

Consolidated Financial Statements of

CITY OF LANGFORD

Year ended December 31, 2014



CITY OF LANGFORD

British Columbia Canada

Municipal Council

Mayor

Stewart Young

Councillors

**Denise Blackwell
Matt Sahlstrom
Lanny Seaton
Winnie Sifert
Lillian Szpak
Roger Wade**

Municipal Officers

**Administrator
Treasurer
City Engineer
City Planner
Fire Chief**

**Jim Bowden, MPA
Steve Ternent
Michelle Mahovlich, M.Eng., P.Geo., P. Eng.
Matthew Baldwin, MCIP
Bob Beckett, MA**

**Auditors
Solicitors
Bankers
Police**

**KPMG
Young Anderson
Bank of Montreal
RCMP-West Shore**

CITY OF LANGFORD

Consolidated Financial Statements

Year ended December 31, 2014

Financial Statements

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the City of Langford (the "City") are the responsibility of management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board of 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 City'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.

The Administration and Finance Committee meets 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 City. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the City's consolidated financial statements.



Administrator



Treasurer



KPMG LLP
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Mayor and Councilors of The City of Langford

We have audited the accompanying consolidated financial statements of The City of Langford, which comprise the consolidated statement of financial position as at December 31, 2014, the consolidated statements of operations, change in net debt 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 City of Langford as at December 31, 2014, and its consolidated results of operations, its consolidated change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

April 20, 2015
Victoria, Canada

CITY OF LANGFORD

Consolidated Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
Financial assets:		
Cash and cash equivalents (note 2)	\$ 21,060,212	\$ 25,722,974
Property taxes receivable	2,147,845	1,538,181
Accounts receivable	3,906,079	4,985,281
Other assets	74,192	101,247
	<u>27,188,328</u>	<u>32,347,683</u>
Financial liabilities:		
Accounts payable and accrued liabilities	5,247,377	6,389,031
Prepaid property taxes and licences	666,589	533,841
Deferred revenue (note 3)	10,644,522	9,642,252
Refundable deposits	7,031,704	5,896,377
Debt (note 4):		
Short-term	23,750,000	25,000,000
Long-term	8,178,814	10,540,098
Capital lease obligations	-	444,246
	<u>55,519,006</u>	<u>58,445,845</u>
Net debt	(28,330,678)	(26,098,162)
Non-financial assets:		
Tangible capital assets (note 5)	325,975,627	314,342,935
Sewer franchise agreement (note 6)	13,834,129	11,986,821
Land held for resale	5,385,060	5,227,319
Prepaid expenses	937,567	587,779
	<u>346,132,383</u>	<u>332,144,854</u>
Accumulated surplus (note 7)	<u>\$ 317,801,705</u>	<u>\$ 306,046,692</u>

Commitments and contingencies (note 11)

