,917,932	6,398,580
	<u>7,646,639</u>	<u>8,101,355</u>
Net financial assets (liabilities)	(346,326)	(1,208,964)
Physical assets:		
Capital assets (note 6)	42,714,659	41,022,688
Materials and supplies	124,450	115,416
	<u>42,839,109</u>	<u>41,138,104</u>
Total net financial assets and physical assets	\$ 42,492,783	\$ 39,929,140
Municipal Position		
Fund balances:		
Operating Fund (Statement D) (note 7)	\$ 2,594,527	\$ 1,969,959
Capital Fund (Statement E) (note 8)	136,379	170,031
Reserve Funds (Statement F)	3,051,121	3,219,156
	<u>5,782,027</u>	<u>5,359,146</u>
Equity in physical assets	36,710,756	34,569,994
Total municipal position	\$ 42,492,783	\$ 39,929,140

Contingencies and commitments (note 15)

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, 2004, with comparative figures for 2003

	Actual 2004	Budget 2004	Actual 2003
Revenue:			
Net taxes available for municipal purposes (note 9)	\$ 7,521,548	\$ 7,593,059	\$ 6,388,493
Sales of services	256,792	141,645	154,875
Sales of water	1,609,476	1,570,000	1,591,903
Sewer user charges	373,342	379,814	294,390
Other revenue from own sources	597,217	618,300	459,626
Investment earnings	174,409	76,300	178,263
Interest and penalties	54,779	53,200	68,451
Government transfers (note 10)	610,854	436,601	470,347
Other contributions	103,425	50,000	2,194,717
MFA actuarial adjustments on debt	52,052	-	49,725
	<u>11,353,894</u>	<u>10,918,919</u>	<u>11,850,790</u>
Expenditure:			
General government services	1,324,199	1,634,112	1,301,074
Protective services	1,948,156	2,085,608	1,908,313
Transportation services	1,449,925	1,730,780	1,487,175
Environmental services	34,917	81,522	24,045
Recreational and cultural services	727,557	754,424	581,350
Other fiscal services	19,205	105,000	27,612
Water utility	2,468,480	2,536,284	2,493,744
Sewer utility	764,521	849,844	553,317
Capital expenditures (note 11)	1,745,261	2,772,299	770,035
	<u>10,482,221</u>	<u>12,549,873</u>	<u>9,146,665</u>
Excess (deficiency) of revenue over expenditure	871,673	(1,630,954)	2,704,125
Debt borrowings	100,358	300,000	4,900,000
Debt principal repaid	(497,098)	(428,596)	(6,600,964)
MFA actuarial adjustment on debt	(52,052)	-	(49,725)
Change in fund balances	422,881	(1,759,550)	953,436
Fund balances, beginning of year	5,359,146	5,359,146	4,405,710
Fund balances, end of year	<u>\$ 5,782,027</u>	<u>\$ 3,599,596</u>	<u>\$ 5,359,146</u>

See accompanying notes to consolidated financial statements.

DISTRICT OF NORTH SAANICH

Consolidated Statement of Changes in Financial Position

STATEMENT C

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

	2004	2003
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditure	\$ 871,673	\$ 2,704,125
Decrease (increase) in taxes receivable	56,044	(49,633)
Decrease (increase) in accounts receivable	(266,651)	302,484
Decrease in other assets	23,630	79,706
Increase in accounts payable and accrued liabilities	27,535	250,070
Increase (decrease) in deferred revenue	(40,886)	13,994
Increase in deposits	20,663	97,419
Increase (decrease) in employee benefit obligations	(13,237)	42,626
Decrease (increase) in materials and supplies	(9,034)	6,834
Add back non-cash item:		
MFA actuarial adjustment	(52,052)	(49,725)
	<u>617,685</u>	<u>3,397,900</u>
Financing activities:		
Repayment of lease obligation	(68,502)	(85,815)
Repayment of long-term debt	(428,596)	(211,149)
Proceeds from long-term debt	-	4,900,000
Proceeds from leases	100,358	-
Increase (decrease) in short-term capital loan	-	(6,304,000)
	<u>(396,740)</u>	<u>(1,700,964)</u>
Increase in cash and short-term investments	220,945	1,696,936
Cash and short-term investments, beginning of year	6,144,374	4,447,438
Cash and short-term investments, end of year	<u>\$ 6,365,319</u>	<u>\$ 6,144,374</u>

See accompanying notes to consolidated financial statements.

