

DISTRICT OF LANTZVILLE
STATEMENT OF FINANCIAL INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2004

INDEX

	<u>Page</u>
AUDITED FINANCIAL STATEMENTS	
Index to the Financial Statements	
Management's Responsibility	1
Auditor's Report	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Financial Activities	4
Consolidated Statement of Changes in Financial Position	5
Consolidated Statement of Changes in Operating Fund Balances	6
Consolidated Statement of Changes in Capital Fund Balances	7
Consolidated Statement of Changes in Reserve Fund Balances	8
Notes to the Consolidated Financial Statements	9 to 14
Schedule 1 - Tax Revenues	15
STATEMENT OF FINANCIAL INFORMATION SCHEDULES	
Schedule of Guarantee and Indemnity Agreements	16
Schedule of Employee Remuneration and Expenses	17
Schedule of Severance Agreements	18
Schedule Showing Payments for the Provision of Goods and Services	19
Statement of Financial Information Approval	20
Official Excerpt from the Minutes of the Regular Meeting of Council of the District of Lantzville Held Monday June 27, 2005	21
Management Report	22

DISTRICT OF LANTZVILLE

FINANCIAL STATEMENTS

DECEMBER 31, 2004

INDEX

	Page
MANAGEMENT'S RESPONSIBILITY	1
AUDITOR'S REPORT	2
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES	4
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION	5
CONSOLIDATED STATEMENT OF CHANGES IN OPERATING FUND BALANCES	6
CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL FUND BALANCES	7
CONSOLIDATED STATEMENT OF CHANGES IN RESERVE FUND BALANCES	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9 to 14
SCHEDULE 1 - TAX REVENUES	15

**DISTRICT OF LANTZVILLE
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

Management's Responsibility

To the Mayor and Council of District of Lantzville:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Mayor and Council are composed entirely of persons who are neither management nor employees of the District. The Mayor and Council are responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Mayor and Council fulfil these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Mayor and Council are also responsible for recommending the appointment of the District's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Mayor and Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically with both the Mayor and Council and management to discuss their audit findings.

March 10, 2005



Ian Howat, Chief Administrative Officer



MEYERS NORRIS PENNY_{LLP}

AUDITORS' REPORT

To the Mayor and Council
District of Lantzville

We have audited the consolidated statement of financial position of the District of Lantzville as at December 31, 2004 and the consolidated statements of financial activities, changes in financial position, changes in operating fund balances, changes in capital fund balances and changes in reserve fund balances 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 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 financial activities and the changes in its financial position for the year then ended in accordance with Canadian Generally Accepted Accounting Principles.

Meyers Norris Penny LLP

Nanaimo, B.C.


CHARTERED ACCOUNTANTS

March 10, 2005

**DISTRICT OF LANTZVILLE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2004**

	<u>December 31, 2004</u>	<u>December 31, 2003</u>
FINANCIAL ASSETS		
Cash and cash equivalents (note 3)	\$ 2,963,993	\$ 2,667,147
Accounts receivable (note 4)	486,329	383,569
Investment in Lantzville Woodlot Corporation (note 5)	263,176	272,445
	3,713,498	3,323,161
LIABILITIES		
Accounts payable and accrued liabilities (note 6)	287,686	61,358
Restricted revenue (note 7)	30,013	29,425
Long term debt (note 8)	88,263	167,868
	405,962	258,651
NET FINANCIAL ASSETS	3,307,536	3,064,510
NON-FINANCIAL ASSETS		
Physical assets (note 9)	6,780,555	5,821,547
	\$ 10,088,091	\$ 8,886,057
FUND BALANCES (note 2(a))		
Operating	1,305,397	\$ 1,408,670
Capital	-	-
Reserve (note 10)	2,090,402	1,823,709
	3,395,799	3,232,379
EQUITY IN PHYSICAL ASSETS (note 11)	6,692,292	5,653,678
	\$ 10,088,091	\$ 8,886,057

APPROVED:



 Jane Ayers, Treasurer

See notes to consolidated financial statements.

