



2025 Annual Report

For the Year Ending December 31, 2025



The District of Highlands acknowledge that we are gathered in the traditional territories of the Ləkʷəŋən, SENĆOŦEN and Hul'q'umi'num speaking First Nations with whom we are committed to building stronger working relationships.

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Highlands Vision and Mission

Vision

The following vision is stated in the District of Highlands' Official Community Plan:

"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."

Mission

"The District of Highlands provides good governance, services, stewardship of public assets, and fosters the economic, social and environmental well-being of the community for current and future generations."

Community Profile

The District of Highlands is located just northwest of Victoria, British Columbia Canada. It is one of 13 member municipalities comprising the Capital Regional District. More than one-third of the Highlands is protected as municipal, regional, and provincial parkland. Highlands is a beautiful rural residential area, and residents are actively involved in the community.

District of Highlands Details

- Incorporation Date: December 7, 1993
- Total Population: 2,607*
- Average Age of Residents: 43.2 years*

Geography & Infrastructure

- Total Land Area: 3,745 hectares
- Parkland Area: 1,575 hectares (over 42% of the District)
- Road Network: 46 kilometers

Heritage Register

- Designated Structures: 5
- Natural Heritage Areas: 3
- Heritage Roadways: 1

2025 Building & Development Statistics

- Building Permit Revenue: \$12,466
- Total Construction Value: \$526,505


*2025 Projection, BC Statistics, 2021 Canada Census

Connect With Us

 In-Person or Mail: District of Highlands Office, 1980 Millstream Road Victoria, BC V9B 6H1

 Phone: (250) 474-1773 Fax: (250) 474-3677

 Email: info@highlands.ca

 Website: Visit the official website for services, forms, meeting information (schedule, agendas, minutes), Highlands's newsletters, and community news: www.highlands.ca

 Office Hours: Monday to Friday 8:30 AM – 4:00 PM (Closed on weekends and statutory holidays)

 Find us on Facebook for timely information.

Community Events

In 2025, recurring community events brought residents together throughout the year. Some of the key events included:

Highlands Music Coffee House

A recurring event featuring local musicians in a cozy, community setting. These gatherings typically took place monthly at the Caleb Pike House.



Highlands Market

Held seasonally, this market showcased local produce, crafts, and artisan goods. It was a great opportunity for residents to support local vendors and socialize.

Highland Fling

A major annual celebration that included:

- Live music
- Food trucks
- Family-friendly games and activities
- Community booths

This event is a highlight of the year and usually takes place in the summer.

Annual Santa Run

Organized during the holiday season, this event involved local fire crews driving through neighborhoods to collect canned goods and spread holiday cheer.



These events build community spirit and provide opportunities for residents to engage with one another. The Community Events page on our website is a great resource for upcoming events.

Mayor's Message

Mayor Ken Williams



On behalf of Council, I am proud to present the 2025 Annual Report for the District of Highlands. This report provides an overview of the District's operations, including the 2025 financial statements, key achievements, and notable milestones over the past year.

We begin by respectfully acknowledging that the land on which we live and work lies within the traditional territories of the SENCOTEN-speaking W̱SÁNEĆ Nations — W̱JOŁEŁP (Tsartlip), BÓKÉĆEN (Pauquachin), S̱ÁUTW̱ (Tsawout), and W̱SIKEM (Tseycum); the Ləkʷəŋən-speaking Songhees and Xwsepsum (Esquimalt) Nations; and the Hul'q'umi'num'-speaking MÁLEXEŁ (Malahat) Nation. HÍSW̱KE — thank you.

Throughout 2025, Council remained focused on advancing the District's strategic priorities while continuing to deliver reliable core services to the community. These priorities guide our decisions and reflect our shared commitment to environmental stewardship, public safety, and maintaining the rural character that defines Highlands.

This year, the District continued to make steady progress through its Capital Work Plan, including pavement repairs, culvert replacements, and ongoing maintenance of roads and municipal facilities. These investments support safe, reliable infrastructure and long-term resilience for the community.

Council also advanced several key initiatives aimed at improving governance, service delivery, and community engagement. In 2025, the District launched its new website, expanded its digital meeting platform through the Diligent system, and introduced live streaming and recorded Council meetings—making it easier than ever for residents to stay informed and participate in local decision-making.

Protecting the natural environment remains central to everything we do. In 2025, the District supported wildfire preparedness through FireSmart initiatives, community education, and seasonal safety measures, helping residents better protect their homes and properties.

The District also maintained a strong focus on emergency preparedness and community resilience. Investments in fire services included grant-funded improvements such as enhanced training equipment and upgrades to emergency infrastructure, strengthening the safety and readiness of Highlands Fire.

Accessibility and inclusion also remained a priority in 2025. The District continued work toward improving accessibility in its programs, facilities, and communications, including collaboration with the Capital West Accessibility Advisory Committee and enhancements to virtual meeting participation.

As always, the strength of Highlands lies in its people. I would like to extend my sincere thanks to the many volunteers who support Highlands Firefighters, Emergency Services, advisory committees, community organizations, and local initiatives. Your dedication and community spirit continue to make a meaningful difference.

Finally, I would like to recognize the hard work and professionalism of District staff. Their commitment to providing high-quality services and supporting Council’s direction is essential to the success of our municipality.

On behalf of Council, thank you to our residents for your ongoing engagement, support, and pride in the community we share.



Highlands Council 2022-2026



Left to Right: Councillor Ann Baird, Councillor Leslie Anderson, Councillor Karel Roessingh, Councillor Marcie McLean, Mayor Ken Williams, Councillor Rose Stanton, Councillor Gord Baird

The Highlands Council is composed of a Mayor and six (6) Councillors, each elected to serve a four-year term. The current Council was elected on October 15, 2022, and officially sworn in during the Inaugural Council Meeting held on November 7, 2022. General local elections are held every four years, with the next scheduled for October 17, 2026.

Council is responsible for setting the strategic direction of the District by establishing policies and priorities that reflect the needs and aspirations of both current and future residents. The Mayor and Councillors provide leadership on matters within the jurisdiction of local government, as outlined by the *Community Charter* and the *Local Government Act*.

Beyond their core responsibilities, Council members also represent the District on various local and regional committees, boards, and advisory bodies, contributing to decision-making on a broader scale.

Council meetings are typically held on the first and third Monday of each month, with Committee of the Whole meetings scheduled for the second Monday as required. Meetings begin at 7:00 p.m. and are held at the Community Hall, located at 729 Finlayson Arm Road.

Council Member Profiles

Mayor Ken Williams



Mayor Ken Williams has served as Mayor of the District of Highlands since 2014 and is currently in his third term. Prior to that, he served three terms as a Councillor, having first been elected to Council in 2006.

Appointments:

Capital Regional District Board
Capital Regional Hospital Board
Capital Regional District Housing Corporation Board
Capital Regional District Hospitals & Housing Committee
Capital Regional District Governance and Finance Committee
Capital Regional District Planning & Protective Services (Vice Chair)
Capital Regional District Regional Parks
Municipal Insurance Association
South Island Reconciliation Advisory Committee (Alternate)
Ex-Officio – all committees

Councillor Leslie Anderson



Councillor Anderson was first elected to Council in 2014 and is currently serving her third term as Councillor.

Appointments:

South Island Reconciliation Advisory Committee
West Shore Parks and Recreation Society Board
Highlands Heritage Select Committee (Liaison)
Capital Region Emergency Service Telecommunications (Alternate)
Highlands Sustainable Land Use Select Committee (Alternate)
Western Communities Policing Advisory Committee (Alternate)

Councillor Ann Baird



Councillor Ann Baird was first elected to Council in 2014 and is currently serving her third term as Councillor.

Appointments:

Capital Regional District Climate Action Inter-Municipal Task Force
Capital Regional District Housing Trust Fund Commission
Highlands Social Sustainability Select Committee (Alternate)
Highlands Heritage Select Committee (Alternate)
Municipal Insurance Association (Alternate)

Councillor Gord Baird



Councillor Gord Baird was first elected to Council in 2014 and is currently serving his third term as Councillor.

Appointments:

Capital Regional District Regional Water Supply Commission (Chair)
Capital Regional District Juan de Fuca Water Distribution Commission (Chair)
Highlands Sustainable Land Use Select Committee (Liaison)
Highlands Emergency Planning Committee (Alternate)

Councillor Marcie McLean



Councillor McLean was first elected to Council in 2008 and is currently serving her fifth term as Councillor.

