

2020 CITY OF LANGFORD
Consolidated Financial Statements
For the fiscal year ending December 31, 2020



City of Langford

www.cityoflangford.ca

Mayor:	Stewart Young
Councillors:	Denise Blackwell Matt Sahlstrom Lanny Seaton Norma Stewart 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, 2020

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 2 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.

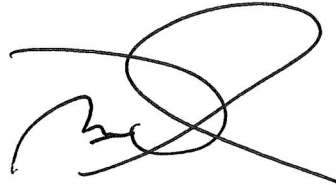
The City's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely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

City of Langford Council 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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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, 2020
- 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, 2020 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 10, 2021

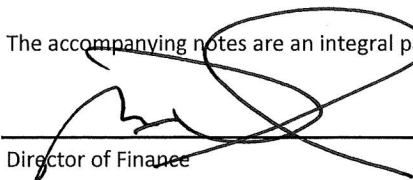
CITY OF LANGFORD

Consolidated Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets:		
Cash and cash equivalents (note 3)	\$ 54,580,004	\$ 17,869,648
Short term investments	15,138,042	32,979,782
Property taxes receivable	1,048,130	1,788,931
Accounts receivable	10,376,933	12,598,020
Other assets	634,830	527,786
	<u>81,777,939</u>	<u>65,764,167</u>
Financial liabilities:		
Accounts payable and accrued liabilities	22,795,533	13,115,466
Prepaid property taxes and licences	1,944,850	1,513,367
Deferred revenue (note 4)	20,808,221	21,267,347
Refundable deposits	13,866,337	14,586,054
Debt (note 5)	21,103,809	23,300,825
	<u>80,518,750</u>	<u>73,783,059</u>
Net debt	<u>1,259,189</u>	<u>(8,018,892)</u>
Non-financial assets:		
Tangible capital assets (note 6)	506,019,439	474,752,059
Sewer franchise agreement (note 7)	39,064,234	36,684,622
Prepaid expenses	569,382	765,798
	<u>545,653,055</u>	<u>512,202,479</u>
Commitments, contingencies and contractual rights (note 12 and 13)		
Accumulated surplus (note 8)	<u>\$ 546,912,244</u>	<u>\$ 504,183,587</u>

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, 2020, with comparative information for 2019

	Financial Plan (note 14)	2020	2019
Revenue:			
Taxation, net (note 9)	\$ 35,253,548	\$ 35,177,890	\$ 32,920,719
Development cost charges (note 4)	8,605,112	4,419,756	3,413,466
Sewer capital recovery fees	-	7,148,962	10,784,310
Utility charges	5,000	5,000	5,000
Other	5,532,384	7,151,795	7,869,272
Licences and permits	2,870,500	4,021,854	3,734,870
Penalties and interest	438,000	281,422	468,191
Government transfers (note 10)	23,865,845	8,750,632	5,890,905
Commercial leasing	5,154,800	3,921,434	5,763,156
Casino	1,300,000	277,283	1,433,991
Investment earnings	350,000	606,955	888,676
Developer and property owner contributions	6,843,500	34,645,468	24,570,701
Total revenue	90,218,689	106,408,451	97,743,257
Expenses:			
General government services:			
Legislative	596,841	547,469	660,626
Administrative	3,691,311	4,295,487	4,130,226
Other	2,350,310	2,063,369	1,948,191
	6,638,462	6,906,325	6,739,043
Protective services:			
Police and bylaw enforcement	11,300,704	13,107,352	9,625,086
Fire protection and emergency response	4,073,575	4,671,062	3,998,699
Building inspection and other	836,281	753,449	796,415
	16,210,560	18,531,863	14,420,200
Engineering and public works:			
Common services	1,607,400	1,391,223	1,139,431
Land development services	502,661	741,821	758,318
Roads, streets and storm drainage	5,712,100	10,766,075	10,638,058
	7,822,161	12,899,119	12,535,807
Community services:			
Environmental and development services	1,062,141	1,057,688	1,047,989
Recreation and cultural services	13,305,517	14,593,329	15,360,480
West Shore Parks and Recreation Society (note 15)	5,826,862	4,922,120	5,962,005
	20,194,520	20,573,137	22,370,474
Utility and enterprise services:			
Sewer infrastructure	-	4,769,350	9,956,964
Total expenses	50,865,703	63,679,794	66,022,488
Annual surplus	39,352,986	42,728,657	31,720,769
Accumulated surplus, beginning of year	504,183,587	504,183,587	472,462,818
Accumulated surplus, end of year	\$ 543,536,573	\$ 546,912,244	\$ 504,183,587

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, 2020, with comparative information for 2019