**DISTRICT OF LANTZVILLE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	For the year ended <u>December 31, 2004</u>	2004 <u>Budget</u>	For the six month period from June 26 to <u>December 31, 2003</u>
REVENUE			
Taxes (Schedule 1)	\$ 1,406,672	\$ 1,398,975	\$ 414,549
Revenue from own sources	329,736	288,075	193,378
Interest	61,866	24,000	39,012
Provincial transfers	609,602	685,900	1,046,149
Transfers from the Lantzville Improvement District			7,717,974
Surplus			239,666
Assumption of long-term debt			2,236
Other			
	<u>2,407,876</u>	<u>2,396,950</u>	<u>9,652,964</u>
EXPENDITURES			
General government services	531,560	974,760	237,673
Legislative	74,643	83,000	40,063
Protective services	501,211	578,385	74,827
Interest on long-term debt	18,255	18,300	13,032
Environmental health	125,928	128,200	60,056
Parks & recreation	17,097	39,600	19,767
Planning	74,291	125,000	
Street lighting	44,362	48,500	23,511
Public works	116,601	148,000	311
Water	643,294	787,725	94,053
Sewer	7,749	8,700	
Share in loss incurred by Lantzville Woodlot Corporation	9,859		
Physical assets transferred from Lantzville Improvement District			6,044,495
	<u>2,164,850</u>	<u>2,940,170</u>	<u>6,607,788</u>
EXCESS OF REVENUE OVER EXPENDITURES	243,026	(543,220)	3,045,176
Transfer of land to Lantzville Woodlot Corporation (note 5)			259,000
Principal repaid	(79,606)	(79,600)	(71,797)
INCREASE IN CONSOLIDATED FUND BALANCES	163,420	(622,820)	3,232,379
CONSOLIDATED FUND BALANCES, BEGINNING OF PERIOD	3,232,379	3,232,379	
CONSOLIDATED FUND BALANCES, END OF PERIOD	<u>\$ 3,395,799</u>	<u>\$ 2,609,559</u>	<u>\$ 3,232,379</u>

See notes to consolidated financial statements.

**DISTRICT OF LANTZVILLE
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2004**

	For the year ended December 31, 2004	For the six month period from June 26 to December 31, 2003
OPERATING ACTIVITIES		
Excess of Revenues Over Expenditures	\$243,026	\$3,045,176
Changes in non-cash financial assets		
Increase in accounts receivable	(102,760)	(383,570)
Decrease (increase) in Investment in Lantzville Woodlot Corporation	9,269	(272,445)
Increase in restricted revenue	588	29,425
Increase in accounts payable	226,329	61,358
	<u>133,426</u>	<u>(565,232)</u>
	<u>376,452</u>	<u>2,479,944</u>
FINANCING ACTIVITIES		
Provision of land for Lantzville Woodlot Corporation		259,000
Decrease in debt	(79,606)	(71,797)
	<u>(79,606)</u>	<u>187,203</u>
INCREASE IN CASH AND CASH EQUIVALENTS	296,846	2,667,147
CASH AND CASH EQUIVALENTS, beginning	2,667,147	
CASH AND CASH EQUIVALENTS, ending	<u>\$ 2,963,993</u>	<u>\$ 2,667,147</u>

See notes to consolidated financial statements.

DISTRICT OF LANTZVILLE
CONSOLIDATED STATEMENT OF CHANGES IN OPERATING FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2004

