

Consolidated Financial Statements of

DISTRICT OF HIGHLANDS

Year ended December 31, 2016

DISTRICT OF HIGHLANDS

Consolidated Financial Statements

Year ended December 31, 2016

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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 applicable legislation, and in accordance with public sector accounting standards for local governments established by The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

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

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


Chief Administrative Officer - Treasurer



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INDEPENDENT AUDITORS' REPORT

To the Mayor and Councillors of The District of Highlands

We have audited the accompanying consolidated financial statements of The District of Highlands, which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The District of Highlands as at December 31, 2016, and its consolidated results of operations, its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

May 1, 2017
Victoria, Canada

DISTRICT OF HIGHLANDS

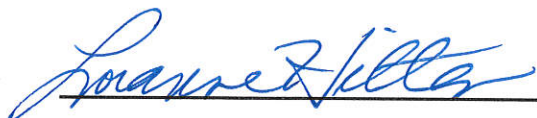
Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial assets:		
Cash and cash equivalents	\$ 3,743,728	\$ 2,578,304
Accounts receivable (note 2)	94,483	110,915
Taxes receivable	108,895	136,260
Other assets	22,494	17,480
	<u>3,969,600</u>	<u>2,842,959</u>
Financial liabilities:		
Accounts payable and accrued liabilities	497,398	369,566
Security deposits	35,626	13,764
Accrued payroll expenses	13,788	190
Deferred revenue (note 3)	71,424	64,173
Obligation under capital lease	-	2,033
Long-term debt (note 4)	786,619	317,202
	<u>1,404,855</u>	<u>766,928</u>
Net financial assets	2,564,745	2,076,031
Non-financial assets:		
Tangible capital assets (note 5)	37,873,753	38,023,800
Prepaid expenses	10,271	6,096
	<u>37,884,024</u>	<u>38,029,896</u>
Commitments and contingencies (note 11)		
Accumulated surplus (note 6)	<u>\$ 40,448,769</u>	<u>\$ 40,105,927</u>

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

On behalf of the District:



Chief Administrative Officer - Treasurer

DISTRICT OF HIGHLANDS

Consolidated Statement of Operations

Year ended December 31, 2016, with comparative information for 2015

	Financial plan (note 12)	2016	2015
Revenue:			
Taxation, net (note 7)	\$ 1,754,668	\$ 1,772,076	\$ 1,464,948
Government transfers (note 8)	506,580	535,538	523,928
Sale of services	222,269	213,760	215,013
Licenses, permits and other	158,090	173,273	146,513
Investment income	4,200	22,699	18,176
Donations and amenities	117,463	383,716	148,041
Other	25,620	85,707	98,720
Actuarial adjustment on debt	-	13,314	11,812
	2,788,890	3,200,083	2,627,151
Expenses:			
General government services	691,300	742,839	745,544
Protective services	469,573	441,681	425,517
Transportation services	861,829	925,764	910,112
Environmental development services	185,150	149,600	120,662
Recreation and cultural services	607,251	597,357	700,941
	2,815,103	2,857,241	2,902,776
Annual surplus (deficit)	(26,213)	342,842	(275,625)
Accumulated surplus, beginning of year	40,105,927	40,105,927	40,381,552
Accumulated surplus, end of year	\$ 40,079,714	\$ 40,448,769	\$ 40,105,927

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, 2016, with comparative information for 2015

	Financial plan (note 12)	2016	2015
Annual surplus (deficit)	\$ (26,213)	\$ 342,842	\$ (275,625)
Acquisition of tangible capital assets	(855,750)	(516,197)	(617,025)
Amortization of tangible capital assets	721,047	920,257	898,845
Developer contributions of tangible capital assets	-	(306,600)	(20,405)
Loss on disposal of tangible capital assets	-	29,335	78,515
Change in proportionate share of West Shore	-	23,252	81,386
	(134,703)	150,047	421,316
Change in prepaid expenses	-	(4,175)	11,319
Change in net financial assets	(160,916)	488,714	157,010
Net financial assets, beginning of year	2,076,031	2,076,031	1,919,021
Net financial assets, end of year	\$ 1,915,115	\$ 2,564,745	\$ 2,076,031

