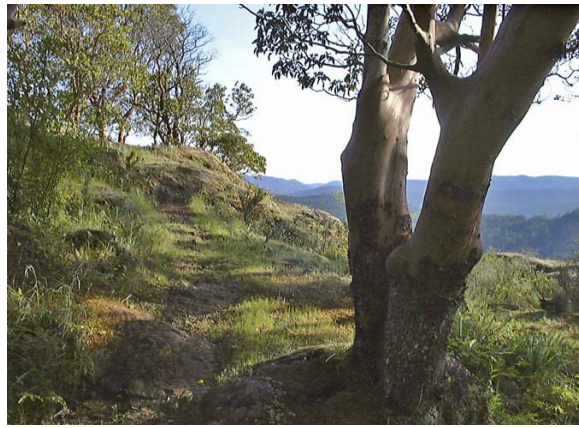




2007 ANNUAL REPORT



June 2008



DISTRICT OF HIGHLANDS 2007 ANNUAL REPORT

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1. DISTRICT COUNCIL

The current Mayor and Council were elected at the general election in November 2005. The Council assignments for 2008 are as follows:

Mayor Mark Cardinal

Mayor Cardinal is in his first term as Mayor and previously served three terms as Councillor. He currently serves as the Council representative on the Juan de Fuca Parks and Recreation Board, the Director to the Capital Regional District Board, CRD Water Commission, Juan de Fuca Regional Water Supply Commission, CRD Parks and Environment Committees

Councillor Ken Brotherston

Councillor Brotherston is in his second term as a Councillor. He currently serves as the Council's representative to the Advisory Planning Commission, Alternate to the CRD Water Commission and Juan de Fuca Regional Water Supply Commission and is the Council Liaison to the Community Infrastructure and Services Select Committee.

Councillor Andrew Fall

Councillor Fall is in his first term as a Councillor. He currently serves as the Council representative on the CRD Arts Committee, Capital Region Emergency Service Telecommunications (CREST) Board and the Council representative to the Emergency Planning Committee.

Councillor Joe Kadar

Councillor Kadar is in his second term as Councillor. He currently serves as the Council representative on the Inter-Municipal Committee on Disability Issues, Greater Victoria Public Library and the CRD Solid Waste Advisory Committee.

Councillor Michelle Mahovich

Councillor Mahovich is in her first term as a Councillor. She currently serves as the Alternate Director to the Capital Regional District Board and CRD Parks and Environment Committees. She is the Alternate Council representative on the Greater Victoria Family Court Committee. She also serves on the District's Groundwater Task Force

Councillor Jane Mendum

Councillor Mendum is in her third term as a Councillor. She currently serves as the Council representative for the Western Communities Policing Advisory Committee. She also serves as the alternate Council representative for the District of Highlands' Emergency Planning Committee and is the Council Liaison to the Fiscal and Environmental Select Committee.

Councillor Ken Williams

Councillor Williams is in his first term as a Councillor. He currently serves as the Council representative to the Greater Victoria Family Court Committee. He also serves as Council alternate to the Advisory Planning Commission and the Inter-Municipal Committee on Disability Issues.



2. FINANCIAL MANAGEMENT REPORT 2007

The Audited Financial Statements contained herein have been prepared by management in accordance with generally accepted accounting principles.

Financial Statements are not precise since they include certain amounts abased on estimates or judgments. The integrity and objectivity of these statements are management's responsibility.

Management is also responsible for implementing and maintaining a system of internal controls to a high standard and consistent with reasonable cost. These systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the District's assets are properly accounted for and adequately safeguarded.

The District's auditors have the responsibility for assessing the management systems and practices for the District. KPMG LLP conducts an independent examination in accordance with generally accepted auditing standards, and express their opinion on the Financial Statements. The auditors have full and free access to the Council and meet with them on an annual basis.

On behalf of the District of Highlands.

C.D. Coates, Chief Financial Officer

May 23, 2008

Financial Statements of

DISTRICT OF HIGHLANDS

Year ended December 31, 2007

DISTRICT OF HIGHLANDS
Municipal Council

2007

Mayor Mark Cardinal

COUNCILLORS

Ken Brotherston
Ken Williams
Michelle Mahovlich

Andrew Fall
Joe Kadar
Jane Mendum

~~~~~

**OFFICIALS**

Administrator-Clerk/Treasurer

Christopher Coates

~~~~~

Auditors
Solicitors
Bankers
Police

KPMG LLP
Lidstone Young Anderson
Royal Bank of Canada
RCMP - Western Communities

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The following financial statements are prepared in accordance with Section 167 of the Community Charter.

# DISTRICT OF HIGHLANDS

## Financial Statements

Year ended December 31, 2007

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## **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 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 and to review and accept 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.

