

Consolidated Financial Statements of

**DISTRICT OF HIGHLANDS**

And Independent Auditors' Report thereon

Year ended December 31, 2019

# DISTRICT OF HIGHLANDS

## Consolidated Financial Statements

Year ended December 31, 2019

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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 applicable legislation, and in accordance with public sector accounting standards for local governments established by the Chartered Professional Accountants of Canada. 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.



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Chief Administrative Officer - Treasurer



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Canada  
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## INDEPENDENT AUDITORS' REPORT

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

### **Opinion**

We have audited the consolidated financial statements of the District of Highlands (the "District"), which comprise:

- the consolidated statement of financial position as at end of December 31, 2019
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the District as at December 31, 2019 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.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Victoria, Canada  
May 4, 2020

# DISTRICT OF HIGHLANDS

## Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial assets:</b>		
Cash and cash equivalents	\$ 5,471,955	\$ 4,921,296
Accounts receivable (note 2)	183,836	131,072
Taxes receivable	71,806	72,090
Restricted cash	26,973	26,896
	<u>5,754,570</u>	<u>5,151,354</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	486,336	601,662
Security deposits	53,933	65,961
Accrued payroll expenses	14,138	14,175
Deferred revenue (note 3)	109,022	93,380
Long-term debt (note 4)	549,726	631,667
	<u>1,213,155</u>	<u>1,406,845</u>
<b>Net financial assets</b>	4,541,415	3,744,509
<b>Non-financial assets:</b>		
Tangible capital assets (note 5)	37,662,466	38,192,195
Prepaid expenses	9,719	11,073
	<u>37,672,185</u>	<u>38,203,268</u>
Commitments and contingencies (note 10)		
Subsequent events (note 15)		
<b>Accumulated surplus (note 6)</b>	<u>\$ 42,213,600</u>	<u>\$ 41,947,777</u>

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

On behalf of the District:



Chief Administrative Officer - Treasurer

# DISTRICT OF HIGHLANDS

## Consolidated Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

	Financial plan (note 11)	2019	2018
<b>Revenue:</b>			
Taxation, net (note 7)	\$ 2,052,571	\$ 2,119,139	\$ 1,896,463
Government transfers (note 8)	719,065	808,246	607,107
Sale of services	217,852	229,778	219,245
Licenses, permits and other	67,390	76,863	122,627
Investment income	20,200	94,033	71,242
Donations and amenities	22,500	22,425	25,841
Other	71,961	101,686	113,528
Actuarial adjustment on debt	-	21,057	18,053
	<u>3,171,539</u>	<u>3,473,227</u>	<u>3,074,106</u>
<b>Expenses:</b>			
General government services	922,500	835,594	739,711
Protective services	592,086	482,344	502,307
Transportation services	1,032,349	962,190	917,767
Environmental development services	351,500	247,513	169,288
Recreation and cultural services	609,737	679,763	668,513
	<u>3,508,172</u>	<u>3,207,404</u>	<u>2,997,586</u>
Annual surplus (deficit)	(336,633)	265,823	76,520
Accumulated surplus, beginning of year	41,947,777	41,947,777	41,871,257
Accumulated surplus, end of year	<u>\$ 41,611,144</u>	<u>\$ 42,213,600</u>	<u>\$ 41,947,777</u>

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, 2019, with comparative information for 2018

	Financial plan (note 11)	2019	2018
Annual surplus (deficit)	\$ (336,633)	\$ 265,823	\$ 76,520
Acquisition of tangible capital assets	(437,500)	(393,283)	(266,222)
Amortization of tangible capital assets	875,852	931,515	915,482
Loss on disposal of tangible capital assets	-	13,063	3,880
Proceeds on disposal of tangible capital assets	-	7,400	-
Change in West Shore tangible capital assets	-	(28,966)	(23,150)
	438,352	529,729	629,990
Change in prepaid expenses	-	1,354	(2,807)
Change in net financial assets	101,719	796,906	703,703
Net financial assets, beginning of year	3,744,509	3,744,509	3,040,806
Net financial assets, end of year	\$ 3,846,228	\$ 4,541,415	\$ 3,744,509