	For the year ended December 31, 2004	2004 Budget	For the six month period from June 26 to December 31, 2003
REVENUE			
Taxes (Schedule 1)	\$ 1,406,672	\$ 1,398,975	\$ 414,549
Revenue from own sources	329,736	288,075	193,378
Interest	25,448	24,000	22,957
Provincial transfers	609,602	685,900	1,046,149
Transfer from the Lantzville Improvement District			866,191
Other			2,236
	<u>2,371,458</u>	<u>2,396,950</u>	<u>2,545,460</u>
EXPENDITURES			
General government services	505,650	573,760	225,125
Legislative	74,643	83,000	40,063
Protective services	130,935	153,960	59,477
Interest on long-term debt	18,255	18,300	13,032
Environmental health	125,928	128,200	60,056
Parks & recreation	17,097	39,600	10,284
Planning	74,291	125,000	
Public works	88,974	99,900	
Street lighting	44,362	48,500	23,511
Sewer	7,749	8,700	311
Water	108,099	161,425	72,711
Share in loss incurred by Lantzville Woodlot Corporation	9,859		
	<u>1,205,842</u>	<u>1,440,345</u>	<u>504,570</u>
EXCESS OF REVENUE OVER EXPENDITURES	1,165,616	956,605	2,040,890
Transfer from capital fund			259,000
Transfers to capital	(959,008)	(1,499,825)	(58,723)
Transfers from reserves	3,825	190,750	
Transfers to reserves	(234,100)	(511,655)	(760,700)
Principal repaid	(79,606)	(79,600)	(71,797)
(DECREASE) INCREASE IN CONSOLIDATED FUND BALANCE	<u>(103,273)</u>	<u>(943,725)</u>	<u>1,408,670</u>
CONSOLIDATED FUND BALANCES, BEGINNING OF PERIOD	1,408,670	1,408,670	
CONSOLIDATED FUND BALANCES, END OF PERIOD	<u>\$ 1,305,397</u>	<u>\$ 464,945</u>	<u>\$ 1,408,670</u>

See notes to consolidated financial statements.

**DISTRICT OF LANTZVILLE
CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	For the year ended December 31, 2004	2004 Budget	For the six month period from June 26 to December 31, 2003
REVENUE ALLOCATED TO CAPITAL FUND			
Transfer from the Lantzville Improvement District			\$ 5,804,829
Assumption of long-term debt of Lantzville Improvement District			239,666
INTERNAL TRANSFERS			
From revenue funds	\$ 959,008	\$ 1,499,825	58,723
	<u>959,008</u>	<u>1,499,825</u>	<u>6,103,218</u>
EXPENDITURES			
General government services	25,910	401,000	12,548
Legislative			
Protective services	370,276	424,425	15,350
Environmental health			
Parks & recreation			9,483
Public Works	27,627	48,100	
Street lighting			
Sewer			
Water	535,195	626,300	21,342
Transfer of physical assets from the Lantzville Improvement District			6,044,495
Less: land transferred to Lantzville Woodlot Corporation			(259,000)
	<u>959,008</u>	<u>1,499,825</u>	<u>5,844,218</u>
INCREASE IN CONSOLIDATED FUND BALANCES	-	-	259,000
Transfer to operating fund			(259,000)
CONSOLIDATED FUND BALANCES, BEGINNING OF PERIOD	-	-	
CONSOLIDATED FUND BALANCES, END OF PERIOD	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to consolidated financial statements.

DISTRICT OF LANTZVILLE
CONSOLIDATED STATEMENT OF CHANGES IN RESERVE FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2004

	For the year ended <u>December 31, 2004</u>	2004 <u>Budget</u>	For the six month period from June 26 to <u>December 31, 2003</u>
CHANGES IN RESERVE FUND BALANCES			
Transfer from the Lantzville Improvement District			\$ 1,046,954
Transfers from operating funds	\$ 234,100	\$ 511,655	760,700
Interest earned	36,418		16,055
Transfers to operating funds	(3,825)	(190,750)	
	<hr/>	<hr/>	<hr/>
INCREASE IN CONSOLIDATED FUND BALANCES	266,693	320,905	1,823,709
CONSOLIDATED FUND BALANCES, BEGINNING OF PERIOD	1,823,709	1,823,709	
	<hr/>	<hr/>	<hr/>
CONSOLIDATED FUND BALANCES, END OF PERIOD	<u>\$ 2,090,402</u>	<u>\$ 2,144,614</u>	<u>\$ 1,823,709</u>

See notes to consolidated financial statements.

