

# 2018

CITY OF LANGFORD  
Consolidated Financial Statements  
For the fiscal year ending December 31, 2018

---



# City of Langford

[www.cityoflangford.ca](http://www.cityoflangford.ca)

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

# CITY OF LANGFORD

## Consolidated Financial Statements

Year ended December 31, 2018

### Financial Statements

Management's Responsibility for the Consolidated Financial Statements	1
Independent Auditors' Report	2
Consolidated Statement of Financial Position	5
Consolidated Statement of Operations	6
Consolidated Statement of Change in Net Debt	7
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements	9

## 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



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

## INDEPENDENT AUDITORS' REPORT

To the Mayor and Councillors of The City of Langford

### *Opinion*

We have audited the consolidated financial statements of The City of Langford (the "City"), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2018 and its consolidated results of operations, its changes in net financial debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Basis for Opinion*

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

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

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



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

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

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

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

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



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

*KPMG LLP*

Chartered Professional Accountants

Victoria, Canada  
May 6, 2019



# CITY OF LANGFORD

## Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
<b>Financial assets:</b>		
Cash and cash equivalents (note 2)	\$ 44,970,524	\$ 30,104,181
Short term investments	5,000,000	-
Property taxes receivable	1,699,177	1,776,488
Accounts receivable	11,596,391	15,419,279
Other assets	542,205	457,858
	63,808,297	47,757,806
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	8,469,077	14,130,138
Prepaid property taxes and licences	1,737,084	869,584
Deferred revenue (note 3)	18,853,277	15,137,871
Refundable deposits	14,284,240	11,994,649
Debt (note 4):		
Short-term	17,773,350	19,576,700
Long-term	7,653,500	6,242,000
	68,770,528	67,950,942
<b>Net debt</b>	<b>(4,962,231)</b>	<b>(20,193,136)</b>
<b>Non-financial assets:</b>		
Tangible capital assets (note 5)	440,593,794	420,864,088
Sewer franchise agreement (note 6)	35,857,276	27,756,706
Prepaid expenses	973,979	825,010
	477,425,049	449,445,804
<b>Accumulated surplus (note 7)</b>	<b>\$ 472,462,818</b>	<b>\$ 429,252,668</b>

Commitments, contingencies and contractual rights, (note 11 and 12)

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, 2018, with comparative information for 2017

	Financial Plan (note 13)	2018	2017
<b>Revenue:</b>			
Taxation, net (note 8)	\$ 30,765,446	\$ 30,294,924	\$ 28,355,032
Development cost charges	4,085,667	3,342,053	940,607
Sewer capital recovery fees	-	10,876,787	6,578,787
Utility charges	5,000	5,000	5,000
Other	4,725,778	6,768,714	5,365,708
Licences and permits	2,864,800	3,330,584	3,796,031
Penalties and interest	395,000	400,766	411,905
Government transfers (note 9)	22,796,667	2,821,798	11,576,670
Commercial leasing	3,066,000	3,861,085	3,450,797
Casino	1,300,000	1,434,705	1,297,414
Investment earnings	175,000	516,566	306,682
Developer and property owner contributions	6,710,166	39,299,442	38,637,333
<b>Total revenue</b>	<b>76,889,524</b>	<b>102,952,424</b>	<b>100,721,966</b>
<b>Expenses:</b>			
General government services:			
Legislative	504,403	393,775	425,089
Administrative	2,584,400	2,919,353	3,218,745
Other	1,998,268	1,786,395	1,692,367
	<b>5,087,071</b>	<b>5,099,523</b>	<b>5,336,201</b>
Protective services:			
Police and bylaw enforcement	9,271,006	8,191,589	8,586,455
Fire protection and emergency response	3,211,024	3,387,848	3,460,384
Building inspection and other	761,800	775,127	729,321
	<b>13,243,830</b>	<b>12,354,564</b>	<b>12,776,160</b>
Engineering and public works:			
Common services	1,359,397	1,022,342	1,015,649
Land development services	552,539	704,601	647,033
Roads, streets and storm drainage	6,865,774	18,797,528	15,454,331
	<b>8,777,710</b>	<b>20,524,471</b>	<b>17,117,013</b>
Community services:			
Environmental and development services	904,900	980,930	1,046,342
Recreation and cultural services	7,796,601	11,934,867	10,486,901
West Shore Parks and Recreation Society (note 14)	5,534,047	6,071,702	5,884,263
	<b>14,235,548</b>	<b>18,987,499</b>	<b>17,417,506</b>
Utility and enterprise services:			
Sewer infrastructure	-	2,776,217	641,872
<b>Total expenses</b>	<b>41,344,159</b>	<b>59,742,274</b>	<b>53,288,752</b>
Annual surplus	35,545,365	43,210,150	47,433,214
Accumulated surplus, beginning of year	429,252,668	429,252,668	381,819,454
<b>Accumulated surplus, end of year</b>	<b>\$ 464,798,033</b>	<b>\$ 472,462,818</b>	<b>\$ 429,252,668</b>