Appointments:

Co-existing with Carnivores Alliance
Victoria Family Court and Youth Justice Committee
Municipal Insurance Association (Alternate)

Councillor Karel Roessingh



Councillor Roessingh was first elected to Council in 1993 serving two terms as Mayor and six terms as Councillor, currently serving his eighth term on Council.

Appointments:

Capital Regional District Arts Commission
Capital Region Emergency Services Telecommunications (Vice-Chair)
Greater Victoria Public Library Board
Capital Regional District Board & Hospital District Board (Alternate)
Capital Regional District Housing Corporation (Alternate)
Capital Regional District Regional Water Supply Commission (Alternate)
Capital Regional District Juan de Fuca Water Distribution Commission (Alternate)

Councillor Rose Stanton



Councillor Stanton was first elected to Council in 2018 and is currently serving her second term as Councillor.

Appointments:

- Highlands Emergency Planning Committee, Chair
- Western Communities Policing Advisory Committee
- Highlands Social Sustainability Select Committee (Liaison)
Co-existing with Carnivores Alliance (Alternate)
- Victoria Family Court and Youth Justice Committee (Alternate)
- West Shore Parks and Recreation Society (Alternate)

Connect With Council

Council Member	Email	Phone
Mayor Ken Williams	kwilliams@highlands.ca	250-882-5481
Councillor Leslie Anderson	leslie.corvidconsulting@gmail.com	778-350-8180
Councillor Ann Baird	ann@eco-sense.ca	250-812-5481
Councillor Gord Baird	gord.baird@gmail.com	250-818-7986
Councillor Marcie McLean	marciemclean@shaw.ca	250-474-4725
Councillor Karel Roessingh	karel@roessong.com	250-727-9808
Councillor Rose Stanton	rose26@telus.net	250-474-3403



Strategic Priorities

Council’s Strategic Plan is guided by the Official Community Plan (OCP) and the Integrated Community Sustainability Plan (ICSP) that provide a long-term vision and pathway for Council’s decision making.

The Strategic Plan outlines the priorities for the Council term. These Council identified initiatives are undertaken by staff in addition to the delivery of core services and regulatory obligations. Timelines for completion of priorities are developed in consideration of departmental work plans and planned initiatives are funded through the annual budget process.

The Plan is reviewed annually to ensure progress is achieved, changing circumstances are responded to, and opportunities are considered. The financial implications of the strategic priorities are reviewed in conjunction with the District’s annual and longer-term financial planning process.

Council identified five overarching interconnected goals for the 2023-2026 Strategic Plan that guide the work of the organization:

-  Climate, Emergency, Adaptation & Mitigation
-  Emergency Preparedness, Resiliency & Recovery
-  Water Resources & Environmental Protection
-  Rural Values, Protection & Enhancement
-  Community Well Being

Timeline



Each year, Council conducts a review of the Strategic Plan to assess and adjust its priorities. This process includes evaluating whether to add new initiatives, remove outdated ones, proceed with existing projects, or modify timelines and scopes. These decisions are made with careful consideration of staff capacity and the feasibility of completing projects within projected timelines, while also accounting for emerging priorities.

These reviews typically take place during open Council meetings, which the public is encouraged to attend and observe, ensuring transparency and community engagement. In 2025, several key initiatives advanced meaningfully:

- Improved Communications (launch of Highlands Facebook page, enhanced use of the meeting management portal)
- Revised the Select Committees Terms of Reference
- Implemented the Organizational Structure and Capacity Review

The information below outlines Council’s identified priorities in 2025/2026, as determined through the annual review process.

Priority	2023				2024				2025				2026			
	Quarter 1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
South Highlands Local Area Plan Finalization/Adoption and Implementation																
Groundwater Protection Implementation and Work Plan																
Tree Bylaw Review (1 st step council discussion of models and direction)																
Consider Zero Carbon Step Code																
*Business Licence Bylaw (New operation work 2025/12/08)																

 Council Priorities	 Information & Research	 Implementation
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Completed Strategic Initiatives

Bring forward for Council information and consideration: 2002 Trails Master Plan & 2010 Roadside Trail and Cycle Network Plan – Motion 089-2025 on 2025 04 07
Revise Select Committee Terms of Reference - Motion 132-2025, 2025 05 05
Improve Communications – Staff Report - <i>now implementation</i>
Community Hall Pergola Construction
Secondary Suites (Bylaw finalization) - <i>now implementation including provincial housing legislation</i>
Organizational Structure and Capacity Review - <i>now implementation</i>
Recreation Participation - Staff Report
High Level Development Application Fees Review – Staff Report
BC Energy Step Code Implementation
Facilities Management and Maintenance Program (all facilities)
Community Hall: Management (rentals); Landscaping
Emergency Program Strategic Plan Implementation
Asset Management Plan Implementation

Public Participation and Community Engagement

Effective decision-making is strengthened through meaningful engagement with citizens and stakeholder groups. The District of Highlands is committed to fostering transparency and encouraging open dialogue to build a shared understanding of Council’s roles, policies, and statutory responsibilities. This is achieved through a variety of public participation and community engagement strategies.

The District follows the guidelines of the International Association for Public Participation, ensuring that consultation efforts are inclusive, transparent, accessible, respectful, and honest. These principles are embedded in the District’s Public Participation and Community Engagement Policy, which guides how we involve the community in shaping decisions that affect the Highlands.

Public Participation Opportunities

- Council Meetings
- Committee of the Whole Meetings
- Public Hearings
- Writing to Council
- Special Engagement Opportunities
- Volunteering for a Select Committee
- During Local Elections

The public was also engaged through:

- Highlands Website
- Highlands Facebook Page
- Highlands Quarterly Newsletter
- Highlands Meeting Portal
- West Shore Alert

Engagement Activities	Undertaken in 2025	Planned Engagement in 2026
Council and/or Committee of the Whole	<ul style="list-style-type: none"> • Financial Plan • Annual Report • Select Committee Review • Trails Masterplan • South Highlands Local Area Plan Official Community Plan Amendment 	<ul style="list-style-type: none"> • Financial Plan • Annual Report • Tree Bylaw Review • Zero Carbon Step Code • Bicycle Lanes Feasibility Study • Business Licence Bylaw • Municipal Election
Select Committees	<ul style="list-style-type: none"> • Select Committee Review (Consultation) 	<ul style="list-style-type: none"> • Business Licence Bylaw • Council Strategic Priorities Review
Meeting Portal	<ul style="list-style-type: none"> • Meeting Notices • Agendas • Minutes 	<ul style="list-style-type: none"> • Meeting Notices • Agendas • Minutes
Website	<ul style="list-style-type: none"> • Public Notice • Municipal Updates/News 	<ul style="list-style-type: none"> • Public Notices • Municipal Updates/News
Facebook	<ul style="list-style-type: none"> • Municipal Updates/News 	<ul style="list-style-type: none"> • Municipal Updates/News
West Shore Alert	<ul style="list-style-type: none"> • Emergency Alerts 	<ul style="list-style-type: none"> • Emergency Alerts
Email Subscription (new for 2026)		<ul style="list-style-type: none"> • Public Notices • Municipal Updates/News • Events

Message from the Chief Administrative Officer

Sarah Jones

I am pleased to present the District of Highlands' 2025 Annual Report.

This past year has been one of continued progress and thoughtful stewardship. Guided by Council's priorities, staff have worked diligently to deliver high-quality services, advance key initiatives, and responsibly manage the District's financial and environmental resources.

Highlights of 2025 include ongoing investments in infrastructure with 17 culverts replaced and a portion of the Ross Durrance Road shoulder stabilized. As well, in alignment with the Strategic Plan, Council adopted the Official Community Plan amendment that added the South Highlands Local Area Plan, re-examined governance with revisions to Select Committee terms of reference and initiated a bicycle lane feasibility study. We remain committed to supporting a resilient, sustainable, and connected community while maintaining the rural character that defines Highlands.

I would like to thank Council for their leadership and direction, and to recognize the dedication and professionalism of District staff.

Commitment by all ensures that we continue to meet the evolving needs of District residents with an environmental lens while upholding strong governance and operational excellence.

We also extend our appreciation to the residents of Highlands for their ongoing participation, feedback, and support. Your involvement plays a vital role in shaping the District's future.

I invite you to review the 2025 Annual Report to learn more about our accomplishments, financial performance, and priorities moving forward.

