

2022

CITY OF LANGFORD
Consolidated Financial Statements
For the fiscal year ending December 31, 2022



City of Langford

www.cityoflangford.ca

Mayor:	Scott Goodmanson
Councillors:	Kimberley Guiry Colby Harder Mark Morley Lillian Szpak Mary Wagner Keith Yacucha
Chief Administrative Officer:	Darren Kiedyk, CPA, CGA
Director of Finance:	Michael Dillabaugh, CPA, CA
City Engineer:	Michelle Mahovich, 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, 2022

Financial Statements

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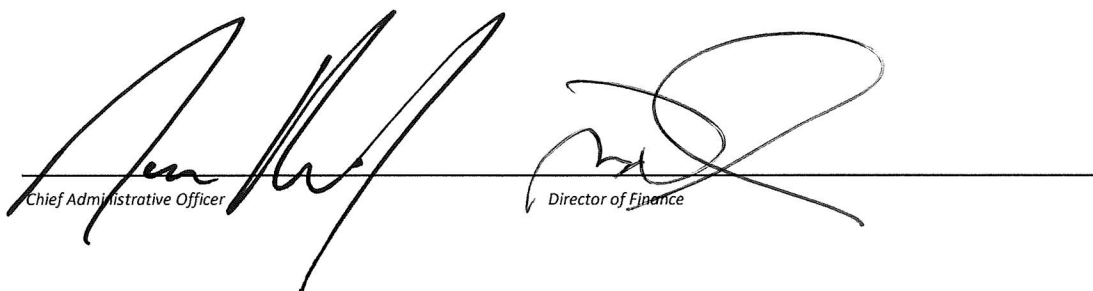
Management's Responsibility for the Consolidated Financial Statements

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 Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the City's consolidated financial statements.



Two handwritten signatures are positioned above a horizontal line. The signature on the left is for the Chief Administrative Officer, and the signature on the right is for the Director of Finance.

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 AUDITOR'S 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, 2022
- 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, 2022 and its consolidated results of operations, its consolidated 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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 group entity 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

Victoria, Canada
May 1, 2023

CITY OF LANGFORD

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash and cash equivalents (note 2)	\$ 54,349,140	\$ 53,531,675
Short term investments	10,360,847	10,253,140
Property taxes receivable	1,408,437	2,144,197
Accounts receivable	13,660,018	14,842,438
Other assets	986,010	667,020
	80,764,452	81,438,470
Financial liabilities:		
Accounts payable and accrued liabilities	21,238,369	16,554,332
Prepaid property taxes and licences	3,138,986	2,780,327
Deferred revenue (note 3)	8,026,378	15,578,925
Refundable deposits	21,597,933	19,038,083
Debt (note 4)	16,810,340	18,763,889
	70,812,006	72,715,556
Net financial assets	9,952,446	8,722,914
Non-financial assets:		
Tangible capital assets (note 5)	603,079,745	557,865,727
Sewer franchise agreement (note 6)	44,867,674	42,738,465
Prepaid expenses	1,049,725	543,876
	648,997,144	601,148,068
Commitments, contingencies and contractual rights (note 11 and 12)		
Subsequent event (note 16)		
Accumulated surplus (note 7)	\$ 658,949,590	\$ 609,870,982

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, 2022, with comparative information for 2021

	Financial Plan (note 13)	2022	2021
Revenue:			
Taxation, net (note 8)	\$ 40,977,421	\$ 40,902,574	\$ 37,782,510
Development cost charges (note 3)	15,453,880	13,788,471	11,130,623
Sewer capital recovery fees	-	8,843,959	9,132,514
Utility charges	5,000	5,000	5,000
Other	17,476,387	14,050,780	9,896,416
Licences and permits	3,826,642	5,523,709	5,120,968
Penalties and interest	438,761	499,049	493,451
Government transfers (note 9)	8,134,676	3,848,871	6,967,768
Commercial leasing	5,231,310	7,021,017	4,905,596
Casino	1,350,000	1,454,016	759,073
Investment earnings	325,000	1,479,452	450,369
Developer and property owner contributions	6,167,930	29,275,015	44,875,719
Total revenue	99,387,007	126,691,913	131,520,007
Expenses:			
General government services:			
Legislative	623,927	492,061	441,560
Administrative	5,154,782	5,379,894	4,600,712
Other	2,809,066	2,276,680	2,204,297
	8,587,775	8,148,635	7,246,569
Protective services:			
Police and bylaw enforcement	14,032,524	13,841,673	12,964,349
Fire protection and emergency response	4,977,222	4,667,832	4,698,811
Building inspection and other	987,773	882,655	907,101
	19,997,519	19,392,160	18,570,261
Engineering and public works:			
Common services	1,961,703	1,557,702	1,298,767
Land development services	388,244	637,187	652,859
Roads, streets and storm drainage	6,447,004	14,644,983	12,372,986
	8,796,951	16,839,872	14,324,612
Community services:			
Environmental and development services	1,271,548	1,227,636	1,193,151
Recreation and cultural services	14,888,470	18,227,986	16,246,672
West Shore Parks and Recreation Society (note 14)	7,293,835	7,062,267	5,521,721
	23,453,853	26,517,889	22,961,544
Utility and enterprise services:			
Sewer infrastructure	-	6,714,749	5,458,283
Total expenses	60,836,098	77,613,305	68,561,269
Annual surplus	38,550,909	49,078,608	62,958,738
Accumulated surplus, beginning of year	609,870,982	609,870,982	546,912,244
Accumulated surplus, end of year	\$ 648,421,891	\$ 658,949,590	\$ 609,870,982