**DISTRICT OF LANTZVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

1. INCORPORATION OF THE DISTRICT OF LANTZVILLE

The District of Lantzville is a municipality that was incorporated on June 25, 2003 pursuant to the issue of letters patent dated April 3, 2003. All of the assets, liabilities and operations of the Lantzville Improvement District and the Sunset Beach Improvement District were transferred to the District of Lantzville effective midnight June 25, 2003, as required by the Order of the Lieutenant Governor in Council of the Province of British Columbia dated April 3, 2003. These improvement districts were subsequently dissolved.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The District of Lantzville, (the District), follows accounting principles generally accepted for British Columbia municipalities. The financial statements have been prepared using guidelines issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

The financial resources and operations of the District have been consolidated for financial statement purposes and include the accounts of all of the funds of the District, the General, Water, Sewer, Capital and Reserve Funds.

Operating Funds – These funds comprise the principal operating activities of the District and include the sewer and water utilities. As at December 31, 2004, the fund balances were as follows:

	<u>2004</u>	<u>2003</u>
General fund	\$ 798,007	\$1,083,430
Water fund	506,443	324,219
Sewer fund	947	1,021
Total	<u>\$1,305,397</u>	<u>\$1,408,670</u>

Capital Funds – These funds are used to acquire capital assets. The fund balances represent the differences between the cost of capital assets acquired and the funding which has been obtained. During 2003 and 2004 all capital asset acquisitions were fully funded. Accordingly, the December 31, 2004 and December 31, 2003 balances of the capital funds relating to the General, Sewer and Water Funds were zero.

Reserve Funds – These funds have been created to hold assets for specific future requirements. They are comprised of the funds shown in Note 10.

(b) Government business enterprises

Government business enterprises are accounted for by the modified equity method.

(c) Revenue recognition

Tax revenues are recognized in the year that they are levied. Operating grants are recognized when they are earned. Capital grants are recognized when the related expenditure is incurred and when collection is reasonably assured. Water fees are recognized when the commodity has been received by the customer. Parkland acquisition amounts are deferred and then recognized as revenue in the year that an expenditure authorized by by-law is incurred. Interest and penalties are recognized when earned.

(d) Physical assets

Physical assets purchased or constructed are reported as capital expenditures and are classified according to their functional use. Physical assets that are donated are reported at fair market value

**DISTRICT OF LANTZVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

at the time of donation. Amortization is not recorded and the District follows a policy of appropriating surplus for major asset replacements and improvements.

(e) Financial instruments

The District's financial instruments consist of cash and cash equivalents, accounts receivable, investment in Lantzville Woodlot Corporation, accounts payable and accrued liabilities and long term debt. Unless otherwise noted, it is management's opinion that the District is not exposed to significant interest, credit or currency risks arising from these financial instruments.

(f) Use of estimates

Preparation of financial statements in accordance with accounting principles generally accepted for municipalities requires management to make estimates based upon assumptions. These estimates and assumptions affect the amounts of assets and liabilities reported or disclosed as at the date of the financial statements and the reported amount of revenues and expenditures during the period. Significant areas requiring the use of management estimates relate to the collectibility of accounts receivable, accruals for expected employee compensated absences, deferred charges and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

(g) Employee Benefits

The District recognizes expenses relating to employee benefits in the period in which the employees render services in return for the benefits, including compensated employee absences that accumulate but do not vest. Absences due to employee illness are paid when an injury or illness occurs, but entitlement to such compensation arises as employees render service. Entitlement to compensated absence due to illness or injury is measured as the expected future utilization of this benefit. An obligation of \$13,900 for the expected value of compensation for employee illness is reflected as at December 31, 2004.

3. CASH AND CASH EQUIVALENTS

Cash balances include amounts designated for specific future purposes (note 10).

	<u>December 31</u> <u>2004</u>	<u>December 31</u> <u>2003</u>
Cash available for current operations	\$ 873,591	\$ 843,438
Cash designated for asset replacement	<u>2,090,402</u>	<u>1,823,709</u>
	<u>\$2,963,993</u>	<u>\$2,667,147</u>

Cash deposited at the Coastal Community Credit Union earns interest at the rate of prime minus 2%. Cash deposited at the Municipal Finance Authority (\$1,008,291 as at December 31, 2004 and nil as at December 31, 2003) is invested in the MFABC Money Market Fund, whose market value is equal to its cost.