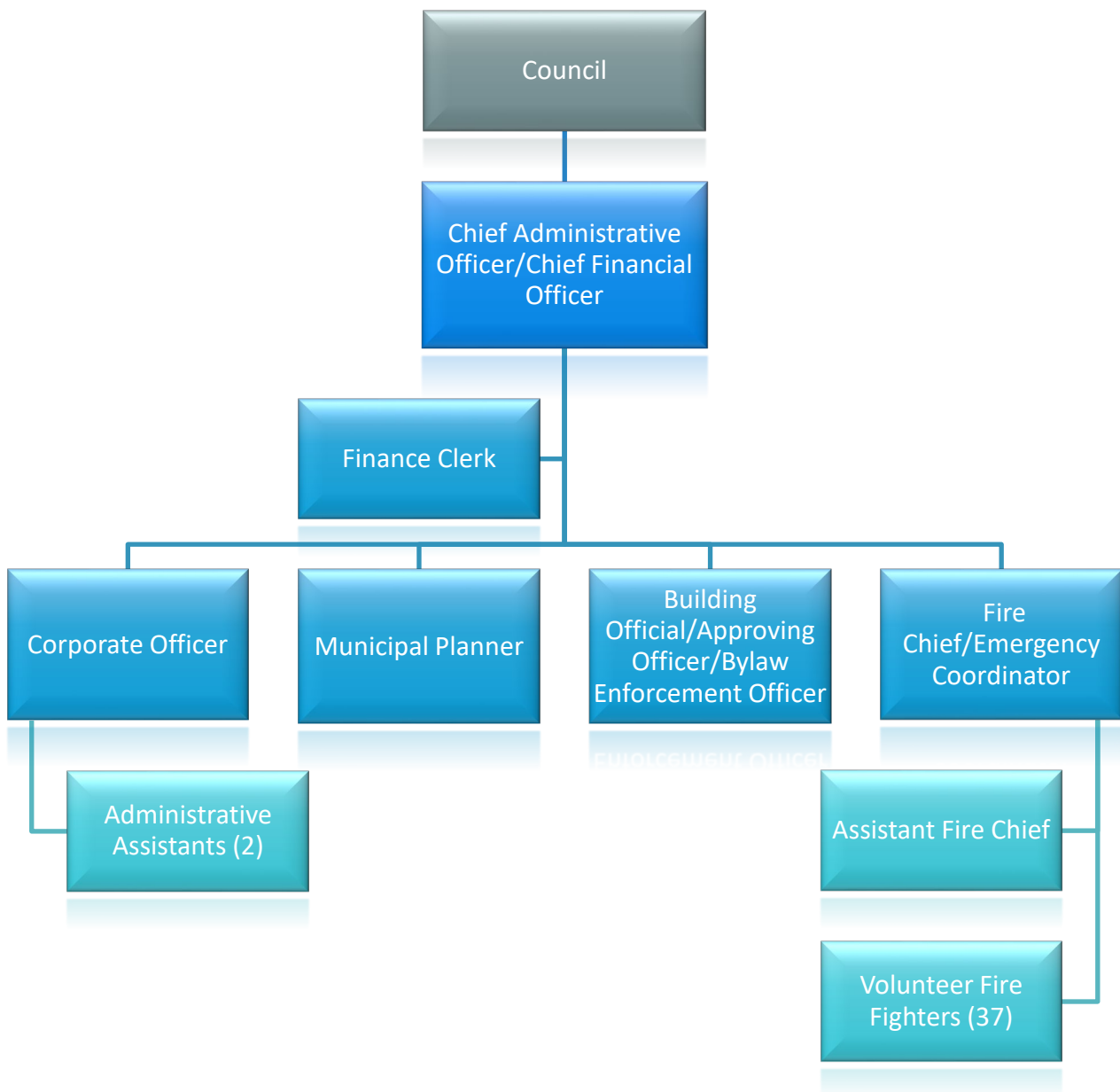
Respectfully submitted,
Sarah Jones
Chief Administrative Officer



District of Highlands Organizational Structure

Mayor and Council are responsible for setting the strategic direction and establishing the priorities that guide the District’s long-term vision. Their leadership ensures that decisions reflect the values and needs of the community.

The Chief Administrative Officer (CAO) is tasked with implementing Council’s direction and overseeing the day-to-day operations of the District. This includes managing the organization in alignment with Council-approved policies and programs, as well as ensuring compliance with the Community Charter, Local Government Act, and all other applicable legislation and regulations.



Asset Management

Asset Management is a comprehensive, integrated approach that brings together planning, finance, engineering, and operations to effectively manage both existing and future infrastructure. Its purpose is to maximize value, minimize risk, and deliver reliable levels of service to the community in a socially, environmentally, and economically sustainable manner.



The District of Highlands’ Asset Management Plan currently includes manufactured assets, such as buildings and roads, as well as the District’s natural groundwater aquifer. As the Plan evolves, additional natural assets will be identified and incorporated to support a more holistic approach to infrastructure stewardship.

The Plan establishes a long-term framework for capital renewal investment. To support this work, an Asset Management Levy was introduced on property tax notices in 2019. This levy improves transparency by clearly identifying the portion of property taxes dedicated to infrastructure renewal. Over the next 10 to 15 years, the District will need to gradually increase these dedicated funds to achieve sustainable asset management funding levels.

Council’s approved Asset Management Plan and Asset Management Policy is available on the District’s website at <https://www.highlands.bc.ca/local-government/asset-management>.

Asset Management Comparators District Owned Assets	2025	2024	2023	2022	2021
Replacement cost	\$334 M	\$334 M	\$280 M	\$280 M	\$280 M
Average replacement cost/year	\$1,614,000	\$1,614,000	\$879,900	\$879,900	\$879,900
% funded currently by the District	51%	51%	75%	75%	75%
Tax levy for asset management	2%	2%	1%	1%	1%

2025 Accomplishments	2026 Planned Initiatives
<ul style="list-style-type: none"> Continued culvert replacement and focus on culvert maintenance. Continued pavement management and shouldering. Continued ongoing road, facility, parks, and vehicle/equipment maintenance. Ross Durance Road Repair. Award Contract for Wildland Mini Fire Pumper Unit 	<ul style="list-style-type: none"> Continued culvert replacement and focus on culvert maintenance. Continued pavement management and shouldering. Continued ongoing road, facility, parks, and vehicle/equipment maintenance.

Infrastructure Replacement Report Card

The District maintains basic levels of asset condition information ranging from formal groundwater monitoring, bridge condition engineering assessments, and road surface reviews during maintenance activities, to an informal annual assessment of equipment, playground structures, and buildings by District staff. Fire vehicles and equipment are appropriately maintained by the Fire Department. Scientifically rating every asset for a high-level Infrastructure Condition Report is unrealistic, so a simplified system is used for each asset component grouping. Assets are evaluated on a simplified component-by-component basis.



Although every rating system is subjective, this process serves to improve accuracy because it incorporates the anecdotal asset knowledge of employees and contractors. The District’s approach combines Condition and Performance, Capacity Versus Need, and Funding Versus Need.

Asset Group	2025 Rating	2024 Rating	2023 Rating	Comments
Land	B	B	B	Good condition. No funding needed. Replacement not anticipated
Groundwater Aquifer	B	B	B	Reasonable natural condition based on Golder and Associates (now WSP) monitoring. No funding needed
Roads	C	C	C	Reasonable condition. Significant funding increases are needed over next ten years.
Drainage	C	C	C	Significant portion in good to fair condition with replacement needed and deferred maintenance required. Some funding from reserves is available.
Bridges	C	C	B	Fair to Good condition based on Herold Engineering Assessment. Maintenance recommended. Funding increase needed.
Facilities	B	B	B	Good condition. Capacity constraints and funding increase is needed for municipal and community facilities.
Park Improvements	C	C	B	Reasonable condition. Some increase in funding will maintain rating.
Vehicles and Equipment	B	B	B	Reasonable condition. Some increase in funding will maintain rating.
Overall	C	C	B	Increased funding needed

The 2024 report card overall assessment of 'C' reflects the impact of a significant increase in replacement costs which far exceeded inflation and the previously planned increase in funding. Road top conditions have improved as work continues to implement Pavement and Drainage Management System recommendations. Culverts, dry hydrants and tanks have now been individually identified and assessed, with many in poor condition. The level of annual funding needed has increased substantially and significant funding increases continue to be needed to reach this level, maintain assets in good overall condition and catch up on replacement.

Focus for the Future

The asset management program is recommended to focus on:

1. Increasing pavement management program funding toward the goal of \$500,000 per year by 2033.
2. Establishing a ten-year culvert replacement program and completing deferred maintenance.
3. Increasing drainage (culvert) replacement funding to \$199,000 per year by 2033.
4. Increasing bridge replacement funding to \$86,000 per year by 2033.
5. Increasing facility replacement funding for community and municipal buildings.
6. Facility space planning and major component replacement.
7. Planned Fire funding increases and the replacement of fire apparatus and equipment.