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

DISTRICT OF HIGHLANDS

Consolidated Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 342,842	\$ (275,625)
Items not involving cash:		
Amortization of tangible capital assets	920,257	898,845
Developer contributions of tangible capital assets	(306,600)	(20,405)
Loss on disposal of tangible capital assets	29,335	78,515
Change in proportionate share of West Shore	23,252	81,386
Actuarial adjustment on debt	(13,314)	(11,812)
Changes in non-cash operating assets and liabilities:		
Accounts receivable	16,432	225,664
Taxes receivable	27,365	6,848
Other financial assets	(5,014)	(2,107)
Accounts payable and accrued liabilities	127,832	(144,419)
Accrued payroll expenses	13,598	190
Security deposits	21,862	(1,346)
Deferred revenue	7,251	14,860
Prepaid expenses	(4,175)	11,319
	1,200,923	861,913
Capital activities:		
Acquisition of tangible capital assets	(516,197)	(617,025)
	(516,197)	(617,025)
Financing activities:		
Debt issued	500,000	-
Capital lease payments	(2,033)	(8,231)
Debt repaid	(17,269)	(20,010)
	480,698	(28,241)
Increase in cash and cash equivalents	1,165,424	216,647
Cash and cash equivalents, beginning of year	2,578,304	2,361,657
Cash and cash equivalents, end of year	\$ 3,743,728	\$ 2,578,304
Supplemental cash flow information:		
Cash paid for interest	\$ 16,297	\$ 35,510
Cash received from interest	22,699	18,176

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

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements

Year ended December 31, 2016

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

The District provides municipal services such as police, fire, public works, engineering, planning, parks, recreation, community development, and other general government operations.

1. Significant accounting policies:

The consolidated financial statements of the District are prepared by management in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the District are as follows:

(a) Reporting entity:

The consolidated financial statements reflect the combination of all the assets, liabilities, revenues, expenses, and changes in fund balances and in financial position of the District. The consolidated financial statements of the District also include the District's proportionate interest in West Shore Parks and Recreation Society ("West Shore"), an organization jointly controlled by the District.

(b) Basis of accounting:

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

(c) Government transfers:

Government transfers without stipulations restricting their use are recognized in the financial statements as revenue in the period in which the transfers are authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made. Government transfers with stipulations restricting their use are recognized in the financial statements as revenues in the period in which the eligible expenditures are incurred, providing they are authorized and eligibility criteria are met.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(d) Deferred revenue:

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

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

(e) Property tax revenue:

Property tax revenue is recognized on the accrual basis using the approved mill rates and the anticipated assessment related to the current year.

(f) Investment income:

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

(g) Cash and cash equivalents:

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

(h) Long-term debt:

Long-term debt is recorded net of related payments and actuarial earnings.

(i) Employee future benefits:

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

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(i) Employee future benefits (continued):

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

(j) Non-financial assets:

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

(i) Tangible capital assets

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

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

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

Tangible capital assets are written down when conditions indicate that they no longer contribute to the District's ability to provide goods and services, or when the value of future economic benefits associated with the asset are less than the book value of the asset.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(ii) Contributions of tangible capital assets

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

(iii) Natural resources

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

(iv) Works of art and cultural and historic assets

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

(v) Interest capitalization

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

(vi) Leased tangible capital assets

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

(k) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets and estimating provisions for accrued liabilities including employee future benefits, contaminated sites and contingent liabilities. Actual results could differ from these estimates.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(I) Contaminated sites:

The District records a liability in its financial statements when contamination on non-active property exceeds an accepted environmental standard and the District is directly responsible, or accepts responsibility for, the damage. The liability is measured at the District's best estimate of the costs directly attributable to remediation of the contamination. No contaminated sites liabilities have been recorded in these financial statements.

2. Accounts receivable:

	2016	2015
Amenities receivable	\$ 1,945	\$ 92,219
Grants receivable	29,167	2,117
GST receivable	34,663	17,189
Trade receivables	28,708	(610)
	\$ 94,483	\$ 110,915

3. Deferred revenue:

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

	2016	2015
Prepaid taxes and other	\$ 31,474	\$ 21,137
West Shore	39,950	43,036
Total deferred revenue	\$ 71,424	\$ 64,173

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

4. Long-term debt:

- (a) The District issues debt instruments through the MFA, pursuant to security issuing bylaws under authority of the Community Charter, to finance certain capital expenditures. The debt is issued on a sinking fund basis, whereby MFA invests the District's principal payments so that the payments, plus investment income, will equal the original outstanding debt amount at the end of the repayment period. Actuarial earnings on debt represent the repayment and/or forgiveness of debt by the MFA using surplus investment income generated by the principal payments. Gross amount of debt and the amount of the principal payments and actuarial earnings available to retire the debt are as follows:

MFA issue #	Bylaw #	Purpose	Maturity date	Original issued amount	Principal payments and actuarial earnings	Interest rate	Balance 2016	Balance 2015
		West Shore						
81	186	arena	2024	\$ 571,021	\$ 253,819	2.3%	\$ 286,619	\$ 317,202
139	382	Fire hall bay and tender	2026	500,000	-	1.1%	500,000	-
							\$ 786,619	\$ 317,202

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

	Total
2017	\$ 60,884
2018	60,884
2019	60,884
2020	60,884
2021	60,884
Thereafter	482,199

- (c) Interest expense:

Total interest expense during the year was \$18,330 (2015 - \$15,976). West Shore arena interest on debt is reduced by a subsidy from West Shore Parks and Recreation Society.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

5. Tangible capital assets:

	Land	Park improvements	Buildings	Vehicles and equipment	Engineering structures	Assets under construction	Total 2016	Total 2015
Cost:								
Balance, beginning of year	\$7,956,318	384,563	5,007,769	2,063,259	36,454,784	6,241	\$51,872,934	\$51,488,011
Additions	306,600	73,720	30,635	295,435	48,641	74,007	829,038	1,542,909
Disposals and change in cost share	-	(37,490)	(18,833)	(3,577)	-	(6,241)	(66,141)	(1,157,986)
Balance, end of year	8,262,918	420,793	5,019,571	2,355,117	36,503,425	74,007	52,635,831	51,872,934
Accumulated amortization:								
Balance, beginning of year	-	85,974	672,673	1,221,176	11,869,311	-	13,849,134	13,042,895
Disposals and change in cost share	-	(10,441)	4,207	(1,079)	-	-	(7,313)	(92,606)
Amortization	-	5,313	91,920	88,675	734,349	-	920,257	898,845
Balance, end of year	-	80,846	768,800	1,308,772	12,603,660	-	14,762,078	13,849,134
Net book value, end of year	\$8,262,918	339,947	4,250,771	1,046,345	23,899,765	74,007	\$37,873,753	\$38,023,800

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

5. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction totaling \$74,007 (2015 - \$6,241) have not been amortized. Amortization of these assets will commence when the asset is available for service.

(b) Contributed tangible capital assets:

There were \$306,600 (2015 - \$20,405) contributed assets recognized during the year, consisting of land.

(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, 2016

6. Accumulated surplus:

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

	2016	2015
Surplus:		
Equity in tangible capital assets	\$ 37,087,134	\$ 37,704,565
Operating	1,400,421	1,094,432
	38,487,555	38,798,997
Reserve funds set aside for specific purposes by Council:		
Fire capital works and equipment	371,527	15,834
Park acquisition/development	4,738	34,464
Roads reserve	988,652	995,243
General reserve for future expenditures	34,478	34,205
Land sales	104	103
Capital works and community hall	146,048	11,506
West Shore reserves	48,970	67,093
Library major asset maintenance	8,294	8,814
Gas Tax Agreement funds	174,134	23,126
Community gardens	24,659	16,626
Community hall	159,610	99,916
	1,961,214	1,306,930
	\$ 40,448,769	\$ 40,105,927

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

7. Taxation:

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

	2016	2015
General tax levy	\$ 3,501,120	\$ 3,230,079
1% utility taxes	30,532	29,822
	3,531,652	3,259,901
Less taxes levied for other authorities:		
School authorities	1,123,245	1,149,442
Police tax	132,992	132,706
Capital Regional District	168,215	171,973
Capital Regional Hospital District	159,242	160,892
BC Assessment Authority	30,155	32,225
BC Transit	145,618	147,608
Municipal Finance Authority	109	107
	1,759,576	1,794,953
	\$ 1,772,076	\$ 1,464,948

8. Government transfers:

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

	2016	2015
Small communities and equalization payments	\$ 364,649	\$ 379,905
Federal Gas Tax Agreement funds	141,931	137,308
Other	28,958	6,715
	\$ 535,538	\$ 523,928

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

9. Classification of expense by object:

	2016	2015
Contracted and general services	\$ 716,098	\$ 754,824
Wages and employee benefits	699,791	657,114
Materials, supplies and utilities	399,580	409,409
Council expenses	61,533	65,097
Grants	18,400	20,125
Interest	18,330	15,976
Amortization	920,257	898,845
Change in proportionate share of West Shore	23,252	81,386
Total expense by object	\$ 2,857,241	\$ 2,902,776

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. As at December 31, 2015, the plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 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, 2015, indicated a \$2,224 million funding surplus for basic pension benefits.