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, 2018, with comparative information for 2017

	Financial Plan (note 13)	2018	2017
Annual surplus	\$ 35,545,365	\$ 43,210,150	\$ 47,433,214
Acquisition of tangible capital assets	(21,369,993)	(10,333,205)	(29,306,645)
Decrease in land held for resale	-	-	1,854,499
Amortization of tangible capital assets	-	8,395,688	7,783,322
Loss on sale of tangible capital assets	-	1,839,538	1,418,359
Proceeds on sale of tangible capital assets	-	586,603	1,929,272
Sewer capital recovery fees	-	(10,876,787)	(6,578,787)
Sewer capital agency fee	-	2,098,712	-
Developer contributions of tangible capital assets	-	(26,797,555)	(24,949,117)
Change in proportionate share of West Shore Parks & Rec Society	-	(97,446)	-
Transfer of assets to other Governments (note 9)	-	7,286,366	-
Transfer of work in progress to operating	-	67,810	-
	14,175,372	15,379,874	(415,883)
Consumption of prepaid expenses	-	(148,969)	(298,916)
Change in net debt	14,175,372	15,230,905	(714,799)
Net debt, beginning of year	(20,193,136)	(20,193,136)	(19,478,337)
Net debt, end of year	\$ (6,017,764)	\$ (4,962,231)	\$ (20,193,136)

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

# CITY OF LANGFORD

## Consolidated Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
<b>Operating activities:</b>		
Annual surplus	\$ 43,210,150	\$ 47,433,214
Items not involving cash:		
Amortization of tangible capital assets	8,395,688	7,783,322
Loss on sale of tangible capital assets	1,839,538	1,418,359
Developer contributions of tangible capital assets	(26,797,555)	(24,949,117)
Sewer capital recovery fees	(10,876,787)	(6,578,787)
Sewer capital agency fee	2,098,712	-
Change in proportionate share of West Shore Parks & Rec Society	(97,446)	-
Transfer of assets to other Governments	7,286,366	-
Transfer of work in progress to operating	67,810	-
Changes in non-cash operating assets and liabilities:		
Property taxes receivable	77,311	88,756
Accounts receivable	3,822,888	(935,734)
Other assets	(84,347)	(100,785)
Accounts payable and accrued liabilities	(5,661,061)	7,059,010
Prepaid property taxes and licences	867,500	80,413
Deferred revenue	3,715,406	2,916,669
Refundable deposits	2,289,591	3,748,420
Prepaid expenses	(148,969)	(298,916)
	30,004,795	37,664,824
<b>Capital activities:</b>		
Acquisition of tangible capital assets	(10,333,205)	(29,306,645)
Decrease (increase) in land held for resale	-	1,854,499
Proceeds on sale of tangible capital assets	586,603	1,929,272
	(9,746,602)	(25,522,874)
<b>Financing activities:</b>		
Debt proceeds	2,300,000	2,000,000
Debt payments	(2,691,850)	(2,422,100)
Purchase of investments	(5,000,000)	-
	(5,391,850)	(422,100)
Increase (decrease) in cash and cash equivalents	14,866,343	11,719,850
Cash and cash equivalents, beginning of year	30,104,181	18,384,331
Cash and cash equivalents, end of year	\$ 44,970,524	\$ 30,104,181
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 626,079	\$ 505,352
Cash received from interest	516,566	385,210

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

# CITY OF LANGFORD

## Notes to Consolidated Financial Statements

Year ended December 31, 2018

---

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.

