

DRAFT Consolidated Financial Statements of

DISTRICT OF HIGHLANDS

Year ended December 31, 2022

DISTRICT OF HIGHLANDS

Consolidated Financial Statements

DRAFT

Year ended December 31, 2022

Index:

Management's Responsibility for the Consolidated Financial Statements	1
Independent Auditor's Report	2
Consolidated Statement of Financial Position	5
Consolidated Statement of Operations	6
Consolidated Statement of Change in Net Financial Assets	7
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements	9

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 Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the District's consolidated financial statements.

Chief Administrative Officer - Treasurer

INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022 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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's report. However, future events or conditions may cause the District to cease to continue as a going concern.



District of Highlands

- 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.

Chartered Professional Accountants

Victoria, Canada

_____, 2023

DISTRICT OF HIGHLANDS

Consolidated Statement of Financial Position

DRAFT

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 7,432,546	\$ 6,484,107
Accounts receivable (note 2)	113,995	176,027
Taxes receivable	45,500	168,629
Restricted cash	32,018	27,706
	<u>7,624,059</u>	<u>6,856,469</u>
Financial liabilities:		
Accounts payable and accrued liabilities	666,494	501,583
Security deposits	79,380	65,879
Accrued payroll expenses	10,358	12,748
Deferred revenue (note 3)	199,280	148,888
Long-term debt (note 4)	284,223	376,099
	<u>1,239,735</u>	<u>1,105,197</u>
Net financial assets	6,384,324	5,751,272
Non-financial assets:		
Tangible capital assets (note 5)	37,202,518	37,552,066
Prepaid expenses	7,805	6,946
	<u>37,210,323</u>	<u>37,559,012</u>
Commitments and contingencies (note 10)		
Accumulated surplus (note 6)	<u>\$ 43,594,647</u>	<u>\$ 43,310,284</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

DRAFT

Year ended December 31, 2022, with comparative information for 2021

	Financial plan (note 11)	2022	2021
Revenue:			
Taxation, net (note 7)	\$ 2,394,500	\$ 2,396,577	\$ 2,309,242
Government transfers (note 8)	908,029	727,614	864,275
Sale of services	215,361	232,944	170,736
Other	46,577	94,513	75,310
Licenses, permits and other	77,200	76,096	131,104
Investment income	25,000	145,180	11,727
Donations and amenities	-	-	123,461
Actuarial adjustment on debt	-	30,992	27,559
	<u>3,666,667</u>	<u>3,703,916</u>	<u>3,713,414</u>
Expenses:			
Transportation services	1,210,300	1,065,269	1,031,307
General government services	1,084,000	938,234	824,542
Recreation and cultural services	696,397	680,180	712,191
Protective services	663,400	535,553	645,230
Environmental development services	261,600	200,317	244,926
	<u>3,915,697</u>	<u>3,419,553</u>	<u>3,458,196</u>
Annual surplus (loss)	(249,030)	284,363	255,218
Accumulated surplus, beginning of year	43,310,284	43,310,284	43,055,066
Accumulated surplus, end of year	<u>\$ 43,061,254</u>	<u>\$ 43,594,647</u>	<u>\$ 43,310,284</u>

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

DISTRICT OF HIGHLANDS

Consolidated Statement of Change in Net Financial Assets

DRAFT

Year ended December 31, 2022, with comparative information for 2021

	Financial plan (note 11)	2022	2021
Annual surplus (loss)	\$ (249,030)	\$ 284,363	\$ 255,218
Acquisition of tangible capital assets	(906,547)	(457,965)	(1,095,750)
Amortization of tangible capital assets	875,800	879,193	936,851
Loss on disposal of tangible capital assets	-	-	2,930
Proceeds on disposal of tangible capital assets	-	-	25,000
Change in West Shore tangible capital assets	-	(71,680)	71,721
	(30,747)	349,548	(59,248)
Change in prepaid expenses	-	(859)	1,954
Change in net financial assets	(279,777)	633,052	197,924
Net financial assets, beginning of year	5,751,272	5,751,272	5,553,348
Net financial assets, end of year	\$ 5,471,495	\$ 6,384,324	\$ 5,751,272

