

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

5. Tangible capital assets (continued):

(a) Assets under construction:

As at December 31, 2020 there was \$275,784 of assets under construction yet to be amortized (2019 - \$nil). 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 (2019 - \$nil).

(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, 2020

6. Accumulated surplus:

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

	2020	2019
Surplus:		
Equity in tangible capital assets	\$ 37,028,276	\$ 37,112,740
Operating	1,466,666	1,440,114
	<u>38,494,942</u>	<u>38,552,854</u>
Reserve funds set aside for specific purposes by Council:		
Fire capital works and equipment	863,057	912,636
Park acquisition/development	19,284	17,140
Roads reserve	1,140,502	1,023,314
General reserve for future expenditures	296,188	275,857
Land sales	110	109
Capital works	185,083	181,211
West Shore reserves	48,970	48,970
Library major asset maintenance	15,118	12,109
Gas Tax Agreement funds	322,339	540,275
Community hall	146,089	137,925
Snow reserve	122,850	61,626
Financial stability reserve	383,118	331,053
Bridge replacement reserve	39,243	11,149
Groundwater and drainage reserve	85,272	10,186
Heritage structure reserve	25,331	17,186
West Shore Recreation	16,135	16,000
Park facilities replacement	72,541	64,000
COVID-19 Restart Grant	778,894	-
	<u>4,560,124</u>	<u>3,660,746</u>
	<u>\$ 43,055,066</u>	<u>\$ 42,213,600</u>

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

7. Taxation:

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

	2020	2019
General tax levy	\$ 4,101,011	\$ 4,068,357
1% utility taxes	36,715	36,379
	4,137,726	4,104,736
Less taxes levied for other authorities:		
School authorities	1,207,114	1,239,331
Police tax	176,399	165,665
Capital Regional District	232,607	214,576
Capital Regional Hospital District	163,696	174,380
BC Assessment Authority	35,737	32,609
BC Transit	170,852	158,870
Municipal Finance Authority	168	166
	1,986,573	1,985,597
	\$ 2,151,153	\$ 2,119,139

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:

	2020	2019
Small communities and equalization payments	\$ 397,528	\$ 395,284
Federal Gas Tax Agreement	148,824	297,581
COVID-19 Restart Grant	897,000	-
Other	72,950	115,381
	\$ 1,516,302	\$ 808,246

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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, 2019, the plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 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 \$52,114 (2019 - \$51,901) for employer contributions while employees contributed \$45,844 (2019 - \$46,104) to the plan in fiscal 2020.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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, 2020 there were contingent demand notes of \$38,858 (2019 - \$38,858) 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 contract with Victoria Contracting and Municipal Maintenance Corporation in relation to the Highway Maintenance contract. 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, 2020

11. Financial plan data:

The financial plan data presented in these consolidated financial statements is based upon the 2020 operating and capital budgets approved by Council on April 28, 2020, 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	\$ 2,953,875
West Shore	223,604
	<u>3,177,479</u>
Expenses:	
Financial plan, as approved by Council	3,155,705
West Shore	211,376
	<u>3,367,081</u>
Annual deficit	<u>\$ (189,602)</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 2020, the District's share of improvements purchased by West Shore on its behalf are \$53,521 (2019 - \$24,676).

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 2020, there was a decrease to the District's cost share of \$54,536 (2019 - increase of \$28,316).

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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 2020, the District's proportion for consolidation purposes was 3.52% (2019 - 3.65%).

(b) Condensed financial information for West Shore:

	2020	2019
Financial assets	\$ 4,767,787	\$ 3,480,294
Financial liabilities	4,211,496	2,362,813
Net financial assets	556,291	1,117,481
Non-financial assets	1,042,698	1,308,209
Accumulated surplus	\$ 1,598,989	\$ 2,425,690
Revenues	\$ 4,439,706	\$ 7,330,284
Requisition for members	5,071,039	4,947,539
	9,510,745	12,277,823
Expenses	5,266,407	7,337,752
Requisition for members	5,071,039	4,947,539
	10,337,446	12,285,291
Annual deficit	\$ (826,701)	\$ (7,468)

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

13. 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:

(a) 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.

(b) 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.

(c) 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.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

13. Segmented information (continued):

(d) 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.

(e) 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 consolidated 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, 2020

13. Segmented information (continued):

2020	General Government Services	Protective Services	Transportation Services	Environmental and Development services	Recreation and cultural services	Total
Revenue:						
Taxation	\$ 515,831	\$ 595,755	\$ 636,670	\$ 178,476	\$ 224,421	\$ 2,151,153
Government transfers	429,316	19,125	706,962	148,542	212,357	1,516,302
Sale of services	5,526	-	-	-	119,411	124,937
Licenses permits and other	10,799	78,373	3,321	13,422	-	105,915
Investment income	14,990	10,004	17,937	111	1,387	44,429
Donations and amenities	-	-	22,421	-	-	22,421
Other	14,045	24,299	-	-	41,012	79,356
Total revenue	990,507	727,556	1,387,311	340,551	598,588	4,044,513
Expenses:						
Contracted and general services	198,228	151,436	203,293	128,185	473,762	1,154,904
Wages and employee benefits	459,761	188,771	4,270	144,688	-	797,490
Materials, supplies and utilities	50,004	68,741	64,313	-	12,911	195,969
Council expenses	91,112	-	-	-	-	91,112
Grants	20,480	-	-	-	-	20,480
Interest	2,881	-	-	-	26,774	29,655
Amortization	6,772	119,125	701,534	183	85,823	913,437
Total expenses	829,238	528,073	973,410	273,056	599,270	3,203,047
Annual surplus (deficit)	\$ 161,269	\$ 199,483	\$ 413,901	\$ 67,495	\$ (682)	\$ 841,466

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

13. Segmented information (continued):

2019	General Government Services	Protective Services	Transportation Services	Environmental and Development services	Recreation and cultural services	Total
Revenue:						
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
Total revenue	764,776	690,134	1,092,912	328,755	596,650	3,473,227
Expenses:						
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
Total expenses	835,594	482,344	962,190	247,513	679,763	3,207,404
Annual surplus (deficit)	\$ (70,818)	\$ 207,790	\$ 130,722	\$ 81,242	\$ (83,113)	\$ 265,823

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

14. COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian Federal and Provincial governments, enacting emergency measures to combat the spread of the virus. The current economic climate may have a direct impact on the Districts' operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the district is not known at this time. There have been no significant adverse impacts on the district to date.

DISTRICT OF HIGHLANDS

COVID-19 Safe Restart Grant Schedule

Year ended December 31, 2020
(Unaudited)

On November 19, 2020, the District received a COVID-19 Safe Restart Grant from the Province of British Columbia to help address the fiscal impacts of COVID-19. The grant was recognized as revenue when received and transferred to an operating reserve to fund future eligible expenditures.

Safe Restart Grant received	\$	897,000
Use of funds:		
Revenue shortfalls		(28,540)
COVID-19 related costs		(89,566)
Balance, December 31, 2020	\$	778,894