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Administrator-Treasurer

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

Telephone (250) 480-3500  
Fax (250) 480-3539  
Internet [www.kpmg.ca](http://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, 2007 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Victoria, Canada

March 20, 2008

# DISTRICT OF HIGHLANDS

## Consolidated Statement of Financial Position

## STATEMENT A

December 31, 2007, with comparative figures for 2006

|                                          | 2007                | 2006                |
|------------------------------------------|---------------------|---------------------|
| <b>Financial Assets</b>                  |                     |                     |
| Cash                                     | \$ 1,507,272        | \$ 883,413          |
| Property taxes receivable                | 85,577              | 27,474              |
| Accounts receivable                      | 115,494             | 149,417             |
|                                          | <u>1,708,343</u>    | <u>1,060,304</u>    |
| <b>Liabilities</b>                       |                     |                     |
| Accounts payable and accrued liabilities | 323,567             | 162,371             |
| Deferred revenue (note 4)                | 233,410             | 133,854             |
| Security deposits                        | 125,715             | 101,215             |
| Long-term debt (note 5)                  | 562,494             | 766,737             |
|                                          | <u>1,245,186</u>    | <u>1,164,177</u>    |
| Net financial assets (liabilities)       | 463,157             | (103,873)           |
| Capital assets (note 6)                  | 9,144,561           | 9,263,696           |
| Net financial assets and capital assets  | <u>\$ 9,607,718</u> | <u>\$ 9,159,823</u> |
| <b>Municipal Position</b>                |                     |                     |
| Fund balances:                           |                     |                     |
| Operating Funds (Statement D)            | \$ 323,003          | \$ 215,105          |
| Capital Funds (Statement E)              | 48,833              | 48,833              |
| Reserve Funds (Statement F)              | 653,815             | 398,926             |
| Total fund balances                      | <u>1,025,651</u>    | <u>662,864</u>      |
| Equity in capital assets (note 7)        | 8,582,067           | 8,496,959           |
| Contingent liabilities (note 11)         |                     |                     |
| Total municipal position                 | <u>\$ 9,607,718</u> | <u>\$ 9,159,823</u> |

See accompanying notes to financial statements.

\_\_\_\_\_  
Treasurer

# DISTRICT OF HIGHLANDS

## Consolidated Statement of Financial Activities and Fund Balances

## STATEMENT B

Year ended December 31, 2007, with comparative figures for 2006

|                                                               | Actual<br>2007      | Budget<br>2007      | Actual<br>2006    |
|---------------------------------------------------------------|---------------------|---------------------|-------------------|
| <b>Revenue:</b>                                               |                     |                     |                   |
| Net taxes available for municipal purposes (note 8)           | \$ 1,197,493        | \$ 1,192,370        | \$ 1,161,933      |
| Government transfers (note 9)                                 | 272,076             | 392,303             | 268,474           |
| Sales of services                                             | 179,343             | 171,517             | 230,682           |
| Licences, permits and other                                   | 137,805             | 107,500             | 107,193           |
| Investment income                                             | 48,064              | 15,000              | 41,337            |
| Gain on sale of capital assets                                | -                   | -                   | 323               |
| Donations                                                     | 36,429              | 338,000             | 2,100             |
| Other income                                                  | 99,049              | 55,538              | 105,697           |
| Debt principal reduced by actuarial adjustments               | 7,531               | -                   | 5,961             |
|                                                               | <u>1,977,790</u>    | <u>2,272,228</u>    | <u>1,923,700</u>  |
| <b>Expenditure (note 10):</b>                                 |                     |                     |                   |
| General government services                                   | 515,569             | 533,000             | 495,515           |
| Protective services                                           | 339,480             | 375,125             | 265,323           |
| Transportation services                                       | 168,065             | 235,500             | 249,668           |
| Environmental health services                                 | 2,500               | -                   | 7,500             |
| Environmental development services                            | 114,702             | 187,400             | 96,520            |
| Recreation and cultural services                              | 414,827             | 401,344             | 459,390           |
|                                                               | <u>1,555,143</u>    | <u>1,732,369</u>    | <u>1,573,916</u>  |
| Excess of revenue over expenditure                            | 422,647             | 539,859             | 349,784           |
| Debt principal repayment                                      | (25,379)            | (25,380)            | (37,448)          |
| Debt principal reduced by actuarial adjustments               | (7,531)             | -                   | (5,961)           |
|                                                               | <u>(32,910)</u>     | <u>(25,380)</u>     | <u>(43,409)</u>   |
| Change in fund balances                                       | 389,737             | 514,479             | 306,375           |
| Fund balances, beginning of year                              | 662,864             | 662,864             | 323,946           |
| Proportionate share of consolidated entities' opening balance | (26,950)            | -                   | 32,543            |
| Fund balances, end of year                                    | <u>\$ 1,025,651</u> | <u>\$ 1,177,343</u> | <u>\$ 662,864</u> |

See accompanying notes to financial statements.

**DISTRICT OF HIGHLANDS****Consolidated Statement of Changes in Financial Position****STATEMENT C**

Year ended December 31, 2007, with comparative figures for 2006

|                                                                    | 2007         | 2006       |
|--------------------------------------------------------------------|--------------|------------|
| Cash provided by (used in):                                        |              |            |
| Operating activities:                                              |              |            |
| Excess of revenue over expenditure                                 | \$ 422,647   | \$ 349,784 |
| Add back non-cash item:                                            |              |            |
| Debt principal reduced by actuarial adjustments                    | (7,531)      | (5,961)    |
| Decrease in net financial liabilities excluding cash and financing | 261,072      | (136,815)  |
|                                                                    | 676,188      | 207,008    |
| Financing activities:                                              |              |            |
| Debt principal repayment                                           | (25,379)     | (37,448)   |
| Increase in cash                                                   | 650,809      | 169,560    |
| Cash, beginning of year                                            | 883,413      | 688,149    |
| Proportionate share of consolidated entities' opening cash         | (26,950)     | 25,704     |
| Cash, end of year                                                  | \$ 1,507,272 | \$ 883,413 |

See accompanying notes to financial statements.

