

District of Highlands 2009 Annual Report

*Photo Submitted by:
Janet and Rick Hughes*



DISTRICT OF HIGHLANDS 2009 ANNUAL REPORT

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1. DISTRICT OF HIGHLANDS



The Highlands is a primarily residential community, rural in nature, and blessed with an exceptional abundance of scenic beauty, native plant and animal life, and public parkland. Those of us who live here place high value on the natural environment and our rural lifestyle. Highlanders are actively involved in the community, which fosters a spirit that is both self-reliant and cooperative.

A stunningly beautiful rural residential area, the Highlands is just northwest of Victoria British Columbia Canada. More than one-third of the Highlands is protected as municipal, regional, and provincial parkland. Highlanders take great pride in the stewardship of our environment by ensuring that new developments include conservation covenants limiting human encroachment. We're proud of our volunteers and community involvement.

Figure 4¹
Selected Demographic Variables, Canada Census

Highlands Population in 2006.....1,903 CRD Population in 2001 345,164
Highlands Population in 1996.....1,674 CRD Population in 1996 325,754
Highlands Total Dwellings 2001.....705 CRD Total Dwellings 2001 152,480

Census variables, 2001 ²	Highlands	Capital Region
Lived at same address 5 years in 1996	61%	53%
Median age of residents	42.6	43.6
Age 19 or younger	24%	20%
Canadian-born	91%	80%
Households containing a couple with children at home	39%	22%
Visible minority residents	2%	9%
Median (couple) family income	\$75,821	\$63,729
Worked at home	11%	10%
Owned dwellings	89%	64%
Dwellings built before 1991	67%	86%

¹ 2006 census

²2007 Official Community Plan

2. LONG TERM VISION STATEMENT²

Residents have been clear about what is important to them and there are a number of common perspectives. The following VISION STATEMENT captures shared sentiments and sets a direction for the future.

The Highlands is a primarily residential community, rural in nature, and blessed with an exceptional abundance of scenic beauty, native plant and animal life, and public parkland. Those of us who live here place high value on the natural environment and our rural lifestyle. Highlanders are actively involved in the community, which fosters a spirit that is both self-reliant and cooperative.

The Highlands will strive to diversify its economy while preserving our natural systems, including the aquifers on which we depend so heavily. Land use decisions will be guided by a community plan, with the ongoing involvement of residents.

As stewards of our unique natural environment, we will protect its integrity. We will retain sufficient lands in their natural state to permit a diversity of plant and animal life to flourish and to ensure that the rural lifestyle we enjoy today can be experienced by future generations. We believe in the value of open and green space, trail systems, and outdoor recreational opportunities, both to enhance life in the Highlands and to contribute to the well-being of southern Vancouver Island as a whole.

We will provide for an adequate tax base, including light industrial, related commercial and nature-related recreational uses in some areas of the Highlands, in order to support basic, affordable municipal services and facilities. We will encourage alternative transportation choices, housing choices, and a community hall.

New development in the Highlands will be in keeping with the rural character of the community and carefully designed to protect sensitive environmental conditions. The pace of change should be gradual and the type of development should leave a small footprint on the land.

In order to move toward a future that is consistent with the VISION STATEMENT, the District of Highlands will strive to attain the following six goals:

Goal 1

To protect the natural environment.

Goal 2

To retain and strengthen the rural character of the Highlands.

Goal 3

To support economic diversification that is consistent with Highlands' rural character and the natural environment.

Goal 4

To ensure the long-**term economic sustainability of the Highlands'** community.

Goal 5

To provide basic, affordable public services and facilities.

Goal 6

To encourage involvement in a healthy rural community, including all planning decisions.

3. DISTRICT COUNCIL

The current Mayor and Council were elected at the general election in November 2008. The Council assignments for 2009 were as follows:



Mayor Jane Mendum

Mayor Mendum is in her first term as Mayor and previously served three terms as Councillor. In 2009 Mayor Mendum served as Director on the Capital Regional District Board, Hospital Board, Water Commission and Juan de Fuca Regional Water Supply Commission. Mayor Mendum also sat on the Capital Regional District Environment, and Planning and Transportation Committees, Chairs the Solid Waste Advisory Committee and is Ex-Officio to all Council committees.



Councillor Allen Dobb

Councillor Dobb is in his first term as a Councillor. In 2009 Councillor **Dobb served as the Council's representative to the Capital Regional District Arts Committee and the District of Highlands Sustainability Task Force.** Councillor Dobb was also the Alternate to the Treaty Advisory Committee.



Councillor Diane Gill

Councillor Gill is in her first term as a Councillor. In 2009 Councillor Gill served as the Council Liaison on the Community Infrastructure and Services and Council representative on the Capital Regional District Solid Waste Advisory Committee. Councillor Gill was also the Alternate to the District of Highlands Emergency Planning Committee.