# CITY OF LANGFORD

## Notes to Consolidated Financial Statements

(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

# CITY OF LANGFORD

## Notes to Consolidated Financial Statements

(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:

	2018	2017
West Shore Parks and Recreation Society	\$ 1,632,134	\$ 1,595,408
Cash	20,338,390	11,449,226
Term deposits	23,000,000	17,059,547
	\$ 44,970,524	\$ 30,104,181

The City has an approved operating line of credit of \$10,500,000.

3. Deferred revenue:

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

	2018	2017
Development cost charges	\$ 17,000,931	\$ 13,462,079
Hotel room tax	1,198,495	984,750
Other	653,851	691,042
	\$ 18,853,277	\$ 15,137,871

Development cost charges:

	2018	2017
Opening balance of unspent funds	\$ 13,462,079	\$ 10,803,097
Add:		
Development cost charges received during the year	6,606,753	3,479,383
Interest earned	274,151	120,206
	20,342,983	14,402,686
Less amount spent on projects and recorded as revenue	(3,342,052)	(940,607)
	\$ 17,000,931	\$ 13,462,079

# CITY OF LANGFORD

## Notes to Consolidated Financial Statements

### 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 2019 to 2022, with a current interest rate of 2.43%.

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

2019	\$	529,600
2020		535,100
2021		559,600
2022		555,100
2023		552,900

### 5. Tangible capital assets:

#### (a) Assets under construction:

Assets under construction have a value of \$3,621,581 (2017 - \$23,750,061) 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 \$26,797,555 (2017 - \$24,949,117) comprised of land \$19,927,362 (2017 - \$15,450,982), land improvements \$21,000 (2017 - \$NIL), sewer and storm infrastructure \$3,035,188 (2017 - \$3,695,381) and roads infrastructure \$3,814,005 (2017 - \$5,802,754).

#### (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 2018 or 2017.

#### (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 Assets (Continued)

		Land	Land Improvements	Buildings	Vehicles Machinery & Equipment	Sewer and Storm Infrastructure	Roads Infrastructure	Assets Under Construction	West Shore Parks & Recreation Society	2018	2017
<b>Cost:</b>											
Opening	\$	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
Additions		20,809,303	706,368	26,177	304,316	4,022,377	7,561,779	3,485,597	214,843	37,130,760	54,255,762
Transfers		777,591	-	6,907,421	25,682	-	15,903,383	(23,614,077)	-	-	-
Disposals		(739,857)	(2,562,541)	-	(559,304)	-	(7,379,682)	-	(159,051)	(11,400,435)	(3,905,301)
Change in share		-	-	-	-	-	-	-	139,078	139,078	-
Balance, end of year		189,836,615	16,387,398	40,526,309	13,425,797	61,453,866	165,991,589	3,621,581	32,444,283	523,687,438	497,818,035
<b>Accumulated Amortization:</b>											
Opening		-	6,176,073	7,164,029	7,239,899	10,465,370	36,255,129	-	9,653,447	76,953,947	70,370,167
Disposals		-	(894,432)	-	(555,207)	-	(15,183)	-	(155,295)	(1,620,117)	(557,670)
Amortization		-	783,461	782,619	871,152	943,871	3,712,112	-	624,967	7,718,182	7,141,450
Change in share		-	-	-	-	-	-	-	41,632	41,632	-
Balance, end of year		-	6,065,102	7,946,648	7,555,844	11,409,241	39,952,058	-	10,164,751	83,093,644	76,953,947
<b>Net book value, end of year</b>	<b>\$</b>	<b>189,836,615</b>	<b>10,322,296</b>	<b>32,579,661</b>	<b>5,869,953</b>	<b>50,044,625</b>	<b>126,039,531</b>	<b>3,621,581</b>	<b>22,279,532</b>	<b>\$ 440,593,794</b>	<b>\$ 420,864,088</b>

# CITY OF LANGFORD

## Notes to Consolidated Financial Statements

### 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. 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 \$4,510,953 (2017 - \$833,452) 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. During the 2018 year, the remaining costs to be recovered were in excess of the amount owing. In accordance with the agreement, the City has recorded an agency fee of the excess in the amount of \$2,098,712.