# DISTRICT OF HIGHLANDS

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

## STATEMENT D

Year ended December 31, 2007, with comparative figures for 2006

|                                                                                 | Actual<br>2007 | Budget<br>2007 | Actual<br>2006 |
|---------------------------------------------------------------------------------|----------------|----------------|----------------|
| <b>Revenue:</b>                                                                 |                |                |                |
| Net taxes available for municipal purposes (note 8)                             | \$ 1,197,493   | \$ 1,192,370   | \$ 1,161,933   |
| Government transfers (note 9)                                                   | 272,076        | 392,303        | 268,474        |
| Sales of services                                                               | 179,343        | 171,517        | 230,682        |
| Licences, permits and other                                                     | 137,805        | 107,500        | 107,193        |
| Investment income                                                               | 29,570         | 15,000         | 31,520         |
| Donations                                                                       | 36,429         | 338,000        | 2,100          |
| Other income                                                                    | 99,049         | 55,538         | 105,697        |
| Debt principal reduced by actuarial adjustments                                 | 7,531          | -              | 5,961          |
|                                                                                 | 1,959,296      | 2,272,228      | 1,913,560      |
| <b>Expenditure:</b>                                                             |                |                |                |
| General government services                                                     | 514,198        | 533,000        | 489,893        |
| Protective services                                                             | 277,381        | 345,125        | 247,057        |
| Transportation services                                                         | 150,020        | 165,500        | 150,683        |
| Environmental health services                                                   | 2,500          | -              | 7,500          |
| Environmental development services                                              | 114,702        | 187,400        | 96,520         |
| Recreational and cultural services                                              | 396,483        | 388,965        | 440,200        |
|                                                                                 | 1,455,284      | 1,619,990      | 1,431,853      |
| Excess of revenue over expenditure                                              | 504,012        | 652,238        | 481,707        |
| <b>Net interfund transfers:</b>                                                 |                |                |                |
| To Capital Funds                                                                | (94,304)       | (112,379)      | (125,407)      |
| To Reserve Funds                                                                | (241,950)      | (96,494)       | (190,019)      |
| Debt principal repayment                                                        | (25,379)       | (25,380)       | (37,448)       |
| Debt principal reduced by actuarial adjustments                                 | (7,531)        | -              | (5,961)        |
|                                                                                 | (369,164)      | (234,253)      | (358,835)      |
| Change in Operating Funds                                                       | 134,848        | 417,985        | 122,872        |
| Operating Funds, beginning of year                                              | 215,105        | 215,105        | 59,690         |
| Proportionate share of consolidated entities' opening balance                   | (26,950)       | -              | 32,543         |
| Operating Funds, end of year                                                    | \$ 323,003     | \$ 633,090     | \$ 215,105     |
| Unappropriated balance                                                          | \$ 276,885     |                | \$ 171,941     |
| Appropriated surplus for West Shore Parks and Recreation Society's expenditures | 46,118         |                | 43,164         |
|                                                                                 | \$ 323,003     |                | \$ 215,105     |

See accompanying notes to financial statements.

# DISTRICT OF HIGHLANDS

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

## STATEMENT E

Year ended December 31, 2007, with comparative figures for 2006

|                                                   | Actual<br>2007 | Budget<br>2007 | Actual<br>2006 |
|---------------------------------------------------|----------------|----------------|----------------|
| Revenue:                                          |                |                |                |
| Gain on sale of capital assets                    | \$ -           | \$ -           | \$ 323         |
| Expenditure:                                      |                |                |                |
| General government services:                      |                |                |                |
| Machinery and equipment                           | 1,371          | -              | 5,622          |
| Protective services:                              |                |                |                |
| Machinery and equipment                           | 62,099         | 30,000         | 18,266         |
| Transportation services:                          |                |                |                |
| Engineering structures                            | 18,045         | 70,000         | 98,985         |
| Recreation and cultural services:                 |                |                |                |
| Machinery and equipment                           | 12,768         | -              | -              |
| West Shore Parks and Recreation Society (note 13) | 5,576          | 12,379         | 19,190         |
|                                                   | 18,344         | 12,379         | 19,190         |
| Total expenditures                                | 99,859         | 112,379        | 142,063        |
| Excess of expenditure over revenue                | (99,859)       | (112,379)      | (141,740)      |
| Net interfund transfers:                          |                |                |                |
| From Operating Funds                              | 94,304         | 112,379        | 125,407        |
| From Reserve Funds                                | 5,555          | -              | 3,949          |
|                                                   | 99,859         | 112,379        | 129,356        |
| Change in Capital Funds                           | -              | -              | (12,384)       |
| Capital Funds, beginning of year                  | 48,833         | 48,833         | 61,217         |
| Capital Funds, end of year                        | \$ 48,833      | \$ 48,833      | \$ 48,833      |

See accompanying notes to financial statements.

