

Consolidated Financial Statements of

# **DISTRICT OF HIGHLANDS**

Year ended December 31, 2011

# DISTRICT OF HIGHLANDS

## Consolidated Financial Statements

Year ended December 31, 2011

### Financial Statements

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## **MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying consolidated financial statements of the District of Highlands (the "District") are the responsibility of management and have been prepared in compliance with legislation, and in accordance with public sector accounting standards for governments established by The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The District's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Mayor and Council meet with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the District. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the District's consolidated financial statements.

  
\_\_\_\_\_  
*Chief Administrative Officer - Treasurer*



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## INDEPENDENT AUDITORS' REPORT

*To the Mayor and Councillors of The District of Highlands*

We have audited the accompanying consolidated financial statements of The District of Highlands, which comprise the consolidated statement of financial position as at December 31, 2011, the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The District of Highlands as at December 31, 2011, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

May 22, 2012  
Victoria, Canada

# DISTRICT OF HIGHLANDS

## Consolidated Statement of Financial Position

December 31, 2011, with comparative information for 2010

	2011	2010
<b>Financial assets:</b>		
Cash and cash equivalents	\$ 2,671,185	\$ 2,376,447
Accounts receivable	293,374	304,072
Taxes receivable	131,410	103,062
Other assets	12,495	7,350
	<u>3,108,464</u>	<u>2,790,931</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	391,591	429,441
Security deposits	9,710	18,590
Deferred revenue (note 2)	204,466	266,353
Obligation under capital lease (note 3)	43,514	22,181
Long-term debt (note 4)	442,800	472,012
	<u>1,092,081</u>	<u>1,208,577</u>
<b>Net financial assets</b>	<b>2,016,383</b>	<b>1,582,354</b>
<b>Non-financial assets:</b>		
Tangible capital assets (note 5)	37,684,305	38,292,685
Prepaid expenses	13,680	8,750
Commitments and contingencies (note 11)		
<b>Accumulated surplus (note 6)</b>	<b>\$ 39,714,368</b>	<b>\$ 39,883,789</b>

The accompanying notes are an integral part of these consolidated financial statements.



Chief Administrator Officer - Treasurer

# DISTRICT OF HIGHLANDS

## Consolidated Statement of Operations

Year ended December 31, 2011, with comparative information for 2010

	Financial plan (unaudited - note 12)	2011	2010
<b>Revenue:</b>			
Taxation, net (note 7)	\$ 1,327,009	\$ 1,291,022	\$ 1,302,631
Government transfers (note 8)	873,166	706,579	231,207
Sale of services	222,875	190,416	197,749
Licenses, permits and other	76,700	48,257	117,282
Investment income	8,000	21,773	8,154
Donations and amenities	75,000	61,389	135,338
Other	90,087	102,416	121,134
Actuarial adjustment on debt	-	5,873	12,718
Total revenue	2,672,837	2,427,725	2,126,213
<b>Expenses:</b>			
General government services	608,800	596,376	569,616
Protective services	455,675	408,673	393,227
Transportation services	1,120,065	913,466	836,176
Environmental development services	194,800	138,003	152,266
Recreation and cultural services	524,642	540,628	557,890
	2,903,982	2,597,146	2,509,175
Annual deficit	(231,145)	(169,421)	(382,962)
Accumulated surplus, beginning of year	39,883,789	39,883,789	40,266,751
Accumulated surplus, end of year	\$ 39,652,644	\$ 39,714,368	\$ 39,883,789

The accompanying notes are an integral part of these consolidated financial statements.

# DISTRICT OF HIGHLANDS

## Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2011, with comparative information for 2010

	Financial plan	2011	2010
	(unaudited - note 12)		
Annual deficit	\$ (231,145)	\$ (169,421)	\$ (382,962)
Acquisition of tangible capital assets	(1,751,147)	(262,120)	(186,346)
Amortization of tangible capital assets	982,147	876,933	826,269
Loss on disposal of tangible capital assets	-	-	21,223
Change in proportionate share of West Shore	-	(6,433)	11,892
	(769,000)	608,380	673,038
Acquisition of prepaid expenses	-	(4,930)	(8,750)
Change in net financial assets	(1,000,145)	434,029	281,326
Net financial assets, beginning of year	1,582,354	1,582,354	1,301,028
Net financial assets, end of year	\$ 582,209	\$ 2,016,383	\$ 1,582,354

The accompanying notes are an integral part of these consolidated financial statements.

