2017

CITY OF LANGFORD
Consolidated Financial Statements
For the fiscal year ending December 31, 2017

City of Langford

www.cityoflangford.ca

Mayor:	Stewart Young
Councillors:	Denise Blackwell Matt Sahlstrom Lanny Seaton Winnie Sifert Lillian Szpak Roger Wade
Chief Administrative Officer:	Darren Kiedyk, CPA, CGA
Director of Finance:	Michael Dillabaugh, CPA, CA
City Engineer:	Michelle Mahovlich, M.Eng., P.Geo., P.Eng.
City Planner:	Matthew Baldwin, MCIP, RPP
Fire Chief:	Christopher Aubrey
Auditors:	KPMG
Solicitors:	Young Anderson
Bankers:	Bank of Montreal
Police:	RCMP - West Shore

CITY OF LANGFORD

Consolidated Financial Statements

Year ended December 31, 2017

Financial Statements

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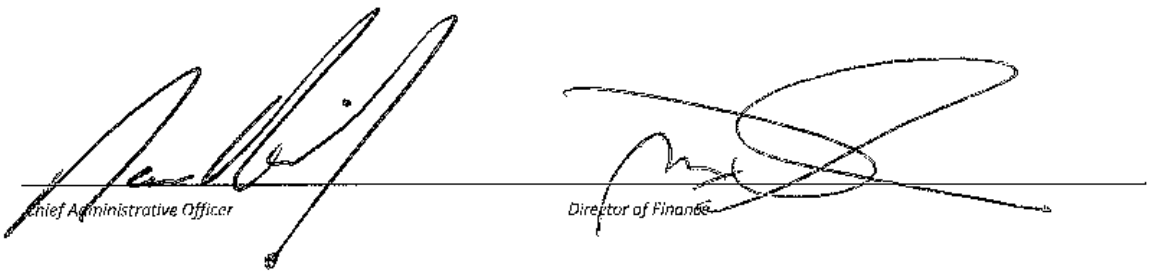
Management's Responsibility for the Consolidated Financial Statements

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.



Chief Administrative Officer *Director of Finance*

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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, 2017, 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.

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

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, 2017, 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.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
May 7, 2018

CITY OF LANGFORD

Consolidated Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets:		
Cash and cash equivalents (note 2)	$ 30,104,181	$ 18,384,331
Property taxes receivable	1,776,488	1,865,244
Accounts receivable	15,419,279	14,483,545
Other assets	457,858	357,073
	47,757,806	35,090,193
Financial liabilities:		
Accounts payable and accrued liabilities	14,130,138	7,071,128
Prepaid property taxes and licences	869,584	789,171
Deferred revenue (note 3)	15,137,871	12,221,202
Refundable deposits	11,994,649	8,246,229
Debt (note 4):		
Short-term	19,576,700	20,610,000
Long-term	6,242,000	5,630,800
	67,950,942	54,568,530
Net debt	(20,193,136)	(19,478,337)
Non-financial assets:		
Tangible capital assets (note 5)	420,864,088	377,097,407
Sewer franchise agreement (note 6)	27,756,706	21,819,791
Land held for resale	-	1,854,499
Prepaid expenses	825,010	526,094
	449,445,804	401,297,791
Accumulated surplus (note 7)	**$ 429,252,668**	**$ 381,819,454**

Commitments and contingencies (note 11)