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

# DISTRICT OF HIGHLANDS

## Consolidated Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
<b>Operating activities:</b>		
Annual surplus	\$ 265,823	\$ 76,520
Items not involving cash:		
Amortization of tangible capital assets	931,515	915,482
Loss on disposal of tangible capital assets	13,063	3,880
Change in West Shore	(28,966)	(23,150)
Actuarial adjustment on debt	(21,057)	(18,053)
Changes in non-cash operating assets and liabilities:		
Accounts receivable	(52,764)	(10,533)
Taxes receivable	284	(21,051)
Restricted cash	(77)	(1,981)
Accounts payable and accrued liabilities	(115,326)	215,874
Accrued payroll expenses	(37)	1,852
Security deposits	(12,028)	30,592
Deferred revenue	15,642	7,484
Prepaid expenses	1,354	(2,807)
	997,426	1,174,109
<b>Capital activities:</b>		
Acquisition of tangible capital assets	(393,283)	(266,222)
Proceeds on disposal of tangible capital assets	7,400	-
	(385,883)	(266,222)
<b>Financing activities:</b>		
Debt repaid	(60,884)	(60,884)
	(60,884)	(60,884)
Increase in cash and cash equivalents	550,659	847,003
Cash and cash equivalents, beginning of year	4,921,296	4,074,293
Cash and cash equivalents, end of year	\$ 5,471,955	\$ 4,921,296
Supplemental cash flow information:		
Cash paid for interest	\$ 25,489	\$ 24,205
Cash received from interest	94,033	71,242

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

# DISTRICT OF HIGHLANDS

## Notes to Consolidated Financial Statements

Year ended December 31, 2019

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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 of the Chartered Professional Accountants of Canada. 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 include the District's proportionate interest in West Shore Parks and Recreation Society ("West Shore"), a government partnership 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 without stipulations restricting their use are recognized in the financial statements as revenue in the period in which the transfers are authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made. Government transfers with stipulations restricting their use are recognized in the financial statements as revenues in the period in which the eligible expenditures are incurred, providing they are authorized and eligibility criteria are met.

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 1. Significant accounting policies (continued):

### (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, thereby extinguishing the related liability.

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) Property tax revenue:

Property tax revenue is recognized on the accrual basis using the approved mill rates and the anticipated assessment related to the current year.

### (f) 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.

### (g) Cash and cash equivalents:

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

### (h) Long-term debt:

Long-term debt is recorded net of related payments and actuarial earnings.

### (i) Employee future benefits:

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

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 1. Significant accounting policies (continued):

(i) Employee future benefits (continued):

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.

(j) 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.

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 1. Significant accounting policies (continued):

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

#### (i) Tangible capital assets (continued):

The District is fortunate to have many natural assets that reduce the need for built infrastructure that would otherwise be required. This includes the Wark-Colquitz aquifer (water storage and filtration), creeks, ditches and forestlands (rain water management) and the foreshore area (natural seawall). Canadian public-sector accounting standards do not allow for the valuation and recording of such assets into the financial statements of the District. As such, these natural assets are not reported in these financial statements. Nevertheless, the District acknowledges the importance of these assets and the need to manage them in conjunction with built infrastructure.

#### (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.

#### (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.

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 1. Significant accounting policies (continued):

### (k) Contaminated sites:

The District records a liability in its financial statements when contamination on non-active property exceeds an accepted environmental standard and the District is directly responsible, or accepts responsibility for, the damage. The liability is measured at the District's best estimate of the costs directly attributable to remediation of the contamination. No contaminated sites liabilities have been recorded in these financial statements.

### (l) 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, contaminated sites and contingent liabilities. Actual results could differ from these estimates.

## 2. Accounts receivable:

	2019	2018
Amenities receivable	\$ 11,250	\$ 4,026
Grants receivable	60,240	57,303
GST receivable	37,221	30,880
Trade receivables	75,125	38,863
	<b>\$ 183,836</b>	<b>\$ 131,072</b>

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

### 3. Deferred revenue:

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

	2019	2018
Prepaid taxes and other	\$ 59,086	\$ 47,644
West Shore	49,936	45,736
<b>Total deferred revenue</b>	<b>\$ 109,022</b>	<b>\$ 93,380</b>

### 4. Long-term debt:

- (a) The District issues debt instruments through the MFA, pursuant to security issuing bylaws under authority of the Community Charter, to finance certain capital expenditures. The debt is issued on a sinking fund basis, whereby MFA invests the District's principal payments so that the payments, plus investment income, will equal the original outstanding debt amount at the end of the repayment period. Actuarial earnings on debt represent forgiveness of debt by the MFA using surplus investment income generated by the principal payments. Gross amount of debt and the amount of the principal payments and actuarial earnings are as follows:

MFA issue #	Bylaw #	Purpose	Maturity date	Original issued amount	Principal payments and actuarial earnings	Interest rate	Balance 2019	Balance 2018
		West Shore						
81	186	arena	2024	\$ 571,021	\$ 385,523	2.8%	\$ 185,498	\$ 220,839
139	382	Fire hall bay and tender	2026	500,000	135,772	2.1%	364,228	410,828
				<b>\$1,071,021</b>	<b>\$ 521,295</b>		<b>\$ 549,726</b>	<b>\$ 631,667</b>



# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 4. Long-term debt (continued):

- (b) Principal payments and estimated actuarial earnings on long-term debt for the next five years are as follows:

	Total
2020	\$ 83,561
2021	86,786
2022	90,143
2023	93,869
2024	97,280
Thereafter	98,087

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- (c) Interest expense:

Total interest expense on long-term debt during the year was \$25,489 (2018 - \$24,205). West Shore arena interest on debt is reduced by a subsidy from West Shore Parks and Recreation Society.

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 5. Tangible capital assets:

	Land	Park improvements	Buildings	Vehicles and equipment	Engineering structures	Assets under construction	Total 2019	Total 2018
<b>Cost:</b>								
Balance, beginning of year	\$ 9,685,876	420,793	5,380,903	2,479,277	36,633,824	25,933	54,626,606	54,487,674
Additions	-	14,417	64,723	87,107	227,036	-	393,283	266,222
Disposals, transfers and change in cost share	-	25,933	38,900	(166,282)	-	(25,933)	(127,382)	(127,290)
Balance, end of year	9,685,876	461,143	5,484,526	2,400,102	36,860,860	-	54,892,507	54,626,606
<b>Accumulated amortization:</b>								
Balance, beginning of year	-	95,296	963,353	1,352,143	14,023,619	-	16,434,411	15,665,489
Disposals and change in cost share	-	-	10,583	(146,468)	-	-	(135,885)	(146,560)
Amortization	-	7,963	100,338	113,758	709,456	-	931,515	915,482
Balance, end of year	-	103,259	1,074,274	1,319,433	14,733,075	-	17,230,041	16,434,411
Net book value, end of year	\$ 9,685,876	357,884	4,410,252	1,080,669	22,127,785	-	37,662,466	38,192,195

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 5. Tangible capital assets (continued):

(a) Assets under construction:

As at December 31, 2019 there were no assets under construction yet to be amortized (2018 - \$25,933). Amortization of assets commences when the assets are available for service.

(b) Contributed tangible capital assets:

There were no contributed assets recognized during the year (2018 - \$100).

(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, 2019

## 6. Accumulated surplus:

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

	2019	2018
<b>Surplus:</b>		
Equity in tangible capital assets	\$ 37,112,740	\$ 37,560,528
Operating	1,440,114	1,402,626
	38,552,854	38,963,154
<b>Reserve funds set aside for specific purposes by Council:</b>		
Fire capital works and equipment	912,636	651,283
Park acquisition/development	17,140	14,863
Roads reserve	1,023,314	951,100
General reserve for future expenditures	275,857	58,394
Land sales	109	107
Capital works	181,211	202,230
West Shore reserves	48,970	48,970
Library major asset maintenance	12,109	12,370
Gas Tax Agreement funds	540,275	466,439
Community gardens	-	4,372
Community hall	137,925	160,996
Snow reserve	61,626	60,499
Financial stability reserve	331,053	325,000
Bridge replacement reserve	11,149	8,000
Groundwater and drainage reserve	10,186	10,000
Heritage structure reserve	17,186	10,000
West Shore Recreation	16,000	-
Park facilities replacement	64,000	-
	3,660,746	2,984,623
	\$ 42,213,600	\$ 41,947,777

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 7. Taxation:

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

	2019	2018
General tax levy	\$ 4,068,357	\$ 3,805,005
1% utility taxes	36,379	34,371
	<u>4,104,736</u>	<u>3,839,376</u>
Less taxes levied for other authorities:		
School authorities	1,239,331	1,220,556
Police tax	165,665	161,601
Capital Regional District	214,576	203,231
Capital Regional Hospital District	174,380	174,756
BC Assessment Authority	32,609	31,704
BC Transit	158,870	150,912
Municipal Finance Authority	166	153
	<u>1,985,597</u>	<u>1,942,913</u>
	<u>\$ 2,119,139</u>	<u>\$ 1,896,463</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 are:

	2019	2018
Small communities and equalization payments	\$ 395,284	\$ 390,201
Federal Gas Tax Agreement funds	297,581	148,799
Other	115,381	68,107
	<u>\$ 808,246</u>	<u>\$ 607,107</u>

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 9. Pension plan:

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 administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2018, the plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The most recent valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits.