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


Treasurer

CITY OF LANGFORD

Consolidated Statement of Operations

Year ended December 31, 2014, with comparative information for 2013

	Financial Plan	2014	2013
Revenue:	(note 12)		
Taxation, net (note 8)	\$ 23,922,000	\$ 23,271,565	\$ 22,371,839
Development cost charges	2,854,200	413,419	1,606,845
Sewer capital recovery fees	-	2,436,949	1,804,665
Utility charges	5,000	5,000	5,000
Other	3,579,496	4,492,377	4,139,932
Licences and permits	1,533,200	1,951,112	1,480,666
Penalties and interest	532,000	413,543	533,527
Government transfers (note 9)	6,636,300	2,701,953	4,162,044
Commercial leasing	2,583,900	2,523,267	2,560,102
Casino	1,200,000	1,169,240	1,247,336
Investment earnings	135,000	274,384	223,078
Developer and property owner contributions	3,000,000	11,420,217	14,989,618
Total revenue	45,981,096	51,073,026	55,124,652
Expenses:			
General government services:			
Legislative	488,000	391,411	337,577
Administrative	2,198,900	2,513,332	3,066,454
Other	1,293,400	1,244,526	1,216,027
	3,980,300	4,149,269	4,620,058
Protective services:			
Police and bylaw enforcement	6,284,200	6,654,710	5,375,080
Fire protection and emergency response	2,722,300	2,977,807	2,773,959
Building inspection and other	502,300	491,101	472,834
	9,508,800	10,123,618	8,621,873
Engineering and public works:			
Common services	946,200	1,068,756	850,937
Subdivision services	494,500	516,916	515,925
Roads, streets and storm drainage	5,818,100	9,152,460	25,088,694
	7,258,800	10,738,132	26,455,556
Community services:			
Environmental and development services	849,000	779,065	743,770
Recreation and cultural services	5,643,200	7,545,242	6,636,278
West Shore Parks and Recreation (note 13)	5,112,966	5,251,685	5,174,351
	11,605,166	13,575,992	12,554,399
Utility and enterprise services:			
Sewer infrastructure	-	589,641	568,261
Sewer maintenance	-	1,644	261
Debt interest	152,300	139,717	160,024
	152,300	731,002	728,546
Total expenses	32,505,366	39,318,013	52,980,432
Annual surplus	13,475,730	11,755,013	2,144,220
Accumulated surplus, beginning of year	306,046,692	306,046,692	303,902,472
Accumulated surplus, end of year	\$ 319,522,422	\$ 317,801,705	\$ 306,046,692

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

CITY OF LANGFORD

Consolidated Statement of Change in Net Debt

Year ended December 31, 2014, with comparative information for 2013

	Financial Plan (note 12)	2014	2013
Annual surplus	\$ 13,475,730	\$ 11,755,013	\$ 2,144,220
Acquisition of tangible capital assets	(21,235,606)	(9,012,331)	(11,457,121)
Increase in land held for resale	-	(157,741)	(14,147)
Amortization of tangible capital assets	-	6,523,484	6,117,958
Loss on sale of tangible capital assets	-	350,953	101,180
Proceeds on sale of tangible capital assets	-	491,452	2,341
Gain on sale of land held for sale	-	-	(118,605)
Proceeds on sale of land held for sale	-	-	378,299
Sewer capital recovery fees	-	(2,436,949)	(1,804,665)
Developer contributions of tangible capital assets	-	(8,978,502)	(12,791,744)
Change in proportionate share of West Shore	-	(418,107)	(344,173)
Transfer of assets to other Governments (note 9)	-	-	17,226,638
Transfer of work in progress to operating	-	-	34,030
	(7,759,876)	(1,882,728)	(525,789)
Acquisition of prepaid expenses	-	(349,788)	(111,286)
Change in net financial assets (debt)	(7,759,876)	(2,232,516)	(637,075)
Net debt, beginning of year	(26,098,162)	(26,098,162)	(25,461,087)
Net debt, end of year	\$ (33,858,038)	\$ (28,330,678)	\$ (26,098,162)