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

Director of Finance

CITY OF LANGFORD

Consolidated Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	Financial Plan (note 12)	2017	2016
Revenue:			
Taxation, net (note 8)	$ 28,297,300	$ 28,355,032	$ 26,807,311
Development cost charges	3,923,167	940,607	2,281,856
Sewer capital recovery fees	-	6,578,787	5,587,102
Utility charges	5,000	5,000	5,000
Other	4,842,821	5,365,708	5,409,116
Licences and permits	2,739,800	3,796,031	3,288,777
Penalties and interest	388,200	411,905	461,973
Government transfers (note 9)	15,582,534	11,576,670	11,510,428
Commercial leasing	3,113,500	3,450,797	3,028,023
Casino	1,300,000	1,297,414	1,292,015
Investment earnings	152,000	306,682	222,110
Developer and property owner contributions	15,616,199	38,637,333	27,377,577
Total revenue	75,960,521	100,721,966	87,271,288
Expenses:			
General government services:			
Legislative	471,500	425,089	324,830
Administrative	2,391,900	3,218,745	2,909,069
Other	1,954,800	1,692,367	1,763,932
	4,818,200	5,336,201	4,997,831
Protective services:			
Police and bylaw enforcement	8,575,600	8,586,455	7,512,319
Fire protection and emergency response	3,088,100	3,460,384	3,333,487
Building inspection and other	716,400	729,321	704,798
	12,380,100	12,776,160	11,550,604
Engineering and public works:			
Common services	1,002,000	1,015,649	920,642
Land development services	464,200	647,033	626,358
Roads, streets and storm drainage	6,620,300	15,454,331	13,386,560
	8,086,500	17,117,013	14,933,560
Community services:			
Environmental and development services	888,200	1,046,342	795,931
Recreation and cultural services	7,621,400	10,486,901	8,404,628
West Shore Parks and Recreation Society (note 13)	5,797,213	5,884,263	5,659,153
	14,306,813	17,417,506	14,859,712
Utility and enterprise services:			
Sewer infrastructure	-	641,872	626,241
Total expenses	39,591,613	53,288,752	46,967,948
Annual surplus	36,368,908	47,433,214	40,303,340
Accumulated surplus, beginning of year	381,819,454	381,819,454	341,516,114
Accumulated surplus, end of year	$ 418,188,362	$ 429,252,668	$ 381,819,454

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

CITY OF LANGFORD

Consolidated Statement of Changes in Net Debt

Year ended December 31, 2017, with comparative information for 2016

	Financial Plan (note 12)	2017	2016
Annual surplus	$ 36,368,908	$ 47,433,214	$ 40,303,340
Acquisition of tangible capital assets	(21,369,993)	(29,306,645)	(20,124,108)
Decrease (Increase) in land held for resale	-	1,854,499	3,531,715
Amortization of tangible capital assets	-	7,783,322	7,163,980
Loss on sale of tangible capital assets	-	1,418,359	134,590
Proceeds on sale of tangible capital assets	-	1,929,272	162,291
Sewer capital recovery fees	-	(6,578,787)	(5,587,102)
Developer contributions of tangible capital assets	-	(24,949,117)	(19,479,380)
Change in proportionate share of West Shore Parks & Rec Society	-	-	(275,402)
	14,998,915	(415,883)	5,829,924
Consumption of prepaid expenses	-	(298,916)	121,223
Change in net debt	14,998,915	(714,799)	5,951,147
Net debt, beginning of year	(19,478,337)	(19,478,337)	(25,429,484)
Net debt, end of year	$ (4,479,422)	$ (20,193,136)	$ (19,478,337)

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

CITY OF LANGFORD

Consolidated Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 47,433,214	$ 40,303,340
Items not involving cash:		
Amortization of tangible capital assets	7,783,322	7,163,980
Loss on sale of tangible capital assets	1,418,359	134,590
Developer contributions of tangible capital assets	(24,949,117)	(19,479,380)
Sewer capital recovery fees	(6,578,787)	(5,587,102)
Actuarial adjustment on debt	-	(23,347)
Change in proportionate share of West Shore Parks & Rec Society	-	(275,402)
Changes in non-cash operating assets and liabilities:		
Property taxes receivable	88,756	1,199,294
Accounts receivable	(935,734)	(8,025,998)
Other assets	(100,785)	(210,623)
Accounts payable and accrued liabilities	7,059,010	1,738,996
Prepaid property taxes and licences	80,413	124,923
Deferred revenue	2,916,669	1,654,493
Refundable deposits	3,748,420	1,401,656
Prepaid expenses	(298,916)	121,223
	37,664,824	20,240,643
Capital activities:		
Acquisition of tangible capital assets	(29,306,645)	(20,124,108)
Decrease (increase) in land held for resale	1,854,499	3,531,715
Proceeds on sale of tangible capital assets	1,929,272	162,291
	(25,522,874)	(16,430,102)
Financing activities:		
Debt proceeds	2,000,000	700,000
Debt payments	(2,422,100)	(2,686,885)
	(422,100)	(1,986,885)
Increase (decrease) in cash and cash equivalents	11,719,850	1,823,656
Cash and cash equivalents, beginning of year	18,384,331	16,560,675
Cash and cash equivalents, end of year	$ 30,104,181	$ 18,384,331
Supplemental cash flow information:		
Cash paid for interest	$ 505,352	$ 494,067
Cash received from interest	385,210	303,020

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

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 City. 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.

(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
Road infrastructure	10-75

Non-financial 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.

(ii) Contributions of tangible capital assets

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

(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.