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

DISTRICT OF HIGHLANDS

Consolidated Statement of Cash Flows

DRAFT

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 284,363	\$ 255,218
Items not involving cash:		
Amortization of tangible capital assets	879,193	936,851
Contributions of tangible capital assets	-	(110,000)
Loss on disposal of tangible capital assets	-	2,930
Change in West Shore	(71,680)	71,721
Actuarial adjustment on debt	(30,992)	(27,559)
Changes in non-cash operating assets and liabilities:		
Accounts receivable	62,032	(68,262)
Taxes receivable	123,129	(116,745)
Restricted cash	(4,312)	2,582
Accounts payable and accrued liabilities	164,911	(673,538)
Accrued payroll expenses	(2,390)	1,177
Security deposits	13,501	18,717
Deferred revenue	50,392	(35,321)
Prepaid expenses	(859)	1,954
	1,467,288	259,725
Capital activities:		
Acquisition of tangible capital assets	(457,965)	(985,750)
Proceeds on disposal of tangible capital assets	-	25,000
	(457,965)	(960,750)
Financing activities:		
Debt repaid	(60,884)	(60,884)
Increase (decrease) in cash and cash equivalents	948,439	(761,909)
Cash and cash equivalents, beginning of year	6,484,107	7,246,016
Cash and cash equivalents, end of year	\$ 7,432,546	\$ 6,484,107
Supplemental cash flow information:		
Cash paid for interest	\$ 29,596	\$ 29,854
Cash received from interest	145,180	11,727

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

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements

DRAFT

Year ended December 31, 2022

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)

DRAFT

Year ended December 31, 2022

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.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2022

1. Significant accounting policies (continued):

(i) Employee future benefits:

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

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

(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)

DRAFT

Year ended December 31, 2022

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)

DRAFT

Year ended December 31, 2022

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. 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:

	2022	2021
Amenities receivable	\$ 6,091	\$ 2,999
Grants receivable	30,569	21,583
GST receivable	46,211	41,435
Trade receivables	31,124	110,010
	<u>\$ 113,995</u>	<u>\$ 176,027</u>

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2022

3. Deferred revenue:

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

	2022	2021
Prepaid taxes and other	\$ 124,060	\$ 91,029
West Shore	75,220	57,859
Total deferred revenue	\$ 199,280	\$ 148,888

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 2022	Balance 2021
		West Shore						
81	186	arena	2024	\$ 571,021	\$ 502,659	2.9%	\$ 68,362	\$ 109,314
139	382	Fire hall bay and tender	2026	500,000	284,139	2.1%	215,861	266,785
				\$1,071,021	\$ 786,798		\$ 284,223	\$ 376,099

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2022

4. Long-term debt (continued):

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

	Total
2023	\$ 93,639
2024	97,280
2025	55,250
2026	38,054
Total	284,223

- (c) Interest expense:

Total interest expense on long-term debt during the year was \$26,774 (2021 - \$26,774). 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, 2022

5. Tangible capital assets:

	Land	Park improvements	Buildings	Vehicles and equipment	Engineering structures	Assets under construction	Total 2022	Total 2021
Cost:								
Balance, beginning of year	\$ 9,795,876	470,845	5,559,528	2,883,133	37,576,268	35,161	56,320,811	55,569,151
Additions	-	-	21,926	56,053	365,567	14,419	457,965	1,095,750
Disposals, transfers and change in cost share	-	-	98,345	(31,179)	-	-	67,166	(344,090)
Balance, end of year	9,795,876	470,845	5,679,799	2,908,007	37,941,835	49,580	56,845,942	56,320,811
Accumulated amortization:								
Balance, beginning of year	-	120,438	1,227,693	1,265,956	16,154,658	-	18,768,745	18,076,333
Disposals and change in cost share	-	-	28,224	(32,738)	-	-	(4,514)	(244,439)
Amortization	-	10,117	111,314	120,476	637,286	-	879,193	936,851
Balance, end of year	-	130,555	1,367,231	1,353,694	16,791,944	-	19,643,424	18,768,745
Net book value, end of year	\$ 9,795,876	340,290	4,312,568	1,554,313	21,149,891	49,580	37,202,518	37,552,066

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2022

5. Tangible capital assets (continued):

(a) Assets under construction:

As at December 31, 2022 there was \$49,580 of assets under construction yet to be amortized (2021 - \$35,161). 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 (2021 - \$110,000).

