

DISTRICT OF LANTZVILLE

FINANCIAL STATEMENTS

DECEMBER 31, 2005

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 15
SCHEDULE 1 - TAX REVENUES	16



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, 2005 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, 2005 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.
February 28, 2006

CHARTERED ACCOUNTANTS

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.

February 28, 2006

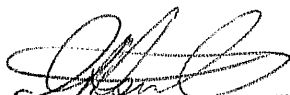


Ian Howat, Corporate Administrator

**DISTRICT OF LANTZVILLE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2005**

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
FINANCIAL ASSETS		
Cash and cash equivalents (note 3)	\$ 3,827,113	\$ 2,963,993
Accounts receivable (note 4)	223,996	486,329
Investment in Lantzville Woodlot Corporation (note 5)	1	263,176
	4,051,110	3,713,498
LIABILITIES		
Accounts payable and accrued liabilities (note 6)	334,820	287,686
Deferred grant revenue	50,967	-
Restricted revenue (note 7)	30,772	30,013
Long term debt (note 8)	-	88,263
	416,559	405,962
NET FINANCIAL ASSETS	3,634,551	3,307,536
NON-FINANCIAL ASSETS		
Physical assets (note 9)	7,630,096	6,780,555
	\$ 11,264,647	\$ 10,088,091
FUND BALANCES (note 2(a))		
Operating	1,237,396	1,305,397
Capital	-	-
Reserve (note 10)	2,397,155	2,090,402
	3,634,551	3,395,799
EQUITY IN PHYSICAL ASSETS (note 11)	7,630,096	6,692,292
	\$ 11,264,647	\$ 10,088,091

APPROVED:



 Ian Howat, Deputy Treasurer

See notes to consolidated financial statements.

**DISTRICT OF LANTZVILLE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	For the year ended <u>December 31, 2005</u>	2005 <u>Budget</u>	For the year ended <u>December 31, 2004</u>
REVENUE			
Taxes (Schedule 1)	\$ 1,538,974	\$ 1,533,600	\$ 1,406,672
Revenue from own sources	310,881	293,000	294,507
Interest	86,448	78,700	61,866
Provincial transfers	547,256	1,381,700	609,602
Developer contributions	214,093		
Other	43,903	14,300	35,229
	<u>2,741,555</u>	<u>3,301,300</u>	<u>2,407,876</u>
EXPENDITURES			
General government services	563,394	890,900	531,560
Legislative	285,676	348,000	74,643
Protective services	154,653	251,150	501,211
Interest on long-term debt	9,599	9,600	18,255
Environmental health	127,390	130,300	125,928
Parks & recreation	15,955	30,600	17,097
Planning	86,470	98,000	74,291
Street lighting	45,273	50,900	44,362
Public works	403,209	396,850	116,601
Water	458,359	1,932,460	643,294
Sewer	1,587	3,950	7,749
Share in loss incurred by Lantzville Woodlot Corporation	3,975		9,859
	<u>2,155,540</u>	<u>4,142,710</u>	<u>2,164,850</u>
EXCESS OF REVENUE OVER EXPENDITURES FROM OPERATIONS	586,015	(841,410)	243,026
Transfer of land from Lantzville Woodlot Corporation (note 5)	(259,000)		
	<u>327,015</u>	<u>(841,410)</u>	<u>243,026</u>
EXCESS OF REVENUE OVER EXPENDITURES	(88,263)	(88,300)	(79,606)
Principal repaid	238,752	(929,710)	163,420
INCREASE IN CONSOLIDATED FUND BALANCES	3,395,799	3,395,799	3,232,379
CONSOLIDATED FUND BALANCES, BEGINNING OF PERIOD			
CONSOLIDATED FUND BALANCES, END OF PERIOD	<u>\$ 3,634,551</u>	<u>\$ 2,466,089</u>	<u>\$ 3,395,799</u>

See notes to consolidated financial statements.