	Financial Plan (note 14)	2020	2019
Annual surplus	\$ 39,352,986	\$ 42,728,657	\$ 31,720,769
Acquisition of tangible capital assets	(21,369,993)	(13,347,653)	(24,345,013)
Amortization of tangible capital assets	-	9,747,860	9,042,171
Loss on sale of tangible capital assets	-	(470,545)	168,710
Proceeds on sale of tangible capital assets	-	3,737,500	1,381,647
Sewer capital recovery fees	-	(7,148,962)	(10,784,310)
Sewer capital agency fee	-	4,020,753	9,241,729
Developer contributions of tangible capital assets	-	(29,945,883)	(19,116,957)
Change in proportionate share of West Shore Parks & Rec Society	-	(240,062)	(573,588)
	17,982,993	9,081,665	(3,264,842)
Consumption of prepaid expenses	-	196,416	208,181
Change in net debt	17,982,993	9,278,081	(3,056,661)
Net debt, beginning of year	(8,018,892)	(8,018,892)	(4,962,231)
Net debt, end of year	\$ 9,964,101	\$ 1,259,189	\$ (8,018,892)

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

CITY OF LANGFORD

Consolidated Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 42,728,657	\$ 31,720,769
Items not involving cash:		
Amortization of tangible capital assets	9,747,860	9,042,171
Loss (gain) on sale of tangible capital assets	(470,545)	168,710
Developer contributions of tangible capital assets	(29,945,883)	(19,116,957)
Sewer capital recovery fees	(7,148,962)	(10,784,310)
Sewer capital agency fee	4,020,753	9,241,729
Change in proportionate share of West Shore Parks & Rec Society	(240,062)	(573,588)
Changes in non-cash operating assets and liabilities:		
Property taxes receivable	740,801	(89,754)
Accounts receivable	2,221,087	(1,001,629)
Other assets	(107,044)	14,419
Accounts payable and accrued liabilities	9,680,067	4,646,389
Prepaid property taxes and licences	431,483	(223,717)
Deferred revenue	(459,126)	2,414,070
Refundable deposits	(719,717)	301,814
Prepaid expenses	196,416	208,181
	30,675,785	25,968,297
Capital activities:		
Acquisition of tangible capital assets	(13,347,653)	(24,345,013)
Proceeds on sale of tangible capital assets	3,737,500	1,381,647
	(9,610,153)	(22,963,366)
Financing activities:		
Debt payments	(2,197,016)	(2,126,025)
Sale (purchase) of investments	17,841,740	(27,979,782)
	15,644,724	(30,105,807)
Increase (decrease) in cash and cash equivalents	36,710,356	(27,100,876)
Cash and cash equivalents, beginning of year	17,869,648	44,970,524
Cash and cash equivalents, end of year	\$ 54,580,004	\$ 17,869,648
Supplemental cash flow information:		
Cash paid for interest	\$ 463,040	\$ 739,169
Cash received from interest	618,904	888,676

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

CITY OF LANGFORD

Notes to Consolidated Financial Statements

Year ended December 31, 2020

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. Covid-19

In March 2020, the Covid-19 outbreak was declared a pandemic by the World Health Organization. The pandemic impacted the City's operations resulting in a decrease in certain types of revenue, and changes in expenses and cash flows. At this time this presents uncertainty over future cash flows. The City is closely monitoring the impact of the pandemic on all aspects of its operations and responding accordingly.

2. 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.

(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. 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.

3. **Cash and cash equivalents:**

	2020	2019
West Shore Parks and Recreation Society	\$ 2,226,266	\$ 1,444,846
Cash	37,302,356	9,024,949
Term deposits	15,051,382	7,399,853
	\$ 54,580,004	\$ 17,869,648

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

4. **Deferred revenue:**

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

	2020	2019
Development cost charges	\$ 18,151,483	\$ 19,434,367
Hotel room tax	907,893	1,114,556
Other	1,748,845	718,424
	\$ 20,808,221	\$ 21,267,347

Development cost charges:

	2020	2019
Opening balance of unspent funds	\$ 19,434,367	\$ 17,000,931
Add:		
Development cost charges received during the year	2,964,979	5,521,742
Interest earned	171,893	325,160
	22,571,239	22,847,833
Less amount spent on projects and recorded as revenue	(4,419,756)	(3,413,466)
	\$ 18,151,483	\$ 19,434,367

CITY OF LANGFORD

Notes to Consolidated Financial Statements

5. Debt:

(a) Debt:

Debt from the TD Bank is comprised of an interim financing facility which bears interest at Bankers Acceptance Rate plus stamping fee of 60 basis points. The current rate of interest is 1.18%.