Councillor Sigurd Johannesen

Councillor Johannesen is in his first term as Councillor. In 2009 Councillor Johannesen served as the Council representative on the District of Highlands Emergency Planning Committee, the Greater Victoria Family Court Committee and the Western Communities Policing Advisory Committee.

DISTRICT COUNCIL continued



Councillor Marcie McLean

Councillor McLean is in her first term as a Councillor. In 2009 Councillor McLean served as the Council representative to the Advisory Planning Commission and the Intermunicipal Advisory Committee on Disability Issues. Councillor McLean was also the Council Liaison to the Fiscal and Environmental Committee and the Community Centre Task Force, and the Alternate Council representative on the Greater Victoria Family Court Committee and Western Communities Policing Advisory Committee.



Councillor Karel Roessingh

Councillor Roessingh is in his first term as a Councillor. In 2009 Councillor Roessingh served as the Council representative to the Greater Victoria Public Library, Ground Water Task Force and Capital Region Emergency Service Telecommunications (CREST). Councillor Roessingh also served as the alternate Council representative for Capital Regional District Board and Hospital Board, and the Capital Region Water Commission.

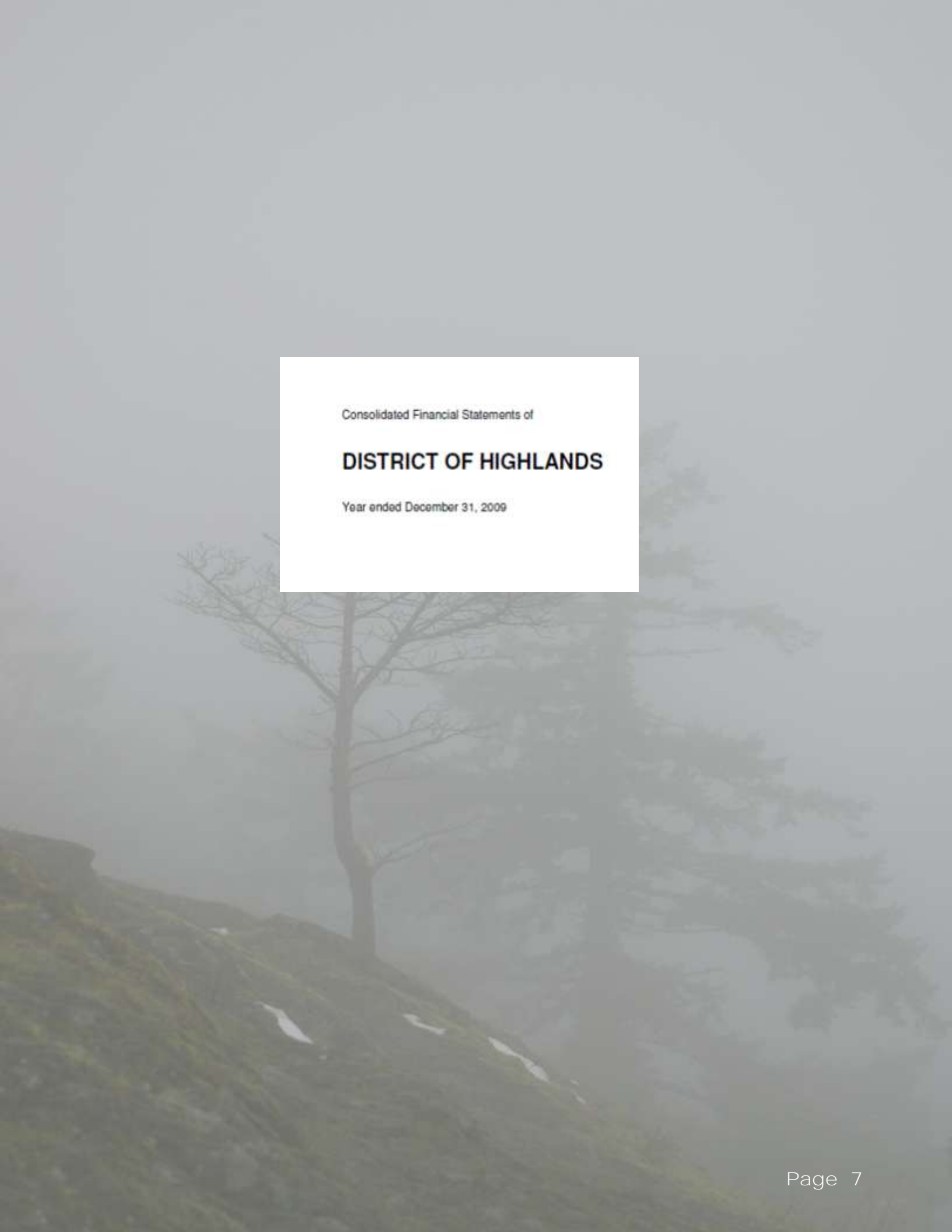


Councillor Ken Williams

Councillor Williams is in his second term as a Councillor. In 2009 Councillor Williams served as the Council representative to the West Shore Parks and Recreation Society and the Treaty Advisory Committee. Councillor Williams also serves as Council alternate to the Capital Regional District Solid Waste Advisory, Juan de Fuca Water Commission and the Advisory Planning Commission.

