

Consolidated Financial Statements of

DISTRICT OF HIGHLANDS

Year ended December 31, 2012

DISTRICT OF HIGHLANDS

Consolidated Financial Statements

Year ended December 31, 2012

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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 governments established by The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

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

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



Chief Administrative Officer - Treasurer



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INDEPENDENT AUDITORS' REPORT

To the Mayor and Councillors of The District of Highlands

We have audited the accompanying consolidated financial statements of The District of Highlands, which comprise the consolidated statement of financial position as at December 31, 2012, the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The District of Highlands as at December 31, 2012, 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.

Chartered Accountants
May 21, 2013
Victoria, Canada

DISTRICT OF HIGHLANDS

Consolidated Statement of Financial Position

December 31, 2012, with comparative information for 2011

	2012	2011
Financial assets:		
Cash and cash equivalents	\$ 3,247,548	\$ 2,671,185
Accounts receivable	84,987	293,374
Taxes receivable	188,415	131,410
Other assets	7,601	12,495
	<u>3,528,551</u>	<u>3,108,464</u>
Financial liabilities:		
Accounts payable and accrued liabilities	433,882	391,591
Security deposits	17,901	9,710
Deferred revenue (note 2)	209,827	204,466
Obligation under capital lease (note 3)	26,219	43,514
Long-term debt (note 4)	410,766	442,800
	<u>1,098,595</u>	<u>1,092,081</u>
Net financial assets	2,429,956	2,016,383
Non-financial assets:		
Tangible capital assets (note 5)	37,114,330	37,684,305
Prepaid expenses	6,378	13,680
Commitments and contingencies (note 11)		
Accumulated surplus (note 6)	<u>\$ 39,550,664</u>	<u>\$ 39,714,368</u>

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



Chief Administrative Officer - Treasurer

DISTRICT OF HIGHLANDS

Consolidated Statement of Operations

Year ended December 31, 2012, with comparative information for 2011

	Financial plan (unaudited - note 12)	2012	2011
Revenue:			
Taxation, net (note 7)	\$ 1,367,000	\$ 1,362,516	\$ 1,291,022
Government transfers (note 8)	445,000	639,633	706,579
Sale of services	209,317	204,144	190,416
Licenses, permits and other	74,700	67,806	48,257
Investment income	5,000	27,485	21,773
Donations and amenities	-	43,096	61,389
Other	74,858	100,152	102,416
Actuarial adjustment on debt	-	7,886	5,873
Total revenue	2,175,875	2,452,718	2,427,725
Expenses:			
General government services	750,243	628,158	596,376
Protective services	361,650	409,520	408,673
Transportation services	1,097,315	891,188	913,466
Environmental development services	98,900	154,008	138,003
Recreation and cultural services	517,275	533,548	540,628
	2,825,383	2,616,422	2,597,146
Annual deficit	(649,508)	(163,704)	(169,421)
Accumulated surplus, beginning of year	39,714,368	39,714,368	39,883,789
Accumulated surplus, end of year	\$ 39,064,860	\$ 39,550,664	\$ 39,714,368

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, 2012, with comparative information for 2011

	Financial plan (unaudited - note 12)	2012	2011
Annual deficit	\$ (649,508)	\$ (163,704)	\$ (169,421)
Use (acquisition) of tangible capital assets	(130,000)	(289,905)	(262,120)
Amortization of tangible capital assets	987,055	892,565	876,933
Loss on disposal of tangible capital assets	-	1,219	-
Change in proportionate share of West Shore	-	(33,904)	(6,433)
	857,055	569,975	608,380
Acquisition of prepaid expenses	-	7,302	(4,930)
Change in net financial assets	207,547	413,573	434,029
Net financial assets, beginning of year	2,016,383	2,016,383	1,582,354
Net financial assets, end of year	\$ 2,223,930	\$ 2,429,956	\$ 2,016,383