	Opening	Increase	Decrease	Closing
WSES sewer infrastructure				
Cost	\$ 39,415,450	4,510,953	(671,110)	\$ 43,255,293
Accumulated amortization	(6,720,512)	(677,505)	-	(7,398,017)
	32,694,938	3,833,448	(671,110)	35,857,276
Remaining cost to be recovered	(4,938,232)	(4,510,953)	9,449,185	-
	\$ 27,756,706	(677,505)	8,778,075	\$ 35,857,276

### 7. Accumulated surplus:

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

	2018	2017
<b>Surplus:</b>		
Invested in tangible capital assets	\$ 451,024,220	\$ 422,802,094
Invested in land held for resale	-	-
Other	(98,595)	(7,888,920)
Total surplus	450,925,625	414,913,174
<b>Reserves set aside by Council:</b>		
Future operational contingencies	653,760	502,378
Future capital contingencies	984,000	175,000
Federal Gas Tax	2,449,326	1,245,229
West Shore Parks & Rec Society	961,791	1,025,356
Total reserves	5,048,877	2,947,963
<b>Reserve funds set aside for specific purposes by Council:</b>		
Capital works	1,911,266	1,392,747
Affordable housing	2,039,036	1,462,952
Parks and open space	2,431,746	2,152,130
Parkland improvement	2,975	2,927
General amenity	7,740,700	4,628,431
Equipment replacement	762,487	203,679
Sidewalk capital	48,334	26,274
Bear Mountain fire hall	1,355,208	1,299,281
Special police capital	148,324	175,653
Downtown parking	48,240	47,457
Total reserve funds	16,488,316	11,391,531
	\$ 472,462,818	\$ 429,252,668

# CITY OF LANGFORD

## Notes to Consolidated Financial Statements

### 8. Taxation:

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

	2018	2017
General	\$ 28,236,723	\$ 26,225,351
Parcel tax	1,532,460	1,629,410
Revenue in lieu of taxes	95,937	95,896
Collections for other governments	29,650,587	27,474,664
1% utility taxes	429,804	404,375
	59,945,511	55,829,696
Less taxes levied for other authorities:		
Capital Regional District - General Operating	6,577,464	5,752,105
Revenue in lieu of taxes	73,988	73,602
Capital Regional Hospital District	2,515,842	2,356,725
School Authorities	17,428,848	16,344,816
BC Assessment Authority	482,952	439,453
Municipal Finance Authority	2,210	1,797
BC Transit	2,569,283	2,506,166
	29,650,587	27,474,664
	\$ 30,294,924	\$ 28,355,032

### 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.

	2018	2017
Operating transfers:		
Federal	\$ 33,394	\$ 164,546
Provincial	348,170	370,199
Other	661,452	605,637
	1,043,016	1,140,382
Capital transfers:		
Federal	1,554,402	6,901,023
Provincial	-	3,462,816
Other	224,380	72,449
	1,778,782	10,436,288
	\$ 2,821,798	\$ 11,576,670

During the year, the City transferred \$7,286,366 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.

# CITY OF LANGFORD

## Notes to Consolidated Financial Statements

### 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 defined benefit pension plan. Basic pension benefits provided are based on a formula. The plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 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. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged. 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 \$775,858 (2017 - \$696,187) for employer contributions while employees contributed \$673,497 (2017 - \$609,185) to the Plan in fiscal 2018.

### 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 2019 estimated cost of this contract is \$7,496,600.

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.

