

**DISTRICT OF HIGHLANDS**

**2003 ANNUAL REPORT**



**Presented to Council:  
June 21, 2004**

**DISTRICT OF HIGHLANDS 2003 ANNUAL REPORT**  
**As presented to Municipal Council on June 21, 2004**

**1. INTRODUCTION**

Recent changes to Provincial legislation, specifically the implementation of the new *Community Charter* in January 2004 is the culmination of a number of years of legislative reform designed to provide greater transparency in local government decision making, recognize local government as a independent form of government; provide broader corporate powers to local governments and make the local governments more accountable. At the centre of the accountability provisions are the new requirements for preparation of an annual municipal report and a public meeting to present the report.

The purpose of the annual report is to provide financial and operational information for the previous year to the public. Under the provisions of the *Community Charter* standard financial information such as the audited financial statements and disclosure of the value of permissive tax exemptions must be provided. As well the municipality must include a *progress* report in relation to set objectives. The report must also set out future years objectives and the measures that will be used in determining progress towards those objectives.

However as this is the first year that an annual report is required under the *Charter*, transitional provisions allow for a “phase-in” of the implementation of the progress-reporting element of the annual report. The timetable established is as follows:

**June 2004 First Annual Report** – Progress report must contain statement of municipal objectives for 2005

**January 2005** – Develop and set measures for the 2005 objectives that were published in 2004 report

**June 2005 Second Annual Report** – Restatement of 2005 objectives along with measures to evaluate those objectives. Report must also contain objectives and associated measure for 2006

**January 2006** – Collect data in relation to measures established for 2005 to determine progress

**June 2006 Third Annual Report** (first full report) – Progress report for 2005; restate the 2006 objectives and measures (published in 2005 report) and statement of objectives and measure for 2007.

## **2. COUNCIL**

The current Mayor and Council were elected at the general election in November 2002. The Council assignments for 2003-2004 are as follows:

### **Mayor Karel Roessingh**

Mayor Roessingh is in his second term as Mayor and has previously served one term as Councillor. He currently serves as the Highlands representative on the Greater Victoria Public Library Board, Capital Regional District Arts Advisory Committee and Emergency Planning Committee and is responsible for publishing the Highlands News on a monthly basis.

### **Councillor Marie Brotherston**

Councillor Brotherston is in her first term as a Councillor. She currently serves as the Highlands representative on the Capital Regional District Board, Capital Region Emergency Service Telecommunications Board, is a Council member of the OCP Planning Coordinating Team and is the Council liaison to the Protective Services Advisory Committee and Highlands Emergency Planning Committee.

### **Councillor Ken Brotherston**

Councillor Brotherston is in his first term as a Councillor and is the Council liaison to the Parks, Trails and Recreation Advisory Committee.

### **Councillor Mark Cardinal**

Councillor Cardinal is in his third term as Councillor and is the Council liaison to the Administration and Finance Advisory Committee, a Council member of the OCP Planning Coordinating Team and the District's representative on the West Shore Parks and Recreation Society.

### **Councillor Joe Kadar**

Councillor Kadar is in his first term and is the Council liaison to the Advisory Planning Commission, is a Council member of the OCP Planning Coordinating Team and is the alternate representative to the Intermunicipal Committee on Disability Issues.

**Councillor Sandy McPherson**

Councillor McPherson is in her second term as Councillor. She is the Council representative to the Intermunicipal Committee on Disability Issues, the Greater Victoria Family Court Committee, Western Communities Community Policing Advisory Committee and is the alternate to the Capital Regional District Board. She also serves as the Council liaison to the Environmental Advisory Committee and is the Western Communities representative on the Solid Waste Advisory Committee of the Capital Regional District.

**Councillor Jane Mendum**

Councillor Mendum is in her second term as Councillor. She is the alternate representative to the Greater Victoria Public Library Board and is the Council liaison to the Roads Advisory Committee.

### **3. SERVICES**

#### **Fire Protection**

The District has a Fire Specified Area that covers most, but not all, of the municipality and the service is paid for by a *separate* property tax levy. There are a number of large undeveloped provincial and regional park lands that are outside of the fire protection area as well as a few large vacant privately owned parcels. There are only a couple of occupied properties not in the fire protection area. Our fire department is a volunteer department with about 30 members. The Fire Chief and Deputy Chief are each provided an annual stipend of \$6,000 and \$3,000 respectively. Individual firefighters receive no payment. The Firefighters Association is provided an annual grant of \$7,500, a significant portion of which is spent by the Association on fire equipment. We have two fire halls and six fire vehicles (two main pumpers, two mini pumpers, one tanker and one pickup).

Under the Municipal levy on taxes, the District of Highlands provides the following services to its residents:

#### **Animal Control**

The District contracts its animal control services to the Capital Regional District (CRD). The service includes dog licencing and control as well as any other animal related matters. The contract is for a 5 year term and expires in 2006. The contract provides that the District shares in the total cost for the animal control service with other participating areas and municipalities as if we were a participant in a regional service. The CRD therefore collects and keeps any dog licence fees and fines.

#### **Bylaw Enforcement**

The District has a fee for service contract with the CRD for Bylaw Enforcement Services. The current 5-year contract expires in 2006. Under the provisions of the contract we can call upon CRD Bylaw Enforcement staff at an hourly rate of \$68 to undertake any bylaw enforcement activity. Our use of CRD Bylaw Enforcement staff has decreased significantly since we engaged our own Building Inspector/Bylaw Enforcement Officer.

#### **Municipal Emergency Program**

The District has a small volunteer emergency program. Primary responsibility is emergency planning as well as some on site support for major fire events or search and rescue. The District has over the last couple of years acquired two emergency program vehicles. A used mini bus was purchased for \$3,000 in 2001 to be used as an on site support vehicle and a van was donated in 2003 to be used as a command post.