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

CITY OF LANGFORD

Consolidated Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 11,755,013	\$ 2,144,220
Items not involving cash:		
Amortization of tangible capital assets	6,523,484	6,117,958
Loss on sale of tangible capital assets	350,953	101,180
Developer contributions of tangible capital assets	(8,978,502)	(12,791,744)
Sewer capital recovery fees	(2,436,949)	(1,804,665)
Gain on sale of land held for resale	-	(118,605)
Actuarial adjustment on debt	(138,443)	(199,390)
Change in proportionate share of West Shore	(418,107)	(344,173)
Changes in non-cash operating assets and liabilities:		
Property taxes receivable	(609,664)	2,200,162
Accounts receivable	1,079,202	914,136
Other assets	27,055	11,322
Accounts payable and accrued liabilities	(1,141,654)	1,444,496
Prepaid property taxes and licences	132,748	77,825
Deferred revenue	1,002,270	232,876
Refundable deposits	1,135,327	(655,310)
Prepaid expenses	(349,788)	(111,286)
	7,932,945	(2,780,998)
Capital activities:		
Acquisition of tangible capital assets	(9,012,331)	(11,457,121)
Increase in land held for resale	(157,741)	(14,147)
Transfer of assets to other Governments	-	17,226,638
Transfer of work in progress to operating	-	34,030
Proceeds on sale of land held for resale	-	378,299
Proceeds on sale of tangible capital assets	491,452	2,341
	(8,678,620)	6,170,040
Financing activities:		
Capital lease payments	(444,246)	(30,364)
Debt proceeds	-	8,250,000
Debt payments (West Shore)	(46,035)	(44,806)
Debt payments	(3,426,806)	(2,141,436)
	(3,917,087)	6,033,394
(Decrease) increase in cash and cash equivalents	(4,662,762)	9,422,436
Cash and cash equivalents, beginning of year	25,722,974	16,300,538
Cash and cash equivalents, end of year	\$ 21,060,212	\$ 25,722,974
Supplemental cash flow information:		
Cash paid for interest	\$ 382,600	\$ 393,958
Cash received from interest	403,221	342,738

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

CITY OF LANGFORD

Notes to Consolidated Financial Statements

Year ended December 31, 2014

The City of Langford (the "City") is incorporated and operates under the provisions of the British Columbia Local Government Act and the Community Charter of British Columbia.

1. Significant accounting policies:

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

(a) Reporting entity:

The consolidated financial statements include the assets, liabilities, revenues and expenses of the reporting entity. The consolidated financial statements also include the City's proportionate interest in the West Shore Parks and Recreation Society ("West Shore"), an organization jointly controlled by the City. The City does not administer any trust activities on behalf of external parties.

(b) Basis of accounting:

The City 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) Revenue recognition:

Government transfers are recognized in the consolidated 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, except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability.

Property tax revenue is recognized on an accrual basis using approved tax rates and the anticipated assessment for the current year. Parcel tax revenues are recognized in the year that they are levied.

(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 any liability to the City.

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.

CITY OF LANGFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(e) Refundable deposits:

Receipts restricted by third parties are deferred and reported as refundable deposits under certain circumstances. Refundable deposits are returned when the third party meets their obligations or the deposits are recognized as revenue when qualifying expenditures are incurred.

(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 equivalents:

Cash equivalents include short-term highly liquid investments that are cashable on demand or have a term to maturity of 90 days or less at acquisition.

(h) Long-term debt:

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

(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 cost, 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
Land improvements	10 - 50
Buildings	25 - 70
Vehicles, machinery, equipment	5 - 25
Sewer and storm infrastructure	75 - 100
Roads infrastructure	10 - 75

CITY OF LANGFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(i) Tangible capital assets (continued)

Tangible capital assets are written down when conditions indicate that they no longer contribute to the City'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.

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. Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

(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) 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.

(iv) 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.

(v) Inventory of supplies

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

(j) Employee benefits:

The City and its employees make contributions to the Municipal Pension Plan. These contributions are expensed as incurred. The costs of a multi-employer defined contribution pension plan, such as the Municipal Pension Plan, are the employer's contributions due to the plan in the period.

CITY OF LANGFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(k) Use of estimates:

The preparation of financial statements 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, estimating fair value of contributed tangible capital assets and in estimating provisions for accrued liabilities. Actual results could differ from these estimates.

