

Consolidated Financial Statements of

**DISTRICT OF HIGHLANDS**

Year ended December 31, 2017

# DISTRICT OF HIGHLANDS

## Consolidated Financial Statements

Year ended December 31, 2017

### Index:

Management's Responsibility for the Consolidated Financial Statements	1
Independent Auditors' Report	2
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Change in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8

## **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.

  
*Louise Hiltner*  
Chief Administrative Officer - Treasurer



KPMG LLP  
St. Andrew's Square II  
800-730 View Street  
Victoria BC V8W 3Y7  
Canada  
Telephone (250) 480-3500  
Fax (250) 480-3539

## 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, 2017, 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



*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, 2017, and its consolidated results of operations, its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Comparative Information*

Without modifying our opinion, we draw attention to note 14 to the consolidated financial statements which indicates that the comparative information presented as at and for the year ended December 31, 2016 has been restated.

*KPMG LLP*

Chartered Professional Accountants

Victoria, Canada

May 7, 2018

# DISTRICT OF HIGHLANDS

## Consolidated Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016 (restated - note 14)
<b>Financial assets:</b>		
Cash and cash equivalents	\$ 4,074,293	\$ 3,743,728
Accounts receivable (note 2)	120,539	94,483
Taxes receivable	51,039	108,895
Other assets	24,915	22,494
	<u>4,270,786</u>	<u>3,969,600</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	385,788	497,398
Security deposits	35,369	35,626
Accrued payroll expenses	12,323	13,788
Deferred revenue (note 3)	85,896	71,424
Long-term debt (note 4)	710,604	786,619
	<u>1,229,980</u>	<u>1,404,855</u>
<b>Net financial assets</b>	<b>3,040,806</b>	<b>2,564,745</b>
<b>Non-financial assets:</b>		
Tangible capital assets (note 5)	38,822,185	39,285,153
Prepaid expenses	8,266	10,271
	<u>38,830,451</u>	<u>39,295,424</u>
Commitments and contingencies (note 11)		
<b>Accumulated surplus (note 6)</b>	<b>\$ 41,871,257</b>	<b>\$ 41,860,169</b>

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, 2017, with comparative information for 2016

	Financial plan (note 12)	2017	2016
<b>Revenue:</b>			
Taxation, net (note 7)	\$ 1,809,931	\$ 1,831,691	\$ 1,772,076
Government transfers (note 8)	528,630	533,064	535,538
Sale of services	222,929	190,474	213,760
Licenses, permits and other	73,583	93,740	173,273
Investment income	3,700	17,506	22,699
Donations and amenities	47,500	78,447	383,716
Other	73,663	112,771	85,707
Actuarial adjustment on debt	-	15,130	13,314
	<u>2,759,936</u>	<u>2,872,823</u>	<u>3,200,083</u>
<b>Expenses (note 9):</b>			
General government services	738,500	720,833	742,839
Protective services	494,349	467,404	441,681
Transportation services	968,849	913,610	925,764
Environmental development services	247,750	151,569	149,600
Recreation and cultural services	659,654	608,319	597,357
	<u>3,109,102</u>	<u>2,861,735</u>	<u>2,857,241</u>
Annual surplus (deficit)	(349,166)	11,088	342,842
Accumulated surplus, beginning of year (restated - note 14)	41,860,169	41,860,169	41,517,327
Accumulated surplus, end of year	<u>\$ 41,511,003</u>	<u>\$ 41,871,257</u>	<u>\$ 41,860,169</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, 2017, with comparative information for 2016

	Financial plan (note 12)	2017	2016
Annual surplus	\$ (349,166)	\$ 11,088	\$ 342,842
Acquisition of tangible capital assets	(521,650)	(428,885)	(516,197)
Amortization of tangible capital assets	875,852	903,411	920,257
Developer contributions of tangible capital assets	-	(11,558)	(306,600)
Loss on disposal of tangible capital assets	-	-	29,335
Change in proportionate share of West Shore	-	-	23,252
	354,202	462,968	150,047
Change in prepaid expenses	-	2,005	(4,175)
Change in net financial assets	5,036	476,061	488,714
Net financial assets, beginning of year	2,564,745	2,564,745	2,076,031
Net financial assets, end of year	\$ 2,569,781	\$ 3,040,806	\$ 2,564,745