# DISTRICT OF HIGHLANDS

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

## STATEMENT F

Year ended December 31, 2007, with comparative figures for 2006

|                                  | Actual<br>2007 | Budget<br>2007 | Actual<br>2006 |
|----------------------------------|----------------|----------------|----------------|
| Revenue:                         |                |                |                |
| Investment income                | \$ 18,494      | \$ -           | \$ 9,817       |
| Net interfund transfers:         |                |                |                |
| From Operating Funds             | 241,950        | 96,494         | 190,019        |
| To Capital Funds                 | (5,555)        | -              | (3,949)        |
|                                  | 236,395        | 96,494         | 186,070        |
| Change in Reserve Funds          | 254,889        | 96,494         | 195,887        |
| Reserve Funds, beginning of year | 398,926        | 398,926        | 203,039        |
| Reserve Funds, end of year       | \$ 653,815     | \$ 495,420     | \$ 398,926     |

|                                         | Balance<br>December 31,<br>2006 | Investment<br>income | Transfers to/<br>from other<br>funds | Balance<br>December 31,<br>2007 |
|-----------------------------------------|---------------------------------|----------------------|--------------------------------------|---------------------------------|
| Fire capital works and equipment        | \$ 225,782                      | \$ 10,099            | \$ 157,141                           | \$ 393,022                      |
| Park acquisition/development            | 93,965                          | 3,579                | -                                    | 97,544                          |
| Roads reserve                           | 7,372                           | 1,892                | 95,503                               | 104,767                         |
| General reserve for future expenditures | 49,569                          | 962                  | (19,478)                             | 31,053                          |
| West Shore reserves                     | 22,238                          | 1,962                | 3,229                                | 27,429                          |
|                                         | \$ 398,926                      | \$ 18,494            | \$ 236,395                           | \$ 653,815                      |

See accompanying notes to financial statements.



# DISTRICT OF HIGHLANDS

## Notes to Financial Statements

Year ended December 31, 2007

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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 prescribed 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 consolidated financial statements reflect the assets, liabilities, revenues, expenditures, changes in fund balances and changes in financial position of the District's operating, capital and reserve funds.

Government organizations controlled by the District are included in the government reporting entity and consolidated in the financial statements.

(b) Revenue recognition:

Sources of revenue are recorded on the accrual basis and include revenue in the period in which transactions or events occurred that give rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due. Revenue unearned in the current period is recorded as deposits or deferred revenue.

(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.

# DISTRICT OF HIGHLANDS

Notes to Financial Statements

Year ended December 31, 2007

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## 1. Significant accounting policies (continued):

### (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.

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.

The District is in the process of accumulating information related to its tangible capital assets in order to comply with the new Public Sector Accounting Board Standard 3150. This new standard will be applicable to the District's 2009 annual financial statements. As at December 31, 2007, the cost and accumulated amortization have not yet been finalized for the individual classes of tangible capital assets and hence details concerning the major categories of tangible capital assets have not been provided.

### (f) Government transfers:

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

### (g) 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.

### (h) Budget presentation:

Budget amounts presented in these financial statements represent the 2007-2011 five-year plan. 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.

### (i) 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.

# DISTRICT OF HIGHLANDS

Notes to Financial Statements

Year ended December 31, 2007

## 1. Significant accounting policies (continued):

### (j) Measurement uncertainty:

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.

## 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:

|              | 2007             | 2006             |
|--------------|------------------|------------------|
| Cash         | \$ 10,391        | \$ 9,962         |
| Demand notes | 26,105           | 26,105           |
|              | <b>\$ 36,496</b> | <b>\$ 36,067</b> |

## 3. Temporary borrowings:

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. The District has authority to borrow \$500,000 under their Revenue Anticipation Borrowing bylaw.

# DISTRICT OF HIGHLANDS

Notes to Financial Statements

Year ended December 31, 2007

## 4. Deferred revenue:

|                         | Opening<br>balance | Received<br>during<br>the year | Interest<br>earned | Revenue<br>recognized | Closing<br>balance |
|-------------------------|--------------------|--------------------------------|--------------------|-----------------------|--------------------|
| Gas Tax Agreement Funds | \$ 81,774          | \$ 51,726                      | \$ 3,430           | \$ -                  | \$ 136,930         |
| Developer amenities     | 19,478             | 54,556                         | -                  | 19,478                | 54,556             |
| Casino revenues         | 13,056             | 53,997                         | -                  | 53,391                | 13,662             |
| Prepaid taxes and other | 19,546             | 13,753                         | -                  | 5,037                 | 28,262             |
|                         | \$ 133,854         | \$ 174,032                     | \$ 3,430           | \$ 77,906             | \$ 233,410         |

## 5. Long-term debt:

| MFA<br>issue #              | Bylaw<br># | Purpose             | Maturity<br>date | Original<br>issued<br>amount | Sinking fund<br>contributions<br>and deposits | Interest<br>rate | Balance<br>2007 | Balance<br>2006 |
|-----------------------------|------------|---------------------|------------------|------------------------------|-----------------------------------------------|------------------|-----------------|-----------------|
| 61                          | 32         | Fire truck          | 2010             | \$ 125,000                   | \$ 82,709                                     | 4.00%            | \$ 32,795       | \$ 42,703       |
| 61                          | 33         | Fire truck          | 2010             | 50,000                       | 33,084                                        | 4.00%            | 13,118          | 17,081          |
| 186                         | 81         | West Shore<br>arena | 2022             | 571,021                      | 36,629                                        | 4.86%            | 516,581         | 535,619         |
| Debt of consolidated entity |            |                     |                  |                              |                                               |                  | -               | 171,334         |
|                             |            |                     |                  |                              |                                               |                  | \$ 562,494      | \$ 766,737      |