Department Activities

Administration	2025	2024	2023	2022	2021
Agenda and Minutes Prepared	55	46	45	41	41
Bylaws Adopted	16	13	7	4	7
Council Resolutions	294	289	224	260	278
Policies Developed or Amended	3	3	7	2	1
Complaints Processed	138	142	139	131	155
Freedom of Information Requests	3	5	8	5	3
Public Occupancy Agreements Issued	4	4	4	4	4
Community Hall Rentals	79	88	83	45	0
Business Licenses Issued	55	54	48	48	48

Building	2025	2024	2023	2022	2021
Annual Construction Value	\$526,505	\$769,095	\$913,755	\$810,350	\$4,088,246
Annual Building Permit Value	\$12,466	\$17,010	\$20,970	\$19,472	\$86,550
Blasting Permits	8	3	5	5	17
Building Permits	22	20	28	18	43
Soil Deposit/Removal Permits	2	5	5	4	13
Tree Cutting Permits	15	10	9	7	32
CRD Bylaw Enforcement Hours	162	241	134.5	62.5	55

Finance	2025	2024	2023	2022	2021
Accounts Payable	234	203	204	214	145
Bank Reconciliations	12	12	12	1	12
Payrolls Processed	26	26	26	25	26
Payroll Accruals/Benefits Reconciliation	26	25	25	25	26
Municipal Pension Plan Reconciliations/Payments	26	25	25	26	26
Receiver General Reconciliation/Payments	12	12	12	12	12
WorkSafe BC Reconciliation/Payments	5	6	6	6	8
Property Tax Notices Issued	916	916	946	932	911

Fire Services & Emergency Program	2025	2024	2023	2022	2021
Burn Permits Issued	1532	1793	944	1556	867
Fire Dispatches	159	141	110	122	116



Planning	2025	2024	2023	2022	2021
Covenant Amendments Approved	1	1	0	0	0
Development Permits Issued	8	7	11	6	25
Development Variance Permits Issued	2	1	0	2	6
OCP Amendments/Rezoning Applications Approved	2	1	0	0	0
Subdivision Applications Approved	1	1	0	0	2
Temporary Use Permits Approved	0	1	0	1	0



Administration

The Administration Department is led by the Chief Administrative Officer (CAO), who serves as the principal advisor to Council and provides strategic leadership and direction to all municipal departments. Supporting the CAO are the Corporate Officer and two Administrative Assistants.

Administration plays a vital role in delivering legislative and administrative services that support Council, its Select Committees, and the Corporation as a whole. The department ensures compliance with statutory obligations and facilitates the implementation of Council’s policies, objectives, and directives.

Key Responsibilities and Functions:

- Lead and oversee the municipal workforce
- Manage Council meetings (agendas, minutes, facilitation)
- Coordinate the Strategic Plan, Budget, Financial Plan, and Annual Report
- Oversee communications
- Provide policy and administrative advice
- Draft bylaws and policies; ensure compliance
- Execute legal documents
- Manage and audit records systems
- Handle information requests and privacy compliance
- Administer agreements and contracts
- Coordinate general local elections

2025 Accomplishments

- Upgraded Council meeting audio/visual equipment
- Launched live streaming and recordings of meetings
- Introduced a new District website and Facebook page
- Enhanced communications using Westshore Alert (Alertable)
- Implemented a Select Committee Operating Framework
- Rolled out a Records Management Plan and digitized records
- Introduced an electronic filing system
- Established an Information and Privacy Program
- Approved and implemented the first phase of the Accessibility Plan, including office upgrades
- Brought forward a Capacity Needs Assessment
- Presented Community Hall Management Review outcomes
- Explored the provincial Building Permit Hub
- Initiated development of a Business Licence Bylaw
- Advanced the following bylaws:
 - Facility Rental Regulations and Fees
 - Parks Management
 - Indemnification
 - Bylaw Notice Enforcement

2026 Planned Initiatives

- 2026 election preparation including bylaw introduction and officer appointments
- Council remuneration review
- Automate Community Hall access
- District Office capacity upgrades
- Implementation of the provincial Building Permit Hub
- Advance key initiatives:
 - Business Licence Bylaw
 - Tree Bylaw
 - Traffic calming
 - Streamlined insurance processes (volunteers, user groups, assets)
 - Enhanced District communication platforms

Building

The Building Department includes responsibility of the Building Official, Approving Officer, Bylaw Enforcement, and management of Roads Maintenance services. These activities are undertaken by one municipal employee and augmented with contracted or temporary assistance as required.

The Building Department provides a comprehensive suite of high-quality services that support safe, sustainable development and community well-being.

Key Responsibilities and Functions:

- Conducting pre-construction site assessments to guide development readiness.
- Processing building applications and reviewing plans for compliance with the B.C. Building Code, municipal bylaws, and related regulations.
- Issuing a variety of permits, including building, plumbing, chimney, soil deposit/removal, tree cutting, and blasting permits.
- Performing inspections throughout all phases of construction—from foundation to final occupancy approval and verifying that permit conditions are met through targeted site inspections.
- Coordinating subdivision processes, including policy guidance, application review, deficiency notifications, and approvals as the Approving Officer.
- Assessing engineering servicing requirements for subdivision and building permit applications.
- Managing enforcement of municipal bylaws through complaint investigations, enforcement actions, interdepartmental coordination, and oversight of contracted services.
- Overseeing the maintenance and management of municipal trees, parks, trails, and facilities.
- Issuing permits for works on municipal roads or property.
- Collaborating with contractors on road repairs, pavement management, shouldering, and culvert maintenance.
- Monitoring the winter road safety phone line to ensure timely response to seasonal hazards.

2025 Accomplishments
<ul style="list-style-type: none"> • 17 culverts replaced as part of the continuing culvert replacement and maintenance and pavement management • Continued Facilities Management and Maintenance Program • Ross Durrance Road repair • Approximately 0.5 km road resurfacing on Lorimer Place • Accessibility upgrades to the District office
2026 Planned Initiatives
<ul style="list-style-type: none"> • Initiate Tree Bylaw review • Zero Carbon Step Code review • Continued culvert replacement and maintenance and pavement management • Undertake the Caleb Pike/Millstream Road culvert replacement • Install street light at Hannington and Millstream Road. • Begin Twinflower Park restoration of natural areas • Continue pavement management plan, shoulder/ditch maintenance, and bridge maintenance and replacement

Finance

The Finance Department is responsible for the sound financial stewardship of the municipality. It manages revenue collection, budgeting, payroll, procurement, and information technology services. The department is staffed by the Chief Administrative Officer/Chief Financial Officer and a Finance Clerk.

Key Responsibilities and Functions:

- Preparing the annual budget and five-year Financial Plan.
- Coordinating audit services annually.
- Processing payments for property taxes, permits, rental fees, and other fees and charges.
- Implementing BC Assessment ownership updates for property tax records.
- Managing the provision of fiscal services including debt-servicing costs, transfers to reserves, and contingency.
- Developing the long-term financial plan, asset management, and applicable policy development.
- Administering accounts payable and receivable.
- Providing management and support of information technology.
- Undertaking procurement of goods and services.
- Administering payroll and benefits.
- Conducting reconciliations and preparing payments to external agencies including the Municipal Pension Plan, Receiver General, WorkSafe BC, and Employer Health Tax.
- Transferring taxes collected on behalf of other taxing authorities.
- Producing reports annually for the District's share of casino revenues

The 2025 Budget maintained core community services and aligned with Council's strategic direction. Council also supported community programs and services through the annual Grant in Aid process and Permissive Tax Exemptions.

	2025	2024	2023	2022	2021
Grant In Aid	\$14,800	\$13,596	\$14,332	\$14,200	\$14,350
Permissive Tax Exemption	\$40,958	\$47,210	\$49,345	\$41,745	\$32,416

Permissive Tax Exemptions Granted for 2025

Organization	2025 Taxes
WMÍYEFEN Nature Sanctuary Society (1772 Millstream Rd)	\$16,073
WMÍYEFEN Nature Sanctuary Society (1760 Millstream Rd)	\$10,369
The Land Conservancy of British Columbia (721 Lorimer Rd)	\$14,517
TOTAL 2025 Permissive Tax Exemptions	\$40,958

2025 Accomplishments
<ul style="list-style-type: none"> • Begin implementation of organizational structure and capacity review recommendations • Continue IT strategy implementation
2026 Planned Initiatives
<ul style="list-style-type: none"> • Implement new Public Sector Accounting Board requirements • Continue implementation of organizational structure and capacity review recommendations • Continue IT strategy implementation • Implement online credit card payment options

Fire Services and Emergency Program

Fire Services is led by the District’s Fire Chief and includes the Highlands Volunteer Fire Department and the Emergency Program. There are 37 volunteers operating out of two fire halls. The main priority is to enhance fire protection and public safety services and prevent the loss of life and property.