The next valuation will be as at December 31, 2021, with results available later in 2022. Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

The District paid \$51,901 (2018 - \$51,163) for employer contributions while employees contributed \$46,104 (2018 - \$45,004) to the plan in fiscal 2019.

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 10. 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.
- (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 other assets 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, 2019 there were contingent demand notes of \$38,857 (2018 - \$38,857) which are not included in the financial statements of the District.
- (d) The District is self-insured through membership in the Municipal Insurance Association of British Columbia. Under this program, member municipalities are to share jointly for general liability claims against any member in excess of \$5,000. Should the Association pay out claims in excess of premiums received, it is possible that the District, along with the other participants, would be required to contribute towards the deficit.
- (e) The District entered into a new contract with Victoria Contracting and Municipal Maintenance Corporation in relation to the Highway Maintenance contract. The extension of the agreement is from October 1, 2019 to March 31, 2024 for a total commitment of \$157,000 per annum.

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 11. Financial plan data:

The financial plan data presented in these consolidated financial statements is based upon the 2019 operating and capital budgets approved by Council on May 6, 2019, adjusted to reflect the 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.

	Financial plan amount
Revenues:	
Financial plan, as approved by Council	\$ 2,952,724
West Shore	218,815
	<u>3,171,539</u>
Expenses:	
Financial plan, as approved by Council	3,289,357
West Shore	218,815
	<u>3,508,172</u>
Annual deficit	<u>\$ (336,633)</u>

## 12. 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") in 2002: City of Langford, City of Colwood, District of Highlands, District of Metchosin, Town of View Royal and the CRD (on behalf of a portion of the Juan de Fuca Electoral Area). Effective January 1, 2018, the Juan de Fuca Electoral Area withdrew as 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 2019, the District's share of improvements purchased by West Shore on its behalf are \$24,676 (2018 - \$3,127).

Because the cost sharing formula in the Members' Agreement produces different cost shares for the members from year-to-year, there is a gain or loss on the opening fund balances. In 2019, there was an increase to the District's cost share of \$28,316 (2018 - \$7,005).



# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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

### (a) Capital asset transfer (continued):

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

Financial results and financial plan for West Shore are consolidated into the District's financial statements proportionately, based on the cost sharing formula outlined in the Members' Agreement. In 2019, the District's proportion for consolidation purposes was 3.65% (2018 - 3.58%). Condensed financial information for West Shore is as follows:

### (b) Consolidation:

	2019	2018
Financial assets	\$ 3,480,294	\$ 3,636,125
Financial liabilities	2,362,813	2,233,137
Net financial assets	1,117,481	1,402,988
Non-financial assets	1,308,209	1,030,170
Accumulated surplus	\$ 2,425,690	\$ 2,433,158
Revenues	\$ 7,330,284	\$ 6,547,215
Requisition for members	4,947,539	4,947,539
	12,277,823	11,494,754
Expenses	7,337,752	6,331,257
Requisition for members	4,947,539	4,947,539
	12,285,291	11,278,796
Annual surplus (deficit)	\$ (7,468)	\$ 215,958

## 13. Comparative information:

Certain 2018 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 14. Segmented information:

The District is a diversified municipal organization that provides a wide range of services to its citizens. District services are provided by departments and their activities reported separately. Certain functions that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

### **General government**

The General Government function is comprised of Legislative Services (Council and Committees) and General Administration, which includes Financial Management, Common Services and other administrative activities related to the management of the District. This segment also includes any other functions categorized as non-departmental.

### **Protective services**

The Protective Services are comprised of three core services: Emergency Program, Fire Protection, Building and Bylaw Enforcement.

Emergency Program captures the District's emergency preparedness programs that ensure the District is prepared and capable to respond to the devastating effects of a disaster or major catastrophic event.

Fire Protection Services are carried out by the District's Fire Department, whose mandate is to provide critical lifesaving services in preventing or minimizing the loss of life and property from fire and natural and man-made emergencies.

Building and Bylaw Enforcement promotes, facilitates and enforces general compliance with the provisions of bylaws that pertain to the health, safety and welfare of the community.

### **Transportation services**

Transportation services is responsible for transportation functions including roads and streets. As well, services are provided around infrastructure, transportation planning, pedestrian and cycling issues and on-street parking regulations, including street signs and painting.

### **Environmental and development services**

Environmental development services works to achieve the District's community planning goals through the official community plan and other policy initiatives. Planning provides a full range of planning services related to zoning, development permits, variance permits and current regulatory issues.