(b) Principal payments on debt for the next five years and thereafter are as follows:

2021	\$	1,496,400
2022		1,491,400
2023		1,490,500
2024		1,498,100
2025 and thereafter		15,127,409

Interest expense on debt during the year was \$445,585 (2019 - \$687,084).

6. Tangible capital assets:

(a) Assets under construction:

Assets under construction have a value of \$5,635,799 (2019 - \$6,417,023) 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 \$29,945,883 (2019 - \$19,116,957) comprised of land \$16,275,416 (2019 - \$12,717,447), land improvements \$1,102,129 (2019 - \$118,240), Vehicles, machinery, equipment \$55,000 (2019 - \$NIL), sewer and storm infrastructure \$4,775,992 (2019 - \$2,525,206) and roads infrastructure \$7,737,346 (2019 - \$3,756,064).

(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 2020 or 2019.

(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 6. 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	2020	2019
Cost:										
Opening	\$ 204,264,834	19,756,351	49,887,845	15,086,513	63,979,072	172,591,295	6,417,023	33,762,453	\$ 565,745,386	\$ 523,687,438
Additions	20,239,298	2,065,371	594,276	561,883	5,648,880	10,545,309	2,692,099	946,420	43,293,536	43,461,970
Transfers	184,900	1,240,712	-	437,269	1,506,676	103,766	(3,473,323)	-	-	-
Disposals	(2,073,296)	(11,350)	(749,862)	(627,603)	-	(579,332)	-	(5,683)	(4,047,126)	(2,239,302)
Change in share	-	-	-	-	-	-	-	356,595	356,595	835,280
Balance, end of year	222,615,736	23,051,084	49,732,259	15,458,062	71,134,628	182,661,038	5,635,799	35,059,785	605,348,391	565,745,386
Accumulated Amortization:										
Opening	-	6,482,883	8,899,917	8,305,623	12,395,916	43,875,667	-	11,033,321	90,993,327	83,093,644
Disposals	-	(11,350)	(95,330)	(434,982)	-	(232,826)	-	(5,683)	(780,171)	(688,945)
Amortization	-	1,026,370	1,065,488	1,034,271	1,061,482	4,107,013	-	704,639	8,999,263	8,326,936
Change in share	-	-	-	-	-	-	-	116,533	116,533	261,692
Balance, end of year	-	7,497,903	9,870,075	8,904,912	13,457,398	47,749,854	-	11,848,810	99,328,952	90,993,327
Net book value, end of year	\$ 222,615,736	15,553,181	39,862,184	6,553,150	57,677,230	134,911,184	5,635,799	23,210,975	\$ 506,019,439	\$ 474,752,059

CITY OF LANGFORD

Notes to Consolidated Financial Statements

7. 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 \$3,128,209 (2019 - \$2,256,983) 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 2020 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 \$4,020,753 (2019 - \$9,241,729).

	Opening	Increase	Decrease	Closing
WSES sewer infrastructure				
Cost	\$ 44,797,874	3,614,746	(486,537)	\$ 47,926,083
Accumulated amortization	(8,113,252)	(748,597)	-	(8,861,849)
	36,684,622	2,866,149	(486,537)	39,064,234
Remaining cost to be recovered	-	(3,614,746)	3,614,746	-
	\$ 36,684,622	(748,597)	3,128,209	\$ 39,064,234

8. Accumulated surplus:

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

	2020	2019
Surplus:		
Invested in tangible capital assets	\$ 523,979,864	\$ 488,135,856
Other	(7,096,134)	(5,171,115)
Total surplus	516,883,730	482,964,741
Reserves set aside by Council:		
Future operational contingencies	3,745,671	855,630
Future capital contingencies	1,279,734	1,208,946
Federal Gas Tax	4,662,989	3,607,840
West Shore Parks & Rec Society	500,927	931,594
Total reserves	10,189,321	6,604,010
Reserve funds set aside for specific purposes by Council:		
Capital works	8,153,786	4,166,876
Affordable housing	2,929,981	2,598,091
Parks and open space	1,458,309	1,157,991
Parkland improvement	3,054	3,029
General amenity	3,725,940	3,738,423
Equipment replacement	1,156,798	950,758
Sidewalk capital	21,215	49,234
Bear Mountain fire hall	1,434,969	1,400,559
Special police operating	905,586	500,735
Downtown parking	49,555	49,140
Total reserve funds	19,839,193	14,614,836
	\$ 546,912,244	\$ 504,183,587