4. ACCOUNTS RECEIVABLE

Accounts receivable comprise the following as at December 31:

	<u>2004</u>	<u>2003</u>
Other governments	\$358,781	\$295,033
Taxes	70,746	24,361
User fees and other	<u>56,802</u>	<u>64,175</u>
	<u>\$486,329</u>	<u>\$383,569</u>

**DISTRICT OF LANTZVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

5. INVESTMENT IN THE LANTZVILLE WOODLOT CORPORATION

In 2003, the Ministry of Forests invited applications to manage Woodlot Licence No. W1475, relating to Crown forestland within the District. In order to qualify, a woodlot licence applicant must be a corporation and must contribute private land.

To qualify as an applicant for this woodlot licence, the District purchased all of the outstanding shares of 596321 B.C. Ltd. (the Lantzville Woodlot Corporation). The District transferred ownership of land costing \$259,000 (with a fair market value of \$266,500 at the time of transfer), Lot A, District Lot 44, Wellington Land District, to the Lantzville Woodlot Corporation.

To apply for this woodlot licence on a joint basis, the Lantzville Woodlot Corporation formed a partnership with Nanoose First Nation pursuant to an agreement dated December 10, 2003. Under the terms of this partnership agreement, each partner has an equal interest in the assets and operations of the partnership. (The partnership is a separate legal entity from the Lantzville Woodlot Corporation. Accordingly, the Lantzville Woodlot Corporation retains an undivided interest in its own assets and operations.) During 2004, the partnership was inactive pending the Ministry of Forests decision to award the woodlot contract.

In a letter dated January 5, 2005, the Ministry of Forests notified the District that its woodlot application was not successful. As a result, the partnership will be dissolved in 2005 and the land held by the Lantzville Woodlot Corporation will be transferred back to the District of Lantzville. Land transfer costs and costs related to the woodlot application totaling \$10,859 have been written off in 2004 as they will not be of benefit to future years.

The assets and liabilities of the Lantzville Woodlot Corporation as at December 31, 2004 include:

	<u>2004</u>	<u>2003</u>
Land	\$266,500	\$269,980
Other assets	<u>4,176</u>	<u>9,965</u>
Total assets	270,676	279,945
Due to the District of Lantzville	<u>280,535</u>	<u>279,944</u>
Net (liability) / equity	(9,859)	1
Difference between market value And cost of land	<u>(7,500)</u>	<u>(7,500)</u>
Investment in Lantzville Woodlot Corporation	<u>\$263,176</u>	<u>\$272,445</u>
Revenue	\$ 1,000	Nil
Expenses	\$ 10,859	Nil
Net loss	(\$ 9,859)	
District share of loss	\$ 9,859	

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable comprise the following as at December 31:

	<u>2004</u>	<u>2003</u>
General	\$100,709	\$51,294
Water quality and storage Infrastructure project (note 9 (a))	163,467	
Salaries, wages and benefits	<u>23,510</u>	<u>10,064</u>
	<u>\$287,686</u>	<u>\$61,358</u>

**DISTRICT OF LANTZVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

7. RESTRICTED REVENUE

Upon incorporation, the Regional District of Nanaimo transferred funds to the District that must be used to acquire parkland. The funds arose in the past as District property-owners paid cash in lieu of dedicating parkland, as required by legislation for subdividing their property. As a municipality, the District is responsible for managing parks within its jurisdiction and accordingly received the related funds.

8. LONG TERM DEBT

In accordance with the provisions of Bylaw 156, on December 11, 1985 the Lantzville Improvement District issued a debenture to the Province of British Columbia to finance the construction of a new fire hall and the purchase of a new fire engine. The District assumed this liability upon incorporation on June 25, 2003. The debenture incurs interest at the rate of 10.875% and is payable in annual installments of \$97,861 including principal and interest. The final installment is due on December 11, 2005 and comprises principal in the amount of \$88,263 and interest in the amount of \$9,598. The debenture is secured by a pledge of the fee collecting and taxation powers of the District.