# DISTRICT OF HIGHLANDS

## Consolidated Statement of Cash Flows

Year ended December 31, 2011, with comparative information for 2010

	2011	2010
Cash provided by (used in):		
<b>Operating activities:</b>		
Annual deficit	\$ (169,421)	\$ (382,962)
Items not involving cash:		
Amortization of tangible capital assets	876,933	826,269
Loss on disposal of tangible capital assets	-	21,223
Change in proportionate share of West Shore	(6,433)	11,892
Actuarial adjustment on debt	(5,873)	(12,718)
Change in non-cash operating assets and liabilities:		
Accounts receivable	10,698	(68,629)
Taxes receivable	(28,348)	19,205
Other financial assets	(5,145)	3,785
Accounts payable and accrued liabilities	(37,850)	116,189
Security deposits	(8,880)	90
Deferred revenue	(61,887)	34,236
Prepaid expenses	(4,930)	(8,750)
	558,864	559,830
<b>Capital activities:</b>		
Acquisition of tangible capital assets	(262,120)	(186,346)
<b>Financing activities:</b>		
Debt issued	-	23,178
Capital lease payments	21,333	(16,221)
Debt repaid	(23,339)	(26,143)
	(2,006)	(19,186)
Increase in cash and cash equivalents	294,738	354,298
Cash and cash equivalents, beginning of year	2,376,447	2,022,149
Cash and cash equivalents, end of year	\$ 2,671,185	\$ 2,376,447
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 35,510	\$ 35,510
Cash received from interest	24,213	9,160

The accompanying notes are an integral part of these consolidated financial statements.



# DISTRICT OF HIGHLANDS

## Notes to Consolidated Financial Statements

Year ended December 31, 2011

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District of Highlands (the "District") is a municipality in the Province of British Columbia and operates under the provisions of the Local Government Act and the Community Charter of British Columbia.

The District provides municipal services such as police, fire, public works, engineering, planning, parks, recreation, community development, and other general government operations.

### 1. Significant accounting policies:

The consolidated financial statements of the District are prepared by management in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the District are as follows:

(a) Reporting entity:

The consolidated financial statements reflect the combination of all the assets, liabilities, revenues, expenses, and changes in fund balances and in financial position of the District. The consolidated financial statements of the District also includes the District's proportionate interest in West Shore Parks and Recreation Society ("West Shore"), an organization jointly controlled by the District.

(b) Basis of accounting:

The District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Government transfers:

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. Transfers received for which expenses are not yet incurred are included in deferred revenue.

(d) Deferred revenue:

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation, regulation and agreement which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired.

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 1. Significant accounting policies (continued):

### (d) Deferred revenue (continued):

Development cost charges are amounts which are restricted by government legislation or agreement with external parties. When qualifying expenditures are incurred development cost charges are recognized as revenue in amounts which equal the associated expenses.

### (e) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

### (f) Cash and cash equivalents:

Cash and cash equivalents include investments in the Municipal Finance Authority of British Columbia ("MFA") Bond, Intermediate and Money Market Funds which are recorded at cost plus earnings reinvested in the funds.

### (g) Long-term debt:

Long-term debt is recorded net of related sinking fund balances.

### (h) Employee future benefits:

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

Sick leave and other retirement benefits are also available to the District's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 1. Significant accounting policies (continued):

### (i) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

### (i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - years
Park improvements	15 - 40
Buildings	25 - 40
Vehicles	5 - 25
Engineering structures	20 - 60

Amortization is charged annually, including in the year of acquisition and disposal. Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the District's ability to provide goods and services, or when the value of future economic benefits associated with the asset are less than the book value of the asset.

### (ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

### (iii) Natural resources

Natural resources that have not been purchased are not recognized as assets in the financial statements.

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 1. Significant accounting policies (continued):

### (i) Non-financial assets (continued):

#### (iv) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

#### (v) Interest capitalization

The District does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

#### (vi) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

### (j) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets and estimating provisions for accrued liabilities including employee future benefits. Actual results could differ from these estimates.

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 2. Deferred revenue:

Deferred revenue, reported on the statement of financial position, is comprised of the following:

	2011	2010
Gas Tax Agreement Funds	\$ 174,725	\$ 239,819
Casino revenues	10,297	10,888
Prepaid taxes and other	19,444	15,646
Total deferred revenue	\$ 204,466	\$ 266,353

### Gas Tax Agreement Funds

	2011	2010
Opening balance of unspent funds	\$ 239,819	\$ 183,329
Add:		
Amounts received during the year	101,142	101,148
Interest income restricted for projects	2,440	1,006
	343,401	285,483
Less amount spent on projects and recorded as revenue	(168,676)	(45,664)
	\$ 174,725	\$ 239,819

## 3. Obligation under capital lease:

Year ending December 31:		
2012	\$	17,201
2013		10,304
2014		8,057
2015		8,220
2016 and thereafter		2,081
		45,863
Less amount representing interest (at rates ranging from 2.81% to 3.75%)		2,349
Present value of net minimum capital lease payments	\$	43,514

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 4. Long-term debt:

- (a) Included in long-term debt is the District's proportionate share of a West Shore five year fixed rate term loan for \$17,244 (2010 - \$23,178).
- (b) The District issues debt instruments through the MFA, pursuant to security issuing bylaws under authority of the Community Charter, to finance certain capital expenditures. Sinking fund balances, managed by the MFA are used to reduce long-term debt. Gross amount of debt and the amount of the sinking fund assets available to retire the debt are as follows:

MFA issue #	Bylaw #	Purpose	Maturity date	Original issued amount	Sinking fund contributions and deposits	Interest rate	Balance 2011	Balance 2010
186	81	West Shore arena	2024	\$571,021	\$ 145,465	4.86%	\$425,556	\$448,834
							425,556	448,834
West Shore term loan							17,244	23,178
							\$442,800	\$472,012

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

	Total
2012	\$ 17,269
2013	17,269
2014	17,269
2015	17,269
2016	17,269
Thereafter	356,455

- (d) Interest expense:

Total interest expense during the year was \$27,752 (2010 - \$35,375). West Shore arena interest on debt is reduced by a subsidy from the Cities of Langford and Colwood.

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 5. Tangible capital assets:

	Land improvements	Park	Buildings	Vehicles and equipment	Engineering structures	Assets under construction	Total	Total
							2011	2010
<b>Cost:</b>								
Balance, beginning of year	\$7,618,141	357,214	2,027,237	1,852,553	36,104,140	8,568	\$47,967,853	\$47,835,524
Additions	-	-	43,217	53,807	177,244	(4,935)	269,333	179,232
Disposals	-	-	-	(1,570)	-	-	(1,570)	(46,903)
Balance, end of year	7,618,141	357,214	2,070,454	1,904,790	36,281,384	3,633	48,235,616	47,967,853
<b>Accumulated amortization:</b>								
Balance, beginning of year	-	62,496	484,525	798,091	8,330,056	-	9,675,168	8,869,801
Disposals	-	-	-	(790)	-	-	(790)	(20,902)
Amortization	-	4,310	48,867	102,816	720,940	-	876,933	826,269
Balance, end of year	-	66,806	533,392	900,117	9,050,996	-	10,551,311	9,675,168
<b>Net book value, end of year</b>	<b>\$7,618,141</b>	<b>290,408</b>	<b>1,537,062</b>	<b>1,004,673</b>	<b>27,230,388</b>	<b>3,633</b>	<b>\$37,684,305</b>	<b>\$38,292,685</b>

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 5. Tangible capital assets (continued):

### (a) Assets under construction:

Assets under construction totaling \$3,633 (2010 - \$8,568) have not been amortized. Amortization of these assets will commence when the asset is put into service.

### (b) Contributed tangible capital assets:

There were no contributed assets recognized during the year.

### (c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset has been recognized at a nominal value.

### (d) Works of art and historical treasures:

The District manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at District sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

### (e) Write-down of tangible capital assets:

No write-down of tangible capital assets occurred during the year.



# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 6. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

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	2011	2010
<b>Surplus:</b>		
Equity in tangible capital assets	\$ 37,197,991	\$ 37,798,492
Other	1,223,028	882,138
West Shore	(38,366)	(23,738)
<b>Total surplus</b>	<b>38,382,653</b>	<b>38,656,892</b>
<b>Reserve funds set aside for specific purposes by Council:</b>		
Fire capital works and equipment	785,708	756,938
Park acquisition/development	58,985	8,409
Roads reserve	405,711	381,225
General reserve for future expenditures	32,901	32,604
West Shore reserves	48,410	47,721
<b>Total reserve funds</b>	<b>1,331,715</b>	<b>1,226,897</b>
	<b>\$ 39,714,368</b>	<b>\$ 39,883,789</b>

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# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 7. Taxation:

Taxation revenue, reported on the consolidated statement of operations, is comprised of the following:

	2011	2010
Municipal purposes		
General	\$ 3,114,345	\$ 3,005,689
1% utility taxes	24,407	22,677
	<u>3,138,752</u>	<u>3,028,366</u>
Less taxes levied for other authorities:		
School authorities	1,216,154	1,159,620
Police tax	121,952	108,875
Capital Regional District	163,136	157,871
Capital Regional Hospital District	169,477	160,050
BC Assessment Authority	37,739	36,839
BC Transit	139,153	102,371
Municipal Finance Authority	119	109
	<u>1,847,730</u>	<u>1,725,735</u>
	<u>\$ 1,291,022</u>	<u>\$ 1,302,631</u>

## 8. Government transfers:

The District recognizes the transfer of government funding as expenses or revenues in the period that the events giving rise to the transfer occurred. The Government transfers reported on the consolidated statement of operations and accumulated surplus are:

	2011	2010
Provincial government		
Small communities and equalization payments	\$ 491,173	\$ 99,007
Gas tax	168,676	45,664
Other	15,748	59,195
	<u>675,597</u>	<u>203,866</u>
Capital transfers:		
Other	30,982	27,341
Total revenue	<u>\$ 706,579</u>	<u>\$ 231,207</u>

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 9. Classification of expense by object:

	2011	2010
Contracted and general services	\$ 672,047	\$ 609,447
Wages and employee benefits	616,317	614,859
Materials, supplies and utilities	329,958	336,508
Council expenses	66,025	59,906
Grants	13,864	14,919
Interest	28,435	35,375
Amortization	876,933	826,269
Change in proportionate share of West Shore	(6,433)	11,892
<b>Total expenditure by object</b>	<b>\$ 2,597,146</b>	<b>\$ 2,509,175</b>

## 10. Pension plan:

The District and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusteed pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the 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 173,000 active members and approximately 63,000 retired members. Active members include approximately 35,000 contributors from local government.

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, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012, with results available in 2013. The actuary does not attribute portions of the surplus to individual employers. The District paid \$29,353 (2010 - \$27,029) for employer contributions and District employees paid \$32,345 (2010 - \$29,759) for employee contributions to the plan in fiscal 2011.

## 11. Commitments and contingencies:

- (a) The Capital Regional District ("CRD") debt, under provisions of the Local Government Act, is a direct, joint and several liability of the CRD and each member municipality within the CRD, including the District.

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 11. Commitments and contingencies (continued):

- (b) The District is a shareholder and member of the Capital Region Emergency Service Telecommunications (CREST) Incorporated which provides centralized emergency communications, and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout the Greater Victoria region and the Gulf Islands. Members' obligations to share in funding ongoing operations and any additional costs relating to capital assets are to be contributed pursuant to a Members' Agreement.
- (c) Under borrowing arrangements with the MFA, the District is required to lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing. 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 included in the District's financial assets as restricted receivables and are held by the MFA as security against the possibility of debt repayment default. If the debt is repaid without default, the deposits are refunded to the District. At December 31, 2011 there were contingent demand notes of \$16,800 (2010 - \$16,800) which are not included in the financial statements of the District.

## 12. Financial plan data:

The unaudited financial plan data presented in these consolidated financial statements is based upon the 2011 operating and capital budgets approved by Council on May 9, 2011, adjusted to reflect West Shore proportionately consolidated budgeted revenues and expenses. The chart below reconciles the approved financial plan to the financial plan figures reported in these consolidated financial statements.

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	Financial plan amount
Revenues:	
Financial plan	\$ 2,445,710
West Shore	227,127
Total revenue	2,672,837
Expenses:	
Financial plan	2,697,097
West Shore	206,885
Total expenses	2,903,982
Annual deficit	\$ (231,145)

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# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

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## 13. West Shore Parks and Recreation Society:

### (a) Capital asset transfer:

The CRD transferred the lands and facilities comprising the Juan de Fuca Recreation Centre to the following municipal partners (the "Municipalities") effective January 2, 2002: City of Langford, City of Colwood, District of Highlands, District of Metchosin and the CRD (on behalf of a portion of the Juan de Fuca Electoral Area). Effective January 1, 2007 the Town of View Royal became a member of the Society.

The lands and facilities were transferred to the Municipalities in their proportionate share, as specified in the Co-Owners' Agreement. Future improvements are allocated among the partners as per the cost sharing formula in effect each year for each service or facility, as outlined in a Members' Agreement. For 2011, the District's share of improvements purchased by the Society on its behalf is \$35,878 (2010 - \$179,232).

The repayment of the long-term debt associated with the transferred assets will continue to be a regional function, in accordance with the terms of an Agreement to Transfer between the CRD, the Municipalities and the Society. The debt payments are charged to the Municipalities as part of the CRD's annual requisition. The maturity dates of the various borrowings range from 2012 through 2014.

The participating Municipalities have each become members in the Society, which was incorporated to provide parks, recreation and community services to the Municipalities under contract. Under terms of an Operating, Maintenance and Management Agreement, the Society is responsible to equip, maintain, manage and operate the facilities located at the recreation centre.

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2011

## 13. West Shore Parks and Recreation Society (continued):

(b) Consolidation:

	2011	2010
Financial assets	\$ 2,099,082	\$ 2,809,521
Financial liabilities	1,850,172	2,205,113
Net financial assets	248,910	604,408
Non-financial assets	763,902	795,491
Accumulated surplus	\$ 1,012,812	\$ 1,399,899
Revenues	\$ 5,480,808	\$ 7,051,888
Requisition for members	4,453,952	4,163,307
	9,934,760	11,215,195
Expenses	5,867,895	7,654,985
Requisition for members	4,453,952	4,163,307
	10,321,847	11,818,292
Annual deficit	\$ (387,087)	\$ (603,097)