2. Cash and cash equivalents:

	2014	2013
West Shore Parks and Recreation Society	\$ 1,528,689	\$ 1,421,286
Cash	2,469,023	6,630,916
Term deposits	17,062,500	17,670,772
Total	\$ 21,060,212	\$ 25,722,974

CITY OF LANGFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

3. Deferred revenue:

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

	2014	2013
Federal Gas Tax funds	\$ -	\$ 609,188
Development cost charges	9,579,792	8,274,026
Hotel room tax	483,856	372,039
Other	580,874	386,999
Total deferred revenue	\$ 10,644,522	\$ 9,642,252

Development cost charges:

	2014	2013
Opening balance of unspent funds	\$ 8,274,026	\$ 8,425,289
Add:		
Development cost charges received during year	1,620,348	1,364,273
Interest earned	98,837	91,309
	9,993,211	9,880,871
Less amount spent on projects and recorded as revenue	(413,419)	(1,606,845)
	\$ 9,579,792	\$ 8,274,026

The City receives Gas Tax funds from the Federal Government through an agreement with the Union of BC Municipalities. Effective April 1, 2014 the agreements were revised for all new funding and for amounts unspent from prior periods. The new agreement broadened the scope of eligible expenditures for these funds and eliminated certain potential repayment criteria. These changes have resulted in a change in the accounting for such funds from the previous policy to defer such funds until eligible expenditures were incurred to recognize all amounts into revenue when received, including recognizing as revenue all amounts previously deferred.

CITY OF LANGFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

4. Debt and capital lease obligations:

(a) Short-term debt:

Short-term debt is comprised of an interim financing facility through the TD Bank due on demand which bears interest at the Bankers Acceptance Rate plus stamping fee of 65 basis points.

(b) Long-term debt:

Long-term debt consists of the following:

	2014	2013
Municipal Finance Authority ("MFA")	\$ 304,428	\$ 672,186
West Shore five year fixed rate loan	37,202	83,238
TD Bank	7,837,184	9,784,674
Total	\$ 8,178,814	\$ 10,540,098

Long-term debt through the MFA is presented net of repayments and actuarial earnings, where the MFA invests the City's repayments so that the repayments, plus investment income, will equal the original outstanding debt amount at the end of the repayment period. Actuarial earnings on debt represent the allocation by the MFA of surplus investment income generated by the principal repayments. The gross value of debenture debt at December 31, 2014 is \$4,643,000 (2013 - \$5,649,000). The accumulation of principal repayments and actuarial earnings allocated to the City as of December 31, 2014 is \$4,338,572 (2013 - \$4,976,814).

Long-term debt from the TD Bank consists of five year floating rate term loans maturing in 2017, with a current interest rate of 1.38%.

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

	General	Sewer	Total
2015	\$ 2,104,900	\$ 97,600	\$ 2,202,500
2016	2,427,300	-	2,427,300
2017	2,469,800	-	2,469,800
2018	1,842,700	-	1,842,700
2019	1,163,400	-	1,163,400

CITY OF LANGFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

5. Tangible capital assets:

	Land	Land improvements	Buildings	Vehicles, machinery, equipment	Sewer and storm infrastructure	Roads infrastructure	Assets under construction	West Shore	Total 2014	Total 2013
Cost:										
Opening	\$122,013,364	14,983,832	32,003,004	11,129,358	44,022,349	107,733,293	3,697,251	31,131,687	\$366,714,138	\$359,516,534
Additions	8,595,938	632,793	410,049	537,037	1,612,870	5,883,880	1,164,888	106,982	18,944,437	37,748,723
Disposals	(317,262)	-	(437,991)	(133,699)	-	(179,030)	(953,603)	(20,943)	(2,042,528)	(30,988,945)
Change in share	-	-	-	-	-	-	-	543,119	543,119	437,826
Balance, end of year	130,292,040	15,616,625	31,975,062	11,532,696	45,635,219	113,438,143	3,908,536	31,760,845	384,159,166	366,714,138
Accumulated amortization:										
Opening	-	3,514,840	4,576,116	4,789,317	7,218,129	25,107,337	-	7,165,464	52,371,203	46,852,751
Disposals	-	-	(73,386)	(115,010)	-	(37,180)	-	(20,943)	(246,519)	(123,603)
Amortization	-	628,161	639,855	783,682	753,776	2,522,532	-	605,837	5,933,843	5,548,402
Change in share	-	-	-	-	-	-	-	125,012	125,012	93,653
Balance, end of year	-	4,143,001	5,142,585	5,457,989	7,971,905	27,592,689	-	7,875,370	58,183,539	52,371,203
Net book value, end of year	\$130,292,040	11,473,624	26,832,477	6,074,707	37,663,314	85,845,454	3,908,536	23,885,475	\$325,975,627	\$314,342,935