9. PHYSICAL ASSETS

	<u>December 31,</u> <u>2003</u>	<u>Additions</u>	<u>Retirement/ Transfers</u>	<u>December</u> <u>31, 2004</u>
General fund				
Land	\$1,211,900			\$1,211,900
Buildings	1,103,700	\$14,096		1,117,796
Equipment	663,403	409,717		1,073,120
	<u>2,979,003</u>	<u>423,813</u>		<u>3,402,816</u>
Sewer fund	<u>45,600</u>			<u>45,600</u>
Water fund				
Land	\$74,913			\$74,913
Equipment	21,885			21,885
Engineering structures	2,691,157			2,691,157
Work in progress (a)	8,989	535,195		544,184
	<u>2,796,944</u>	<u>535,195</u>		<u>\$3,332,139</u>
Total all funds	<u>\$5,821,547</u>	<u>\$959,008</u>		<u>\$6,780,555</u>

(a) In 2003, the District applied for funding assistance under the Canada / British Columbia Infrastructure Program relating to a \$1,967,000 water quality upgrade project for the District's water storage and distribution system. In a letter dated September 26, 2003, Canada / British Columbia Infrastructure Program officials notified the District that the application had been approved at a maximum federal/provincial contribution of \$1,298,830, conditional on the completion of an environmental due diligence assessment. The environmental assessment was completed in June 2004. In accordance with the terms of an agreement between the District of Lantzville and the Ministry of Community, Aboriginal and Women's Services, the project is due for completion in March 2006. As of December 31, 2004 engineering, planning and construction costs expended for this project totaled \$544,184 (\$8,989 – 2003).

**DISTRICT OF LANTZVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

10. RESERVE FUND BALANCES

	<u>December 31,</u> <u>2003</u>	<u>Contributions</u>	<u>Interest</u>	<u>Recoveries</u>	<u>December 31,</u> <u>2004</u>
General fund					
Asset replacement	\$205,001	\$4,900	\$4,098		\$213,999
Fire truck	27,611		552		28,163
Park development	119,842	13,400	2,396		135,638
Capital works	444,700	202,700	8,890		656,290
	<u>797,154</u>	<u>221,000</u>	<u>15,936</u>		<u>1,034,090</u>
Sewer fund	3,800		36	(3,825)	11
Water fund					
Asset replacement	59,450	13,100	1,188		73,738
Waterworks	963,305		19,258		982,563
	<u>1,022,755</u>	<u>13,100</u>	<u>20,446</u>		<u>1,056,301</u>
Total	<u>\$1,823,709</u>	<u>\$234,100</u>	<u>\$36,418</u>	<u>(\$3,825)</u>	<u>\$2,090,402</u>

11. EQUITY IN PHYSICAL ASSETS

Equity in physical assets represents the total physical assets less long-term debt assumed to acquire those assets. The change in equity in physical assets during the year ended December 31, 2004 is as follows:

	<u>2004</u>	<u>2003</u>
Balance at beginning of period	\$5,653,678	
Equity in physical assets transferred from the Lantzville Improvement District		\$5,804,829
Add: Capital expenditures	959,008	58,723
Reduction in long term debt	79,606	71,797
Less: Transfers/retirement of assets		<u>(281,671)</u>
Equity in physical assets, December 31	<u>\$6,692,292</u>	<u>\$5,653,678</u>

**DISTRICT OF LANTZVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

12. EXPENDITURES BY OBJECT:

	<u>2004</u>	<u>Budget</u>	For the six month period from June 26 to <u>December 31, 2003</u>
Salaries, wages and benefits (note 2 (g))	\$462,467	\$458,750	\$177,299
Physical assets	959,008	1,499,825	58,723
Debt servicing	18,256	18,300	13,032
Operating goods and services	715,260	963,295	314,239
Lantzville Woodlot Corporation	9,859		
Physical assets transferred from the Lantzville Improvement District			6,044,495
Consolidated total	\$2,164,850	\$2,940,170	\$6,607,788

13. COMMITMENTS AND CONTINGENCIES

Pension liability

The District 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 Lantzville paid \$18,730 for employer contributions to the plan in fiscal 2004 (\$9,545 for the six month period from June 26 to December 31, 2003).