(vi) Contaminated sites

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

1) an environmental standard exists
2) contamination exceeds the environmental standard
3) the City is directly responsible or accepts responsibility for the liability
4) future economic benefits will be given up, and
5) a reasonable estimate of the liability can be made

(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.

(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, 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:**

	2017	2016
West Shore Parks and Recreation Society	$ 1,595,408	$ 1,571,268
Cash	11,449,226	6,813,102
Term deposits	17,059,547	9,999,961
	$ 30,104,181	$ 18,384,331

The City has an approved operating line of credit of $7,500,000.

3. **Deferred revenue:**

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

	2017	2016
Development cost charges	$ 13,462,079	$ 10,803,097
Hotel room tax	984,750	846,123
Other	691,042	571,982
	$ 15,137,871	$ 12,221,202

Development cost charges:

	2017	2016
Opening balance of unspent funds	$ 10,803,097	$ 9,288,738
Add:		
Development cost charges received during the year	3,479,383	3,717,218
Interest earned	120,206	78,997
	14,402,686	13,084,953
Less amount spent on projects and recorded as revenue	(940,607)	(2,281,856)
	$ 13,462,079	$ 10,803,097

4. **Debt:**

(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 60 basis points.

(b) Long-term debt:

Long-term debt from the TD Bank consists of five year floating rate term loans maturing from 2018 to 2022, with a current interest rate of 1.33%.

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

2018	$	1,221,500
2019		535,200
2020		559,500
2021		555,100
2022		552,900

5. **Tangible capital assets:**

(a) Assets under construction:

Assets under construction have a value of $23,750,061 (2016 - $18,196,375) and have not yet 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 $24,949,117 (2016 - $19,827,108) comprised of land $15,450,982 (2016 - $10,256,607), land improvements $Nil. (2016 - $130,086), sewer and storm infrastructure $3,695,381 (2016 - $3,453,072) and roads infrastructure $5,802,754 (2016 - $5,987,343).

(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 2017 or 2016.

(e) West Shore Parks and Recreation Society:

The City's proportionate share of West Shore Parks and Recreation Society 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

Note 5. Tangible Capital Assests (Continued)

	Land	Land Improvements	Buildings	Vehicles Machinery & Equipment	Sewer and Storm Infrastructure	Roads Infrastructure	Assets Under Construction	West Shore Parks & Recreation Society	2017	2016
Cost:										
Opening	$ 152,457,006	17,569,162	33,693,703	13,189,569	51,831,525	128,350,404	18,196,375	32,179,830	$ 447,467,574	$ 408,043,251
Additions	18,604,425	1,237,445	-	908,760	5,599,964	10,503,500	17,307,013	94,655	54,255,762	46,436,246
Transfers	346,301	-	-	21,414	-	11,385,612	(11,753,327)	-	-	-
Disposals	(2,418,154)	(563,036)	(100,992)	(464,640)	-	(333,407)	-	(25,072)	(3,905,301)	(7,386,432)
Change in share	-	-	-	-	-	-	-	-	-	374,509
Balance, end of year	168,989,578	18,243,571	33,592,711	13,655,103	57,431,489	149,906,109	23,750,061	32,249,413	497,818,035	447,467,574
Accumulated Amortization:										
Opening	-	5,500,093	6,477,634	6,682,456	9,578,005	33,062,642	-	9,069,337	70,370,167	63,990,114
Disposals	-	(84,466)	(19,188)	(328,743)	-	(102,223)	-	(23,050)	(557,670)	(256,793)
Amortization	-	760,446	705,583	886,186	887,365	3,294,710	-	607,160	7,141,450	6,537,739
Change in share	-	-	-	-	-	-	-	-	-	99,107
Balance, end of year	-	6,176,073	7,164,029	7,239,899	10,465,370	36,255,129	-	9,653,447	76,953,947	70,370,167
Net book value, end of year	**$ 168,989,578**	**12,067,498**	**26,428,682**	**6,415,204**	**46,966,119**	**113,650,980**	**23,750,061**	**22,595,966**	$ 420,864,088	$ 377,097,407

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, and 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 ended 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 $833,452 (2016 - $939,042) and 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	$ 38,581,998	1,249,294	(415,842)	$ 39,415,450
Accumulated amortization	(6,078,640)	(641,872)	-	(6,720,512)
	32,503,358	607,422	(415,842)	32,694,938
Remaining cost to be recovered	(10,683,567)	(1,249,294)	6,994,629	(4,938,232)
	$ 21,819,791	(641,872)	6,578,787	$ 27,756,706