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



# DISTRICT OF HIGHLANDS

## Consolidated Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
<b>Operating activities:</b>		
Annual surplus	\$ 11,088	\$ 342,842
Items not involving cash:		
Amortization of tangible capital assets	903,411	920,257
Developer contributions of tangible capital assets	(11,558)	(306,600)
Loss on disposal of tangible capital assets	-	29,335
Change in proportionate share of West Shore	-	23,252
Actuarial adjustment on debt	(15,130)	(13,314)
Changes in non-cash operating assets and liabilities:		
Accounts receivable	(26,056)	16,432
Taxes receivable	57,856	27,365
Other financial assets	(2,421)	(5,014)
Accounts payable and accrued liabilities	(111,610)	127,832
Accrued payroll expenses	(1,465)	13,598
Security deposits	(257)	21,862
Deferred revenue	14,472	7,251
Prepaid expenses	2,005	(4,175)
	820,335	1,200,923
<b>Capital activities:</b>		
Acquisition of tangible capital assets	(428,885)	(516,197)
	(428,885)	(516,197)
<b>Financing activities:</b>		
Debt issued	-	500,000
Capital lease payments	-	(2,033)
Debt repaid	(60,885)	(17,269)
	(60,885)	480,698
Increase in cash and cash equivalents	330,565	1,165,424
Cash and cash equivalents, beginning of year	3,743,728	2,578,304
Cash and cash equivalents, end of year	\$ 4,074,293	\$ 3,743,728
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 24,205	\$ 16,297
Cash received from interest	17,506	22,699

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

# DISTRICT OF HIGHLANDS

## Notes to Consolidated Financial Statements

Year ended December 31, 2017

---

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, 2017

---

## 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, 2017

---

## 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, 2017

---

## 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, 2017

---

## 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:

	2017	2016
Amenities receivable	\$ 4,483	\$ 1,945
Grants receivable	-	29,167
GST receivable	28,089	34,663
Trade receivables	87,967	28,708
	<u>\$ 120,539</u>	<u>\$ 94,483</u>

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

### 3. Deferred revenue:

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

	2017	2016
Prepaid taxes and other	\$ 37,542	\$ 31,474
West Shore	48,354	39,950
<b>Total deferred revenue</b>	<b>\$ 85,896</b>	<b>\$ 71,424</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 2017	Balance 2016
		West Shore						
81	186	arena	2024	\$ 571,021	\$ 316,489	2.9%	\$ 254,532	\$ 286,619
139	382	Fire hall bay and tender	2026	500,000	43,928	1.3%	456,072	500,000
				<b>\$1,071,021</b>	<b>\$ 360,417</b>		<b>\$ 710,604</b>	<b>\$ 786,619</b>

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

---

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

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

	Total
2018	\$ 60,884
2019	60,884
2020	60,884
2021	60,884
2022	60,884
Thereafter	406,184

---

(c) Interest expense:

Total interest expense during the year was \$26,218 (2016 - \$18,330). 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, 2017

## 5. Tangible capital assets:

	Land	Park improvements	Buildings	Vehicles and equipment	Engineering structures	Assets under construction	Total 2017	Total 2016
<b>Cost:</b>								(restated - note 14)
Balance, beginning of year	\$9,674,318	420,793	5,019,571	2,355,117	36,503,425	74,007	\$54,047,231	\$53,284,334
Additions	11,558	-	254,987	28,707	83,676	61,515	440,443	762,897
Disposals, transfers and change in cost share	-	-	73,657	-	-	(73,657)	-	-
Balance, end of year	9,685,876	420,793	5,348,215	2,383,824	36,587,101	61,865	54,487,674	54,047,231
<b>Accumulated amortization:</b>								
Balance, beginning of year	-	80,846	768,800	1,308,772	12,603,660	-	14,762,078	13,849,134
Disposals and change in cost share	-	-	-	-	-	-	-	(7,313)
Amortization	-	6,268	93,040	93,626	710,477	-	903,411	920,257
Balance, end of year	-	87,114	861,840	1,402,398	13,314,137	-	15,665,489	14,762,078
<b>Net book value, end of year</b>	<b>\$9,685,876</b>	<b>333,679</b>	<b>4,486,375</b>	<b>981,426</b>	<b>23,272,964</b>	<b>61,865</b>	<b>\$38,822,185</b>	<b>\$39,285,153</b>

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

---

## 5. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction totaling \$61,865 (2016 - \$74,007) have not been amortized. Amortization of these assets will commence when the asset is available for service.

(b) Contributed tangible capital assets:

There were \$11,558 (2016 - \$306,600) of contributed assets recognized during the year, consisting of land.