DISTRICT OF NORTH SAANICH

Operating Fund - Statement of Financial Activities

STATEMENT D

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

	Actual 2004	Budget 2004	Actual 2003
Revenue:			
Net taxes available for municipal purposes	\$ 7,521,548	\$ 7,593,059	\$ 6,388,493
Sales of services	256,792	141,645	154,875
Sales of water	1,609,476	1,570,000	1,591,903
Sewer user charges	373,342	379,814	294,390
Other revenue from own sources	597,217	618,300	459,626
Investment earnings	89,356	76,300	72,107
Interest and penalties	54,779	53,200	68,451
Government transfers	479,405	436,601	470,347
	<u>10,981,915</u>	<u>10,868,919</u>	<u>9,500,192</u>
Expenditure:			
General government services	1,324,199	1,634,112	1,301,074
Protective services	1,948,156	2,085,608	1,908,313
Transportation services	1,449,925	1,730,780	1,487,175
Environmental services	34,917	81,522	24,045
Recreational and cultural services	727,557	754,424	581,350
Other fiscal services	19,205	105,000	27,612
Water utility	2,468,480	2,536,284	2,493,744
Sewer utility	764,521	849,844	553,317
	<u>8,736,960</u>	<u>9,777,574</u>	<u>8,376,630</u>
Excess of revenue over expenditure	2,244,955	1,091,345	1,123,562
Net interfund transfers:			
To Capital Fund	(683,911)	-	(184,923)
To Reserve Funds	(439,378)	-	(339,053)
Debt and lease obligation repayment	(497,098)	(428,596)	(296,964)
	<u>(1,620,387)</u>	<u>(428,596)</u>	<u>(820,940)</u>
Change in fund balance	624,568	662,749	302,622
Operating Fund balance, beginning of year	1,969,959	1,969,959	1,667,337
Operating Fund balance, end of year	<u>\$ 2,594,527</u>	<u>\$ 2,632,708</u>	<u>\$ 1,969,959</u>

See accompanying notes to consolidated financial statements.

DISTRICT OF NORTH SAANICH

Capital Fund - Statement of Financial Activities

STATEMENT E

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

	Actual 2004	Budget 2004	Actual 2003
Revenue:			
Government transfers	\$ 131,449	\$ 200,000	\$ -
Other contributions	54,099	50,000	2,123,840
MFA actuarial adjustment on debt	52,052	-	49,725
	<u>237,600</u>	<u>250,000</u>	<u>2,173,565</u>
Expenditure:			
Capital expenditures (note 11)	1,745,261	2,772,299	770,035
Excess (deficiency) of revenue over expenditure	(1,507,661)	(2,522,299)	1,403,530
Net interfund transfers:			
From Operating Fund	683,911	-	184,923
From Reserve Funds	741,792	666,000	184,151
MFA actuarial adjustment on debt	(52,052)	-	(49,725)
Debt borrowings	100,358	300,000	4,900,000
Debt principal repaid	-	-	(6,304,000)
	<u>1,474,009</u>	<u>966,000</u>	<u>(1,084,651)</u>
Change in fund balance	(33,652)	(1,556,299)	318,879
Capital Fund balance, beginning of year	170,031	170,031	(148,848)
Capital Fund balance, end of year	<u>\$ 136,379</u>	<u>\$ (1,386,268)</u>	<u>\$ 170,031</u>

See accompanying notes to consolidated financial statements.