CITY OF LANGFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

5. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$3,908,536 (2013 - \$3,697,251) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed capital assets received during the year is \$8,978,502 (2013 - \$12,791,744) comprised of land \$4,069,876 (2013 - \$6,092,816), land improvements \$20,172 (2013 - \$1,109,327), buildings \$ NIL (2013 - \$10,998), sewer and storm infrastructure \$1,612,867 (2013 - \$2,174,539) and roads infrastructure \$3,275,587 (2013 - \$3,404,064).

(c) Works of art and historical treasures:

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

(d) Write-down of tangible capital assets:

No tangible capital assets were written down in 2014 or 2013.

(e) West Shore:

The City's proportionate share of West Shore assets includes land, buildings, and equipment which are subject to amortization policies consistent with those of the City.

CITY OF LANGFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

6. Sewer franchise agreement:

During 2004, the City entered into a franchise and partnering agreement with West Shore Environmental Services Inc. ("WSES") and Terasen Utility Services Inc. The term of the agreement is 21 years, with a single 21 year renewal. Under the agreement, the City grants an exclusive franchise to WSES to design, construct, finance, own, operate and maintain sanitary sewers in the City. The City also grants an exemption from municipal property tax for sewer infrastructure and WSES has been granted an Order in Council to extend that exemption to property taxes for all other jurisdictions. Upon termination of the agreement, the sewer infrastructure constructed by WSES will be acquired by the City for a nominal payment.

WSES will recover its capital costs by imposition of a sewer capital recovery fee ("SCRF") on owners of property who wish to connect to the sewer. WSES will also bill and collect all user fees. Fees were frozen for five years, ending in 2009. WSES will pay the City franchise fees that are estimated to total \$11 million over the 21 year term of the agreement.

The City records the costs of sewer infrastructure constructed by WSES \$2,374,329 (2013 - \$618,949) and a corresponding remaining cost to be recovered. The remaining cost to be recovered is reduced as SCRF's are collected by WSES.

The cost of WSES sewer infrastructure, less residual value, is amortized on a straight line basis over their estimated useful lives, 60 to 70 years.

	Opening	Increase	Decrease	Closing
WSES sewer infrastructure				
Cost	\$ 34,047,894	\$ 2,374,329	\$ (315,462)	\$ 36,737,685
Accumulated amortization	(4,249,691)	(589,641)	-	(4,839,332)
	29,798,203	1,784,688	(315,462)	31,898,353
Remaining cost to be recovered	(17,811,382)	(2,374,329)	2,121,487	(18,064,224)
	\$ 11,986,821	\$ (589,641)	\$ 2,436,949	\$ 13,834,129

CITY OF LANGFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

7. Accumulated surplus:

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

	2014	2013
Surplus:		
Invested in tangible capital assets	\$ 307,880,942	\$ 290,345,412
Invested in land held for resale	5,385,060	5,227,319
Other	(5,986,122)	2,107,954
Total surplus	307,279,880	297,680,685
Reserves set aside by Council:		
Future operational contingencies	247,900	259,378
Federal Gas Tax	1,462,826	-
West Shore	930,894	791,784
Total reserves	2,641,620	1,051,162
Reserve funds set aside for specific purposes by Council:		
Capital works	1,360,237	(390,479)
Affordable housing	976,731	737,364
Parks and open space	1,756,988	2,646,143
Parkland improvement	52,608	298,905
General amenity	2,020,262	2,107,622
Equipment replacement	441,873	802,006
Sidewalk capital	85,261	-
Bear Mountain fire hall	973,101	910,391
Special police capital	176,819	166,959
Downtown parking	36,325	35,934
Total reserve funds	7,880,205	7,314,845
	\$ 317,801,705	\$ 306,046,692