(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, 2017

## 6. Accumulated surplus:

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

	2017	2016
<b>Surplus:</b>		
Equity in tangible capital assets (as restated - note 14)	\$ 38,111,581	\$ 38,498,534
Operating	1,537,155	1,400,421
	<u>39,648,736</u>	<u>39,898,955</u>
<b>Reserve funds set aside for specific purposes by Council:</b>		
Fire capital works and equipment	573,218	371,527
Park acquisition/development	4,784	4,738
Roads reserve	910,217	988,652
General reserve for future expenditures	34,815	34,478
Land sales	105	104
Capital works and community hall	147,477	146,048
West Shore reserves	48,970	48,970
Library major asset maintenance	10,698	8,294
Gas Tax Agreement funds	319,372	174,134
Community gardens	11,694	24,659
Community hall	161,171	159,610
	<u>2,222,521</u>	<u>1,961,214</u>
	<u>\$ 41,871,257</u>	<u>\$ 41,860,169</u>

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

## 7. Taxation:

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

	2017	2016
General tax levy	\$ 3,531,682	\$ 3,501,120
1% utility taxes	31,722	30,532
	<u>3,563,404</u>	<u>3,531,652</u>
Less taxes levied for other authorities:		
School authorities	1,095,346	1,123,245
Police tax	138,242	132,992
Capital Regional District	174,138	168,215
Capital Regional Hospital District	159,281	159,242
BC Assessment Authority	27,304	30,155
BC Transit	137,279	145,618
Municipal Finance Authority	123	109
	<u>1,731,713</u>	<u>1,759,576</u>
	<u>\$ 1,831,691</u>	<u>\$ 1,772,076</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:

	2017	2016
Small communities and equalization payments	\$ 376,661	\$ 364,649
Federal Gas Tax Agreement funds	143,174	141,931
Other	13,229	28,958
	<u>\$ 533,064</u>	<u>\$ 535,538</u>

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

## 9. Classification of expense by object:

	2017	2016
Contracted and general services	\$ 682,394	\$ 716,098
Wages and employee benefits	728,278	699,791
Materials, supplies and utilities	432,914	399,580
Council expenses	69,454	61,533
Grants	19,066	18,400
Interest	26,218	18,330
Amortization	903,411	920,257
Change in proportionate share of West Shore	-	23,252
<b>Total expense by object</b>	<b>\$ 2,861,735</b>	<b>\$ 2,857,241</b>

## 10. 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 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. As at December 31, 2017, the plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 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, 2015, indicated a \$2,224 million funding surplus for basic pension benefits.

The next valuation will be as at December 31, 2018, with results available in 2019. 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 with the result that there is no consistent and reliable basis for allocation the obligation, assets and the costs to the individual employers participating in the Plan.

The District paid \$47,624 (2016 - \$47,388) for employer contributions and District employees paid \$42,887 (2016 - \$42,877) employee contributions to the plan in fiscal 2017.

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

---

## 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.
- (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, 2017 there were contingent demand notes of \$38,857 (2016 - \$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.

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

## 12. Financial plan data:

The financial plan data presented in these consolidated financial statements is based upon the 2017 operating and capital budgets approved by Council on May 8, 2017, 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
<b>Revenues:</b>	
Financial plan, as approved by Council	\$ 2,536,667
West Shore	223,269
	<u>2,759,936</u>
<b>Expenses:</b>	
Financial plan, as approved by Council	2,882,961
West Shore	226,141
	<u>3,109,102</u>
<b>Annual deficit</b>	<b>\$ (349,166)</b>

## 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 West Shore.

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 2017, the District's share of improvements purchased by West Shore on its behalf are \$4,911 (2016 - \$11,004).

# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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

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

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 2017, there was no change to the District's cost share (2016 - loss of \$23,252).

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 2017, the District's proportion for consolidation purposes was 3.57% (2016 - 3.57%). Condensed financial information for West Shore is as follows:

### (b) Consolidation:

	2017	2016
Financial assets	\$ 3,501,452	\$ 3,356,046
Financial liabilities	2,260,252	2,065,793
Net financial assets	1,241,200	1,290,253
Non-financial assets	976,001	996,842
Accumulated surplus	\$ 2,217,201	\$ 2,287,095
Revenues	\$ 5,639,648	\$ 6,210,461
Requisition for members	4,968,939	4,968,945
	10,608,587	11,179,406
Expenses	5,709,542	5,820,785
Requisition for members	4,968,939	4,968,945
	10,678,481	10,789,730
Annual surplus (deficit)	\$ (69,894)	\$ 389,676



# DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

---

## 14. Prior period adjustment:

During the year, the District received notification from BC Assessment of ownership of 8 additional parkland properties valued at \$1,411,400. The District received parklands through developer contributions which had been incorrectly included as parklands owned by the Province of BC at the time of donation prior to 2016. The adjustment resulted in an increase at January 1, 2016 in accumulated surplus from \$40,105,927 to \$41,517,327, an increase to land tangible capital assets from \$7,956,318 to \$9,367,718 and an increase in equity in tangible capital assets from \$37,087,134 to \$38,498,534.