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

|                     | Total     |
|---------------------|-----------|
| 2008                | \$ 25,379 |
| 2009                | 25,379    |
| 2010                | 17,269    |
| 2011                | 17,269    |
| 2012 and thereafter | 477,198   |

Total interest expense during the year was \$34,752 (2006 - \$34,752). West Shore arena interest on debt is reduced by a subsidy from the City of Langford.

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.

# DISTRICT OF HIGHLANDS

Notes to Financial Statements

Year ended December 31, 2007

## 6. Capital assets:

|                         | Balance,<br>December 31,<br>2006 | Acquisitions     | Disposals           | Balance,<br>December 31,<br>2007 |
|-------------------------|----------------------------------|------------------|---------------------|----------------------------------|
| Land                    | \$ 1,921,190                     | \$ -             | \$ -                | \$ 1,921,190                     |
| Buildings               | 1,959,339                        | -                | -                   | 1,959,339                        |
| Machinery and equipment | 1,359,194                        | 81,814           | (218,994)           | 1,222,014                        |
| Engineering structures  | 4,023,973                        | 18,045           | -                   | 4,042,018                        |
|                         | <u>\$ 9,263,696</u>              | <u>\$ 99,859</u> | <u>\$ (218,994)</u> | <u>\$ 9,144,561</u>              |

## 7. Equity in capital assets:

|                                                 | 2007                | 2006                |
|-------------------------------------------------|---------------------|---------------------|
| Equity in capital assets, beginning of year     | \$ 8,496,959        | \$ 8,335,603        |
| Add debt retirement:                            |                     |                     |
| Debt principal repayment                        | 25,379              | 37,448              |
| Debt principal reduced by actuarial adjustments | 7,531               | 5,961               |
|                                                 | <u>32,910</u>       | <u>43,409</u>       |
| Capital asset additions                         | 99,859              | 142,063             |
| Less capital asset disposals                    | (16,341)            | (38,944)            |
| Equity from consolidated entities               | (31,320)            | 14,828              |
| Change in equity in capital assets              | <u>52,198</u>       | <u>117,947</u>      |
| Equity in capital assets, end of year           | <u>\$ 8,582,067</u> | <u>\$ 8,496,959</u> |

During the year, the members' agreement for an entity previously included in the government reporting entity was amended and removed the element of shared control. As such the entity is no longer included in the consolidated financial statements resulting in the removal of \$171,333 of debt and \$202,653 of capital assets previously reported.

# DISTRICT OF HIGHLANDS

Notes to Financial Statements

Year ended December 31, 2007

## 8. Net taxes available for municipal purposes:

|                                      | 2007                | 2006                |
|--------------------------------------|---------------------|---------------------|
| Taxes:                               |                     |                     |
| Municipal property taxes             | \$ 2,596,963        | \$ 2,422,096        |
| 1% utility tax                       | 18,537              | 17,266              |
|                                      | <u>2,615,500</u>    | <u>2,439,362</u>    |
| Less transfers to other governments: |                     |                     |
| School authorities                   | 1,005,876           | 988,601             |
| Police tax                           | 83,304              | -                   |
| Capital Regional District            | 145,251             | 131,233             |
| Capital Regional Hospital District   | 91,342              | 77,051              |
| B.C. Assessment Authority            | 29,811              | 29,823              |
| Victoria Regional Transit Authority  | 62,301              | 50,619              |
| Municipal Finance Authority          | 122                 | 102                 |
|                                      | <u>1,418,007</u>    | <u>1,277,429</u>    |
| Net municipal property taxes         | <u>\$ 1,197,493</u> | <u>\$ 1,161,933</u> |

## 9. Government transfers:

|                                             | 2007              | 2006              |
|---------------------------------------------|-------------------|-------------------|
| Provincial government:                      |                   |                   |
| Small communities and equalization payments | \$ 239,163        | \$ 180,040        |
| Other miscellaneous                         | 10,000            | 3,447             |
|                                             | <u>249,163</u>    | <u>183,487</u>    |
| Other                                       | 22,913            | 84,987            |
|                                             | <u>\$ 272,076</u> | <u>\$ 268,474</u> |

## 10. Consolidated expenditures by object:

|                                   | 2007                | 2006                |
|-----------------------------------|---------------------|---------------------|
| Contracted and general services   | \$ 804,887          | \$ 934,214          |
| Council expenses                  | 60,281              | 56,821              |
| Interest                          | 11,601              | 11,317              |
| Grants                            | 15,125              | 13,750              |
| Materials, supplies and utilities | 161,430             | 57,040              |
| Miscellaneous                     | -                   | 22,138              |
| Wages and employee benefits       | 501,819             | 478,636             |
|                                   | <u>\$ 1,555,143</u> | <u>\$ 1,573,916</u> |