Members of the Highlands Volunteer Fire Department are required to respond to a wide range of incident types including:

- Assist BC Ambulance Service
- Brush fires
- Burn complaints
- Chimney fires
- High angle rescue
- Hydro fire
- Hydro line emergencies
- Landfill fire
- Medical emergencies
- Motor vehicle incidents
- Mutual aid calls
- Rope/Animal rescue
- Structure fires
- Vehicle fires
- Other calls for assistance

The Emergency Program assists the District by preparing and planning to mitigate, prevent, prepare for, respond to, and recover from significant emergency events and natural disasters within the community.

The District’s Emergency Response Plan and the Highlands Emergency Response Program Strategic Plan is available online at

<https://www.highlands.ca/community-services/protective-services/emergency-program/emergency-response-plan>.

2025 Accomplishments
<ul style="list-style-type: none"> • Purchased a short wheelbase off-road wildland mini pumper that also meets Fire Underwriters Requirements for front line pumper role at structure fires • Installed grant funded Digital Fire Training simulation system into training building • Created new Fire Control and Protection Bylaw 474; which also includes provisions to control open burning smoke dispersion • Updated bylaws for emergency vehicle turn around and cistern locations • Added paved pull off area at 2 water sources
2026 Planned Initiatives
<ul style="list-style-type: none"> • Apply for a FireSmart Grant to hire a Fire Smart Coordinator and commission a Community Wildfire Resilience Plan (CWRP) • Purchase commercial grade washer and dryer systems to remove more carcinogens from Firefighter turnout gear • Continue water source paved pull-off program • Complete 50 FireSmart Home Ignition Zone and 4 Critical Infrastructure assessments • Continue Indigenous Engagement Consultation on Highlands emergency plan through the Local Government Emergency Program Advisory Commission



Planning

The Planning Department works collaboratively with other municipal staff, residents, applicants, stakeholders, and other levels of government within established policies to advise Council on land use and policy matters in the District. The department is responsible for long-range land use planning that protects water resources and the environment and enhances Highlands’ rural values. In addition, staff completes special projects and processes land use applications in accordance with District policies.

Key Responsibilities and Functions:

- Processing and managing Official Community Plan (OCP) amendments, applications for rezoning, development permits, and development variance permits, any considerations for the heritage register, and ensuring bylaw compliance.
- Reviewing and developing policies consistent with the OCP Bylaw, Zoning Bylaw, and Subdivision or Development of Land Bylaw.
- Responding to questions regarding environmentally sensitive development permit areas, future development potential, zoning, and other land use matters.
- Providing technical and professional support as needed to the Heritage and the Integrated Sustainability Select Committees.
- Participating in external regional governmental groups.
- Managing special projects related to land use.
- Providing support for subdivision applications.

2025 Accomplishments
<ul style="list-style-type: none"> • Completed Official Community Plan amendments to: <ul style="list-style-type: none"> ○ include South Highlands Local Area Plan and updated Development Permit Area 4; and ○ comply with Provincial Small-Scale Multi-Unit Housing Legislation • Provided informational report to Council regarding directions in 2002 Trails Master Plan and 2010 Roadside Trail and Cycle Network Plan • Managed consultant work regarding the Bicycle Lane Feasibility Study
2026 Planned Initiatives
<ul style="list-style-type: none"> • Complete support for consultant work regarding the Bicycle Lane Feasibility Study • Provide Council a Development Approval Information Bylaw for consideration • Finalize remaining compliance actions for Provincial Small-Scale Multi-Unit Housing Legislation • Work with Royal Roads University to create a net positive land use change evaluation tool for the Official Community Plan Regenerative Development Land Use Designation • Support for creation of Business Licensing Program



Police Services

West Shore RCMP proudly serves approximately 107,872 citizens and continues to be the fastest growing region on the South Island. The West Shore RCMP serves five municipalities including the Cities of Langford and Colwood, the Town of View Royal, and the Districts of Metchosin and Highlands. West Shore RCMP also provides policing services to the Songhees and Esquimalt Nations and portions of the Malahat. West Shore RCMP police rural and suburban residential neighbourhoods, commercial and industrial zones, recreational waterfront areas, provincial and regional parks, and the Trans-Canada Highway.

In 2025, there were 124 sworn officers, one (1) civilian member, four (4) reserve constables, eight (8) commissionaires, and over 50 civilian personnel who staffed West Shore RCMP. Together they handled 26,271 calls for service, an average of 72 calls per day, an increase of 3% compared to 2024.

West Shore RCMP also supports and works in conjunction with the Vancouver Island Integrated Major Crime Unit (VIIMCU), Forensic Identification Services (FIS), the Regional Domestic Violence Unit (RDVU), the Integrated Mobile Crisis Response Team (IMCRT) and the Mobile Youth Services Team (MYST).

Each year, West Shore RCMP’s Senior Management Team works closely with our five municipal communities, Songhees Nation, and Esquimalt Nation to identify local policing priorities.

Five key priorities were identified for the 2025 include:

1. Reducing Property Crime
2. Reducing Organized Crime and Drug Trafficking
3. Mental Health and Crisis Response Teams
4. Enhancing Road Safety
5. Deterring Youth Crime



Polices Services	2025	2024	2023	2022	2021
Incidents Reported	349	300	317	274	340

Municipal Parks

The District of Highlands places a high value on green space, trail systems, and outdoor recreational opportunities. Highlands is committed to preserving large areas of green space, protecting elements of the region’s ecosystems, and providing outdoor recreational opportunities for Capital Regional District residents and visitors.

Twinflower Park has a playground and non-regulation size ball field, with a horse-riding ring located across the street.



Eagles Lake Park features a small swimming beach and picnic area that is supplied with fresh sand each summer. There is a cob washroom with a composting toilet and living roof that was built by volunteers.

In addition, Gowlland Tod Provincial Park, Mount Work Regional Park, Thetis Lake Regional Park, and Lone Tree Hill Regional Park are located within the municipality. These parks are managed by BC Parks Services and the Capital Regional District.



Other Services

WEST SHORE PARKS AND RECREATION

The District of Highlands is a joint owner of the West Shore Parks and Recreation Centre. West Shore Parks and Recreation’s mission includes providing diverse and accessible recreational and sport opportunities that offer West Shore residents excellent experiences for healthy lifestyles. They offer a wide



variety of services and programs for all ages and abilities. Amenities include exercise facilities, a swimming pool, indoor and outdoor playing fields, ice rinks, numerous sport courts, a golf course, and more.

West Shore Parks and Recreation is governed by the West Shore Parks and Recreation Society’s Board of Directors comprised of representatives from the joint owner municipalities (District of Highlands, City of Langford, City of Colwood, Town of View Royal, and District of Metchosin). Each municipality provides financial support toward the operation of the parks and recreation facilities through an annual tax requisition.

Location: 1767 Island Highway

Website: www.wspr.ca

Phone: 250-478-8384

GREATER VICTORIA PUBLIC LIBRARY JUAN DE FUCA BRANCH



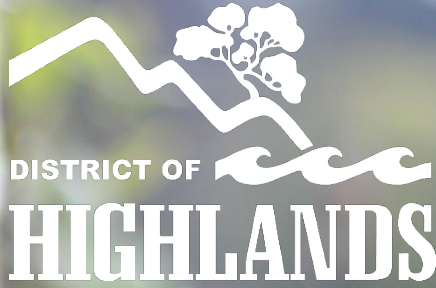
The District of Highlands is also a member of the Greater Victoria Public Library (GVPL) system. Library services are primarily provided to Highlands residents by the Juan De Fuca Branch. The District is a co-owner of the Juan de Fuca Branch building in collaboration with the Cities of Colwood and Langford and the District of Metchosin.

The Juan de Fuca Branch is the largest of the three West Shore GVPL branches and offers a variety of general interest programs for all ages.