THANK YOU

*The District would like to
thank Rick and Janet
Hughes , Rob Jirucha and
Chris Leek for allowing
the district to use their
photography in
the publication of the
District of Highlands
2009 Annual Report.*

A background image of a misty, mountainous landscape. In the foreground, a steep, grassy slope rises from the bottom left. A single, bare tree stands on the slope, its branches reaching out against the fog. In the background, more mountain peaks are visible, partially obscured by thick white fog. The overall tone is cool and atmospheric.

Consolidated Financial Statements of

DISTRICT OF HIGHLANDS

Year ended December 31, 2009

DISTRICT OF HIGHLANDS

Consolidated Financial Statements

Year ended December 31, 2009

Financial Statements

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the District of Highlands (the "District") are the responsibility of management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The District's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Mayor and Council meet with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the District. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the District's consolidated financial statements.



Chief Administrative Officer

Director of Finance



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Canada

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AUDITORS' REPORT

To the Mayor and Councillors of District of Highlands

We have audited the consolidated statement of financial position of District of Highlands as at December 31, 2009 and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 consolidated financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2009 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

April 15, 2010

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

DISTRICT OF HIGHLANDS

Consolidated Statement of Financial Position

December 31, 2009, with comparative figures for 2008

	2009	2008
		(Restated - note 2)
Financial assets:		
Cash and short-term investments	\$ 2,022,149	\$ 1,219,940
Account receivables	235,443	331,408
Taxes receivable	122,267	136,287
Other assets	11,135	-
	<u>2,390,994</u>	<u>1,687,635</u>
Financial liabilities:		
Accounts payable and accrued liabilities	313,252	403,573
Security deposits	18,500	18,050
Deferred revenue	232,117	154,782
Obligation under capital lease (note 4)	38,402	51,655
Long-term debt (note 4)	487,695	527,938
	<u>1,089,966</u>	<u>1,155,998</u>
Net financial assets	1,301,028	531,637
Non-financial assets:		
Tangible capital assets (note 5)	38,965,723	39,860,139
Accumulated surplus (note 6)	\$ 40,266,751	\$ 40,391,776

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

Chief Administrator Officer - Treasurer

DISTRICT OF HIGHLANDS

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2009, with comparative figures for 2008

	Budget (unaudited - note 12)	2009	2008 (Restated - note 2)
Revenue:			
Taxation, net (note 7)	\$ 1,241,642	\$ 1,257,451	\$ 1,225,565
Government transfers (note 8)	1,155,851	787,174	625,178
Sales of service	202,275	204,132	191,672
Licenses, permits and other	78,300	92,407	161,036
Investment income	35,000	7,132	35,508
Donations and amenities	200,000	147,074	220,335
Other	64,517	97,337	71,817
Actuarial adjustment on debt	-	14,864	9,176
Total revenue	2,977,585	2,607,571	2,540,287
Expenses:			
General government services	587,300	527,262	555,976
Protective services	383,751	391,377	425,264
Transportation services	232,700	1,085,680	1,367,279
Environmental development services	266,297	198,255	165,115
<u>Recreation and cultural services</u>	<u>433,119</u>	<u>530,022</u>	<u>480,725</u>
	1,903,167	2,732,596	2,994,359
Annual deficit	1,074,418	(125,025)	(454,072)
Accumulated surplus, beginning of year	40,391,776	40,391,776	40,845,848
Accumulated surplus, end of year	\$ 41,466,194	\$ 40,266,751	\$ 40,391,776

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

DISTRICT OF HIGHLANDS

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2009, with comparative figures for 2008

	Budget (unaudited - note 12)	2009	2008 (Restated - note 2)
Annual deficit	\$ 1,074,418	\$ (125,025)	\$ (454,072)
Acquisition of tangible capital assets	(512,212)	(161,164)	(509,106)
Amortization of tangible capital assets	-	1,024,963	1,028,321
Proceeds on sale of tangible capital assets	-	(1,156)	-
Change in proportionate share of West Shore	-	31,773	15,233
	(512,212)	894,416	534,448
Change in net financial assets	562,206	769,391	80,376
Net financial assets, beginning of year	531,637	531,637	451,261
Net financial assets, end of year	\$ 1,093,843	\$ 1,301,028	\$ 531,637