# DISTRICT OF HIGHLANDS

Notes to Financial Statements

Year ended December 31, 2007

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## 11. Contingent liabilities:

- (a) Capital Regional District debt, under the provisions of the Local Government Act, is a direct, joint and severally liability of the Capital Regional District and each member municipality within the Capital Regional District, including the municipality.
- (b) The municipality is a shareholder and member of the Capital Region Emergency Service Telecommunications (CREST) Incorporated whose services provide 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 through the Greater Victoria region and the Gulf Islands. Pursuant to a Members' Agreement, members are obligated to share in funding the ongoing operations and costs related to capital assets.
- (c) 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 Authority's 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.
- (d) At December 31, 2007, there are outstanding appeals to BC Assessment regarding zoning and values of property within the District. A modification in zoning or value may result in reduction of property taxes previously recognized. An allowance for these appeals will be recorded when a liability is likely and determinable.

## 12. Pension plan:

The District and its employees contribute to the Municipal Pension Plan (the plan), a jointly-trusted 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 144,000 active members and approximately 51,000 retired members. Active members include approximately 35,000 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, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of the surplus to individual employers. The District of Highlands paid \$26,514 for employer contributions to the plan in fiscal 2007.

# DISTRICT OF HIGHLANDS

Notes to Financial Statements

Year ended December 31, 2007

## 13. West Shore Parks and Recreation Society (the "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, 2003: 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*. The basis for valuation of the assets transferred was fair market value, as determined by the B.C. Assessment Authority through their annual valuation and assessment process. Future improvements are to be allocated among the partners as per the cost sharing formulas 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 is to remain a regional function, as per the terms of an *Agreement to Transfer* between the CRD, the Municipalities and the District. The debt payments are charged to the Municipalities as part of the CRD's annual requisition. The maturity dates of the various borrowings range from 2012 through 2014. The proportionate share of the debt funded by the District through the requisition process as at December 31, 2007 was \$159,155.

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.

- (b) 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 2007, the District's proportion for consolidation purposes was 3.98% (2006 - 4.883%). Condensed financial information for the Society is as follows:

|                          | 2007                | 2006                |
|--------------------------|---------------------|---------------------|
| Financial assets         | \$ 2,938,147        | \$ 2,364,050        |
| Financial liabilities    | 1,090,360           | 1,024,691           |
| Net financial assets     | 1,847,787           | 1,339,359           |
| Capital assets           | 1,950,358           | 1,810,260           |
|                          | <b>\$ 3,798,145</b> | <b>\$ 3,149,619</b> |
| Society position         | \$ 1,847,787        | \$ 1,339,359        |
| Equity in capital assets | 1,950,358           | 1,810,260           |
|                          | <b>\$ 3,798,145</b> | <b>\$ 3,149,619</b> |



**DISTRICT OF HIGHLANDS**

Notes to Financial Statements

Year ended December 31, 2007

**13. West Shore Parks and Recreation Society (the "Society") (continued):**

(b) (Continued)

|                          | 2007         | 2006         |
|--------------------------|--------------|--------------|
| Revenues                 | \$ 4,783,948 | \$ 4,796,335 |
| Requisition from members | 3,717,873    | 2,857,283    |
|                          | 8,501,821    | 7,653,618    |
| Expenditures             | 4,275,520    | 4,645,877    |
| Requisition from members | 3,717,873    | 2,857,283    |
|                          | 7,993,393    | 7,503,160    |
| Net revenues             | \$ 508,428   | \$ 150,458   |

### 3. SERVICES AND OPERATIONS

#### **Fire Protection**

The District has a Fire Specified Area that now covers most 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 of land. 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 were each provided with an annual stipend of \$11,000 and \$5,500 respectively. Individual firefighters received small stipends of \$5.00 per practice or call-out for their invaluable service to the community. In addition Officers received small stipends to recognize their specific contributions resulting from the positions held. The Firefighters Association was provided with a grant of \$9,500, a significant portion of which is spent by the Association on fire equipment. The District has two fire halls and six fire vehicles (two main pumpers, two mini pumpers, one tanker and one pickup).



#### **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 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. Therefore, the CRD 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. Under the provisions of the contract, the District can call upon CRD Bylaw Enforcement staff on a fee for service basis to undertake any bylaw enforcement activity. The use of CRD Bylaw Enforcement staff has decreased significantly since engaging the services of a Building Inspector/Bylaw Enforcement Officer. As development increases throughout the District of Highlands, more time will be spent in the role of Building Inspector.

#### **Municipal Emergency Program**

The District has a small volunteer emergency program. The 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 for the administration of all of the branches. District of Highland residents may access any branch of the Greater Victoria Public Library within the Capital Region. The Greater Victoria Public Library Board is presently discussing a new operating agreement with all of its members.

## **Recreation**

### *West Shore Parks and Recreation*

The main recreation facility is located at the West Shore Parks and Recreation site in Colwood and consists of two arenas, an indoor pool, velodrome, playing fields, 9 hole golf course, seniors centre, etc. The facility is jointly owned by Colwood, Highlands, Langford and Metchosin and the CRD, on behalf of a portion of the Juan de Fuca Electoral Area. The facility is operated by 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 West Shore Parks and Recreation facilities.