## **Library**

The District participates, along with most of the local municipalities, in the Greater Victoria Public Library system. The local branch is located at the Juan de Fuca recreation site in Colwood and is paid for jointly by Colwood, Highlands, Langford, and Metchosin. We also pay a portion of the central branch costs and our residents can access any branch in the Capital Region.

## **Recreation**

### *Juan de Fuca Recreation Centre*

The main recreation facility is located at the Juan de Fuca Recreation site in Colwood and consists of two arenas, an indoor pool, veladrome, playing fields, 9 hole golf course, seniors centre, etc. The facility is jointly owned by Colwood, Highlands, Langford and Metchosin and we operate it via a jointly owned Society. The Society has a joint Board of Directors and engages all of the recreation staff. Given the large geographical area of the Highlands, a number of our residents also use facilities in other municipalities, such as the District of Saanich, that are closer to their homes than the Juan de Fuca facilities.

### *Municipal Parks – Twinflower and others*

The District has a management agreement with the Highlands Parks and Recreation Association whereby they manage and maintain our active use municipal parks. The primary municipal park is Twinflower Park, which has a tot lot play ground, a non-regulation size ball field, and a horse-riding ring. The other primary active recreation park is Eagles Lake Park, which has a very small swimming beach and picnic area. The District pays for any capital cost or operating cost items.

### *Caleb Pike Homestead*

The District has a management agreement with the Highlands Heritage Parks Society whereby they operate and maintain the municipally owned Caleb Pike homestead. The homestead consists of Caleb Pike House, the Little Red Schoolhouse, a heritage orchard and the Gregory House which is used as a caretaker's residence.

## **Road Maintenance**

The maintenance of the District's 38 kilometers of paved roads is contracted out to Victoria Contracting and Municipal Maintenance Corporation. This five year contract expires in November 2004.

**Municipal taxes levied in 2003 to cover the cost of municipal services, including the above services, was \$692,000.**

In addition to the services listed above a number of bodies requisition the District annually and the District collects taxes on their behalf. These bodies, along with their 2003 requisition, are as follows:

School District (61, 62 & 63)	\$733,072
Capital Regional Hospital	\$ 63,189
Municipal Finance Authority	\$ 54
BC Assessment Authority	\$ 21,403
BC Transit	\$ 28,750
Capital Regional District	<u>\$100,876</u>
	\$947,344

**4. AUDITED FINANCIAL STATEMENTS**

See Appendix A

**5. STATEMENT OF PROPERTY TAX EXEMPTIONS**

Nil

**6. DECLARATION AND IDENTIFICATION OF DISQUALIFIED COUNCIL MEMBERS**

Nil

## **7. VOLUNTEERS**

Citizen involvement is an important element of maintaining a successful community as no community can succeed without the active participation of its volunteers. Many of the District's functions would not be possible without the collective efforts of the District, volunteers and residents.

Special recognition must be given to Chief Barry Ford and the members of the Highlands Fire Department for their continued and extraordinary efforts in making the Highlands a safer place to live.

### **DISTRICT OF HIGHLANDS VOLUNTEER FIRE DEPARTMENT**

Barry Ford, Chief  
Guy Brisebois, Deputy Chief  
Peter Schuttinga, Captain  
Diane Gill, Lieutenant  
Mandy Schuttinga, Lieutenant  
Ken Leason, Lieutenant  
Mark Montgomery, Lieutenant  
Dwayne Brideaux, Lieutenant  
Andrea Androsoff, Firefighter  
Dan Barcelo, Firefighter  
Max Bates, Junior Firefighter  
Joshua Baur, Firefighter  
Stew Bender, Firefighter  
Bob Brown, Firefighter  
Meara Fletcher, Junior Firefighter  
Gregg Fletcher, Firefighter  
Dean Ford, Firefighter  
John Howe, Firefighter  
Stephen Lester, Firefighter  
Trevor Newnham, Firefighter  
Bryce Patey, Firefighter  
Paul Reynolds, Firefighter  
Glen Ridout, Firefighter  
Ray Schuttinga, Junior Firefighter  
Garry Shade, Firefighter  
Andy Stewart, Probationary Firefighter  
Peter Talavs, Firefighter  
Robert Tuit, Firefighter  
Blair Veenstra, Firefighter  
Richard Warrington, Firefighter

The District is also fortunate to have a large number of volunteers who serve on advisory committees and commissions. Thank you to the following:

**ADMINISTRATION & FINANCE ADVISORY COMMITTEE**

Angela Aarts-Faris  
Kathy Chopik  
Bob McMinn  
Mark Montgomery  
Evelyn Samuel  
Rose Stanton  
Bill Vogel  
Paul Weyer

**ENVIRONMENT ADVISORY COMMITTEE**

Leslie Anderson  
Karen Burns  
Ken Faris  
Warren Lee  
Marcie McLean  
Stacey Verrin

**PARKS TRAILS & RECREATION ADVISORY COMMITTEE**

Ron Burke  
Sheila Herbert  
David Mackas  
Alan Philip  
Marian Taylor

**PROTECTIVE SERVICES ADVISORY COMMITTEE**

Mandy Schuttinga  
Peter Talavs  
Diana Maclaren

**ROADS ADVISORY COMMITTEE**

Stan Bukin  
John Chew  
Paul Curtis  
Jan Hoel  
Tara Parkinson  
Joseph Taylor

**ADVISORY PLANNING COMMISSION**

Michael Bocking  
Rod Glover  
Eleanor Rayner  
Colleen Robertson  
Derek Stone  
Sheila Taylor  
Kent Willner