**DISTRICT OF LANTZVILLE
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>For the year ended December 31, 2005</u>	<u>For the year ended December 31, 2004</u>
OPERATING ACTIVITIES		
Excess of Revenues Over Expenditures	\$327,015	\$243,026
Changes in non-cash financial assets		
Decrease (increase) in accounts receivable	262,333	(102,760)
Decrease in Investment in Lantzville Woodlot Corporation	263,175	9,269
Increase in restricted revenue	759	588
Increase in accounts payable	47,134	226,329
Increase in deferred grant revenue	50,967	
	<u>624,368</u>	<u>133,426</u>
	<u>951,383</u>	<u>376,452</u>
FINANCING ACTIVITIES		
Decrease in debt	<u>(88,263)</u>	<u>(79,606)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	863,120	296,846
CASH AND CASH EQUIVALENTS, beginning	2,963,993	2,667,147
CASH AND CASH EQUIVALENTS, ending	<u>\$ 3,827,113</u>	<u>\$ 2,963,993</u>

See notes to consolidated financial statements.

DISTRICT OF LANTZVILLE
CONSOLIDATED STATEMENT OF CHANGES IN OPERATING FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2005

	For the year ended December 31, 2005	2005 Budget	For the year ended December 31, 2004
REVENUE			
Taxes (Schedule 1)	\$ 1,538,974	\$ 1,533,600	\$ 1,406,672
Revenue from own sources	310,881	293,000	294,507
Interest	34,211	22,700	25,448
Provincial transfers	547,256	1,381,700	609,602
Other	43,903	14,300	35,229
	<u>2,475,225</u>	<u>3,245,300</u>	<u>2,371,458</u>
EXPENDITURES			
General government services	542,237	578,200	505,650
Legislative	285,676	348,000	74,643
Protective services	154,653	204,750	130,935
Interest on long-term debt	9,599	9,600	18,255
Environmental health	127,390	130,300	125,928
Parks & recreation	15,955	30,600	17,097
Planning	86,470	98,000	74,291
Public works	180,899	306,850	88,974
Street lighting	45,273	50,900	44,362
Sewer	1,587	3,950	7,749
Water	95,998	123,775	108,099
Share in loss incurred by Lantzville Woodlot Corporation	3,975		9,859
	<u>1,549,712</u>	<u>1,884,925</u>	<u>1,205,842</u>
EXCESS OF REVENUE OVER EXPENDITURES	925,513	1,360,375	1,165,616
Transfer of land from Lantzville Woodlot Corporation (note 5)	(259,000)		
Transfers to capital	(391,735)	(2,257,785)	(959,008)
Transfers from reserves		719,800	3,825
Transfers to reserves	(254,516)	(505,090)	(234,100)
Principal repaid	(88,263)	(88,300)	(79,606)
(DECREASE) INCREASE IN CONSOLIDATED FUND BALANCES	(68,001)	(771,000)	(103,273)
CONSOLIDATED FUND BALANCES, BEGINNING OF PERIOD	1,305,397	1,305,397	1,408,670
CONSOLIDATED FUND BALANCES, END OF PERIOD	<u>\$ 1,237,396</u>	<u>\$ 534,397</u>	<u>\$ 1,305,397</u>

See notes to consolidated financial statements.

**DISTRICT OF LANTZVILLE
CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>For the year ended December 31, 2005</u>	<u>2005 Budget</u>	<u>For the year ended December 31, 2004</u>
REVENUE ALLOCATED TO CAPITAL FUND			
INTERNAL TRANSFERS			
From revenue funds	\$ 391,735	\$ 2,257,785	\$ 959,008
Developer contributions	214,093		
	<u>605,828</u>	<u>2,257,785</u>	<u>959,008</u>
EXPENDITURES			
General government services	21,157	312,700	25,910
Legislative			
Protective services		46,400	370,276
Environmental health			
Parks & recreation			
Public Works	222,310	90,000	27,627
Street lighting			
Sewer			
Water	362,361	1,808,685	535,195
	<u>605,828</u>	<u>2,257,785</u>	<u>959,008</u>
INCREASE IN CONSOLIDATED FUND BALANCES	-	-	-
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, 2005