### *Municipal Parks – Twinflower and others*

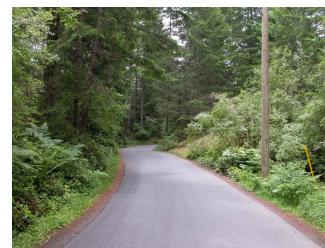
The District has a management agreement with the Highlands Parks and Recreation Association whereby they manage and maintain our active use municipal parks. The primary municipal park is Twinflower Park, which has a tot lot playground, a non-regulation size ball field, a bicycle jump and a horse-riding 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 43.7 kilometers of paved roads is contracted out to Victoria Contracting and Municipal Maintenance Corporation. In addition JBR Highway Consulting provides consulting services including twice yearly road inspection services. In 2007, the District began a crack sealing and line painting program.



#### 4. PROGRESS REPORT ON 2007 OBJECTIVES

| <u>Objective</u>                                         | <u>Measure</u>                         |
|----------------------------------------------------------|----------------------------------------|
|                                                          | Completed/In Progress/Not Started      |
| OCP Update                                               | Completed                              |
| Groundwater Monitoring Program                           | In Progress                            |
| Financial Planning/Sustainability (Includes KPMG Report) | In Progress                            |
| Roads and Trails Upgrades/New/Assessments                | Roads Completed,<br>Trails in Progress |
| Emergency Planning                                       | In Progress                            |
| Community Centre Concept                                 | In Progress                            |
| Fire Dept Review (Vokes Report)                          | In Progress                            |
| Wildfire/Urban Interface Policy                          | Not started                            |
| Secondary Suites                                         | Not started                            |
| Millstream Meadows Property                              | In Progress                            |
| Recreation Opportunities/Facilities                      | Not Started                            |
| Cuff Recommendation Implementation                       | Not Started                            |
| Economic Development South Highlands                     | In Progress                            |
| Community Pride/Vision/Motto/Flag                        | Flag Completed                         |
| Council Ethics Policy                                    | Not Started                            |
| Volunteer Recognition                                    | In Progress                            |
| Zoning for Crown Land                                    | Not Started                            |
| Staffing Levels                                          | Completed                              |

## 5. STATEMENT OF OBJECTIVES AND MEASURES FOR 2007 AND 2008

### 2008 STRATEGIC PLAN

| ISSUE                                                                                                                                                                                                                                                       | PRIORITY                                                   | STATUS                                                                        | NEXT STEPS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Economic Development South Highlands</b></p> <ul style="list-style-type: none"> <li>➤ Water to West side Millstream Road</li> <li>➤ Water to East side Millstream Road</li> </ul>                                                                     | <p><b>High</b></p> <p><b>High</b></p>                      | <p>In process with CRD RGS amendment</p> <p>Underway</p>                      | <p>Await CRD Process. Referral period has been extended to June 30, 2008 enabling the Facilitator to have discussions with participating local governments.</p> <p>Staff to formulate report on how to approach coordinated zoning and development of industrial and potential Industrial properties on east side including Millstream Meadows and adjacent Crown Lands. CRD Water has been approved and CRD Water has met with Landowners for scheduling which is tentative for construction in the summer of 2008. Design Services are being sourced at this time by CRD.</p>                                                                                                                                                                                                                  |
| <p><b><u>Infrastructure</u></b></p> <p>Groundwater Monitoring Program</p> <p>Roads</p> <ul style="list-style-type: none"> <li>➤ Annual road structure and surface assessments</li> <li>➤ Consideration of weight restrictions on municipal roads</li> </ul> | <p><b>High</b></p> <p><b>High</b></p> <p><b>Medium</b></p> | <p>Project Underway</p> <p>2007 assessments completed</p> <p>In the queue</p> | <p>Pursue Well Drilling Funding. Well drilling was excluded from the funding approved. Multiple monitoring wells may be required and the cost for such are very significant. The Province suggested that because the well drilling component is more bricks and mortar oriented, a more conventional capital grant program should be pursued for this work. In addition the data analysis in the first phases will help to determine where the monitoring. <b>Bring forward to June Committee of the Whole</b></p> <p>Capital Plan to be incorporated into the Financial Plan. This is an integral part of the budgeting process</p> <p>Report and bring forward to Committee of the Whole. The District's road consultant does not feel restrictions would have an impact on road condition</p> |

| ISSUE                                                                                                                                                                                    | PRIORITY                                                              | STATUS                                                                                            | NEXT STEPS                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Trails<br>➤ Master Plan                                                                                                                                                                  | <b>Medium</b>                                                         | Not Started                                                                                       | Source Consultant for enhancement of Master Plan including standards, locations, design and construction estimates. This intended to support and enhance the trails in place, and the existing master trails Plan. It will include community involvement through consultation and Advisory Committee participation. It will set up future capital grant applications.                                                                                                          |
| <b><u>Fire Department</u></b><br>Fire Hall (s)<br><br>Paid Position<br><br>Day Crew                                                                                                      | <b>High</b><br><br><b>High</b><br><br><b>High</b>                     | Not Started<br><br>Review Underway<br><br>Underway                                                | Flowing from Vokes report which recommended consideration of a central fire hall.<br><br>Fire Department is preparing an inventory of tasks that are required to be accomplished. For the purpose establishing service delivery options. This resulted from an in-camera in the latter part of 2007.<br><br>Looking into recruiting. There has been a serious erosion of eligible day crew volunteers the District critically short of responders during normal working hours. |
| <b><u>Administrative</u></b><br><br>Wildfire Interface Regulations<br><br>George Cuff Corporate Review Recommendations<br><br>Wildfire Protection Plan<br><br>Pesticide Regulation Bylaw | <b>High</b><br><br><b>Low</b><br><br><b>High</b><br><br><b>Medium</b> | Staff Report Prepared<br><br>In the queue<br><br>Grant Approved<br><br>Draft Bylaw being prepared | Bring forward report to Committee of the Whole when the agenda will enable it<br><br>Bring forward to a Committee of the Whole Meeting<br><br>Project Underway<br><br>Bring forward to Committees                                                                                                                                                                                                                                                                              |