**OFFICIAL COMMUNITY PLAN PLANNING COORDINATING TEAM**

Michael Bocking  
Elaine Limbrick  
Eleanor Rayner

**OFFICIAL COMMUNITY PLAN TOPIC GROUPS:**

**ECONOMIC**

Michael Bocking  
Al Pellett  
Colleen Robertson  
Marlene Tyshynski  
Kent Willner

**ENVIRONMENT**

Lyle Ferguson  
Marcie McLean  
Michelle Mahovich  
Eleanor Rayner  
Hans Waelti

**SOCIAL**

Rod Glover  
Elaine Limbrick  
Muriel Sibley  
Derek Stone  
Sheila Taylor

**COMMUNITY HALL TASK FORCE**

Daphne Allen  
Bob Flitton  
Verna Ford  
John Gallimore  
Peter Martin  
Marcie McLean  
Bob McMinn

## **8. STAFF**

Bruce Woodbury, Administrator  
Laurie Taylor, Deputy Clerk  
Heinz Burki, Building Inspector  
Sandi Chesley, Administrative Assistant  
Brigitte Lapierre, Accounting Clerk  
June Parker, Secretary/Receptionist/Cashier

## **9. STATEMENT OF OBJECTIVES FOR 2005**

Council set the following objectives which it hopes to accomplish in 2005.

### **1. Completion of implementation of recommendations from Corporate Review report**

During the period of April and May 2004 a Corporate review was conducted by G.B. Cuff & Associates. The purpose of the review was to provide Council and senior management with recommendations on the most effective organizational structure, council decision-making processes, advisory committee structure, and organizational and system requirements. At the time of the writing of this annual report, the final report has not yet been received from the consultant. It is difficult to determine how many of the recommendations can be implemented in 2004, however Council has indicated that any of the recommendations not implemented in 2004, should be done in 2005.

### **2. Review of Council compensation**

Currently the Mayor receives an annual indemnity of \$5500.00 and each Councillor receives \$3500.00. These amounts have not changed since 1993 when the District was incorporated. A review of Council compensation will be conducted in 2005 with any changes to be implemented after the election in the fall of 2005.

### **3. Review of regulatory bylaws related to new OCP**

At the time of the writing of this annual report it is anticipated the new OCP will be adopted prior to the end of 2004. Once it is adopted a review of the District's regulatory bylaws (i.e. Zoning and Subdivision) should be done so that these bylaws are in compliance with the OCP. At the same time a review, started in 2004, of all other bylaws will be completed.

**4. Community Facilities review including community hall, recreation facilities, Council Chambers and East Fire hall renovations**

The need for a community hall has been identified as a priority by Council for a number of years. As well the need for renovations to the east firehall and a council chambers has been identified. Council has established that community facilities be looked at as one issue with the specific needs and types identified and prioritized so that a plan can be established.

**5. Lobby for cleanup of polluted lands owned by the Crown and CRD**

While it is outside the jurisdiction of the District to demand that the CRD cleanup their contaminated lands on Millstream Road, the Council will continue their lobbying of the CRD and the Province in order to get the problem rectified.

**6. Establish policy for piped services and create regulatory bylaws and agreements related to piped services.**

It has been identified that future light industrial development along the south-east portion of Millstream road may require piped water service to be viable. Piped water would have to be obtained from the CRD and in order to do that the District would have to apply to the CRD to have that portion of the Highlands included in the service area. Should the District determine that it is desirable to have piped water service on the west side of Millstream Road, not only would the District have to apply to the CRD for inclusion in the service area but the CRD's Regional Growth Strategy would have to be amended as well. This could be a lengthy process.

Should it be necessary to obtain piped sewer services for the area in the south Highlands, the District would likely enter into an agreement with the City of Langford for use of their sewer system. No amendments would be required to the CRD's Regional Growth Strategy as the District would be considered a customer of Langford's.

# **APPENDIX A**

## **AUDITED FINANCIAL STATEMENTS FOR 2003**

Audited Financial Statements of

**DISTRICT OF HIGHLANDS**

Year ended December 31, 2003



## FINANCIAL REPORTING RESPONSIBILITY

The accompanying consolidated statements of the District of Highlands (the "District") are the responsibility of management. To ensure their integrity, objectivity and reliability, management has selected appropriate accounting policies that are consistent with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The consolidated financial statements necessarily include some amounts that are based on estimates and the judgment of management with appropriate consideration to materiality.

The District's accounting systems and related internal controls and supporting procedures are designed and maintained to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorized use or disposition. The procedures include training and selection of qualified staff, the establishment of an organizational structure that provides a defined division of responsibilities, accountability for performance and communication of standards of business conduct.

The Municipal Council oversees management's responsibilities for the financial reporting and internal control systems. Council meets periodically with management and the independent auditors to satisfy themselves that management's responsibilities are properly discharged, to review the consolidated financial statements and to approve the consolidated financial statements.

KPMG LLP, Chartered Accountants, the independent auditors appointed by the District have examined these financial statements and issued their report that follows. The auditors have full and unrestricted access to the Council to discuss their audit and their related findings as to integrity of the financial reporting process.