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

DISTRICT OF HIGHLANDS

Consolidated Statement of Cash Flows

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
		(Restated - note 2)
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (125,025)	\$ (454,072)
Items not involving cash:		
Amortization of tangible capital assets	1,024,963	1,028,321
Change in proportionate share of West Shore	31,773	15,233
Actuarial adjustment on debt	(14,864)	(9,176)
Change in non-cash operating assets and liabilities:		
Accounts receivable	14,020	(215,914)
Property taxes receivable	95,965	(50,710)
Other financial assets	(11,135)	-
Accounts payable and accrued liabilities	(90,321)	80,005
Security deposits	450	(107,665)
Deferred revenue	77,335	(90,523)
	1,003,161	195,499
Capital activities:		
Acquisition of tangible capital assets	(161,164)	(449,975)
Proceeds on sale of tangible capital assets	(1,156)	-
	(162,320)	(449,975)
Financing activities:		
Capital lease payments	(13,253)	(7,476)
Debt repaid	(25,379)	(25,380)
	(38,632)	(32,856)
Increase (decrease) in cash and short-term investments	802,209	(287,332)
Cash and short-term investments, beginning of year	1,219,940	1,507,272
Cash and short-term investments, end of year	\$ 2,022,149	\$ 1,219,940
Supplemental cash flow information:		
Assets purchased under capital lease	\$ -	\$ 59,131

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

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements

Year ended December 31, 2009

District of Highlands (the "District") is a municipality in the Province of British Columbia and operates under the provisions of the Local Government Act and the Community Charter of British Columbia.

1. Significant accounting policies:

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

(a) Reporting entity:

The consolidated financial statements reflect the combination of all the assets, liabilities, revenues, expenses, and changes in fund balances and in financial position of the District. The financial statements of the District also include organizations and enterprises which are owned or controlled by the District including the District's proportionate interest in West Shore Parks and Recreation Society ("West Shore").

(b) Basis of accounting:

The District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Government transfers:

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. Transfers received for which expenses are not yet incurred are included in deferred revenue.

(d) Deferred revenue:

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation, regulation and agreement which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

1. Significant accounting policies (continued):

(d) Deferred revenue (continued):

Development cost charges are amounts which are restricted by government legislation or agreement with external parties. When qualifying expenditures are incurred development cost charges are recognized as revenue in amounts which equal the associated expenses.

(e) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(f) Investments:

Investments are recorded at cost. Investments in the Municipal Finance Authority of British Columbia ("MFA") Bond, Intermediate and Money Market Funds are recorded at cost plus earnings reinvested in the funds.

(g) Long-term debt:

Long-term debt is recorded net of related sinking fund balances.

(h) Employee future benefits:

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

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

- (ii) The costs of multi-employer defined contribution pension plan benefits, such as the Municipal Pension Plan, are the employer's contributions due to the plan in the period.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

1. Significant accounting policies (continued):

(i) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - years
Park improvements	15 - 40
Buildings	25 - 40
Vehicles	5 - 25
Engineering structures	20 - 60

Amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Natural resources

Natural resources that have not been purchased are not recognized as assets in the financial statements.

(iv) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(v) Interest capitalization

The District does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(vi) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(vii) Inventory of supplies

Inventory of supplies held for consumption is recorded at the lower of cost and replacement cost.

(j) Use of estimates:

The preparation of financial statements in conformity with Canadian 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 expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities and in performing actuarial valuations of employee future benefits.

In addition, the District's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

2. Change in accounting policy:

The District has implemented Public Sector Accounting Board ("PSAB") sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, purchased tangible capital assets were recorded as expenditures and then were set up as capital assets in the Statement of Financial Position. The capital assets were not amortized.

Methods used for determining the cost of each major category of tangible capital assets

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The District applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. After defining replacement or reproduction cost, indices including the consumer price index were used as a resource for determining appropriate indices in order to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition.