| <b>Issue</b>                                           | <b>PRIORITY</b> | <b>Status</b>                                               | <b>Next Steps</b>                                                                                                                                                                              |
|--------------------------------------------------------|-----------------|-------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Subdivision Servicing Bylaw                            | <b>Medium</b>   | Revisions being prepared                                    | Upon completion bring forward for Council consideration. This will incorporate Bear Mt.<br><br>Servicing Standards as well as housekeeping amendments to the general text                      |
| Staff Salary Review                                    | <b>High</b>     | Current Salary Rates expire at year end                     | Bring forward proposal review                                                                                                                                                                  |
| <b><u>Land Use</u></b><br>Secondary Suites             | <b>Medium</b>   | Staff provided previous report                              | Bring forward to COW to discuss process for addressing this issue                                                                                                                              |
| Large Lots                                             | <b>Medium</b>   | Resolution passed by Council to begin analysis              | Flowing from the OCP Policy on large lots. This issue should come forward to a Committee of the Whole for establishing a process to review                                                     |
| <b><u>Community Based</u></b><br>Volunteer Recognition | <b>High</b>     | Referred to Community Infrastructure and Services Committee | Await Committee Recommendations                                                                                                                                                                |
| Sustainability Task Force                              | <b>High</b>     | FESC to Provide Recommendations on Terms of Reference       | March FESC Meeting then to COW                                                                                                                                                                 |
| Sustainability Checklist                               | <b>High</b>     | In the queue                                                | COW Discussion tied in with Sustainability Task Force Council has authorized \$15,000 in funding this will carry forward from 2007 Budget. Several properties of Interest have been identified |
| Community Centre Concept                               | <b>High</b>     | Task Force preparing information Public Open House          |                                                                                                                                                                                                |
| Twinflower Park Upgrade                                | <b>High</b>     | Olympic Live sites Grant Approved for 50% funding (150,000) | Determine whether this will proceed. It is being held back because of the Community Centre proposal. The funding must be utilized by March 31, 2009                                            |

## 6. COUNCIL MEMBER REMUNERATION AND EXPENSE REPORT

### M E M O R A N D U M

**DATE:** May 6, 2008  
**TO:** C. Coates, CAO  
**FROM:** B. Lapierre, Accounting Clerk  
**RE:** Reporting of Remuneration

As per **Section 329.1 of the Local Government Act** please find below a report listing each Council member's indemnity and expenses incurred during the 2007 calendar year.

| Name                              | Indemnity        | Expenses        | Registration Fee & Expenses | Insurance     |
|-----------------------------------|------------------|-----------------|-----------------------------|---------------|
| Mayor<br>Cardinal, Mark           | 10,000.00        | 2216.25         | UBCM's Annual Convention    | 71.43         |
| Councillor<br>Brotherston, Ken    | 6,000.00         | n/a             |                             | 71.43         |
| Councillor<br>Fall, Andrew        | 6,000.00         | n/a             |                             | 71.43         |
| Councillor<br>Kadar, Joe          | 6,000.00         | n/a             |                             | 71.43         |
| Councillor<br>Mahovlich, Michelle | 6,000.00         | 440.94          | FCM – Energy Mission        | 71.43         |
| Councillor<br>Mendum, Jane        | 6,000.00         | n/a             |                             | 71.43         |
| Councillor<br>Williams, Ken       | 6,000.00         | 2324.95         | UBCM's Annual Convention    | 71.42         |
| <b>TOTALS</b>                     | <b>46,000.00</b> | <b>4,988.14</b> |                             | <b>500.00</b> |

\* Mayor's Indemnity includes 1/3 Expense Allowance equaling \$3,333.33

\*\* Councillor's Indemnity includes 1/3 Expense Allowance equaling \$2,000.00

### 7. DECLARATION AND IDENTIFICATION OF DISQUALIFIED COUNCIL MEMBERS

Nil

### 8. STATEMENT OF PERMISSIVE PROPERTY TAX EXEMPTIONS FOR 2007

Nil

### 9. FEDERAL GAS TAX TRANSFER REPORT

The District received \$51,726 in 2007 from the New Deal Gas Tax Transfer Agreement with the Federal Government. Funds from this transfer are eligible to be used on certain expenditures. To date the District has set aside both the 2005 and 2006 transfers totaling over \$130,000 in a reserve for future expenditure. The District intends to utilize these funds in 2008 for road improvement projects.