(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) Disposals and write-down of tangible capital assets:

During the year the District disposed of \$39,724 of fully amortized equipment (2021 - disposed of equipment with a net book value of \$27,930). No write-down of tangible capital assets occurred during the year.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2022

6. Accumulated surplus:

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

	2022	2021
Surplus:		
Equity in tangible capital assets	\$ 36,918,295	\$ 37,175,967
Operating	1,665,880	1,600,812
	<u>38,584,175</u>	<u>38,776,779</u>
Reserve funds set aside for specific purposes by Council:		
Fire capital works and equipment	1,069,678	756,441
Park acquisition/development	31,318	22,313
Roads reserve	1,087,753	1,219,408
General reserve for future expenditures	328,447	311,396
Land sales	112	110
Capital works	234,063	210,105
West Shore reserves	48,970	48,970
Library major asset maintenance	16,245	12,277
Gas Tax Agreement funds	320,019	303,301
Community hall	154,857	153,311
Snow reserve	125,824	123,038
Financial stability reserve	450,574	391,704
Bridge replacement reserve	50,306	44,303
Groundwater and drainage reserve	248,699	101,403
Heritage structure reserve	77,692	58,370
West Shore Recreation	-	16,160
Park facilities replacement	103,250	92,652
COVID-19 Restart Grant	602,962	668,243
Climate resiliency reserve	59,703	-
	<u>5,010,472</u>	<u>4,533,505</u>
	<u>\$ 43,594,647</u>	<u>\$ 43,310,284</u>

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2022

7. Taxation:

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

	2022	2021
General tax levy	\$ 4,762,243	\$ 4,434,855
1% utility taxes	38,884	38,038
	4,801,127	4,472,893
Less taxes levied for other authorities:		
School authorities	1,499,760	1,349,894
Police tax	196,605	185,486
Capital Regional District	281,096	244,871
Capital Regional Hospital District	169,194	163,919
BC Assessment Authority	42,695	37,418
BC Transit	214,959	181,882
Municipal Finance Authority	241	181
	2,404,550	2,163,651
	\$ 2,396,577	\$ 2,309,242

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:

	2022	2021
Small communities and equalization payments	\$ 493,000	\$ 388,000
Federal Gas Tax Agreement	155,807	304,631
Other	78,807	177,164
	\$ 727,614	\$ 869,795

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2022

9. Pension plan:

The District and its employees contribute to the Municipal Pension 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, 2021, the plan has about 227,000 active members and approximately 118,000 retired members. Active members include approximately 42,000 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 actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

The District paid \$56,488 (2021 - \$57,160) for employer contributions while employees contributed \$52,241 (2021 - \$50,490) to the plan in fiscal 2022.

The next valuation will be as at December 31, 2024, with results available in 2025.

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.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2022

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, 2022 there were contingent demand notes of \$38,858 (2021 - \$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)

DRAFT

Year ended December 31, 2022

11. Financial plan data:

The financial plan data presented in these consolidated financial statements is based upon the 2022 operating and capital budgets approved by Council on May 9, 2022, 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	\$ 3,398,300
West Shore	268,367
	<u>3,666,667</u>
Expenses:	
Financial plan, as approved by Council	3,647,300
West Shore	268,397
	<u>3,915,697</u>
Annual deficit	<u>\$ (249,030)</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 2022, the District's share of improvements purchased by West Shore on its behalf are \$21,925 (2021 - \$184,604).

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 2022, there was an increase to the District's cost share of \$70,122 (2021 - \$70,133).

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2022

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 2022, the District's proportion for consolidation purposes was 3.51% (2021 - 3.36%).