Location: 1759 Island Highway

Website: www.gvpl.ca

Phone: 250-940-4875



Financial Statements

For the year ending December 31, 2025

Consolidated Financial Statements

Consolidated Financial Statements of

DISTRICT OF HIGHLANDS

Year ended December 31, 2025

DISTRICT OF HIGHLANDS

Consolidated Financial Statements

Year ended December 31, 2025

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



Chief Administrative Officer - Treasurer



KPMG LLP

St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone (250) 480 3500
Fax (250) 480 3539

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councillors of the District of Highlands

Opinion

We have audited the consolidated financial statements of the District of Highlands (the "District"), which comprise:

- the consolidated statement of financial position as at end of December 31, 2025
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the District as at December 31, 2025 and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



District of Highlands

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



District of Highlands

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Victoria, Canada
May 4, 2026

DISTRICT OF HIGHLANDS

Consolidated Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 9,655,493	\$ 10,350,838
Investments	106,141	82,243
Accounts receivable (note 2)	164,371	68,357
Taxes receivable	94,814	243,980
Restricted cash	28,713	27,063
	<u>10,049,532</u>	<u>10,772,481</u>
Financial liabilities:		
Accounts payable and accrued liabilities	811,536	860,588
Security deposits	30,811	52,756
Accrued payroll expenses	10,680	11,446
Deferred revenue (note 3)	476,094	498,851
Long-term debt (note 4)	53,740	109,385
Asset retirement obligations (note 5)	71,049	70,551
	<u>1,453,910</u>	<u>1,603,577</u>
Net financial assets	8,595,622	9,168,904
Non-financial assets:		
Tangible capital assets (note 6)	37,662,163	37,022,912
Prepaid expenses	9,292	7,635
	<u>37,671,455</u>	<u>37,030,547</u>
Commitments and contingencies (note 11)		
Accumulated surplus (note 7)	<u>\$ 46,267,077</u>	<u>\$ 46,199,451</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, 2025, with comparative information for 2024

	Financial plan (note 12)	2025	2024
Revenue:			
Taxation, net (note 8)	\$ 2,818,000	\$ 2,817,020	\$ 2,660,971
Government transfers (note 9)	666,609	719,687	824,542
Sale of services	4,700	3,980	7,281
Other	345,596	361,822	371,773
Licenses, permits and other	113,400	107,492	87,285
Investment income	470,000	280,788	465,762
Actuarial adjustment on debt	-	12,030	18,557
	<u>4,418,305</u>	<u>4,302,819</u>	<u>4,436,171</u>
Expenses:			
General government services	1,216,500	1,203,829	1,114,293
Protective services	866,800	768,227	693,503
Transportation services	1,586,174	1,077,823	1,063,391
Environmental development services	441,700	220,721	259,081
Recreation and cultural services	532,700	964,593	920,782
	<u>4,643,874</u>	<u>4,235,193</u>	<u>4,051,050</u>
Annual surplus (deficit)	(225,569)	67,626	385,121
Accumulated surplus, beginning of year	46,199,451	46,199,451	45,814,330
Accumulated surplus, end of year	<u>\$ 45,973,882</u>	<u>\$ 46,267,077</u>	<u>\$ 46,199,451</u>

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, 2025, with comparative information for 2024

	Financial plan (note 12)	2025	2024
Annual surplus (deficit)	\$ (225,569)	\$ 67,626	\$ 385,121
Acquisition of tangible capital assets	(2,598,789)	(1,716,057)	(627,733)
Amortization of tangible capital assets	875,800	924,417	874,317
Proceeds on sale of tangible capital assets	-	25,050	-
Loss on disposal of tangible capital assets	-	46,830	-
Change in West Shore tangible capital assets	-	80,509	49,816
	(1,722,989)	(639,251)	296,400
Change in prepaid expenses	-	(1,657)	711
Change in net financial assets	(1,948,558)	(573,282)	682,232
Net financial assets, beginning of year	9,168,904	9,168,904	8,486,672
Net financial assets, end of year	\$ 7,220,346	\$ 8,595,622	\$ 9,168,904

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

DISTRICT OF HIGHLANDS

Consolidated Statement of Cash Flows

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 67,626	\$ 385,121
Items not involving cash:		
Amortization of tangible capital assets	924,417	874,317
Accretion expense	498	1,442
Change in West Shore	80,509	49,816
Actuarial adjustment on debt	(12,030)	(18,557)
Loss on disposal of tangible capital assets	46,830	-
Changes in non-cash operating assets and liabilities:		
Accounts receivable	(96,014)	55,394
Taxes receivable	149,166	(173,171)
Restricted cash	(1,650)	8,665
Accounts payable and accrued liabilities	(49,052)	73,657
Accrued payroll expenses	(766)	288
Security deposits	(21,945)	(8,429)
Deferred revenue	(22,757)	289,950
Prepaid expenses	(1,657)	711
	1,063,175	1,539,204
Capital activities:		
Acquisition of tangible capital assets	(1,716,057)	(627,733)
Proceeds on disposal of tangible capital assets	25,050	-
	(1,691,007)	(627,733)
Investing activities:		
Investments	(23,898)	(1,243)
Financing activities:		
Debt repaid	(43,615)	(60,885)
Increase (decrease) in cash and cash equivalents	(695,345)	849,343
Cash and cash equivalents, beginning of year	10,350,838	9,501,495
Cash and cash equivalents, end of year	\$ 9,655,493	\$ 10,350,838
Supplemental cash flow information:		
Cash paid for interest	\$ 18,292	\$ 21,911
Cash received from interest	280,788	465,762

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

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements

Year ended December 31, 2025

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

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

1. Significant accounting policies:

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

(a) Reporting entity:

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

(b) Basis of accounting:

The District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Revenue from transactions with performance obligations is recognized when (or as) the performance obligation is satisfied (by providing the promised goods or services to a payor). 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, 2025

1. Significant accounting policies (continued):

(d) Deferred revenue:

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

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

(e) Property tax revenue:

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

(f) Investment income:

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

(g) Cash and cash equivalents:

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

(h) Long-term debt:

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

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

1. Significant accounting policies (continued):

(i) Employee future benefits:

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

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

(j) Non-financial assets:

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

(i) Tangible capital assets:

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

Asset	Useful life - years
Park improvements	15 - 40
Buildings	25 - 40
Vehicles	5 - 25
Engineering structures	20 - 75

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, 2025

1. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(i) Tangible capital assets (continued):

The District is fortunate to have many natural assets that reduce the need for built infrastructure that would otherwise be required. This includes the Wark-Colquitz aquifer (water storage and filtration), creeks, ditches and forestlands (rain water management) and the foreshore area (natural seawall). Canadian public-sector accounting standards do not allow for the valuation and recording of such assets into the financial statements of the District. As such, these natural assets are not reported in these financial statements. Nevertheless, the District acknowledges the importance of these assets and the need to manage them in conjunction with built infrastructure.

(ii) Contributions of tangible capital assets:

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

(iii) Natural resources:

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

(iv) Works of art and cultural and historic assets:

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

(v) Interest capitalization:

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

(vi) Leased tangible capital assets:

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

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

1. Significant accounting policies (continued):

(k) Contaminated sites:

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

(l) Asset retirement obligation:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability for the removal of assumed asbestos and lead paint in several of the buildings owned by the District has been recognized based on estimated future expenses on closure of the site and post-closure care. Under the prospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard. Assumptions used in the subsequent calculations are revised yearly.

The liability is discounted using a present value calculation and adjusted yearly for accretion expense. The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The buildings capital assets affected by the assumed asbestos and lead paint liability are being amortized with the building following the depreciation accounting policies in note 1(j(i)).

(m) Financial instruments:

The District's financial instruments consist of cash, term deposits, accounts and taxes receivable, accounts payable and accrued liabilities and long-term debt. It is management's opinion that the District's is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

1. Significant accounting policies (continued):

(m) Financial instruments (continued):

Financial instruments are recorded at fair value on initial recognition. Equity instruments quoted in an active market and derivatives are subsequently measured at fair value as at the reporting date. All other financial instruments are subsequently recorded at cost or amortized cost unless the District elects to carry the financial instrument at fair value. The District has not elected to carry any other financial instruments at fair value.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses. They are recorded in the Statement of Operations when they are realized. There are no unrealized changes in fair value in the years presented; as a result, the District does not have a Statement of Remeasurement Gains and Losses.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

Transaction costs incurred on the acquisition of financial instruments subsequently measured at fair value are expensed as incurred. Transaction costs incurred on the acquisition of financial instruments recorded at cost are included in the cost and amortized using the effective interest rate method.