	<u>For the year ended</u> <u>December 31, 2005</u>	<u>2005</u> <u>Budget</u>	<u>For the year ended</u> <u>December 31, 2004</u>
CHANGES IN RESERVE FUND BALANCES			
Transfers from operating funds	\$ 254,516	\$ 505,090	\$ 234,100
Interest earned	52,237	28,000	36,418
Transfers to operating funds		(719,800)	(3,825)
INCREASE IN CONSOLIDATED FUND BALANCES	<u>306,753</u>	<u>(186,710)</u>	<u>266,693</u>
CONSOLIDATED FUND BALANCES, BEGINNING OF PERIOD	2,090,402	2,090,402	1,823,709
CONSOLIDATED FUND BALANCES, END OF PERIOD (note 10)	<u>\$ 2,397,155</u>	<u>\$ 1,903,692</u>	<u>\$ 2,090,402</u>

See notes to consolidated financial statements.

**DISTRICT OF LANTZVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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.

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, 2005, the fund balances were as follows:

	<u>2005</u>	<u>2004</u>
General Fund	\$821,219	\$798,007
Water Fund	412,867	506,443
Pebble Beach Sewer Fund	3,310	947
Total all funds	<u>\$1,237,396</u>	<u>\$1,305,397</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 2004 and 2005 all capital asset acquisitions were fully funded. Accordingly, the December 31, 2005 and December 31, 2004 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 with a purchase or construction value exceeding \$10,000 are reported as capital expenditures and are classified according to their functional use. Physical assets that are donated are reported at their fair market value at the time of donation. Amortization is not recorded.

**DISTRICT OF LANTZVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005**

(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 compensated employee 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 \$26,355 for the expected value of compensation for employee illness is reflected as at December 31, 2005 (2004: \$13,900).

3. CASH AND CASH EQUIVALENTS

December 31 cash balances include amounts designated for specific future purposes (note 10) and deposits held in trust as follows:

	<u>2005</u>	<u>2004</u>
Cash available for operations	\$1,383,403	\$843,578
Developer deposit held in trust (note 6)	15,783	
Restricted revenue (note 7)	30,772	30,013
Cash designated for asset replacement	2,397,155	2,090,402
Total	<u>\$3,827,113</u>	<u>\$2,963,993</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 (\$1,034,815 as at December 31, 2005 and \$1,008,291 as at December 31, 2004) is invested in the MFABC Money Market Fund, whose market value is equal to its cost.

4. ACCOUNTS RECEIVABLE

Accounts receivable are comprised of the following as at December 31:

	<u>2005</u>	<u>2004</u>
Other governments	\$84,821	\$358,781
Taxes	67,494	70,746
User fees and other	71,681	56,802
Total	<u>\$223,996</u>	<u>\$486,329</u>

DISTRICT OF LANTZVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

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 had an equal interest in the assets and operations of the partnership. The partnership was a separate legal entity from the Lantzville Woodlot Corporation. Accordingly, the Lantzville Woodlot Corporation retained an undivided interest in its own assets and operations.

In a letter dated January 5, 2005, the Ministry of Forests notified the District that its woodlot application was not successful and refunded the application fee of \$200. As a result, the partnership was dissolved in 2005 and the land held by the Lantzville Woodlot Corporation was transferred back to the District of Lantzville. Land transfer costs and costs related to the woodlot application totaling \$9,859 were written off in 2004. As the District will dissolve the Lantzville Woodlot Corporation in 2006, incorporation costs of \$3,975 were written off in 2005.