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:

Accumulated surplus at January 1, 2008:

Operating fund balance	\$ 323,003
Capital fund balance	48,833
Reserves	653,815
Equity in physical assets	8,582,067
Accumulated surplus, as previously reported	9,607,718
Change in net book value of tangible capital assets	31,249,837
Deferred revenue, West Shore	(11,707)
Accumulated surplus, as restated	\$ 40,845,848

Annual surplus for 2008:

Net expenditures, as previously reported	\$ 138,424
Assets capitalized but previously expensed	449,974
Amortization expense not previously recorded	(1,028,321)
Change in proportionate share of West Shore	(15,507)
Principal payments on capital lease	7,476
West shore deferred revenue previously recognized	(6,118)
Annual deficit, as restated	\$ (454,072)

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

3. Deferred revenue:

	Opening balance	Received during the year	Interest earned	Transfers	Closing balance
Gas Tax Agreement Funds	\$ 96,614	\$ 101,944	\$ 729	\$ (15,958)	\$ 183,329
Casino revenues	11,258	48,462	-	(47,841)	11,879
Prepaid taxes and other	46,910	18,621	-	(28,622)	36,909
	\$ 154,782	\$ 169,027	\$ 729	\$ (92,421)	\$ 232,117

4. Debt:

(a) Long-term debt:

MFA issue #	Bylaw #	Purpose	Maturity date	Original issued amount	Sinking fund contributions and deposits	Interest rate	Balance 2009	Balance 2008
61	32	Fire truck	2010	\$125,000	\$ 113,997	4.00%	\$ 11,003	\$ 22,392
61	33	Fire truck	2010	50,000	45,599	4.00%	4,401	8,957
186	81	West Shore arena	2022	571,021	98,730	4.86%	472,291	496,589
							\$487,695	\$527,938

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

	Total
2010	\$ 25,379
2011	17,269
2012	17,269
2013	17,269
2014	17,269
Thereafter	412,965

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

4. Debt (continued):

(c) Interest expense:

Total interest expense during the year was \$34,752 (2008 - \$34,752). West Shore arena interest on debt is reduced by a subsidy from the Cities of Langford and Colwood.

(d) Capital lease liability:

Year ending December 31:

2010	\$	14,636
2011		13,394
2012		9,671
2013		2,418
		<hr/> 40,119
Less amount representing interest (at rates ranging from 2.81% to 3.75%)		1,717
Present value of net minimum capital lease payments	\$	<hr/> 38,402

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

5. Tangible capital assets:

	Land	Park improvements	Buildings	Vehicles	Engineering structures	Assets under construction	Total 2009	Total 2008
Cost:								
Balance, beginning of year	\$7,632,070	264,795	1,937,133	1,787,264	36,094,504	-	\$47,715,766	\$47,206,660
Additions	-	94,683	13,821	47,882	-	4,778	161,164	509,106
Disposals	(13,929)	(2,264)	(18,198)	(7,015)	-	-	(41,406)	-
Balance, end of year	7,618,141	357,214	1,932,756	1,828,131	36,094,504	4,778	47,835,524	47,715,766
Accumulated amortization:								
Balance, beginning of year	-	52,011	404,401	633,106	6,766,109	-	7,855,627	5,827,306
Disposals	-	(341)	(3,897)	(6,551)	-	-	(10,789)	-
Amortization	-	6,516	40,719	94,413	883,315	-	1,024,963	1,028,321
Balance, end of year	-	58,186	441,223	720,968	7,649,424	-	8,869,801	7,855,627
Net book value, end of year	\$7,618,141	299,028	1,491,533	1,107,163	28,445,080	4,778	\$38,965,723	\$39,860,139

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

5. Tangible capital assets (continued):

(a) Assets under construction

There were no assets under construction.

(b) Contributed tangible capital assets

There were no contributed assets recognized during the year.

(c) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset has been recognized at a nominal value.

(d) Works of art and historical treasures

The District manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at District sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(e) Write-down of tangible capital assets

No write-down of tangible capital assets occurred during the year.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

6. Accumulated surplus:

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

	2009	2008
Surplus:		
Equity in tangible capital assets	\$ 38,439,626	\$ 39,280,546
Other	945,585	527,558
Total surplus	39,385,211	39,808,104
Reserve funds set aside for specific purposes by Council:		
Fire capital works and equipment	513,855	282,230
Park acquisition/development	8,371	8,324
Roads reserve	315,334	248,240
General reserve for future expenditures	32,555	32,150
West Shore reserves	11,425	12,728
Total reserve funds	881,540	583,672
	\$ 40,266,751	\$ 40,391,776

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

7. Taxation:

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

	2009	2008
Municipal purposes		
General	\$ 2,837,257	\$ 2,706,020
1% utility taxes	21,492	21,791
	2,858,749	2,727,811
Less taxes levied for other authorities:		
School authorities	1,117,207	1,065,505
Police tax	95,563	91,609
Capital Regional District	140,983	133,666
Capital Regional Hospital District	121,809	102,495
BC Assessment Authority	34,260	31,957
Victoria Regional Transit Authority	91,371	76,917
Municipal Finance Authority	105	97
	1,601,298	1,502,246
	<u>\$ 1,257,451</u>	<u>\$ 1,225,565</u>