As at December 31, 2018, the following major contracts were in progress:

	Total Amount of Contract	Paid or Accrued
Operating	\$ 15,443,809	\$ 14,375,974
Capital	5,852,733	498,379

# CITY OF LANGFORD

## Notes to Consolidated Financial Statements

### 12. Contractual rights:

The City has entered into various contracts for rental revenue within the normal course of operations. The estimated contractual rights under these contracts for the years ending December 31 are as follows:

2019	\$	766,525
2020		750,000
2021		760,000
2022		775,000
2023		780,000
	\$	3,831,525

### 13. Financial plan:

The financial plan data presented in these consolidated financial statements is based upon the 2018 operating and capital financial plans approved by Council on May 7, 2018. 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	\$ 44,926,748
Capital	38,215,150
West Shore Parks & Rec Society	3,022,311
Less:	
Transfers from own funds	9,274,685
Proceeds on debt issue	-
Total revenue	76,889,524
Expenses:	
Operating	44,926,748
Capital	38,215,150
West Shore Parks & Rec Society	3,022,311
Less:	
Capital expenditures	38,215,150
Transfer to own funds	4,447,000
Debt principal payments	2,157,900
Total expenses	41,344,159
Annual surplus	\$ 35,545,365

# CITY OF LANGFORD

## Notes to Consolidated Financial Statements

### 14. 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. Effective January 1, 2018, the CRD is no longer 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 2018, the City's share of improvements purchased by the Society on its behalf is \$44,299.

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 2018, the City of Langford's share is \$97,446. Included in this amount is the reallocation of the shares

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 2018 the City's proportion for consolidation purposes was 50.77% (2017 - 50.55%).

Condensed financial information for the Society is as follows:

	2018	2017
Financial assets	\$ 3,636,125	\$ 3,501,452
Financial liabilities	2,233,137	2,260,252
Net financial assets	1,402,988	1,241,200
Non-financial assets	1,030,170	976,001
Accumulated surplus	\$ 2,433,158	\$ 2,217,201
Invested in tangible capital assets	\$ 982,438	\$ 919,061
Reserve funds	2,036,113	1,929,868
Other	(585,393)	(631,728)
	\$ 2,433,158	\$ 2,217,201
Revenues	\$ 6,547,215	\$ 5,639,648
Requisition from members	4,947,539	4,968,939
	11,494,754	10,608,587
Expenses	6,331,257	5,709,542
Requisition from members	4,947,539	4,968,939
	11,278,796	10,678,481
Annual surplus (deficit)	\$ 215,958	\$ (69,894)

# CITY OF LANGFORD

## Notes to Consolidated Financial Statements

### 15. 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.



# CITY OF LANGFORD

## Notes to Consolidated Financial Statements

### Note 15 2018 Segmented Information (Continued)

	General Government Services	Protective Services	Engineering and Public Works	Community Services	Utility and Enterprise Services	Total
Revenue:						
Taxation	\$ 5,101,562	\$ 10,052,915	\$ 6,362,780	\$ 8,777,667	\$ -	\$ 30,294,924
Utility charges	-	-	-	-	5,000	5,000
Government transfers	184,177	824,641	1,749,586	63,394	-	2,821,798
Commercial leasing	44,100	213,565	-	3,603,420	-	3,861,085
Other	3,766,613	64,424	33,021	3,821,988	10,876,787	18,562,833
Licences and permits	23,420	2,057,397	244,665	1,005,102	-	3,330,584
Developer and property owner contributions	4,554,403	34,100	27,803,196	3,872,555	3,035,188	39,299,442
Development cost charges	-	-	3,262,243	79,810	-	3,342,053
Casino	222,735	-	1,211,970	-	-	1,434,705
Total Revenue	13,897,010	13,247,042	40,667,461	21,223,936	13,916,975	102,952,424
Expenses:						
Salaries, wages and employee benefits	2,622,011	4,253,657	1,999,241	3,043,877	-	11,918,786
Contracted and general services	1,194,302	6,923,932	5,521,019	9,851,272	2,098,712	25,589,237
Materials, goods, supplies and utilities	629,059	512,883	470,530	1,172,314	-	2,784,786
Other	385,457	223,163	7,921,330	2,523,829	-	11,053,779
Amortization	268,694	440,929	4,612,351	2,396,207	677,505	8,395,686
Total Expenses	5,099,523	12,354,564	20,524,471	18,987,499	2,776,217	59,742,274
Annual surplus (deficit)	\$ 8,797,487	\$ 892,478	\$ 20,142,990	\$ 2,236,437	\$ 11,140,758	\$ 43,210,150

# CITY OF LANGFORD

## Notes to Consolidated Financial Statements

### Note 15 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