**DISTRICT OF LANTZVILLE
TAX REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Taxation revenue consists of amounts raised less remittance of taxes levied for other governments:

	For the year ended <u>December 31, 2004</u>	2004 <u>Budget</u>	For the six month period from June 26 to <u>December 31, 2003</u>
General municipal purposes	\$1,052,501	\$1,063,500	
Utility taxes	22,347	10,600	
Vancouver Island Regional Library	108,909	108,906	
Parcel taxes	331,821	324,875	<u>414,549</u>
Collections for other governments:			
School district	1,674,804	1,674,804	
Regional hospital district	132,616	132,616	
Regional district	427,375	427,375	
BCAA and MFA	41,951	41,951	
	<u>3,792,324</u>	<u>3,784,627</u>	<u>414,549</u>
Remittance of taxes levied for other governments:			
School district	1,674,804	1,674,804	
Regional hospital district	132,616	132,616	
Regional district	427,375	427,375	
BCAA and MFA	41,951	41,951	
Vancouver Island Regional Library	108,906	108,906	
	<u>2,385,652</u>	<u>2,385,652</u>	<u>-</u>
	<u>\$ 1,406,672</u>	<u>\$ 1,398,975</u>	<u>\$ 414,549</u>

See notes to consolidated financial statements.

DISTRICT OF LANTZVILLE
STATEMENT OF FINANCIAL INFORMATION
SCHEDULE OF GUARANTEE AND INDEMNITY AGREEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

This organization has not given any guarantees or indemnities
under the Guarantees and Indemnities Regulation.

DISTRICT OF LANTZVILLE
STATEMENT OF FINANCIAL INFORMATION
SCHEDULE OF EMPLOYEE REMUNERATION AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2004

1 Elected Officials

<u>Name</u>	<u>Position</u>	<u>Remuneration</u>	<u>Expenses</u>
Colin Halme	Mayor	\$ 12,313	\$ 125
Susan Crayston	Councillor	6,717	311
Brian Dempsey	Councillor	6,717	2,154
John Evdokimoff	Councillor	6,717	4,044
Warren Griffey	Councillor	6,717	2,438
Douglas Parkhurst	Councillor	6,717	
David Scott	Councillor	6,717	1,153
		52,616	10,225

Employees

Ian Howat	Chief Administrative Officer	81,306	5,726
Consolidated total of other employees with remuneration and expenses of \$75,000 or less		268,711	23,606
		350,017	29,332

402,633 39,557

Add:		
Benefits	71,039	
Less:		
GST rebate re Councillor expenses	(1,104)	
Honoraria for Fire Department Officers	(10,100)	

Total per note 12 of the December 31, 2003 audited District financial statements	\$ 462,467
--	------------

DISTRICT OF LANTZVILLE
STATEMENT OF FINANCIAL INFORMATION
STATEMENT OF SEVERANCE AGREEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

There were no severance agreements made between the District of Lantzville and its non-unionized employees during the fiscal period ended December 31, 2004.

Prepared under the Financial Information Regulation, Schedule 1, subsection 6 (8)

DISTRICT OF LANTZVILLE
STATEMENT OF FINANCIAL INFORMATION
SCHEDULE SHOWING PAYMENTS FOR THE PROVISION OF GOODS AND SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2004

1 Alphabetical list of suppliers who received aggregate payments exceeding \$25,000

<u>Supplier name</u>	<u>Aggregate amount paid to supplier</u>
BC Hydro	\$72,392
Province of British Columbia	97,862
E-One Canada Ltd.	319,802
I.C.B.C.	30,846
Knappett Industries Ltd.	296,549
Koers & Associates Engineering Ltd.	104,815
Municipal Insurance Association	35,938
Municipal Pension Plan	34,964
Qu'West Enterprises Ltd.	63,205
Regional District of Nanaimo	92,145
Receiver General	97,392
Richmond Chrysler Dodge Jeep Ltd.	29,426
Sun Coast Waste Services	42,657
(A)	<u>\$ 1,317,993</u>