CITY OF LANGFORD

Notes to Consolidated Financial Statements

9. Taxation:

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

	2020	2019
General	\$ 32,676,780	\$ 30,401,773
Parcel tax	1,914,496	1,953,825
Revenue in lieu of taxes	129,586	115,241
Collections for other governments	31,196,447	31,934,124
1% utility taxes	457,028	449,880
	66,374,337	64,854,843
Less taxes levied for other authorities:		
Capital Regional District - General Operating	8,567,642	7,490,488
Revenue in lieu of taxes	74,939	93,988
Capital Regional Hospital District	2,631,540	2,613,170
School Authorities	15,997,226	18,317,177
BC Assessment Authority	586,180	508,356
Municipal Finance Authority	2,700	2,497
BC Transit	3,336,220	2,908,448
	31,196,447	31,934,124
	\$ 35,177,890	\$ 32,920,719

10. Government transfers:

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

	2020	2019
Operating transfers:		
Federal	\$ 33,908	\$ 102,027
Provincial	5,740,676	709,574
Other	828,442	813,219
	6,603,026	1,624,820
Capital transfers:		
Federal	1,542,306	2,883,317
Provincial	605,300	1,179,165
Other	-	203,603
	2,147,606	4,266,085
	\$ 8,750,632	\$ 5,890,905

CITY OF LANGFORD

Notes to Consolidated Financial Statements

11. 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. As at December 31, 2019, the plan had about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 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, 2018 indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2021 with results available in 2022.

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 \$945,970 (2019 - \$877,689) for employer contributions while employees contributed \$792,681 (2019 - \$740,612) to the Plan in fiscal 2020.

12. 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 2020 estimated cost of this contract is \$9,599,500.

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.

In 2020, the City entered into agreements for various property purchases. The estimated commitment as of December 31, 2020 is \$1,327,000.

Operating contracts includes a cost of living factor for subsequent years. These have not been included in the total amount of the contract as the cost of living factor for subsequent years is currently not determinable. As at December 31, 2020, the following major contracts were in progress:

	Total Amount of Contract	Paid or Accrued
Operating	\$ 22,609,334	\$ 14,386,114
Capital	905,328	-

CITY OF LANGFORD

Notes to Consolidated Financial Statements

13. 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:

2021	\$	521,247
2022		510,000
2023		410,000
2024		410,000
2025		410,000
	\$	2,261,247

In addition to these contractual rights, the City has agreements with other parties that provide payments to the City based on a percentage earned throughout the year.

14. Financial plan:

The financial plan data presented in these consolidated financial statements is based upon the 2020 operating and capital financial plans approved by Council on May 4, 2020. 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	\$ 52,316,533
Capital	55,122,750
West Shore Parks & Rec Society	3,340,984
Less:	
Transfers from own funds	17,561,578
Proceeds on debt issue	3,000,000
Total revenue	90,218,689
Expenses:	
Operating	52,316,533
Capital	55,122,750
West Shore Parks & Rec Society	3,158,270
Less:	
Capital expenditures	53,837,350
Transfer to own funds	4,423,000
Debt principal payments	1,471,500
Total expenses	50,865,703
Annual surplus	\$ 39,352,986

CITY OF LANGFORD

Notes to Consolidated Financial Statements

15. 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 2020, the City's share of improvements purchased by the Society on its behalf is \$799,681.

Under the terms of an Operating, Maintenance and Management Agreement with the Members, the Society is responsible for the equipping, maintenance, management and operation of the facilities comprising the Juan de Fuca Recreation Centre and Centennial Park Recreation Centre. The current agreement has a term of March 1, 2020 to February 28, 2025.

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 2020, the City of Langford's change in cost share is \$240,062.

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 2020 the City's proportion for consolidation purposes was 52.62% (2019 - 52.07%).

Condensed financial information for the Society is as follows:

	2020	2019
Financial assets	\$ 4,767,787	\$ 3,480,294
Financial liabilities	4,211,496	2,362,813
Net financial assets	556,291	1,117,481
Non-financial assets	1,042,698	1,308,209
Accumulated surplus	\$ 1,598,989	\$ 2,425,690
Invested in tangible capital assets	\$ 987,218	\$ 1,041,200
Reserve funds	1,098,559	1,921,597
Other	(486,788)	(537,107)
	\$ 1,598,989	\$ 2,425,690
Revenues	\$ 4,439,706	\$ 7,330,284
Requisition from members	5,071,039	4,947,539
	9,510,745	12,277,823
Expenses	5,266,407	7,337,752
Requisition from members	5,071,039	4,947,539
	10,337,446	12,285,291
Annual deficit	\$ (826,701)	\$ (7,468)

CITY OF LANGFORD

Notes to Consolidated Financial Statements

16. 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 7) 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 2. 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 16 2020 Segmented Information (Continued)