CITY OF LANGFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

8. Taxation:

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

	2014	2013
General	\$ 22,784,727	\$ 21,906,572
Revenue in lieu of taxes	99,349	87,422
Collections for other governments	25,931,212	25,653,944
1% utility taxes	387,489	377,845
	<u>49,202,777</u>	<u>48,025,783</u>
Less taxes levied for other authorities:		
Capital Regional District - General Operating	4,108,539	3,738,648
Revenue in lieu of taxes	85,687	81,873
Capital Regional Hospital District	2,304,293	2,400,127
School Authorities	16,352,340	16,486,137
BC Assessment Authority	487,931	496,273
Municipal Finance Authority	1,497	1,517
BC Transit	2,590,925	2,449,369
	<u>25,931,212</u>	<u>25,653,944</u>
	<u>\$ 23,271,565</u>	<u>\$ 22,371,839</u>

9. Government transfers:

The City recognizes the transfer of government funding as revenue when received and all related restrictions have been satisfied.

	2014	2013
Operating transfers:		
Federal	\$ 11,796	\$ 21,006
Provincial	247,775	389,741
Other	415,617	568,909
	<u>675,188</u>	<u>979,656</u>
Capital transfers:		
Provincial	2,026,765	3,182,388
Total Revenue	<u>\$ 2,701,953</u>	<u>\$ 4,162,044</u>

CITY OF LANGFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

10. Municipal pension plan:

The City 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 based on a formula. The plan has about 182,000 active members and approximately 75,000 retired members. Active members include approximately 36,000 contributors from local government.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016.

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

The City of Langford paid \$563,627 (2013 - \$562,432) for employer contributions to the Plan in fiscal 2014.

11. Commitments and contingencies:

(a) Contingent liabilities:

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

The City is a shareholder and member of the Capital Region Emergency Service Telecommunications (CREST) Incorporated who 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.

CITY OF LANGFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

11. Commitments and contingencies (continued):

(b) Municipal Finance Authority contingent demand notes:

Under borrowing arrangements with the MFA, the City 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 City's financial assets as other assets 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 City. At December 31, 2014 there were contingent demand notes of \$129,823 which are not included in the financial statements of the City.

(c) Litigation liability:

There are several lawsuits pending in which the City is involved. It is considered that the potential claims against the City resulting from such litigation will be covered by insurance and therefore will not materially affect the consolidated financial statements of the City.

(d) Commitments:

The City entered into a long-term contract with the Royal Canadian Mounted Police (RCMP) for the provision of police services effective October 1, 1994. Under the terms of this contract, the City is responsible for 90% of policing costs. The 2015 estimated cost of this contract is \$4,768,900.

On February 7, 2013, the City entered into a purchase of service agreement with the YMCA/YWCA of Greater Victoria to provide access for Langford residents to an aquatic facility to be built in Langford. The facility is expected to open in 2016 at which time the City agrees to pay \$750,000 per year to be indexed by population every two years from the opening date to a maximum of \$950,000 per year for a period of 25 years.

12. Financial plan:

The financial plan data presented in these consolidated financial statements is based upon the 2014 operating and capital financial plans approved by Council on May 13, 2014. Amortization expense was not contemplated on development of the financial plan and, as such, has not been included. The chart below reconciles the approved financial plan to figures reported in these consolidated financial statements.

CITY OF LANGFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

12. Financial plan (continued):

	Financial plan amount
Revenues:	
Operating	\$ 33,757,400
Capital	21,151,400
West Shore	2,788,096
Less:	
Transfers from own funds	6,215,800
Proceeds on debt issue	5,500,000
Total revenue	45,981,096
Expenses:	
Operating	33,757,400
Capital	21,151,400
West Shore	2,810,266
Less:	
Capital expenditures	21,151,400
Transfer to own funds	1,513,900
Debt principal payments	2,548,400
Total expenses	32,505,366
Annual surplus	\$ 13,475,730

13. West Shore Parks and Recreation Society:

(a) Capital asset transfer:

The Capital Regional District (the "CRD") transferred the lands and facilities comprising the Juan de Fuca Recreation Centre to the following municipal members (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.