8. Government transfers:

The District recognizes the transfer of government funding as expenses or revenues in the period that the events giving rise to the transfer occurred. The Government transfers reported on the consolidated statement of operations and accumulated surplus are:

	2009	2008
Provincial government		
Small communities and equalization payments	\$ 623,547	\$ 296,311
Gas tax	15,958	108,002
Other	54,317	13,392
	693,822	417,705
Capital transfers:		
Other	93,352	207,473
Total revenue	<u>\$ 787,174</u>	<u>\$ 625,178</u>

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

9. Classification of expenditure by object:

	2009	2008 (Restated - note 2)
Contracted and general services	\$ 713,579	\$ 966,568
Wages and employee benefits	526,961	588,688
Materials, supplies and utilities	343,069	309,780
Council expenses	65,221	61,642
Grants	15,117	12,227
Interest	11,912	11,902
Amortization	1,024,963	1,028,321
Change in proportionate share of West Shore	31,773	15,233
Total expenditure by object	\$ 2,732,595	\$ 2,994,361

10. Pension plan:

The District and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 158,000 active members and approximately 57,000 retired members. Active members include approximately 33,000 contributors from local government.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 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 paid \$26,201 (2008 - \$25,866) for employer contributions and District employees paid \$29,279 (2008 - \$27,971) for employee contributions to the plan in fiscal 2009.

11. Commitments and contingencies:

- (a) The CRD debt, under provisions of the Local Government Act, is a direct, joint and several liability of the CRD and each member municipality within the CRD, including the District.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

11. Commitments and contingencies (continued):

- (b) The District is a shareholder and member of the Capital Region Emergency Service Telecommunications (CREST) Incorporated which provides centralized emergency communications, and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout the Greater Victoria region and the Gulf Islands. Members' obligations to share in funding ongoing operations and any additional costs relating to capital assets are to be contributed pursuant to a Members' Agreement.
- (c) Under borrowing arrangements with the MFA, the District is required to lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund. These deposits are included in the District's financial assets as restricted receivables and are held by the MFA as security against the possibility of debt repayment default. If the debt is repaid without default, the deposits are refunded to the District. At December 31, 2009 there were contingent demand notes of \$26,105 (2008 - \$26,105) which are not included in the financial statements of the District.

12. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2009 operating and capital budgets approved by Council on May 11, 2009. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

12. Budget data (continued):

	Budget amount
Revenues:	
Operating budget	\$ 4,572,157
West Shore	203,392
Less:	
Transfers from own funds	(156,606)
Arena debt subsidy	(23,435)
Collections for other governments	(1,617,923)
Total revenue	2,977,585
Expenses:	
Operating budget	4,572,157
West Shore	175,321
Less:	
Capital expenses	(512,212)
Transfer to own funds	(665,362)
Debt principal payments	(25,379)
Arena debt subsidy	(23,435)
Transfers to other Governments	(1,617,923)
Total expenses	1,903,167
Annual surplus	\$ 1,074,418

13. West Shore Parks and Recreation Society:

(a) Capital asset transfer:

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. For 2009, the District's share of improvements purchased by the Society on its behalf is \$13,125.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

(a) Capital asset transfer (continued):

Because the cost sharing formula in the Members' Agreement produces different cost shares for the members from year-to-year, there is a gain or loss on the opening fund balances. In 2009, the District recorded a loss of \$30,616 on tangible capital assets and a loss of \$1,341 on accumulated surplus.

The repayment of the long-term debt associated with the transferred assets will continue to be a regional function, in accordance with the terms of an Agreement to Transfer between the CRD, the Municipalities and the Society. 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, 2009 was \$146,000.

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) Consolidation:

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 2009, the District's proportion for consolidation purposes was 3.887% (2008 - 3.950%). Condensed financial information for the Society is as follows:

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

(b) Consolidation (continued):

	2009	2008
Financial assets	\$ 3,085,770	\$ 2,946,046
Financial liabilities	1,841,117	1,565,860
Net financial assets	1,244,653	1,380,186
Non-financial assets	758,343	745,387
Accumulated surplus	\$ 2,002,996	\$ 2,125,573
Revenues	\$ 5,501,066	\$ 4,815,341
Requisition for members	3,647,206	3,583,724
	9,148,272	8,399,065
Expenses	5,623,643	5,125,075
Requisition for members	3,647,206	3,583,724
	9,270,849	8,708,799
Annual deficit	\$ (122,577)	\$ (309,734)

6. SERVICES AND OPERATIONS

Then...



And now...



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 25 members. The Fire Chief and Deputy Chief were each provided with an annual stipend of \$11,000 and \$5,500 respectively. Individual fire-fighters 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 District has two fire halls and six fire vehicles (two main pumpers, two mini pumpers, one tanker and one pickup).