DISTRICT OF NORTH SAANICH

Reserve Funds - Statement of Financial Activities

STATEMENT F

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

	Municipal Office										2004 Total	Budget 2004	2003 Total	
	New Works and Equipment Reserve Fund	Public Works Machinery Equipment and Furnishings Replacement Reserve Fund	Water Utility Reserve Fund	Park Acquisition and Recreation Reserve Fund	Fire Protection Equipment Capital Reserve Fund	Fire Protection Equipment Replacement Reserve Fund	Local Improvement Reserve Fund	Park Capital Reserve Fund	2004 Total	Budget 2004				
Revenue:														
Interest earned	\$ 10,586	\$ 18,888	\$ 20,071	\$ 13,132	\$ 17	\$ 7,667	\$ 13,030	\$ 725	\$ 85,053	\$ -	\$ 108,156			
Local improvement payments	-	-	-	14,300	-	-	-	-	14,300	-	-			
Other contributions	17,500	-	-	-	-	-	6,016	-	23,516	-	29,877			
Sale of land	11,510	-	-	-	-	-	-	-	11,510	-	41,000			
	39,596	18,888	20,071	27,432	17	7,667	19,046	725	134,379	-	177,033			
Net interfund transfers:														
Transfers from														
Operating Fund	169,591	116,615	50,000	-	-	70,000	33,172	-	439,378	-	339,053			
Capital Fund	-	-	-	-	-	-	-	-	-	220,000	-			
Transfers to														
Capital Fund	-	(371,781)	(359,869)	-	-	-	(10,142)	-	(741,792)	(686,000)	(184,151)			
	169,591	(255,166)	(309,869)	-	-	70,000	23,030	-	(302,414)	(666,000)	154,902			
Change in fund balance	209,187	(236,278)	(289,798)	27,432	17	77,887	42,076	725	(168,095)	(666,000)	331,935			
Opening fund balance	366,479	727,695	775,541	517,325	800	259,843	505,040	29,489	3,219,156	3,219,156	2,887,221			
Closing fund balance	\$ 575,666	\$ 491,417	\$ 485,743	\$ 544,757	\$ 817	\$ 335,510	\$ 547,116	\$ 30,214	\$ 3,051,121	\$ 2,553,156	\$ 3,219,156			

See accompanying notes to consolidated financial statements.

DISTRICT OF NORTH SAANICH

Notes to Consolidated Financial Statements

Year ended December 31, 2004

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

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 benefit 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, 2004

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 7, 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, 2004

2. Cash and short-term investments:

	2004	2003
Cash	\$ 3,871,184	\$ 3,703,952
Municipal Finance Authority Money Market Funds and bonds	2,494,135	2,440,422
	<u>\$ 6,365,319</u>	<u>\$ 6,144,374</u>

3. Lease obligation:

During 1999, the District acquired computer equipment with a cost of \$227,700 under a financing lease with a fixed rate. The capital lease was repaid in October 2004.

During 2001, the District acquired additional 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 an 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.

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

Year ending December 31, 2004:	
2005	\$ 60,918
2006	11,858
2007	5,824
2008	5,824
2009	4,560
Total minimum lease payments	88,984
Less amount representing interest	3,013
Lease obligation at December 31, 2004	<u>\$ 85,971</u>

DISTRICT OF NORTH SAANICH

Notes to Consolidated Financial Statements

Year ended December 31, 2004

4. 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, 2004, is comprised of cash deposits in the amount of \$96,669 (2003 - \$92,117), and demand notes in the amount of \$293,933 (2003 - \$293,933).

5. Long-term debt:

	Gross debt	Sinking fund asset	Net debt 2004	Net debt 2003
Term bank loan	\$ 308,708	\$ -	\$ 308,708	\$ 411,610
MFA debenture debt	7,458,535	1,849,311	5,609,224	5,986,970
	<u>\$ 7,767,243</u>	<u>\$ 1,849,311</u>	<u>\$ 5,917,932</u>	<u>\$ 6,398,580</u>

(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.

DISTRICT OF NORTH SAANICH

Notes to Consolidated Financial Statements

Year ended December 31, 2004

5. Long-term debt (continued):

(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 2004
2005	\$ 325,694	\$ 102,903	\$ 428,597
2006	325,694	102,903	428,597
2007	325,693	102,902	428,595
2008	325,693	-	325,693
2009	290,937	-	290,937
	\$ 1,593,711	\$ 308,708	\$ 1,902,419

6. Capital assets:

	2004	2003
Engineering structures	\$ 32,527,790	\$ 31,865,598
Buildings	2,558,766	2,440,042
Machinery and equipment	5,417,124	4,946,347
Land	2,074,552	1,770,701
Work-in-process	136,427	-
	\$ 42,714,659	\$ 41,022,688

DISTRICT OF NORTH SAANICH

Notes to Consolidated Financial Statements

Year ended December 31, 2004

7. Operating Fund:

	2004	2003
Closing Operating Fund balance is represented by:		
Reserve for future expenditures	\$ 300,000	\$ 122,500
Working capital reserve	450,000	450,000
Surplus	1,844,527	1,397,459
	<u>\$ 2,594,527</u>	<u>\$ 1,969,959</u>