2 Consolidated total paid to suppliers who received aggregate payments of \$25,000 or less

(B) \$ 482,348

3 Payments to suppliers for grants and contributions exceeding \$25,000

none

TOTAL SUPPLIER PAYMENTS (A) + (B) = (C) 1,800,341

4 Reconciliation

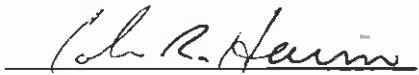
Total of aggregate payments exceeding \$25,000 paid to suppliers	\$ 1,317,993
Consolidated total of payments of \$25,000 or less paid to suppliers	482,348
Consolidated total of all grants and contributions exceeding \$25,000	none
Reconciling items	
Accrual as at December 31, 2003	(51,294)
Accrual as at December 31, 2004	264,176
Debenture payment	(97,862)
Amounts included in employee remuneration	
Receiver General payments	(97,392)
Employee benefit payments	(85,793)
Physical assets	(959,008)
Lantzville Woodlot Corporation	(9,859)
GST rebate for the period	(68,049)

Operating goods and services per footnote 12 of the District of Lantzville
Audited Financial Statements for the year ended December 31, 2004 \$ 715,260

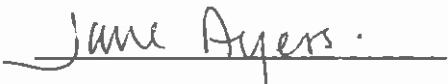
Prepared under the Financial Information Regulation, Schedule 1, Section 7
and the Financial Information Act, Section 2.

DISTRICT OF LANTZVILLE
STATEMENT OF FINANCIAL INFORMATION
STATEMENT OF FINANCIAL INFORMATION APPROVAL
FOR THE YEAR ENDED DECEMBER 31, 2004

The undersigned, as authorized by the Financial Information Regulation, Schedule 1, subsection 9(2), approves all the statements and schedules included in this Statement of Financial Information, produced under the Financial Information Act.



Colin Haime
Mayor
Date: JUNE 28, 2005



Jane Ayers
Director of Financial Services
Date: JUNE 28, 2005

Prepared pursuant to the Financial Information Regulations, Schedule 1, section 9

District of Lantzville

P.O. Box 100
7192 Lantzville Road
Lantzville, B.C.
V0R 2H0

Incorporated June 2003

Phone: (250) 390-4006
Fax: (250) 390-5188
Email: district@lantzville.ca
Website: www.lantzville.ca

June 28, 2005

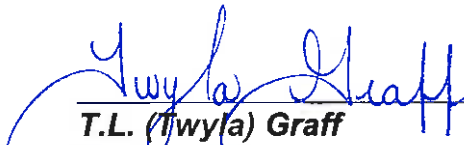
To Whom It May Concern:

Excerpt from the minutes of the Regular Meeting of Council of the District of Lantzville held Monday, June 27th, 2005.

MOVED and **SECONDED** that Council approves the Statement of Financial Information for the District of Lantzville for the year ended December 31st, 2004.

CARRIED

I hereby certify that the above resolution is a true and correct statement made by Council of the District of Lantzville at their Regular Meeting held Monday, June 27th, 2005.



T.L. (Twy/a) Graff
Director of Corporate Administration
District of Lantzville

DISTRICT OF LANTZVILLE
STATEMENT OF FINANCIAL INFORMATION
MANAGEMENT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004

The Financial Statements contained in this Statement of Financial Information under the *Financial Information Act* have been prepared by management in accordance with generally accepted accounting principles or stated accounting principles, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council of the District of Lantzville is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control.

The external auditors, Meyers Norris Penny, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination does not relate to the other schedules and statements required by the Act. Their examination includes a review and evaluation of the District's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Council of the District of Lantzville and meet with it on a regular basis.

On behalf of the District of Lantzville



Jane Ayers
Director of Financial Services
June 29, 2005

Prepared pursuant to Financial Information Regulation, Schedule 1, Section 9