In 2002 the lands and facilities were transferred to the Municipalities in their proportionate share, as specified in the Co-Owners' Agreement. The lands and facilities were reallocated amongst the members on January 1, 2007 when the Town of View Royal became a member. Future improvements are allocated among the members as per the cost sharing formula in effect each year for each service or facility, as outlined in a Members' Agreement. For 2014, the City's share of improvements purchased by the Society on its behalf is \$106,982.

CITY OF LANGFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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

(a) Capital asset transfer (continued):

Because the cost sharing formula in the Members' Agreement produces different cost shares for the members from year-to-year, there is a gain or loss on the opening fund balances. In 2014, the City recorded a gain of \$418,107.

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

(b) Consolidation:

Financial results and budget for the Society are consolidated into the City's financial statements proportionately, based on the cost sharing formula outlined in the Members' Agreement. In 2014, the City's proportion for consolidation purposes was 50.27% (2013 – 49.41%).

CITY OF LANGFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

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

(b) Consolidation (continued):

Condensed financial information for the Society is as follows:

	2014	2013
Financial assets	\$ 3,316,805	\$ 2,993,912
Financial liabilities	2,106,272	2,112,249
Net financial assets	1,210,533	881,663
Non-financial assets	853,693	879,243
Accumulated surplus	\$ 2,064,226	\$ 1,760,906
Invested in tangible capital assets	\$ 842,168	\$ 875,645
Reserve funds	2,041,890	1,776,928
Other	(819,832)	(891,667)
	\$ 2,064,226	\$ 1,760,906
Revenues	\$ 5,862,973	\$ 5,694,277
Requisition from members	4,762,205	4,845,294
	10,625,178	10,539,571
Expenses	5,559,653	5,247,514
Requisition from members	4,762,205	4,845,294
	10,321,858	10,092,808
Annual surplus	\$ 303,320	\$ 446,763

14. Segmented information:

The City is a diversified municipal government institution that provides a wide range of services to its citizens, including General Government Services, Protective Services, Engineering and Public Works Services, Community Services and Utility and Enterprise Services. Service Areas were created for the purpose of recording specific activities to attain certain objectives in accordance with regulations, restrictions or limitations.

CITY OF LANGFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

14. Segmented information (continued):

City services are provided by departments and their activities are reported in these Service Areas. Departments disclosed in the Segmented Information, along with the services they provide are as follows:

General Government Services

The Departments within General Government Services are responsible for adopting bylaws; adopting administrative policy; levying taxes; acquiring, disposing and managing City assets; ensuring effective financial management; monitoring performance and ensuring that high quality City services standards are met.

Protective Services

The Departments within Protective Services are Police and Bylaw Enforcement; Fire Protection and Emergency Response; and Building Inspection. The mandates of these departments are to enforce laws, prevent crime, maintain peace, order and security by protecting life, property and the environment.

Engineering and Public Works

The Engineering Department is responsible for the transportation services within the City. This includes roads, storm drains, sidewalks, street lighting and trolley.

Community Services

The Departments within Community Services include Environmental and Development Services and Recreation and Cultural Services. The Environmental and Development Services Department is responsible for preparing land use plans, bylaws and policies for sustainable development of the City and for reviewing and approving new development. The Recreation and Cultural Services Department is responsible for providing, facilitating the development of, and maintaining high quality parks, recreation facilities and cultural services.

Utility and Enterprise Services

This Department is responsible for administering the Sewer Franchise Agreement (note 6) for the City.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1. The following table provides additional financial information for the foregoing segments. Taxation and grants in lieu of taxes are apportioned to the functions based on their share of the net budgeted expenditures in the Financial Plan.