The District's investment in the Lantzville Woodlot Corporation as at December 31, 2005 comprises:

Due to District per Lantzville Woodlot Corporation as at December 31, 2004	\$280,534
Common share outstanding	1
District share in 2004 loss	(9,859)
Difference between market value and cost of land	(7,500)
	263,176
Investment in Lantzville Woodlot Corporation, December 31, 2004	263,176
Refund of application fee in 2005	(200)
Transfer of land to District, at cost, in 2005	(259,000)
District share in 2005 loss	(3,975)
	\$1

The assets and liabilities of the Lantzville Woodlot Corporation as at December 31, 2005 include:

	December 31, <u>2004</u>	Description of <u>Event</u>	Amount	December 31, <u>2005</u>
ASSETS				
Land	\$266,500	Transfer to District	(\$266,500)	Nil
Incorporation costs	3,976	Write off	(3,975)	\$1
Application costs	200	Refund	(200)	Nil
Total	\$270,676		\$(270,675)	\$1

DISTRICT OF LANTZVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

LIABILITY			
Due to District	\$280,534	(\$266,700)	\$13,834
<hr/>			
SHARE CAPITAL			
Share Capital:			
<i>Authorized:</i> The authorized capital of the Company consists of 10,000 common shares without par value.			
<i>Issued and Outstanding:</i>			
1 common share	\$1		\$1
Accumulated loss	(\$9,859)	Write off (\$3,975)	(\$13,834)
Total	(\$9,858)	(\$3,975)	(\$13,833)
<hr/>			
Total Liability and Shareholder's Equity	\$270,676	(\$270,675)	\$1

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable are comprised of the following as at December 31:

	<u>2005</u>	<u>2004</u>
General	\$48,895	\$100,709
Other governments	217,861	
Developer deposit (note 3)	15,783	
Water quality and storage infrastructure project (note 9 (a))	12,127	163,467
Salaries, wages and benefits	40,154	23,510
Total	\$334,820	\$287,686

Amounts due to other governments are comprised of the final School Tax installment of \$17,861 payable to the Province of British Columbia as well as an amount of \$200,000 payable to the City of Nanaimo. In 2005, the District entered into a Memorandum of Understanding agreement with the City of Nanaimo to provide a one-time contribution of \$200,000 towards the cost of developing the New Nanaimo Centre.

The developer deposit will be refunded when work required is completed.

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 incurred interest at the rate of 10.875% and was payable in annual installments of \$97,862 including principal and interest. The final installment was paid on December 11, 2005 and was comprised of principal in the amount of \$88,263 and interest in the amount of \$9,599.

DISTRICT OF LANTZVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

9. PHYSICAL ASSETS

	<u>December 31,</u> <u>2004</u>	<u>Additions</u>	<u>Retirement/ Transfers</u>	<u>December 31,</u> <u>2005</u>
General fund				
Land	\$1,211,900			\$1,211,900
Buildings	1,117,796	\$29,374		1,147,170
Equipment	1,073,120		(\$15,287)	1,057,833
Roads		214,093		214,093
Total	3,402,816	243,467	(\$15,287)	3,630,996
Sewer fund	45,600			45,600
Water fund				
Land (note 5)	74,913	259,000		333,913
Equipment	21,885			21,885
Engineering structures	2,691,157	25,404		2,716,561
Work in progress (a)	544,184	336,957		881,141
Total	3,332,139	621,361		3,953,500
Total all funds	\$6,780,555	\$864,828	(\$15,287)	\$7,630,096

- (a) In 2003, the District applied for funding assistance under the Canada / British Columbia Infrastructure Program relating to a water quality upgrade project for the District's water storage and distribution system, estimated at that time to cost \$1,197,000. 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 Services, the project is due for completion in March 2007. As of December 31, 2005 engineering, planning and construction costs expended for this project totaled \$881,141 (\$544,184 – 2004). Due to increases in construction costs and changes in design, it is estimated that it will cost approximately \$2,250,000 to complete this project. Grants of \$722,000 through the Infrastructure Program as well as Water Fund reserves and surplus will fund the completion of this project.