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## **14. Segmented information (continued):**

### **Recreation and cultural services**

Recreation and cultural services is responsible for the maintenance and development of all park facilities. Recreation services facilitate the provision of recreation and wellness programs and services through West Shore.

The accounting policies used in these segments is consistent with those followed in the preparation of the financial statements as disclosed in note 1. The following table provides additional financial information for the foregoing segments.

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 14. Segmented information (continued):

2019	General Government Services	Protective Services	Transportation Services	Environmental and Development services	Recreation and cultural services	Total
<b>Revenue:</b>						
Taxation	\$ 561,830	\$ 588,063	\$ 563,791	\$ 191,963	\$ 213,492	\$ 2,119,139
Government transfers	135,192	10,000	468,288	123,910	70,856	808,246
Sale of services	3,977	-	-	-	225,801	229,778
Licenses permits and other	13,292	50,069	854	12,648	-	76,863
Investment income	32,396	20,945	37,554	234	2,904	94,033
Donations and amenities	-	-	22,425	-	-	22,425
Other	18,089	21,057	-	-	83,597	122,743
<b>Total revenue</b>	<b>764,776</b>	<b>690,134</b>	<b>1,092,912</b>	<b>328,755</b>	<b>596,650</b>	<b>3,473,227</b>
<b>Expenses:</b>						
Contracted and general services	191,358	76,422	168,706	108,430	559,652	1,104,568
Wages and employee benefits	465,306	195,152	7,256	138,900	-	806,614
Materials, supplies and utilities	51,309	79,425	76,772	-	10,888	218,394
Council expenses	97,112	-	-	-	-	97,112
Grants	20,050	-	-	-	-	20,050
Interest	3,662	-	-	-	25,489	29,151
Amortization	6,797	131,345	709,456	183	83,734	931,515
<b>Total expenses</b>	<b>835,594</b>	<b>482,344</b>	<b>962,190</b>	<b>247,513</b>	<b>679,763</b>	<b>3,207,404</b>
<b>Annual surplus (deficit)</b>	<b>\$ (70,818)</b>	<b>\$ 207,790</b>	<b>\$ 130,722</b>	<b>\$ 81,242</b>	<b>\$ (83,113)</b>	<b>\$ 265,823</b>

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 14. Segmented information (continued):

2018	General Government Services	Protective Services	Transportation Services	Environmental and Development services	Recreation and cultural services	Total
<b>Revenue:</b>						
Taxation	\$ 468,150	\$ 534,536	\$ 519,892	\$ 177,016	\$ 196,869	\$ 1,896,463
Government transfers	133,453	55,023	298,144	61,575	58,912	607,107
Sale of services	6,114	-	-	-	213,131	219,245
Licenses, permits and other	14,173	71,636	26,042	10,776	-	122,627
Investment income	23,996	16,055	28,786	179	2,226	71,242
Donations and amenities	-	-	25,841	-	-	25,841
Other	40,312	18,053	-	19,163	54,053	131,581
<b>Total revenue</b>	<b>686,198</b>	<b>695,303</b>	<b>898,705</b>	<b>268,709</b>	<b>525,191</b>	<b>3,074,106</b>
<b>Expenses:</b>						
Contracted and general services	149,590	90,700	171,150	33,495	552,023	996,958
Wages and employee benefits	441,796	202,429	5,244	135,610	-	785,079
Materials, supplies and utilities	36,800	89,643	31,891	-	11,198	169,532
Council expenses	84,683	-	-	-	-	84,683
Grants	19,350	-	-	-	-	19,350
Interest	2,297	-	-	-	24,205	26,502
Amortization	5,195	119,535	709,482	183	81,087	915,482
<b>Total expenses</b>	<b>739,711</b>	<b>502,307</b>	<b>917,767</b>	<b>169,288</b>	<b>668,513</b>	<b>2,997,586</b>
<b>Annual surplus (deficit)</b>	<b>\$ (53,513)</b>	<b>\$ 192,996</b>	<b>\$ (19,062)</b>	<b>\$ 99,421</b>	<b>\$ (143,322)</b>	<b>\$ 76,520</b>

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 15. Subsequent events:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This situation presents uncertainty over the District's future cash flows, and may have a significant impact on the District's future operations. Potential impacts on the District's business could include future decreases in revenue, future increases in expenses, impairment of receivables, impairment of investments or reduction in investment income, and delays in completing capital project work. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect on the District is not practicable at this time.