Clerk-Administrator-Treasurer



KPMG LLP  
Chartered Accountants  
St. Andrew's Square II  
800 - 730 View Street  
Victoria BC V8W 3Y7

Telephone (250) 480-3500  
Telefax (250) 480-3539  
www.kpmg.ca

## AUDITORS' REPORT TO THE MAYOR AND COUNCILLORS OF THE DISTRICT OF HIGHLANDS

We have audited the consolidated statement of financial position of the District of Highlands as at December 31, 2003 and the consolidated statements of financial activities and fund balances and changes in financial position and the statements of financial activities and fund balances of the operating funds, capital funds and reserve funds for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants

Victoria, Canada

March 19, 2004



## DISTRICT OF HIGHLANDS

### Consolidated Statement of Financial Position

### STATEMENT A

December 31, 2003, with comparative figures for 2002

	2003	2002
<b>Financial Assets</b>		
Cash	\$ 251,471	\$ 7,366
Property taxes receivable	59,926	57,903
Accounts receivable	106,038	32,576
Municipal Finance Authority debt reserve fund deposits (note 2)	12,445	18,625
	<u>429,880</u>	<u>116,470</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	326,585	102,662
Deferred revenue	36,395	25,214
Security deposits	319,700	8,100
Temporary borrowings (note 3)	-	50,000
Municipal Finance Authority debt reserve fund deposits (note 2)	12,445	18,625
Long-term debt (note 4)	97,568	114,520
	<u>792,683</u>	<u>319,121</u>
<b>Net financial liabilities</b>	<b>(362,803)</b>	<b>(202,651)</b>
Capital assets (note 5)	8,410,222	7,849,078
<b>Net financial liabilities and capital assets</b>	<b>\$ 8,047,419</b>	<b>\$ 7,646,427</b>

### Municipal Position

Fund balances (deficit):		
Operating Funds (Statement D)	\$ (69,994)	\$ (227,395)
Capital Funds (Statement E)	(496,515)	(103,983)
Reserve Funds (Statement F)	301,264	243,247
Total fund balances (deficit)	<u>(265,245)</u>	<u>(88,131)</u>
Equity in capital assets (note 6)	8,312,664	7,734,558
Contingent liabilities (note 10)		
<b>Total municipal position</b>	<b>\$ 8,047,419</b>	<b>\$ 7,646,427</b>

See accompanying notes to financial statements.

Treasurer

## DISTRICT OF HIGHLANDS

### Consolidated Statement of Financial Activities and Fund Balances

### STATEMENT B

Year ended December 31, 2003, with comparative figures for 2002

	Actual 2003	Budget 2003	Actual 2002
<b>Revenue:</b>			
Net taxes available for municipal purposes (note 7)	\$ 887,178	\$ 890,539	\$ 843,176
Grants in lieu of taxes and utility taxes	-	-	2,868
Government transfers (note 8)	172,375	153,084	381,558
Sales of services	143,157	4,700	2,694
Licences, permits and other	197,852	109,860	127,752
Investment income	28,568	19,000	10,295
Gain on sale of capital assets	29,500	-	-
Donations	2,530	-	-
Other income	21,739	-	-
Debt principal reduced by actuarial adjustments	6,048	-	5,241
West Shore Parks and Recreation	-	-	2,011,616
	<u>1,488,947</u>	<u>1,177,183</u>	<u>3,365,200</u>
<b>Expenditure (note 9):</b>			
General government services	560,426	506,950	537,692
Protective services	120,728	171,608	125,172
Transportation services	163,457	184,500	471,891
Environmental development services	56,432	37,000	23,601
Recreation and cultural services	775,995	299,336	2,202,819
	<u>1,677,038</u>	<u>1,199,394</u>	<u>3,361,175</u>
Excess (deficiency) of revenue over expenditure	(188,091)	(22,211)	4,025
Temporary debt repayments	-	-	(236,100)
Debt principal repayment	(10,914)	(88,865)	(10,914)
Debt principal reduced by actuarial adjustments	(5,048)	-	(5,241)
	<u>(16,962)</u>	<u>(88,865)</u>	<u>(252,255)</u>
Change in fund balances	(205,053)	(111,076)	(248,230)
Fund balances, beginning of year	(88,131)	(88,131)	160,099
Proportionate share of West Shore's balances (note 12)	27,939	27,939	-
Fund balances, end of year	\$ (265,245)	\$ (171,268)	\$ (88,131)

See accompanying notes to financial statements.

## DISTRICT OF HIGHLANDS

### Consolidated Statement of Changes in Financial Position

### STATEMENT C

Year ended December 31, 2003, with comparative figures for 2002.

	2003	2002
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenditure	\$ (188,091)	\$ 4,025
Add back capital expenditures	508,817	471,576
Gain on sale of capital assets	(29,500)	-
Debt principal reduced by actuarial adjustment	(6,048)	(5,241)
Increase in net financial liabilities excluding cash and financing	458,461	601,063
	<u>743,639</u>	<u>1,071,423</u>
Investing activities:		
Acquisition of capital assets	(508,817)	(471,576)
Proceeds on sale of capital assets	29,500	-
	<u>(479,317)</u>	<u>(471,576)</u>
Financing activities:		
Decrease in temporary borrowings	(50,000)	(585,000)
Debt principal repayment	(10,914)	(10,914)
	<u>(60,914)</u>	<u>(595,914)</u>
Change in cash	203,408	3,933
Cash, beginning of year	7,368	3,433
Proportionate share of West Shore's opening cash balance	40,697	-
Cash, end of year	<u>\$ 251,471</u>	<u>\$ 7,366</u>

See accompanying notes to financial statements.