8. Capital Fund:

	2004	2003
Closing Capital Fund balance is represented by:		
Reserve for future expenditures	\$ 136,379	\$ 162,032
Surplus	-	7,999
	<u>\$ 136,379</u>	<u>\$ 170,031</u>

9. Net taxes available for municipal purposes:

	2004	2003
Taxes:		
Property and business taxes	\$ 16,454,043	\$ 14,163,318
Local improvement levies	80,558	85,668
Grants in lieu of taxes	808,939	1,160,620
	<u>17,343,540</u>	<u>15,409,606</u>
Less transfers to other governments:		
School authorities	7,128,931	6,523,722
Regional Hospital District	690,530	671,680
Municipal Finance Authority	584	512
British Columbia Assessment Authority	246,129	231,961
BC Transit	433,840	346,230
Regional District	1,321,978	1,247,008
	<u>9,821,992</u>	<u>9,021,113</u>
Net taxes available for municipal purposes	<u>\$ 7,521,548</u>	<u>\$ 6,388,493</u>

DISTRICT OF NORTH SAANICH

Notes to Consolidated Financial Statements

Year ended December 31, 2004

10. Government transfers:

The following government transfers have been included in revenues:

	2004	2003
Operating transfers:		
Federal	\$ -	\$ 1,444
Provincial	316,929	294,397
Regional	162,476	174,506
	479,405	470,347
Capital transfers:		
Provincial	131,449	-
	\$ 610,854	\$ 470,347

11. Capital expenditures:

	2004	2003
General government	\$ 452,366	\$ 24,480
Protective	37,406	84,526
Transportation	494,879	149,854
Recreational and cultural	58,876	30,579
Water utility	503,868	100,378
Sewer utility	197,866	380,218
	\$ 1,745,261	\$ 770,035

12. Expenditures by object:

	2004	2003
Salaries, wages and employee benefits	\$ 2,605,903	\$ 2,526,586
Contracted and general services	3,862,645	3,674,999
Materials, goods, supplies and utilities	3,577,948	2,693,858
Interest on long-term debt	435,725	251,222
	\$ 10,482,221	\$ 9,146,665

DISTRICT OF NORTH SAANICH

Notes to Consolidated Financial Statements

Year ended December 31, 2004

13. 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:

	2004	2003
Employee future benefit obligations:		
Accumulated sick leave	\$ 59,630	\$ 53,472
Retirement benefit payment	127,238	138,626
Vacation pay	103,562	111,569
Total employee benefits and other liabilities	\$ 290,430	\$ 303,667

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 for 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:

	2004	2003
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, 2004

14. Equity in capital assets:

	2004	2003
Equity in capital assets, beginning of year	\$ 34,569,994	\$ 32,049,270
Add debt retirement:		
Lease obligation principal repayment	68,502	85,815
Debt principal repayment	428,596	211,149
MFA actuarial adjustments on debt	52,052	49,725
	549,150	346,689
Disposals	(53,291)	-
Capital expenditures	1,745,261	770,035
Decrease in short-term capital loan	-	6,304,000
Increase in long-term debt	-	(4,900,000)
Increase in capital leases	(100,358)	-
Equity in capital assets, end of year	\$ 36,710,756	\$ 34,569,994

15. 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) 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.

DISTRICT OF NORTH SAANICH

Notes to Consolidated Financial Statements

Year ended December 31, 2004

15. Contingencies and commitments (continued):

(c) Pension liability:

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 members and approximately 45,000 retired members. Active members include 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 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 \$129,857 for employer contributions to the plan in fiscal 2004.

(d) 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.

(e) Sewer main infrastructure upgrade:

During the year, the District undertook a project to upgrade the sewer main infrastructure. Total project costs are expected to be approximately \$10,000,000 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 the year were \$131,449.

DISTRICT OF NORTH SAANICH

Notes to Consolidated Financial Statements

Year ended December 31, 2004

16. Adoption of new accounting standard:

Effective January 1, 2004, the District has adopted the recommendations under Section PS 3255 of the CICA Public Sector Accounting Board Handbook for accounting for post-employment benefits. The new standard requires the District to accrue all future obligations relating to employee sick leave and other retirement benefit arrangements.

Management has determined there is no significant change to the 2003 obligation as a result of this new accounting standard, and therefore no adjustment was required to the 2003 comparative figures.

17. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.