Comparative Figures

Certain comparative figures have been reclassified to conform with the financial presentation of the current year.

CITY OF LANGFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

14. Segmented information (continued):

2014	General Government Services	Protective Services	Engineering and Public Works	Community Services	Utility and Enterprise Services	Total
Revenue:						
Taxation	\$ 4,214,000	\$ 7,882,465	\$ 4,048,600	\$ 6,272,600	\$ 853,900	\$23,271,565
Utility charges	-	-	-	-	5,000	5,000
Government transfers	1,804,520	297,386	588,251	11,796	-	2,701,953
Commercial leasing	28,269	196,093	-	2,298,905	-	2,523,267
Other	1,700,652	193,201	193,739	3,092,712	2,436,949	7,617,253
Licences and permits	116,475	953,045	463,017	418,575	-	1,951,112
Developer and property owner contributions	860,435	52,500	7,786,991	1,099,124	1,621,167	11,420,217
Development cost charges	-	-	150,340	263,079	-	413,419
Casino	329,984	-	839,256	-	-	1,169,240
Total revenue	9,054,335	9,574,690	14,070,194	13,456,791	4,917,016	51,073,026
Expenses:						
Salaries, wages and employee benefits	2,198,419	3,047,179	1,729,887	2,339,759	1,644	9,316,888
Contracted and general services	814,312	5,844,431	4,265,355	7,031,141	-	17,955,239
Materials, goods, supplies and utilities	479,907	440,509	438,624	780,515	-	2,139,555
Other	357,643	411,218	1,103,271	1,370,997	139,717	3,382,846
Amortization	298,988	380,281	3,200,995	2,053,580	589,641	6,523,485
Total expenses	4,149,269	10,123,618	10,738,132	13,575,992	731,002	39,318,013
Annual surplus (deficit)	\$ 4,905,066	\$ (548,928)	\$ 3,332,062	\$ (119,201)	\$ 4,186,014	\$ 11,755,013

CITY OF LANGFORD

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2014

14. Segmented information (continued):

2013	General Government Services	Protective Services	Engineering and Public Works	Community Services	Utility and Enterprise Services	Total
Revenue:						
Taxation	\$ 5,069,093	\$ 7,725,994	\$ 2,853,507	\$ 5,520,745	\$ 1,202,500	\$22,371,839
Utility charges	-	-	-	-	5,000	5,000
Government transfers	296,710	442,038	3,225,371	197,925	-	4,162,044
Commercial leasing	38,364	204,890	-	2,316,848	-	2,560,102
Other	1,745,899	37,620	171,763	2,941,255	1,804,665	6,701,202
Licences and permits	131,605	739,616	328,134	281,311	-	1,480,666
Developer and property owner contributions	834,029	60,000	10,118,609	1,802,441	2,174,539	14,989,618
Development cost charges	-	-	164,870	1,441,975	-	1,606,845
Casino	451,047	-	796,289	-	-	1,247,336
Total revenue	8,566,747	9,210,158	17,658,543	14,502,500	5,186,704	55,124,652
Expenses:						
Salaries, wages and employee benefits	1,712,611	2,900,688	1,231,701	2,272,297	261	8,117,558
Contracted and general services	721,138	4,624,370	21,554,205	6,877,787	-	33,777,500
Materials, goods, supplies and utilities	449,763	467,304	517,936	695,392	-	2,130,395
Other	1,466,341	254,274	215,924	740,458	160,024	2,837,021
Amortization	270,205	375,237	2,935,790	1,968,465	568,261	6,117,958
Total expenses	4,620,058	8,621,873	26,455,556	12,554,399	728,546	52,980,432
Annual surplus (deficit)	\$ 3,946,689	\$ 588,285	\$ (8,797,013)	\$ 1,948,101	\$ 4,458,158	\$ 2,144,220