7. **Accumulated surplus:**

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

	2017	2016
Surplus:		
Invested in tangible capital assets	$ 422,802,094	$ 372,676,398
Invested in land held for resale	-	1,854,499
Other	(7,888,920)	(4,726,408)
Total surplus	414,913,174	369,804,489
Reserves set aside by Council:		
Future operational contingencies	502,378	491,352
Future capital contingencies	175,000	-
Federal Gas Tax	1,245,229	365,004
West Shore Parks & Rec Society	1,025,356	960,018
Total reserves	2,947,963	1,816,374
Reserve funds set aside for specific purposes by Council:		
Capital works	1,392,747	2,025,354
Affordable housing	1,462,952	1,263,270
Parks and open space	2,152,130	2,229,712
Parkland improvement	2,927	2,899
General amenity	4,628,431	2,839,904
Equipment replacement	203,679	259,055
Sidewalk capital	26,274	132,538
Bear Mountain fire hall	1,299,281	1,216,156
Special police capital	175,653	182,704
Downtown parking	47,457	46,999
Total reserve funds	11,391,531	10,198,591
	$ 429,252,668	$ 381,819,454

8. Taxation:

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

	2017	2016
General	$ 26,225,351	$ 24,690,205
Parcel tax	1,629,410	1,629,410
Revenue in lieu of taxes	95,896	90,023
Collections for other governments	27,474,664	27,034,843
1% utility taxes	404,375	397,673
	55,829,696	53,842,154
Less taxes levied for other authorities:		
Capital Regional District - General Operating	5,752,105	5,013,116
Revenue in lieu of taxes	73,602	65,413
Capital Regional Hospital District	2,356,725	2,345,170
School Authorities	16,344,816	16,481,609
BC Assessment Authority	439,453	469,542
Municipal Finance Authority	1,797	1,623
BC Transit	2,506,166	2,658,370
	27,474,664	27,034,843
	$ 28,355,032	$ 26,807,311

9. Government transfers:

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

	2017	2016
Operating transfers:		
Federal	$ 164,546	$ 409,326
Provincial	370,199	452,477
Other	605,637	553,612
	1,140,382	1,415,415
Capital transfers:		
Federal	6,901,023	4,976,309
Provincial	3,462,816	5,060,066
Other	72,449	58,638
	10,436,288	10,095,013
	$ 11,576,670	$ 11,510,428

During the year, the City transferred $4,282,964 of assets under construction to other governments, representing project costs incurred to design, engineer, construct and commission roads infrastructure crossing into other government jurisdictions, based on terms of the agreement between the City and Ministry of Transportation of the Province of BC. The transfer is recorded as an expense in the consolidated statement of operations.

10. Municipal pension plan:

The City and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusteed 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 defined benefit pension plan. Basic pension benefits provided are based on a formula. The plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from local government.

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 as at December 31, 2015 indicated a $2,224 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2018 with results available later in 2019.

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

The City paid $696,187 (2016 - $625,934) for employer contributions while employees contributed $609,185 (2016 - $560,228) to the Plan in fiscal 2017.

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 district, the provincial and federal governments and their agencies, and emergency services 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.

(b) Litigation liability:

From time to time, the City is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable. 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.

(c) 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 2018 estimated cost of this contract is $6,979,100.

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 City agreed 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.

On December 20, 2017, the City entered into an agreement to purchase property at 3020 Glen Lake Rd and provided a downpayment of $30,000. The City agreed to pay $600,000 total for the purchase of the property.

As at December 31, 2017, the following major contracts were in progress:

	Total Amount of Contract	Paid or Accrued
Operating	$ 15,443,809	$ 11,084,945
Capital	5,666,535	3,373,015

12. Financial plan:

The financial plan data presented in these consolidated financial statements is based upon the 2017 operating and capital financial plans approved by Council on May 1, 2017. 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.

		Financial plan amount
Revenues:		
Operating	$	41,237,000
Capital		44,071,500
West Shore Parks & Rec Society		3,163,121
Less:		
Transfers from own funds		7,476,100
Proceeds on debt issue		5,035,000
Total revenue		75,960,521
Expenses:		
Operating		41,237,000
Capital		44,071,500
West Shore Parks & Rec Society		3,203,813
Less:		
Capital expenditures		44,071,500
Transfer to own funds		2,522,600
Debt principal payments		2,326,600
Total expenses		39,591,613
Annual surplus	$	36,368,908

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 2017, the City's share of improvements purchased by the Society on its behalf is $NIL.

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 2017, there was no change in the cost sharing formula.