	General Government Services	Protective Services	Engineering and Public Works	Community Services	Utility and Enterprise Services	Total
Revenue:						
Taxation	\$ 3,489,051	\$ 13,595,380	\$ 6,366,900	\$ 11,726,559	\$ -	\$ 35,177,890
Utility charges	-	-	-	-	5,000	5,000
Government transfers	5,390,586	1,013,014	1,921,888	425,144	-	8,750,632
Commercial leasing	56,470	183,162	-	3,681,802	-	3,921,434
Other	4,754,378	76,935	442,278	2,766,581	7,148,962	15,189,134
Licences and permits	32,490	2,684,436	454,694	850,234	-	4,021,854
Developer and property owner contributions	2,998,972	22,500	21,197,181	5,812,403	4,614,412	34,645,468
Development cost charges	-	-	2,368,340	2,051,416	-	4,419,756
Casino	-	-	277,283	-	-	277,283
Total Revenue	16,721,947	17,575,427	33,028,564	27,314,139	11,768,374	106,408,451
Expenses:						
Salaries, wages and employee benefits	3,494,105	5,988,438	2,022,459	2,128,984	-	13,633,986
Contracted and general services	2,135,604	11,068,399	4,627,576	13,364,109	4,020,753	35,216,441
Materials, goods, supplies and utilities	723,590	807,162	556,548	1,013,724	-	3,101,024
Other	249,144	191,553	548,680	991,106	-	1,980,483
Amortization	303,882	476,311	5,143,856	3,075,214	748,597	9,747,860
Total Expenses	6,906,325	18,531,863	12,899,119	20,573,137	4,769,350	63,679,794
Annual surplus (deficit)	\$ 9,815,622	\$ (956,436)	\$ 20,129,445	\$ 6,741,002	\$ 6,999,024	\$ 42,728,657

CITY OF LANGFORD

Notes to Consolidated Financial Statements

Note 16 2019 Segmented Information (Continued)

	General Government Services	Protective Services	Engineering and Public Works	Community Services	Utility and Enterprise Services	Total
Revenue:						
Taxation	\$ 6,045,281	\$ 11,986,866	\$ 4,018,592	\$ 10,869,980	\$ -	\$ 32,920,719
Utility charges	-	-	-	-	5,000	5,000
Government transfers	498,000	914,110	3,232,928	1,245,867	-	5,890,905
Commercial leasing	51,608	98,974	-	5,612,574	-	5,763,156
Other	4,811,065	80,525	56,949	4,277,600	10,784,310	20,010,449
Licences and permits	29,610	2,750,445	180,389	774,426	-	3,734,870
Developer and property owner contributions	3,513,105	20,000	15,236,123	3,257,067	2,544,406	24,570,701
Development cost charges	-	-	839,629	2,573,837	-	3,413,466
Casino	-	-	1,433,991	-	-	1,433,991
Total Revenue	14,948,669	15,850,920	24,998,601	28,611,351	13,333,716	97,743,257
Expenses:						
Salaries, wages and employee benefits	3,117,907	5,019,730	1,995,821	2,976,949	-	13,110,407
Contracted and general services	1,866,532	8,149,154	4,265,372	14,227,278	9,241,729	37,750,065
Materials, goods, supplies and utilities	595,214	566,021	575,728	1,036,906	-	2,773,869
Other	887,521	230,058	818,461	1,409,936	-	3,345,976
Amortization	271,869	455,237	4,880,425	2,719,405	715,235	9,042,171
Total Expenses	6,739,043	14,420,200	12,535,807	22,370,474	9,956,964	66,022,488
Annual surplus (deficit)	\$ 8,209,626	\$ 1,430,720	\$ 12,462,794	\$ 6,240,877	\$ 3,376,752	\$ 31,720,769

CITY OF LANGFORD

Notes to Consolidated Financial Statements

Safe Restart Grant Schedule (Unaudited)

The City of Langford received \$4,878,000 under the COVID-19 Safe Restart Grant for Local Governments.

	2020
Funds Received, November 19, 2020	\$ 4,878,000
Utilized in 2020 to cover reduced revenues and increased expenses	
Transferred to Capital Works Reserve (loss of Casino Funds)	\$ 1,130,000
Direct Expenses related to Covid Compliance	580,000
Lost Operating Revenues (estimate)	150,000
Reduced Hotel Tax - due to reduced travel	215,000
Total Grant Funds Recognized	2,075,000
Balance December 31, 2020	\$ 2,803,000

The balance remaining at December 31, 2020 has been transferred for use in future years to compensate for reduction in revenues and increased expenditures as a result of Covid Compliance.