## DISTRICT OF HIGHLANDS

### Statement of Financial Activities and Fund Balances - Operating Funds

### STATEMENT D

Year ended December 31, 2003, with comparative figures for 2002

	Actual 2003	Budget 2003	Actual 2002
<b>Revenue:</b>			
Net municipal property taxes (note 7)	\$ 887,178	\$ 890,539	\$ 843,176
Grants in lieu of taxes and utility taxes			2,868
Government transfers (note 8)	172,375	153,084	154,244
Sales of services	143,157	4,700	2,694
Licences, permits and other	197,852	109,860	127,752
Investment income	21,633	19,000	2,346
Donations	2,530	-	-
Other income	21,739	-	-
Debt principal reduced by actuarial adjustments	6,048	-	5,241
	1,452,512	1,177,183	1,138,321
<b>Expenditure:</b>			
General government services	554,433	501,950	517,570
Protective services	109,905	136,608	102,568
Transportation services	121,412	124,500	86,937
Environmental development services	56,432	37,000	23,602
Recreational and cultural services	326,038	175,182	147,306
	1,168,221	975,240	877,983
Excess of revenue over expenditure	284,291	201,943	260,338
<b>Net interfund transfers:</b>			
To Capital Funds	(69,073)	(100,000)	(392,490)
To Reserve Funds	(57,620)	(13,078)	(52,680)
Debt principal repayment	(10,914)	(88,865)	(10,914)
Debt principal reduced by actuarial adjustments	(6,048)	-	(5,241)
	(143,664)	(201,943)	(461,325)
Change in Operating Funds	140,627	-	(200,987)
Operating Funds, beginning of year	(227,395)	-	(26,408)
Proportionate share of West Shore's balances (note 12)	16,774	-	-
Operating Funds, end of year	\$ (69,994)	\$ -	\$ (227,395)
Unappropriated balance	\$ (90,326)		\$ (227,395)
Appropriated surplus for West Shore's expenditures	20,332		-
	\$ (69,994)		\$ (227,395)

See accompanying notes to financial statements.

## DISTRICT OF HIGHLANDS

### Statement of Financial Activities and Fund Balances - Capital Funds

### STATEMENT E

Year ended December 31, 2003, with comparative figures for 2002

	Actual 2003	Budget 2003	Actual 2002
<b>Revenue:</b>			
Gain on sale of capital assets	\$ 29,500	\$ -	\$ -
Government transfers	-	-	207,314
West Shore Parks and Recreation	-	-	2,011,616
	29,500	-	2,218,930
<b>Expenditure:</b>			
General government services:			
Machinery and equipment	5,993	5,000	20,121
Protective services:			
Buildings	-	-	1,051
Engineering structure	1,833	-	-
Machinery and equipment	8,989	35,000	21,553
	10,822	35,000	22,604
Transportation services:			
Engineering structures	42,045	60,000	384,954
Recreation and cultural services:			
Buildings	-	-	2,000
Machinery and equipment	11,447	-	1,889
Engineering structures	14,115	124,154	-
West Shore Parks and Recreation (note 12)	424,395	-	2,051,624
	449,957	124,154	2,055,513
<b>Total expenditures</b>	<b>508,817</b>	<b>224,154</b>	<b>2,483,192</b>
Excess of expenditure over revenue	(479,317)	(224,154)	(264,262)
Temporary debt repayments	-	-	(238,100)
Net interfund transfers:			
From Operating Funds	69,073	100,000	392,490
From Reserve Funds	17,712	124,154	3,889
	86,785	224,154	160,279
Change in Capital Funds	(392,532)	-	(103,983)
Capital Funds, beginning of year	(103,983)	(103,983)	-
<b>Capital Funds, end of year</b>	<b>\$ (496,515)</b>	<b>\$ (103,983)</b>	<b>\$ (103,983)</b>

See accompanying notes to financial statements.

## DISTRICT OF HIGHLANDS

### Statement of Financial Activities and Fund Balances - Reserve Funds

### STATEMENT F

Year ended December 31, 2003, with comparative figures for 2002

	Actual 2003	Budget 2003	Actual 2002
Revenue:			
Investment income	\$ 6,935	\$ -	\$ 7,949
Net interfund transfers:			
From Operating Funds	57,829	13,078	52,660
To Capital Funds	(17,712)	(124,154)	(3,889)
	39,917	(111,076)	48,791
Change in Reserve Funds	46,852	(111,076)	56,740
Reserve Funds, beginning of year	243,247	243,247	186,507
Proportionate share of West Shore's opening balance (note 12)	11,165	11,165	-
Reserve Funds, end of year	\$ 301,264	\$ 143,336	\$ 243,247

	Balance December 31, 2002	Investment income	Transfers to/ from other funds	Balance December 31, 2003
Fire capital works and equipment	\$ 119,093	\$ 3,302	\$ 51,629	\$ 174,024
Park acquisition/development	124,154	3,310	(10,000)	117,464
West Shore Reserves	11,165	323	(1,712)	9,776
	\$ 254,412	\$ 6,935	\$ 39,917	\$ 301,264

See accompanying notes to financial statements.

## DISTRICT OF HIGHLANDS

Notes to Financial Statements

Year ended December 31, 2003

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The District of Highlands (the "District") was incorporated as a district municipality in 1993 under the Local Government Act, a statute of the Province of British Columbia. Its principal activities include the provision of local government services to the residents and taxpayers of the incorporated area. These services include administrative, protective, transportation, recreation and fiscal services.

### 1. Significant accounting policies:

The financial statements of the District are prepared by management in accordance with generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the District are as follows:

#### (a) Reporting entity:

The financial statements reflect the assets, liabilities, revenues, expenditures, and changes in fund balances and in financial position of the reporting entity. Effective January 1, 2003, the financial statements also reflect the proportionate consolidation of the District's share of the West Shore Parks and Recreation Society. This change has been applied on a prospective basis (note 12).

#### (b) Basis of accounting:

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

#### (c) Fund accounting:

Funds within the consolidated financial statements consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

#### (d) Investments:

The investments are recorded at cost, which approximates fair market value.

#### (e) Capital assets:

Capital assets are reported at cost.

Capital assets acquired or constructed are recorded at cost as expenditures in the period they are acquired. Capital assets contributed from developers are reported at estimated cost. Donated capital assets are recorded at their estimated fair value at the time they are received.