10. RESERVE FUND BALANCES

	<u>December 31,</u> <u>2004</u>	<u>Contributions</u>	<u>Interest</u>	<u>Recoveries</u>	<u>December 31,</u> <u>2005</u>
General fund					
Asset replacement	\$213,999	\$40,702	\$5,398		\$260,099
Fire truck	28,163		712		28,875
Park development	135,638	12,406	3,394		151,438
Capital works	656,290	184,938	16,062		857,290
Total	1,034,090	238,046	25,566		1,297,702
Sewer fund	11	4,000			4,011
Water fund					
Asset replacement	73,738	12,470	1,830		88,038
Waterworks	982,563		24,841		1,007,404
Total	1,056,301	12,470	26,671		1,095,442
Total all funds	\$2,090,402	\$254,516	\$52,237		\$2,397,155

DISTRICT OF LANTZVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

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, 2005 is as follows:

	<u>2005</u>	<u>2004</u>
Balance at beginning of period	\$6,692,292	\$5,653,678
Add:		
Capital expenditures	605,828	959,008
Transfer of land (note 5)	259,000	
Reduction in long term debt	88,263	79,606
Less:		
Disposal / retirement of assets	(15,287)	
Total	<u>\$7,630,096</u>	<u>\$6,692,292</u>

12. EXPENDITURES BY OBJECT:

	<u>2005</u>	<u>Budget</u>	<u>2004</u>
Salaries, wages and benefits (note 2 (g))	\$533,990	\$552,350	\$462,467
Physical assets	605,828	2,257,785	959,008
Regional services	209,000	250,000	
Garbage and recycling collection	127,027	130,000	125,768
Engineering and consultants	99,635	174,650	106,001
Telephone and utilities	90,675	98,800	88,798
Equipment, materials and supplies	84,265	103,300	55,430
Repairs and maintenance	53,547	86,425	59,901
Insurance	49,460	52,600	49,035
Travel, training and conferences	47,940	68,600	57,091
Emergency workers' honoraria	44,452	62,350	39,065
Other operating goods and services	209,721	305,850	162,286
Consolidated total	<u>\$2,155,540</u>	<u>\$4,142,710</u>	<u>\$2,164,850</u>

13. COMMITMENTS AND SUBSEQUENT EVENTS

(a) 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 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 Lantzville paid \$23,373 for employer contributions to the plan in fiscal 2005 (\$18,730 – 2004).

DISTRICT OF LANTZVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

(b) Commitments

In July 2005, the District entered into a lease agreement with the Municipal Finance Authority for the use of a voting machine having an equivalent purchase value of \$6,995. Under the terms of the lease agreement, the District is required to make 60 monthly lease payments of \$142 (net of GST) through June 28, 2010. Interest is charged at the annual rate of 3.25%.

Prior to December 31, 2005, the District requested tender offers relating to the construction of a new reservoir (note 9(a)). In a special meeting held on January 16, 2006, Council awarded the construction contract in the amount of \$1,724,934 to the successful bidder.

Pursuant to a request for proposals, in their November 14, 2005 Regular Meeting, Council awarded a contract in the amount of \$42,309 for the installation of exhaust venting equipment in the vehicle bay of the fire hall. Installation of the equipment commenced in January 2006.

**DISTRICT OF LANTZVILLE
TAX REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

	<u>For the year ended December 31, 2005</u>	<u>2005 Budget</u>	<u>For the year ended December 31, 2004</u>
General municipal purposes	\$1,150,328	\$1,150,000	\$1,052,501
Utility taxes	44,627	44,650	22,347
Vancouver Island Regional Library	115,245	115,080	108,909
Parcel taxes	344,019	338,950	331,821
Collections for other governments:			
School district	1,759,883	1,759,882	1,674,804
Regional hospital district	136,060	135,933	132,616
Regional district	349,099	348,804	427,375
BCAA and MFA	45,215	45,157	41,951
	<u>3,944,476</u>	<u>3,938,456</u>	<u>3,792,324</u>
Remittance of taxes levied for other governments:			
School district	1,759,883	1,759,882	1,674,804
Regional hospital district	136,060	135,933	132,616
Regional district	349,099	348,804	427,375
BCAA and MFA	45,215	45,157	41,951
Vancouver Island Regional Library	115,245	115,080	108,906
	<u>2,405,502</u>	<u>2,404,856</u>	<u>2,385,652</u>
	<u>\$ 1,538,974</u>	<u>\$ 1,533,600</u>	<u>\$ 1,406,672</u>

See notes to consolidated financial statements.