(n) Use of estimates:

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

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

2. Accounts receivable:

	2025	2024
Amenities receivable	\$ 8,426	\$ 9,300
Grants receivable	30,827	-
GST receivable	107,225	42,161
Trade receivables	17,893	16,896
	\$ 164,371	\$ 68,357

3. Deferred revenue:

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

	2025	2024
Prepaid taxes	\$ 158,215	\$ 132,581
Grants	233,790	255,388
Other	14,344	33,564
West Shore	69,745	77,318
	\$ 476,094	\$ 498,851

4. Long-term debt:

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

MFA issue #	Bylaw #	Purpose	Maturity date	Original issued amount	Principal payments and actuarial earnings	Interest rate	Balance 2025	Balance 2024
139	382	Fire hall bay and tender	2026	\$ 500,000	\$ 446,260	2.1%	\$ 53,740	\$ 109,385
				\$ 500,000	\$ 446,260		\$ 53,740	\$ 109,385

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

4. Long-term debt (continued):

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

	Total
2026	\$ 53,740

- (c) Interest expense:

Total interest expense on long-term debt during the year was \$10,500 (2024- \$18,637).

5. Asset retirement obligations:

The District owns and operates several buildings that are assumed to have asbestos and lead paint, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Estimated costs have been discounted to the present value using a discount rate of 4.53% per annum.

The transition and recognition of asset retirement obligations involved an accompanying increase to the buildings capital assets. The increase in capital assets is amortized on a straight-line basis over the remaining expected useful life of the related assets.

Asset retirement obligations	2025	2024
Balance, beginning of year	\$ 70,551	\$ 69,109
Accretion expense	498	1,442
Balance, end of year	\$ 71,049	\$ 70,551

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

6. Tangible capital assets:

	Land	Park improvements	Buildings	Vehicles and equipment	Engineering structures	Assets under construction	Total 2025	Total 2024
Cost:								
Balance, beginning of year	\$ 9,795,876	470,845	6,120,413	2,948,174	38,853,233	8,756	58,197,297	57,860,509
Additions - purchases	-	-	78,479	839,125	797,787	9,422	1,724,813	627,733
Disposals, transfers and change in cost share	-	-	(116,055)	(118,604)	(71,092)	(8,756)	(314,507)	(290,945)
Balance, end of year	9,795,876	470,845	6,082,837	3,668,695	39,579,928	9,422	59,607,603	58,197,297
Accumulated amortization:								
Balance, beginning of year	-	148,267	1,616,281	1,408,826	18,001,011	-	21,174,385	20,541,197
Disposals and change in cost share	-	-	(38,014)	(69,764)	(45,584)	-	(153,362)	(241,129)
Amortization	-	9,750	124,239	161,571	628,857	-	924,417	874,317
Balance, end of year	-	158,017	1,702,506	1,500,633	18,584,284	-	21,945,440	21,174,385
Net book value, end of year	\$ 9,795,876	312,828	4,380,331	2,168,062	20,995,644	9,422	37,662,163	37,022,912

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

6. Tangible capital assets (continued):

(a) Assets under construction:

As at December 31, 2025 there was \$9,422 of assets under construction yet to be amortized (2024 - \$8,756). Amortization of assets commences when the assets are available for service.

(b) Contributed tangible capital assets:

There were no contributed assets recognized during the year (2024 - nil).

(c) Tangible capital assets disclosed at nominal values:

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

(d) Works of art and historical treasures:

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

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

During the year the District disposed of assets with a net book value of \$71,880 for proceeds of \$25,050 (2024 - \$196,789 of fully depreciated assets), resulting in a loss on disposal of \$46,830. No write-down of tangible capital assets occurred during the year.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

7. Accumulated surplus:

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

	2025	2024
Surplus:		
Equity in tangible capital assets	\$ 37,537,374	\$ 36,842,976
Operating	1,746,927	1,731,852
	<u>39,284,301</u>	<u>38,574,828</u>
Reserve funds set aside for specific purposes by Council:		
Fire building vehicle equipment replacement	1,322,797	1,741,131
Parkland acquisition	71,128	55,484
Roads replacement capital	1,050,602	1,093,696
General capital	405,392	383,040
Land sales	128	124
Capital works	349,051	339,003
West Shore reserves	48,970	48,970
Library major asset maintenance	22,452	20,984
Canada community building	617,944	703,364
Community hall replacement	215,760	188,184
Winter weather contingency	143,007	138,890
Financial stabilization	828,939	818,512
Bridge replacement capital	107,818	86,261
Groundwater and drainage reserve	567,344	409,216
Heritage structure capital	81,683	69,632
Growing Communities Fund	749,987	1,053,800
Park facilities capital replacement	170,099	146,750
COVID-19 Restart Grant	194,447	327,582
Climate resiliency reserve	35,228	-
	<u>6,982,776</u>	<u>7,624,623</u>
	<u>\$ 46,267,077</u>	<u>\$ 46,199,451</u>

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

8. Taxation:

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

	2025	2024
General tax levy	\$ 5,799,349	\$ 5,425,493
1% utility taxes	38,601	38,465
	5,837,950	5,463,958
Less taxes levied for other authorities:		
School authorities	1,724,505	1,667,698
Police tax	255,539	252,751
Capital Regional District	324,144	300,616
Capital Regional Hospital District	165,460	167,012
BC Assessment Authority	48,140	46,782
BC Transit	502,873	367,859
Municipal Finance Authority	269	269
	3,020,930	2,802,987
	\$ 2,817,020	\$ 2,660,971

9. 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:

	2025	2024
Small communities and equalization payments	\$ 387,000	\$ 430,100
Federal Gas Tax Agreement	176,426	176,426
Other	156,261	218,016
	\$ 719,687	\$ 824,542

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

10. Pension plan:

The District and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2024, the plan has about 273,000 active members and approximately 133,000 retired members. Active members include approximately 47,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2024, indicated a \$2,675 million funding surplus for basic pension benefits on a going concern basis.

The District paid \$74,563 (2024 - \$66,620) for employer contributions while employees contributed \$68,957 (2024 - \$61,611) to the plan in fiscal 2025.

The next valuation will be as at December 31, 2027, with results available in 2028.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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 cash 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, 2025 there were contingent demand notes of \$22,058 (2024 - \$22,058) which are not included in the financial statements of the District.
- (d) The District is self-insured through membership in the Municipal Insurance Association of British Columbia. Under this program, member municipalities are to share jointly for general liability claims against any member in excess of \$5,000. Should the Association pay out claims in excess of premiums received, it is possible that the District, along with the other participants, would be required to contribute towards the deficit.
- (e) The District entered into a contract with RLC Enterprize Ltd. in relation to the Highway Maintenance contract. The agreement is from April 1, 2024 to March 31, 2029 for a total commitment of \$228,900 per annum.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

12. Financial plan data:

The financial plan data presented in these consolidated financial statements is based upon the 2025 operating and capital budgets approved by Council on May 5, 2025, adjusted to reflect the West Shore proportionately consolidated budgeted revenues and expenses. The chart below reconciles the approved financial plan to the financial plan figures reported in these consolidated financial statements.

	Financial plan amount
Revenues:	
Financial plan, as approved by Council	\$ 4,122,600
West Shore	295,705
	<u>4,418,305</u>
Expenses:	
Financial plan, as approved by Council	3,480,200
Amortization expense per financial plan	875,800
West Shore	287,874
	<u>4,643,874</u>
Annual deficit	<u>\$ (225,569)</u>

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") in 2002: City of Langford, City of Colwood, District of Highlands, District of Metchosin, Town of View Royal and the CRD (on behalf of a portion of the Juan de Fuca Electoral Area). Effective January 1, 2018, the Juan de Fuca Electoral Area withdrew as a member of the Society.

The lands and facilities were transferred to the Municipalities in their proportionate share, as specified in the Co-Owners' Agreement. Future improvements are allocated among the partners as per the cost sharing formula in effect each year for each service or facility, as outlined in a Members' Agreement. For 2025, the District's share of improvements purchased by West Shore on its behalf are \$52,559 (2024 - \$54,798).

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 2025, there was a decrease to the District's cost share of \$13,930 (2024 - \$48,303).

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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

(a) Capital asset transfer (continued):

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

Financial results and financial plan for West Shore are consolidated into the District's financial statements proportionately, based on the cost sharing formula outlined in the Members' Agreement. In 2025, the District's proportion for consolidation purposes was 3.33% (2024 - 3.50%).

(b) Condensed financial information for West Shore:

	2025	2024
Financial assets	\$ 6,723,414	\$ 6,319,372
Financial liabilities	3,786,218	3,888,495
Net financial assets	2,937,196	2,430,877
Non-financial assets	1,786,364	1,716,367
Accumulated surplus	\$ 4,723,560	\$ 4,147,244
Revenues	\$ 10,007,956	\$ 9,643,960
Requisition for members	6,285,001	6,049,085
	16,292,957	15,693,045
Expenses	9,636,344	9,389,755
Requisition for members	6,285,001	6,049,085
	15,921,345	15,438,840
Annual surplus	\$ 371,612	\$ 254,205

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

14. Risk management:

The District has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, and market risk (interest rate risk, and other price risk).