The next valuation will be as at December 31, 2018, with results available in 2019. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocation the obligation, assets and the costs to the individual employers participating in the Plan.

The District paid \$47,388 (2015 - \$41,954) for employer contributions and District employees paid \$42,877 (2015 - \$39,810) employee contributions to the plan in fiscal 2016.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

11. Commitments and contingencies:

- (a) The Capital Regional District ("CRD") debt, under provisions of the Local Government Act, is a direct, joint and several liability of the CRD and each member municipality within the CRD, including the District.
- (b) The District is a shareholder and member of the Capital Region Emergency Service Telecommunications (CREST) Incorporated which provides centralized emergency communications, and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout the Greater Victoria region and the Gulf Islands. Members' obligations to share in funding ongoing operations and any additional costs relating to capital assets are to be contributed pursuant to a Members' Agreement.
- (c) Under borrowing arrangements with the MFA, the District is required to lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund. These deposits are included in the District's financial assets as 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, 2016 there were contingent demand notes of \$16,800 (2015 - \$16,800) which are not included in the financial statements of the District.
- (d) The District is self-insured through membership in the Municipal Insurance Association of British Columbia. Under this program, member municipalities are to share jointly for general liability claims against any member in excess of \$5,000. Should the Association pay out claims in excess of premiums received, it is possible that the District, along with the other participants, would be required to contribute towards the deficit.
- (e) Commitments:

In 2016, the District entered into a construction contract for components of the Fire Hall extension. The expected remaining cash outflows total \$57,000, and the construction is expected to be completed in 2017.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

12. Financial plan data:

The financial plan data presented in these consolidated financial statements is based upon the 2016 operating and capital budgets approved by Council on May 9, 2016, adjusted to reflect West Shore proportionately consolidated budgeted revenues and expenses. The chart below reconciles the approved financial plan to the financial plan figures reported in these consolidated financial statements.

	Financial plan amount
Revenues:	
Financial plan, as approved by Council	\$ 2,468,246
Amendments approved by Council	97,375
Financial plan, amended as approved by Council	2,565,621
West Shore	223,269
	2,788,890
Expenses:	
Financial plan, as approved by Council	2,573,129
Amendments approved by Council	18,705
Financial plan, amended as approved by Council	2,591,834
West Shore	223,269
	2,815,103
Annual deficit	\$ (26,213)

13. West Shore Parks and Recreation Society:

(a) Capital asset transfer:

The CRD transferred the lands and facilities comprising the Juan de Fuca Recreation Centre to the following municipal partners (the "Municipalities") 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). Effective January 1, 2007 the Town of View Royal became a member of the Society.

The lands and facilities were transferred to the Municipalities in their proportionate share, as specified in the Co-Owners' Agreement. Future improvements are allocated among the partners as per the cost sharing formula in effect each year for each service or facility, as outlined in a Members' Agreement. For 2016, the District's share of improvements purchased by the Society on its behalf are nil (2015 - nil).

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

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 2016, the District recorded a loss of \$23,252 (2015 - loss of \$81,386).

The participating 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.

Financial results and financial plan for the Society are consolidated into the District's financial statements proportionately, based on the cost sharing formula outlined in the Members' Agreement. In 2016, the District's proportion for consolidation purposes was 3.57% (2015 - 3.54%). Condensed financial information for the Society is as follows:

(b) Consolidation:

	2016	2015
Financial assets	\$ 3,356,046	\$ 3,414,023
Financial liabilities	2,065,793	2,422,204
Net financial assets	1,290,253	991,819
Non-financial assets	996,842	905,600
Accumulated surplus	\$ 2,287,095	\$ 1,897,419
Revenues	\$ 6,210,461	\$ 6,433,560
Requisition for members	4,968,945	4,844,916
	11,179,406	11,278,476
Expenses	5,820,785	6,600,366
Requisition for members	4,968,945	4,844,916
	10,789,730	11,445,282
Annual surplus (deficit)	\$ 389,676	\$ (166,806)

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

14. Comparative information:

Certain 2015 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.