Information pamphlets
available of the CRD website:
<http://www.crd.bc.ca/animal>



"A dog licence is your pet's best ticket home"

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.



Does this look familiar?

Garbage dumped on roadsides or on private lands in the Highlands is one of the most common and costly bylaw complaints.



If you come across a dump site do you know what to do?

Please contact the district office immediately as our bylaw enforcement officer will investigate the site to see if information on the owner may be located within the dumped material.

Office Number: 250-474-1773

BYLAW ENFORCEMENT

The District has a fee for service contract with the Capital Regional District 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.

Val Fletcher with an example of an emergency Preparedness kit
Do you have your kit ready?



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.

We also have an active emergency communications *amateur radio group* in support of communications for the program.

The Emergency Program Coordinator, Val Fletcher, along with the Highland District Community Association have organized events to help the community out in an emergency situation. In 2007 a storm forum was offered to the community and in 2009 a wildfire forum.

If you would be interested in volunteering for the emergency program Val would love to hear from you—250-479-1725



LIBRARY

The District participates, along with most of the local municipalities, in the Greater Victoria Public Library system (GVPL). The local branch is located at the West Shore Parks and 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. Last fall the GVPL opened a new Goudy Branch in the City of Langford.



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 ice arenas, BMX Track, Club House, Kinsmen Fieldhouse, an indoor pool, Seniors Centre, weight room, playing fields, 9 hole golf course, seniors centre, and the Centennial Centre located in Langford.

In 2009 the Board of Directors approved a portion of the land be leased to WildPlay Element Park and in November 2009 the Monkido Aerial Adventure Course opened.

The facility is jointly owned by Colwood, Highlands, Langford, Metchosin, View Royal 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 Highland 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.



Caleb Pike Homestead

The District has a management agreement with the Highland 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.**

Numerous events take place at the homestead, such as the summer market, HDCA sponsored Easter Egg Hunt, youth program, garden group, and the Highlands Folk Music!



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 the District undertook a major re-shouldering program on Millstream Lake and Ross Durrance Roads in 2009 (funded by the Federal Gas Tax Agreement). Anticipated works for 2010 include establishing cul de sacs on two local roads for emergency and service vehicle access, replacement of the Bridge on Millstream Lake Road and upgrading of South Millstream Road.

8. PROGRESS REPORT

ISSUE	STATUS	NEXT STEPS
Economic Development South Highlands:		
West side Millstream Road	CRD RGS Amendment Process complete	Staff report rationalizing zoning boundaries to RUCSPA
East side Millstream Road	Awaiting water main installation	Potential re-development at the discretion of property owners. No action currently required.
Infrastructure:		
Groundwater Monitoring Program	Phase 2 Complete. Phase 3 Beginning	Discussion with Bear Mountain for voluntary monitoring information. Consideration of Sustainability Task Force (STF) recommendations.
Annual road structure and surface assessments	Annual reviews and technical priorities are ongoing.	For 2010 Budget considerations
Transit/Transportation	Council Transit Liaison appointed. Ongoing process.	Participate in as many opportunities as possible that occur. STF recommendations to consider
Juan de Fuca Recreation Facilities	Ongoing process	To support the management of the West Shore facilities for the benefit of all residents and users.
Park Management Plans	Not initiated	Recommend a process to move forward
Trails Master Plan	Consultant engaged project underway	Public consultation on the final stages of the plan in 2nd quarter of 2010. Completion target summer 2010.

PROGRESS REPORT continued

ISSUE	STATUS	NEXT STEPS
Emergency Services:		
MacAulay Report Recommendations	Fire Department analysis underway	Bring forward report on issues involving recommendations
Fire Hall (s)	Not started	Will commence after MacAulay recommendations are addressed
Day Crew	Ongoing Process.	Recent influx of new recruits has relieved critical shortage recruiting is an ongoing issue. No action currently required.
Neighborhood "HELP" Volunteers	Ongoing Process	Council will support the recruitment of volunteers through newsletter and web site advertisements
Administrative/Governance		
Treaty Process/First Nations Relations	Participant in the Te'Mexw Treaty Advisory Committee	Continue participation in Treaty Process to the fullest extent possible. Develop and enhance relations with local First Nations governments.
Millstream Meadows	Remediation process in progress	Continue to support remediation of the property to the highest degree practicable
Wildfire Interface Regulations	Staff report in progress	Bring forward report to Committee of the Whole when prepared.
George Cuff Corporate Review /Recommendation	In the queue	Bring forward to a Committee of the Whole Meeting
Subdivision Servicing Bylaw	Revisions prepared	Upon completion bring forward for Council consideration. This will incorporate Bear Mountain Servicing Standards as well as housekeeping amendments to the general text