Management oversees the District's systems and practices of internal control and ensures that these controls contribute to the assessment and mitigation of risk. The District has experienced no change in its risk exposure and has not made any changes to its risk management policies and procedures during the year.

(a) Credit risk:

Credit risk is the risk of a financial loss to the District if a counterparty to a financial instrument fails to meet its contractual obligations resulting in a financial loss. Such risks arise principally from certain financial assets held by the District consisting of cash and cash equivalents, investments and receivables.

Cash and cash equivalents and investments are held with reputable financial institutions with investment grade external credit ratings. The majority of receivables are owing from government agencies. The District is able to recover delinquent taxes through tax sale of properties with unpaid property taxes.

The District assesses on a continuous basis its receivables and provides for any amounts that are uncollectible in an allowance for doubtful accounts. The maximum exposure to credit risk is the carrying value of financial assets.

(b) Liquidity risk:

Liquidity risk is the risk that the District will not be able to meet its financial obligations as they become due. The District's objective is to have sufficient liquidity to meet these liabilities when due. The District prepares financial plans, monitors its cash balance and cash flows to meet its liquidity requirements.

(c) Market risk:

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and other price risks, will affect the District's results of operations or the fair value of its holdings of financial instruments.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The District mitigates interest rate risk by investing in fixed-rate investments and debt. The District is subject to interest rate risk at maturity or refinancing.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

15. Segmented information:

The District is a diversified municipal organization that provides a wide range of services to its citizens. District services are provided by departments and their activities reported separately. Certain functions that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) General government services:

The General Government function is comprised of Legislative Services (Council and Committees) and General Administration, which includes Financial Management, Common Services and other administrative activities related to the management of the District. This segment also includes any other functions categorized as non-departmental.

(b) Protective services:

The Protective Services are comprised of three core services: Emergency Program, Fire Protection, Building and Bylaw Enforcement.

Emergency Program captures the District's emergency preparedness programs that ensure the District is prepared and capable to respond to the devastating effects of a disaster or major catastrophic event.

Fire Protection Services are carried out by the District's Fire Department, whose mandate is to provide critical lifesaving services in preventing or minimizing the loss of life and property from fire and natural and man-made emergencies.

Building and Bylaw Enforcement promotes, facilitates and enforces general compliance with the provisions of bylaws that pertain to the health, safety and welfare of the community.

(c) Transportation services:

Transportation services is responsible for transportation functions including roads and streets.

As well, services are provided around infrastructure, transportation planning, pedestrian and cycling issues and on-street parking regulations, including street signs and painting.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

15. Segmented information (continued):

(d) Environmental and development services:

Environmental development services works to achieve the District's community planning goals through the official community plan and other policy initiatives. Planning provides a full range of planning services related to zoning, development permits, variance permits and current regulatory issues.

(e) Recreation and cultural services:

Recreation and cultural services is responsible for the maintenance and development of all park facilities. Recreation services facilitate the provision of recreation and wellness programs and services through West Shore.

Certain allocation methodologies have been employed in the preparation of the segmented financial information. Property taxation and revenue-in-lieu of taxes are apportioned to the functions based on year end total expenditures, with the exception of protective services, which has its own tax levy.

The accounting policies used in these segments is consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1. The following table provides additional financial information for the foregoing segments.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

15. Segmented information (continued):

2025	General government services	Protective services	Transportation services	Environmental and development services	Recreation and cultural services	Total
Revenue:						
Taxation	\$ 1,015,250	\$ 721,553	\$ 639,188	\$ 130,839	\$ 310,190	\$ 2,817,020
Government transfers	407,000	34,812	227,061	23,951	26,863	719,687
Sale of services	3,980	-	-	-	-	3,980
Licenses permits and other	39,488	50,603	250	17,151	-	107,492
Investment income	108,554	64,443	93,121	1,358	13,312	280,788
Other	31,451	12,030	-	-	330,371	373,852
Total revenue	1,605,723	883,441	959,620	173,299	680,736	4,302,819
Expenses:						
Contracted and general services	336,839	148,714	296,619	55,166	834,111	1,671,449
Wages and employee benefits	703,478	306,732	4,682	165,460	-	1,180,352
Materials, supplies and utilities	24,980	107,843	122,157	-	14,982	269,962
Council expenses	102,641	-	-	-	-	102,641
Grants	21,700	-	-	-	-	21,700
Interest	7,792	-	-	-	10,500	18,292
Amortization	6,399	184,066	628,857	95	105,000	924,417
Loss on disposal of asset	-	20,872	25,508	-	-	46,380
Total expenses	1,203,829	768,227	1,077,823	220,721	964,593	4,235,193
Annual surplus (deficit)	\$ 401,894	\$ 115,214	\$ (118,203)	\$ (47,422)	\$ (283,857)	\$ 67,626

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

15. Segmented information (continued):

2024	General government services	Protective services	Transportation services	Environmental and development services	Recreation and cultural services	Total
Revenue:						
Taxation	\$ 887,098	\$ 685,959	\$ 611,954	\$ 149,039	\$ 326,921	\$ 2,660,971
Government transfers	430,100	25,000	259,166	69,713	40,563	824,542
Sale of services	7,281	-	-	-	-	7,281
Licenses, permits and other	54,202	18,146	-	14,937	-	87,285
Investment income	188,653	121,377	136,849	5,033	13,850	465,762
Other	40,862	18,557	-	-	330,911	390,330
Total revenue	1,608,196	869,039	1,007,969	238,722	712,245	4,436,171
Expenses:						
Contracted and general services	309,544	167,882	277,229	92,528	785,502	1,632,685
Wages and employee benefits	638,313	260,725	5,454	166,457	-	1,070,949
Materials, supplies and utilities	32,631	117,745	163,063	-	13,675	327,114
Council expenses	100,380	-	-	-	-	100,380
Grants	23,694	-	-	-	-	23,694
Interest	3,274	-	-	-	18,637	21,911
Amortization	6,457	147,151	617,645	96	102,968	874,317
Total expenses	1,114,293	693,503	1,063,391	259,081	920,782	4,051,050
Annual surplus	\$ 493,903	\$ 175,536	\$ (55,422)	\$ (20,359)	\$ (208,537)	\$ 385,121

DISTRICT OF HIGHLANDS

Schedules - COVID-19 Restart Grant and Growing Communities Fund Grant

Year ended December 31, 2025

(Unaudited)

Schedule - COVID-19 Restart Grant (unaudited)

On November 19, 2020, the District received a COVID-19 Safe Restart Grant from the Province of British Columbia to help address the fiscal impacts of COVID-19. The grant was recognized as revenue when received and transferred to an operating reserve to fund future eligible expenditures.

	2025	2024
COVID-19 Safe Restart Grant, beginning of year	\$ 327,582	\$ 548,249
Eligible costs incurred:		
Capital costs	(143,041)	(247,914)
Interest allocation	9,906	27,247
COVID-19 Safe Restart Grant, end of year	\$ 194,447	\$ 327,582

Schedule - Growing Communities Fund Grant (unaudited)

In March of 2023, the District received a Growing Communities Fund Grant from the Province of British Columbia to support the delivery of projects that are incremental to currently planned infrastructure. The grant was recognized as revenue which received and transferred to an operating reserve to fund future eligible expenditures.

	2025	2024
Growing Communities Fund, beginning of year	\$ 1,053,800	\$ 1,121,772
Eligible costs incurred:		
Capital infrastructure costs	(335,046)	(122,612)
Interest allocation	31,233	54,640
Growing Communities Fund, end of year	\$ 749,987	\$ 1,053,800

DISTRICT OF HIGHLANDS

Schedules - COVID-19 Restart Grant and Growing Communities Fund Grant (Continued)

Year ended December 31, 2025

(Unaudited)

Schedule - Local Government Housing Initiatives Funding Program (unaudited)

The Province of British Columbia distributed \$51 million from the Local Government Housing Initiatives (LGHI) funding program. The Housing Initiatives funding program is intended to support local government implementation of the legislative changes to support housing initiatives, including small-scale multi-unit housing and proactive planning, development finance, and transit-oriented development to municipalities and regional districts.

The District of Highlands received \$161,726 in January of 2024.

	2025	2024
LGHI funding, beginning of year	\$ 92,013	\$ -
LGHI funding received	-	161,726
Eligible costs incurred:		
Development approval process expenditures	23,951	69,713
LGHI funding, end of year	\$ 68,062	\$ 92,013