Depreciation is not recorded on capital assets.

Government contributions for the acquisition of capital assets are reported as capital revenue and do not reduce the related capital asset costs.

## DISTRICT OF HIGHLANDS

Notes to Financial Statements

Year ended December 31, 2003

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### 1. Significant accounting policies (continued):

(f) Deferred revenue:

Receipts that are restricted by legislation of the provincial or federal governments, or by agreement with external parties, are deferred and reported as restricted revenues. When qualifying expenditures are incurred restricted revenues are brought into revenue at equal amounts.

(g) Government transfers:

Government transfers are recognized as revenues in the period in which events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria has been met and reasonable estimates of the amounts can be made.

(h) Equity in capital assets:

Equity in capital assets represents the District's net investment in capital assets, after deducting the portion financed by long-term debt.

(i) Budget presentation:

Budget amounts presented in these financial statements represent the 2003-2007 five-year plan as recommended by the PSAB guidelines. This is the five-year plan upon which the municipal property tax rates are set. Amendments to the five-year plan, which occurred in the latter part of the year, are not presented in the financial statements.

(j) Reserve accounts:

Reserve accounts are established to provide for the District's specific future requirements. Transfers to and/or from reserve accounts are reflected as an adjustment to the respective fund balances.

(k) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenditures during the period. Actual results could differ from those estimates.

## DISTRICT OF HIGHLANDS

Notes to Financial Statements

Year ended December 31, 2003

### 2. Municipal Finance Authority debt reserve fund deposits:

Under borrowing arrangements with the Municipal Finance Authority ("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 the debt principal is retired, demand notes are released and the cash deposits are refunded and recorded as operating income in the period received.

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 held by the MFA to act as security against the possibility of debt repayment default. If the debt is repaid without default, the deposits are refunded to the District.

The details of the cash deposits and demand notes are as follows:

	2003	2002
Cash	\$ 3,140	\$ 5,271
Demand notes	9,305	13,354
	\$ 12,445	\$ 18,625

### 3. Temporary borrowings:

The District has authority to borrow \$700,000 under their Revenue Anticipation Borrowing bylaw, \$350,000 under their Roads Reconstruction Loan Authorization bylaw and \$571,021 under their West Shore Area Loan Authorization bylaw. Total interest expense during the year was \$10,958 (2002 - \$18,943). Temporary borrowings are comprised of demand loans with the Royal Bank of Canada at interest rates equal to the Royal Bank of Canada's prime rate.

### 4. Long-term debt:

MFA issue #	Bylaw #	Purpose	Maturity date	Original issued amount	Sinking fund contributions and deposits	Interest rate	Balance 2003	Balance 2002
45	1,592	Fire hall	Oct. 27, 2003	\$ 60,500	\$ 18,444	5.55%	\$ -	\$ 5,551
61	32	Fire truck	Dec. 1, 2010	125,000	38,108	8.00%	69,664	77,835
61	33	Fire truck	Dec. 1, 2010	60,000	15,243	8.00%	27,874	31,134
				\$ 235,500	\$ 71,795		\$ 97,558	\$ 114,520

## DISTRICT OF HIGHLANDS

Notes to Financial Statements

Year ended December 31, 2003

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

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

	Total
2004	\$ 8,110
2005	8,110
2006	8,110
2007	8,110
2008	8,110

Total interest expense during the year was \$17,358 (2002 - \$17,358).

#### (a) Debenture debt:

The loan agreements with the Capital Regional District and the MFA provide that if, at any time, the scheduled payments provided for in the agreements are not sufficient to meet the MFA's obligations in respect of such borrowings, the resulting deficiency becomes a liability of the District.

#### (b) Debt limit:

Regulations under section 334 of the Local Government Act, as passed by the Province of British Columbia, establish municipal debt limits. The debt limit for the District is the total of 20% of the current value, as shown on the most recent audited consolidated financial statements, of the tangible capital assets of the municipality, and 20% of the average of the converted value of land and improvements in the municipality for the current year and the two immediately preceding years.

### 5. Capital assets:

	Balance, December 31, 2002	Proportionate share of West Shore's opening balances (note 12)	Acquisitions	Disposals	Balance, December 31, 2003
Land	\$ 1,921,190	\$ -	\$ 1	\$ 1	\$ 1,921,190
Buildings	1,383,630	-	424,395	-	1,808,025
Machinery and equipment	807,076	52,328	26,429	-	885,833
Engineering structures	3,737,182	-	57,892	-	3,795,174
	\$ 7,849,078	\$ 52,328	\$ 508,617	\$ 1	\$ 8,410,222

## DISTRICT OF HIGHLANDS

Notes to Financial Statements

Year ended December 31, 2003

### 6. Equity in capital assets:

	2003	2002
Add debt retirement:		
Temporary borrowings	\$ -	\$ 238,100
Debt principal repayment	10,914	10,914
Debt principal reduced by actuarial adjustments	6,048	5,241
	16,962	252,255
Capital asset additions	508,817	2,483,192
Less capital asset disposals	(1)	-
Change in equity in capital assets	525,778	2,735,447
Equity in capital assets, beginning of year	7,734,558	4,999,111
Proportionate share of West Shore's opening balances (note 12)	52,328	-
Equity in capital assets, end of year	\$ 8,312,664	\$ 7,734,558

### 7. Net taxes available for municipal purposes:

	2003	2002
Taxes:		
Municipal property taxes	\$ 1,820,358	\$ 1,718,727
1% utility tax	14,164	13,539
	1,834,522	1,732,266
Less transfers to other governments:		
School authorities	733,072	693,660
Capital Regional District	100,876	86,492
Capital Regional Hospital District	63,169	61,547
B.C. Assessment Authority	21,403	20,285
Victoria Regional Transit Authority	28,750	27,079
Municipal Finance Authority	54	47
	947,344	889,090
Net municipal property taxes	\$ 887,178	\$ 843,176