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

DISTRICT OF HIGHLANDS

Consolidated Statement of Cash Flows

Year ended December 31, 2012, with comparative information for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (163,704)	\$ (169,421)
Items not involving cash:		
Amortization of tangible capital assets	892,565	876,933
Loss on disposal of tangible capital assets	1,219	-
Change in proportionate share of West Shore	(33,904)	(6,433)
Actuarial adjustment on debt	(7,886)	(5,873)
Change in non-cash operating assets and liabilities:		
Accounts receivable	208,387	10,698
Taxes receivable	(57,005)	(28,348)
Other financial assets	4,894	(5,145)
Accounts payable and accrued liabilities	42,291	(37,850)
Security deposits	8,191	(8,880)
Deferred revenue	5,361	(61,887)
Prepaid expenses	7,302	(4,930)
	907,711	558,864
Capital activities:		
Acquisition of tangible capital assets	(289,905)	(262,120)
Financing activities:		
Capital lease payments	(17,295)	21,333
Debt repaid	(24,148)	(23,339)
	(41,443)	(2,006)
Increase in cash and cash equivalents	576,363	294,738
Cash and cash equivalents, beginning of year	2,671,185	2,376,447
Cash and cash equivalents, end of year	\$ 3,247,548	\$ 2,671,185
Supplemental cash flow information:		
Cash paid for interest	\$ 29,519	\$ 35,510
Cash received from interest	30,895	24,213

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

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements

Year ended December 31, 2012

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 ("PSAB") of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the District are as follows:

(a) Reporting entity:

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

(b) Basis of accounting:

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

(c) Government transfers:

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

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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.

(d) Deferred revenue (continued):

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

(e) Investment income:

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

(f) Cash and cash equivalents:

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

(g) Long-term debt:

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

(h) 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.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

1. Significant accounting policies (continued):

(i) Non-financial assets:

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

(i) Tangible capital assets

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

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

Amortization is charged 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.

(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.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(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.

(j) Use of estimates:

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

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

2. Deferred revenue:

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

	2012	2011
Gas Tax Agreement Funds	\$ 176,735	\$ 174,725
Casino revenues	10,102	10,297
Prepaid taxes and other	22,990	19,444
Total deferred revenue	\$ 209,827	\$ 204,466

Gas Tax Agreement Funds

	2012	2011
Opening balance of unspent funds	\$ 174,725	\$ 239,819
Add:		
Amounts received during the year	101,142	101,142
Interest income restricted for projects	3,410	2,440
	279,277	343,401
Less amount spent on projects and recorded as revenue	(102,542)	(168,676)
	\$ 176,735	\$ 174,725

3. Obligation under capital lease:

Year ending December 31:		
2013	\$	8,350
2014		8,350
2015		8,350
2016		2,783
		27,833
Less amount representing interest (at a rate of 2.00%)		1,614
Present value of net minimum capital lease payments	\$	26,219

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

4. Long-term debt:

- (a) Included in long-term debt is the District's proportionate share of a West Shore five year fixed rate term loan for \$10,365 (2011 - \$17,244).
- (b) 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 adjustments on debt represent the repayment and/or forgiveness of debt by the MFA using surplus investment income generated by the principal payments. Gross amount of debt and the amount of the principal payments and actuarial adjustments available to retire the debt are as follows:

MFA issue #	Bylaw #	Purpose	Maturity date	Original issued amount	Principal payments and actuarial adjustments	Interest rate	Balance 2012	Balance 2011
186	81	West Shore arena	2024	\$571,021	\$ 170,620	4.86%	\$400,401	\$425,556
							400,401	425,556
West Shore term loan							10,365	17,244
							\$410,766	\$442,800

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

	Total
2013	\$ 17,269
2014	17,269
2015	17,269
2016	17,269
2017	17,269
Thereafter	324,421

- (d) Interest expense:

Total interest expense during the year was \$27,752 (2011 - \$27,752). West Shore arena interest on debt is reduced by a subsidy from the Cities of Langford and Colwood.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