(b) Condensed financial information for West Shore:

	2022	2021
Financial assets	\$ 5,425,730	\$ 4,128,433
Financial liabilities	3,297,679	2,755,185
Net financial assets	2,128,051	1,373,248
Non-financial assets	1,153,172	1,112,757
Accumulated surplus	\$ 3,281,223	\$ 2,486,005
Revenues	\$ 7,316,425	\$ 11,161,071
Requisition for members	5,879,262	5,268,638
	13,195,687	16,429,709
Expenses	6,521,207	10,274,055
Requisition for members	5,879,262	5,268,638
	12,400,469	15,542,693
Annual surplus	\$ 795,218	\$ 887,016

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2022

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)

DRAFT

Year ended December 31, 2022

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, 2022

13. Segmented information (continued):

	General Government Services	Protective Services	Transportation Services	Environmental and Development services	Recreation and cultural services	Total
2022						
Revenue:						
Taxation	\$ 610,723	\$ 651,961	\$ 697,741	\$ 131,086	\$ 305,066	\$ 2,396,577
Government transfers	172,580	8,721	412,059	37,043	97,211	727,614
Sale of services	5,904	-	-	-	227,040	232,944
Licenses permits and other	34,167	27,118	35	14,776	-	76,096
Investment income	48,509	32,410	47,990	7,535	8,736	145,180
Other	20,691	30,992	-	-	73,822	125,505
Total revenue	892,574	751,202	1,157,825	190,440	711,875	3,703,916
Expenses:						
Contracted and general services	217,382	97,825	277,743	44,441	546,710	1,184,101
Wages and employee benefits	537,659	198,540	7,277	155,693	-	899,169
Materials, supplies and utilities	52,104	98,137	142,963	-	11,841	305,045
Council expenses	100,004	-	-	-	-	100,004
Grants	22,445	-	-	-	-	22,445
Interest	2,822	-	-	-	26,774	29,596
Amortization	5,818	141,051	637,286	183	94,855	879,193
Total expenses	938,234	535,553	1,065,269	200,317	680,180	3,419,553
Annual surplus (deficit)	\$ (45,660)	\$ 215,649	\$ 92,556	\$ (9,877)	\$ 31,695	\$ 284,363

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

13. Segmented information (continued):

2021	General Government Services	Protective Services	Transportation Services	Environmental and Development services	Recreation and cultural services	Total
Revenue:						
Taxation	\$ 540,780	\$ 633,070	\$ 681,911	\$ 161,827	\$ 291,654	\$ 2,309,242
Government transfers	125,180	-	473,437	37,460	228,198	864,275
Sale of services	5,573	-	-	-	165,163	170,736
Licenses, permits and other	10,168	107,263	35	13,638	-	131,104
Investment income	5,289	1,779	3,934	238	487	11,727
Donations and amenities	-	-	13,461	-	110,000	123,461
Other	39,269	27,559	-	-	36,041	102,869
Total revenue	726,259	769,671	1,172,778	213,163	831,543	3,713,414
Expenses:						
Contracted and general services	171,576	222,525	245,467	96,665	590,617	1,326,850
Wages and employee benefits	499,539	191,738	6,448	148,078	-	845,803
Materials, supplies and utilities	38,626	104,957	59,342	-	10,871	213,796
Council expenses	83,882	-	-	-	-	83,882
Grants	21,160	-	-	-	-	21,160
Interest	3,080	-	-	-	26,774	29,854
Amortization	6,679	126,010	720,050	183	83,929	936,851
Total expenses	824,542	645,230	1,031,307	244,926	712,191	3,458,196
Annual surplus (deficit)	\$ (98,283)	\$ 124,441	\$ 141,471	\$ (31,763)	\$ 119,352	\$ 255,218

DISTRICT OF HIGHLANDS

DRAFT COVID-19 Safe Restart Grant Schedule

Year ended December 31, 2022

(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.

	2022	2021
COVID-19 Safe Restart Grant, beginning of year	\$ 668,243	\$ 778,904
COVID-19 Safe Restart Grant received	-	-
Eligible costs incurred:		
Revenue shortfalls	-	(28,080)
COVID-19 related costs and emergency preparedness	(60,288)	(83,796)
Capital costs	(20,346)	-
Interest allocation	15,353	1,215
COVID-19 Safe Restart Grant, end of year	\$ 602,962	\$ 668,243