## DISTRICT OF HIGHLANDS

Notes to Financial Statements

Year ended December 31, 2003

### 8. Government transfers:

	2003	2002
Provincial government:		
Small Communities and Equalization payments	\$ 123,084	\$ 123,084
Ministry of Transportation and Highways	-	207,314
Planning - OCP	-	3,155
Renewal BC	-	3,022
	123,084	336,575
Other	49,291	24,983
	\$ 172,375	\$ 361,558

### 9. Consolidated expenditures by object:

	2003	2002
Bank charges and interest	\$ 11,154	\$ 18,986
Contracted and general services	975,798	718,874
Council expenses	33,293	34,190
Debt interest	16,760	17,358
Grants	4,500	3,000
Materials, supplies and utilities	66,754	148,062
Miscellaneous	38,999	5,855
Wages and employee benefits	529,790	389,252
	\$ 1,677,038	\$ 1,335,577

### 10. Contingent liabilities:

- The municipality, as a member of the Capital Regional District, is jointly and severally liable for their net capital liabilities.
- The loan agreements with the MFA provide that if the Authority does not have sufficient funds to meet payments on its obligations, it shall make payments from the Debt Reserve Fund which, in turn, is established by a similar Debt Reserve Fund in the municipality and all other borrowing participants. If the Debt Reserve Fund is deficient, the Authority's obligations become a liability of the regional district and may become a liability of the participating municipalities.

## DISTRICT OF HIGHLANDS

Notes to Financial Statements

Year ended December 31, 2003

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### 11. 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 pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 123,000 active contributors, including approximately 28,000 contributors from local governments.

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, 2000 indicates a surplus of \$436 million for basic pension benefits. The Joint Trust Agreement specifies how surplus assets can be used. The actuary does not attribute portions of the surplus to individual employers. The District paid \$14,879 for employer contributions to the plan in fiscal 2003.

### 12. West Shore Parks and Recreation Society:

- (a) The Capital Regional District (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).

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*.

The repayment of the long-term debt associated with the transferred assets will remain a regional function, as per the terms of an *Agreement to Transfer* between the CRD, the Municipalities and the Society. The debt payments are charged to Municipalities as part of the CRD's annual requisition. The maturity dates to the various borrowings range from 2012 through 2014. The District of Highland's share of the debt carried by the CRD with respect to these assets as at December 31, 2003 was \$306,879.

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

## DISTRICT OF HIGHLANDS

Notes to Financial Statements

Year ended December 31, 2003

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

- (b) Effective January 1, 2003, the District early adopted the standard in section PS 1300 of the CICA Handbook requiring the consolidation of organizations that are jointly controlled by governments. This change has been applied prospectively and the 2003 financial results and budget for the Society are consolidated into the District's financial statements proportionately based on the cost sharing formula outlined in the Members' Agreement. In 2003, the District of Highland's proportion for consolidation purposes was 4.448%. Fiscal 2002 results have not been consolidated and the opening 2003 operating and reserve fund balances are recorded on Statements B, C, D and F.

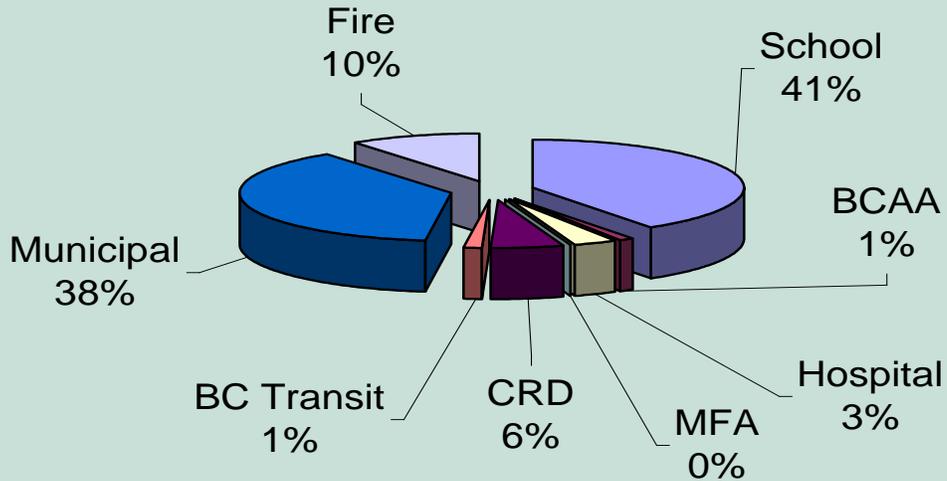
### 13. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