5. Tangible capital assets:

	Land	Park improvements	Buildings	Vehicles and equipment	Engineering structures	Assets under construction	Total 2012	Total 2011
Cost:								
Balance, beginning of year	\$7,618,141	357,214	2,070,454	1,904,790	36,281,384	3,633	\$48,235,616	\$47,967,853
Additions	-	1,018	50,626	122,074	113,742	38,218	325,678	269,333
Disposals	-	-	-	(6,537)	-	(1,869)	(8,406)	(1,570)
Balance, end of year	7,618,141	358,232	2,121,080	2,020,327	36,395,126	39,982	48,552,888	48,235,616
Accumulated amortization:								
Balance, beginning of year	-	66,806	533,392	900,117	9,050,996	-	10,551,311	9,675,168
Disposals	-	-	-	(5,318)	-	-	(5,318)	(790)
Amortization	-	4,322	57,213	105,098	725,932	-	892,565	876,933
Balance, end of year	-	71,128	590,605	999,897	9,776,928	-	11,438,558	10,551,311
Net book value, end of year	\$7,618,141	287,104	1,530,475	1,020,430	26,618,198	39,982	\$37,114,330	\$37,684,305

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

5. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction totaling \$39,982 (2011 - \$3,633) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

There were no contributed assets recognized during the year.

(c) Tangible capital assets disclosed at nominal values:

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

(d) Works of art and historical treasures:

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

(e) Write-down of tangible capital assets:

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

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

6. Accumulated surplus:

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

	2012	2011
Surplus:		
Equity in tangible capital assets	\$ 36,677,345	\$ 37,197,991
Operating	1,437,517	1,223,028
West Shore	(37,412)	(38,366)
Total surplus	38,077,450	38,382,653
Reserve funds set aside for specific purposes by Council:		
Fire capital works and equipment	849,273	785,708
Park acquisition/development	59,536	58,985
Roads reserve	471,100	405,711
General reserve for future expenditures	33,212	32,901
West Shore reserves	60,093	48,410
Total reserve funds	1,473,214	1,331,715
	\$ 39,550,664	\$ 39,714,368

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

7. Taxation:

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

	2012	2011
Municipal purposes		
General	\$ 3,107,667	\$ 3,114,345
1% utility taxes	25,844	24,407
	<u>3,133,511</u>	<u>3,138,752</u>
Less taxes levied for other authorities:		
School authorities	1,146,823	1,216,154
Police tax	118,761	121,952
Capital Regional District	173,105	163,136
Capital Regional Hospital District	167,861	169,477
BC Assessment Authority	34,216	37,739
BC Transit	130,116	139,153
Municipal Finance Authority	113	119
	<u>1,770,995</u>	<u>1,847,730</u>
	<u>\$ 1,362,516</u>	<u>\$ 1,291,022</u>

8. Government transfers:

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

	2012	2011
Provincial government		
Small communities and equalization payments	\$ 509,406	\$ 491,173
Gas tax	102,542	168,676
Other	9,050	15,748
	<u>620,998</u>	<u>675,597</u>
Capital transfers:		
Other	18,635	30,982
Total revenue	<u>\$ 639,633</u>	<u>\$ 706,579</u>

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

9. Classification of expense by object:

	2012	2011
Contracted and general services	\$ 658,180	\$ 672,047
Wages and employee benefits	619,962	616,317
Materials, supplies and utilities	373,357	329,958
Council expenses	61,224	66,025
Grants	16,729	13,864
Interest	28,309	28,435
Amortization	892,565	876,933
Change in proportionate share of West Shore	(33,904)	(6,433)
Total expense by object	\$ 2,616,422	\$ 2,597,146

10. Pension plan:

The District and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local government.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012, with results available later in 2013. The actuary does not attribute portions of the surplus to individual employers. The District paid \$30,944 (2011 - \$29,353) for employer contributions and District employees paid \$35,209 (2011 - \$32,345) for employee contributions to the plan in fiscal 2012.