PROGRESS REPORT continued

ISSUE	STATUS	NEXT STEPS
Administrative/Governance Continued...		
Staff Salary Review	Current Salary Rates expire at year end	Bring forward proposal for review
Council Ethics Policy	Not initiated	Sample Policy to be circulated
Soil Deposit and Removal Regulations Review	Background report and recommendations prepared	Disseminate Committee comments and bring forward for public consultation
Integrated Pest Management Planning	Not initiated	
Heritage Property Recognition	Task Force established—advertising for members underway	Establish Heritage Vision and recommend properties for inclusion on Heritage Register
Riparian Area Agriculture/Livestock Management	Not initiated	Consolidate available information for education purposes and post on web site
Land Use		
Sustainability Task Force OCP Level Policy Issues	Action plan identified	Staff draft terms of reference for consultant services
Secondary Suites		Staff draft terms of reference for consultant services
Large Lots	Landholder consultation completed.	Staff Report recommending process to move forward
Community Based		
Volunteer Recognition	Recommended for a catered outdoor event	Plan and deliver
Community Hall	Task Force discussions on going preparing information for public input	Proceed as directed
Highlands Community Market	Ongoing	Examine means to support the local market and work with organizers if assistance can be provided.

9. STATEMENT OF REMUNERATION AND EXPENSES

DISTRICT OF HIGHLANDS

Statement of Remuneration and Expenses (Unaudited)
Year ended December 31, 2009

Elected Officials		Remuneration	Expenses	Total
Jane Mendum	Mayor	\$ 10,000	\$ 955	\$ 10,955
Allen Dobb	Councillor	6,000	2,573	8,573
Diane Gill	Councillor	6,000	2,719	8,719
Sigurd Johanne- sen	Councillor	6,000	1,931	7,931
Marcie McLean	Councillor	6,000	2,043	8,043
Karel Roessingh	Councillor	6,000	2,887	8,887
Ken Williams	Councillor	6,000	5,001	11,001
		\$ 46,000	\$ 18,109	\$ 64,109

Reconciliation of Remuneration	
1. Elected Officials	\$ 46,000
2. Employees	492,813
3. Receiver General for Canada (Employer portion CPP & EI)	17,412
4. Reconciling Items	(29,264)
Total per note 9 to the audited financial statements	\$ 526,961

13. 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.

DISTRICT OF HIGHLANDS VOLUNTEER FIRE DEPARTMENT AND FIRE FIGHTERS

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.

CHIEF FORD STEPS DOWN After serving over 30 years as Chief of the Highlands Volunteer Fire Department, Chief Barry Ford announced his retirement from this role at the end of 2009. Barry became Chief of the East Highlands Fire Department shortly after it was registered as a society in 1978; East and West Fire Departments were joined when Highlands incorporated in 1993 and Barry was chosen to be Highlands Fire Chief. His career in firefighting has been outstanding: in 2005 he received the inaugural CFA 9-1-1 award, given to a member of protective services in the region who has gone above and beyond to serve their community. In 2009 he was presented with an award from the Governor General of Canada recognizing 30 years of **firefighting in the District.** Chief Ford has led the district's volunteer firefighters organization from humble beginnings to the terrific force it is today - an admirable accomplishment by any measure, and has earned the gratitude and appreciation of Highlanders for doing so. **Barry's leadership and dedication to task will be missed, and we wish him the very best in his retirement.**

In January 2010 Council has appointed former Deputy Fire Chief Guy Brisebois as Acting Fire Chief, and Dean Ford as Acting Deputy Fire Chief.

In May 2010 the annual elections of the Highlands Volunteer Fire Department resulted in Peter Shuttinga being elected the Deputy Fire Chief and Dean Ford being elected Captain/Training Officer, Rob Tuit West Hall Lieutenant and Greg Fletch East Hall Lieutenant.

13. *VOLUNTEERS continued*

2009 ADVISORY PLANNING COMMISSION

Mara Dhillon
Honora Johannesen
Rick Lester
Eleanor Rayner
Colleen Robertson
Allen Roger
Fred York

2009 Board of Variance

Will Carrilho
Paul Henry

2009 COMMUNITY CENTRE TASK FORCE

Michael Bocking
Gord Baird
Bob Flitton
Verna Ford
Susan Leslie
Bob McMinn
Bessie Nuk
Eleanor Rayner
Rachael Sansum

2009 COMMUNITY INFRASTRUCTURE AND SERVICES SELECT COMMITTEE

Bob Flitton
Rick Hughes
Tara Parkinson
Bessie Nuk
Eleanor Rayner
Paul Reynolds
Evelyn Samuel
Hans Waelti
Fred York

14. STATISTICS