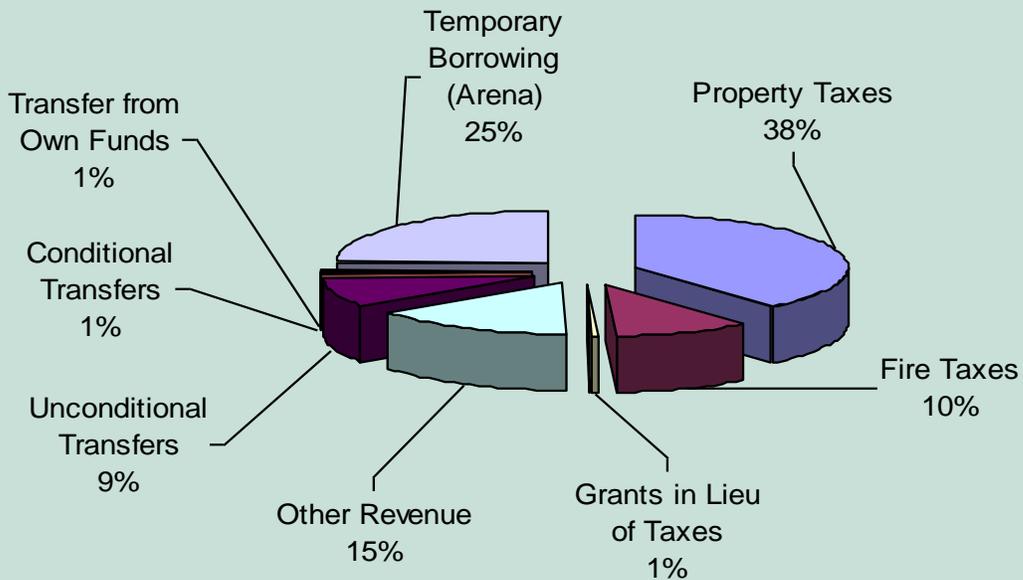
**APPENDIX B**

**STATISTICS**

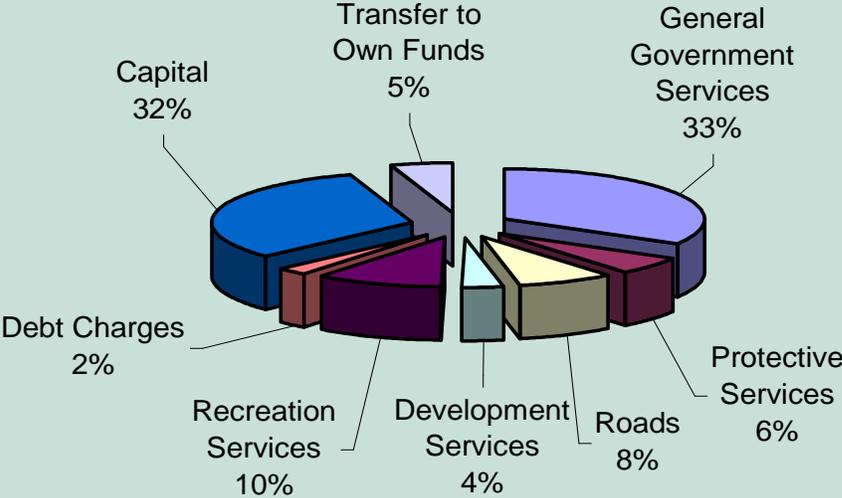
## 2003 PROPERTY TAXES



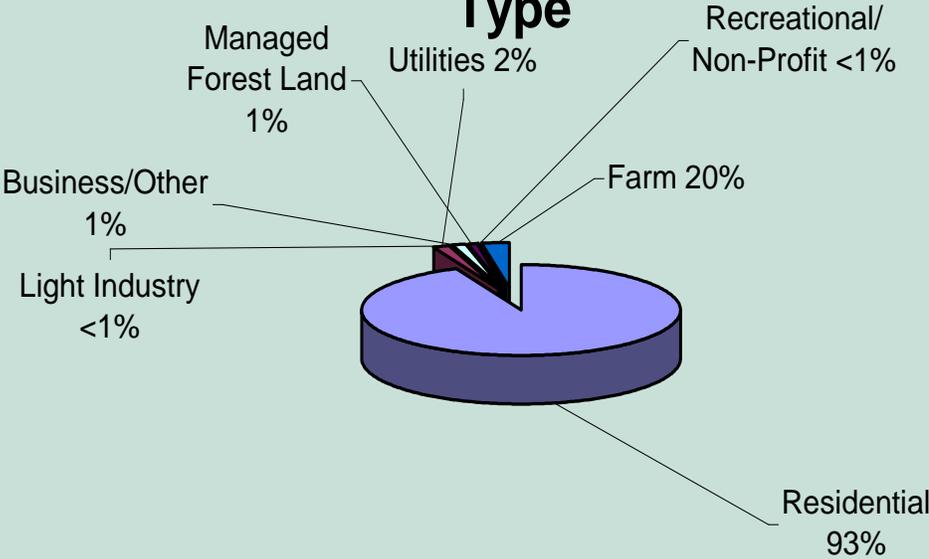
## 2003 MUNICIPAL REVENUE



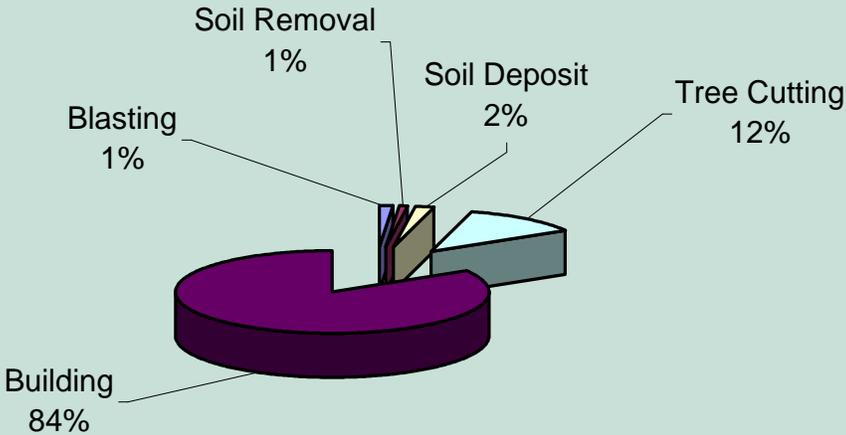
# 2003 MUNICIPAL EXPENDITURES



# 2003 Property Taxes by Property Type



# 2003 PERMIT REVENUE



# 2003 DEVELOPMENT FEES