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.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

11. Commitments and contingencies (continued):

- (b) The District is a shareholder and member of the Capital Region Emergency Service Telecommunications (CREST) Incorporated which provides centralized emergency communications, and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout the Greater Victoria region and the Gulf Islands. Members' obligations to share in funding ongoing operations and any additional costs relating to capital assets are to be contributed pursuant to a Members' Agreement.
- (c) Under borrowing arrangements with the MFA, the District is required to lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund. These deposits are included in the District's financial assets as restricted receivables and are held by the MFA as security against the possibility of debt repayment default. If the debt is repaid without default, the deposits are refunded to the District. At December 31, 2012 there were contingent demand notes of \$16,800 (2011 - \$16,800) which are not included in the financial statements of the District.
- (d) The District is self-insured through membership in the Municipal Insurance Association of British Columbia. Under this program, member municipalities are to share jointly for general liability claims against any member in excess of \$5,000. Should the Association pay out claims in excess of premiums received, it is possible that the District, along with the other participants, would be required to contribute towards the deficit.

12. Financial plan data:

The unaudited financial plan data presented in these consolidated financial statements is based upon the 2012 operating and capital budgets approved by Council on May 14, 2012, adjusted to reflect West Shore proportionately consolidated budgeted revenues and expenses. The chart below reconciles the approved financial plan to the financial plan figures reported in these consolidated financial statements.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

12. Financial plan data (continued):

	Financial plan amount
Revenues:	
Financial plan	\$ 1,960,735
West Shore	215,140
Total revenue	2,175,875
Expenses:	
Financial plan	2,595,915
West Shore	229,468
Total expenses	2,825,383
Annual deficit	\$ (649,508)

13. West Shore Parks and Recreation Society:

(a) Capital asset transfer:

The CRD transferred the lands and facilities comprising the Juan de Fuca Recreation Centre to the following municipal partners (the "Municipalities") effective January 2, 2002: City of Langford, City of Colwood, District of Highlands, District of Metchosin and the CRD (on behalf of a portion of the Juan de Fuca Electoral Area). Effective January 1, 2007 the Town of View Royal became a member of the Society.

The lands and facilities were transferred to the Municipalities in their proportionate share, as specified in the Co-Owners' Agreement. Future improvements are allocated among the partners as per the cost sharing formula in effect each year for each service or facility, as outlined in a Members' Agreement. For 2012, the District's share of improvements purchased by the Society on its behalf is \$4,255 (2011 - \$35,878).

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 2012, the District recorded a gain of \$33,904 (2011 - \$6,433).

The repayment of the long-term debt associated with the transferred assets will continue to be a regional function, in accordance with the terms of an Agreement to Transfer between the CRD, the Municipalities and the Society. The debt payments are charged to the Municipalities as part of the CRD's annual requisition. The maturity dates of the various borrowings range from 2012 through 2014. The proportionate share of the debt funded by the District through the requisition process as at December 31, 2012 was \$50,123.

DISTRICT OF HIGHLANDS

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2012

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

(a) Capital asset transfer (continued):

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

Financial results and financial plan for the Society are consolidated into the District's financial statements proportionately, based on the cost sharing formula outlined in the Members' Agreement. In 2012, the District's proportion for consolidation purposes was 3.94% (2011 - 3.88%). Condensed financial information for the Society is as follows:

(b) Consolidation:

	2012	2011
Financial assets	\$ 2,219,968	\$ 2,099,082
Financial liabilities	1,658,182	1,850,172
Net financial assets	561,786	248,910
Non-financial assets	752,357	763,902
Accumulated surplus	\$ 1,314,143	\$ 1,012,812
Revenues	\$ 5,424,178	\$ 5,480,808
Requisition for members	4,698,024	4,453,952
	10,122,202	9,934,760
Expenses	5,122,847	5,867,895
Requisition for members	4,698,024	4,453,952
	9,820,871	10,321,847
Annual deficit	\$ 301,331	\$ (387,087)