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 2017 the City's proportion for consolidation purposes was 50.55% (2016 - 50.55%).

Condensed financial information for the Society is as follows:

		2017		2016
Financial assets	$	3,501,452	$	3,356,046
Financial liabilities		2,260,252		2,065,793
Net financial assets		1,241,200		1,290,253
Non-financial assets		976,001		996,842
Accumulated surplus	$	2,217,201	$	2,287,095
Invested in tangible capital assets	$	919,061	$	974,690
Reserve funds		2,088,460		1,970,345
Other		(790,320)		(657,940)
	$	2,217,201	$	2,287,095
Revenues	$	5,639,648	$	6,210,461
Requisition from members		4,968,939		4,968,945
		10,608,587		11,179,406
Expenses		5,709,542		5,820,785
Requisition from members		4,968,939		4,968,945
		10,678,481		10,789,730
Annual surplus (deficit)	$	(69,894)	$	389,676

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 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.

Note 14 2017 Segmented Information (Continued)

	General Government Services	Protective Services	Engineering and Public Works	Community Services	Utility and Enterprise Services	Total
Revenue:						
Taxation	$ 3,576,300	$ 9,343,900	$ 5,064,632	$ 10,370,200	$ -	$ 28,355,032
Utility charges	-	-	-	-	5,000	5,000
Government transfers	202,049	757,714	8,251,535	2,365,372	-	11,576,670
Commercial leasing	41,411	139,341	-	3,270,045	-	3,450,797
Other	2,898,240	60,951	130,812	2,994,292	6,578,787	12,663,082
Licences and permits	23,540	2,278,713	742,632	751,146	-	3,796,031
Developer and property owner contributions	670,262	70,800	30,526,421	3,674,469	3,695,381	38,637,333
Development cost charges	-	-	488,859	451,748	-	940,607
Casino	139,400	-	1,158,014	-	-	1,297,414
Total Revenue	7,551,202	12,651,419	46,362,905	23,877,272	10,279,168	100,721,966
Expenses:						
Salaries, wages and employee benefits	2,654,238	3,787,928	1,797,715	3,219,514	-	11,459,395
Contracted and general services	1,065,119	7,630,291	9,916,722	9,282,595	-	27,894,727
Materials, goods, supplies and utilities	539,886	573,966	441,203	955,951	-	2,511,006
Other	783,520	337,140	854,104	1,665,538	-	3,640,302
Amortization	293,438	446,835	4,107,269	2,293,908	641,872	7,783,322
Total Expenses	5,336,201	12,776,160	17,117,013	17,417,506	641,872	53,288,752
Annual surplus (deficit)	$ 2,215,001	$ (124,741)	$ 29,245,892	$ 6,459,766	$ 9,637,296	$ 47,433,214

Note 14 2016 Segmented Information (Continued)

	General Government Services	Protective Services	Engineering and Public Works	Community Services	Utility and Enterprise Services	Total
Revenue:						
Taxation	$ 5,281,500	$ 8,564,000	$ 4,961,300	$ 8,000,511	$ -	$ 26,807,311
Utility charges	-	-	-	-	5,000	5,000
Government transfers	150,737	739,450	9,992,122	628,119	-	11,510,428
Commercial leasing	39,279	200,308	-	2,788,436	-	3,028,023
Other	2,488,542	71,388	143,124	3,390,145	5,587,102	11,680,301
Licences and permits	23,650	1,859,886	887,482	517,759	-	3,288,777
Developer and property owner contributions	588,000	97,500	23,838,860	1,449,623	1,403,594	27,377,577
Development cost charges	-	-	2,243,739	38,117	-	2,281,856
Casino	139,400	-	1,152,615	-	-	1,292,015
Total Revenue	8,711,108	11,532,532	43,219,242	16,812,710	6,995,696	87,271,288
Expenses:						
Salaries, wages and employee benefits	2,475,378	3,605,831	1,774,564	2,586,534	-	10,442,307
Contracted and general services	1,334,050	6,710,310	8,618,122	8,235,263	-	24,897,745
Materials, goods, supplies and utilities	556,889	506,815	371,711	995,937	-	2,431,352
Other	330,930	300,983	564,407	836,244	-	2,032,564
Amortization	300,584	426,665	3,604,756	2,205,734	626,241	7,163,980
Total Expenses	4,997,831	11,550,604	14,933,560	14,859,712	626,241	46,967,948
Annual surplus (deficit)	$ 3,713,277	$ (18,072)	$ 28,285,682	$ 1,952,998	$ 6,369,455	$ 40,303,340