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

CITY OF LANGFORD

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

	Financial Plan (note 13)	2022	2021
Annual surplus	\$ 38,550,909	\$ 49,078,608	\$ 62,958,738
Acquisition of tangible capital assets	(114,335,737)	(39,634,248)	(28,582,783)
Amortization of tangible capital assets	-	11,189,469	10,304,149
Gain on sale of tangible capital assets	-	(6,868,671)	(3,277,008)
Proceeds on sale of tangible capital assets	-	11,696,508	6,530,302
Sewer capital recovery fees	-	(8,843,959)	(9,132,514)
Sewer capital agency fee	-	5,858,524	4,655,362
Developer contributions of tangible capital assets	-	(20,694,131)	(35,560,283)
Change in proportionate share of West Shore Parks & Rec Society	-	(46,719)	(457,744)
	(75,784,828)	1,735,381	7,438,219
Acquisition (consumption) of prepaid expenses	-	(505,849)	25,506
Change in net financial assets	(75,784,828)	1,229,532	7,463,725
Net financial assets, beginning of year	8,722,914	8,722,914	1,259,189
Net financial assets, end of year	\$ (67,061,914)	\$ 9,952,446	\$ 8,722,914

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

CITY OF LANGFORD

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 49,078,608	\$ 62,958,738
Items not involving cash:		
Amortization of tangible capital assets	11,189,469	10,304,149
Gain on sale of tangible capital assets	(6,868,671)	(3,277,008)
Developer contributions of tangible capital assets	(20,694,131)	(35,560,283)
Sewer capital recovery fees	(8,843,959)	(9,132,514)
Sewer capital agency fee	5,858,524	4,655,362
Change in proportionate share of West Shore Parks & Rec Society	(46,719)	(457,744)
Changes in non-cash operating assets and liabilities:		
Property taxes receivable	735,760	(1,096,067)
Accounts receivable	1,182,420	(4,465,505)
Other assets	(318,990)	(32,190)
Accounts payable and accrued liabilities	4,684,037	(6,241,201)
Prepaid property taxes and licences	358,659	835,477
Deferred revenue	(7,552,547)	(5,229,296)
Refundable deposits	2,559,850	5,171,746
Prepaid expenses	(505,849)	25,506
	30,816,461	18,459,170
Capital activities:		
Acquisition of tangible capital assets	(39,634,248)	(28,582,783)
Proceeds on sale of tangible capital assets	11,696,508	6,530,302
	(27,937,740)	(22,052,481)
Financing activities:		
Debt payments	(1,953,549)	(2,339,920)
Sale (purchase) of investments	(107,707)	4,884,902
	(2,061,256)	2,544,982
Increase (decrease) in cash and cash equivalents	817,465	(1,048,329)
Cash and cash equivalents, beginning of year	53,531,675	54,580,004
Cash and cash equivalents, end of year	\$ 54,349,140	\$ 53,531,675
Supplemental cash flow information:		
Cash paid for interest	\$ 452,070	\$ 229,896
Cash received from interest	1,518,970	459,577

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

CITY OF LANGFORD

Notes to Consolidated Financial Statements

Year ended December 31, 2022

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.

(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.

2. **Cash and cash equivalents:**

	2022	2021
West Shore Parks and Recreation Society	\$ 2,578,163	\$ 1,079,721
Cash	51,770,977	52,451,954
	\$ 54,349,140	\$ 53,531,675

The City has an approved and undrawn 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:

	2022	2021
Development cost charges	\$ 5,892,755	\$ 13,495,480
Hotel room tax	971,297	1,153,107
Other	1,162,326	930,338
	\$ 8,026,378	\$ 15,578,925

Development cost charges:

	2022	2021
Opening balance of unspent funds	\$ 13,495,480	\$ 18,151,483
Add:		
Development cost charges received during the year	6,016,652	6,447,448
Interest earned	169,094	27,172
	19,681,226	24,626,103
Less amount spent on projects and recorded as revenue	(13,788,471)	(11,130,623)
	\$ 5,892,755	\$ 13,495,480

CITY OF LANGFORD

Notes to Consolidated Financial Statements

4. 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 5.15%.

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

2023	\$	1,443,107
2024		1,451,907
2025		1,223,207
2026		1,223,207
2027 and thereafter		11,468,912

Interest expense on debt during the year was \$452,070 (2021 - \$229,826).

5. Tangible capital assets:

(a) Assets under construction:

Assets under construction have a value of \$13,004,317 (2021 - \$10,090,636) 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 \$20,694,131 (2021 - \$35,560,283) comprised of land \$10,529,309 (2021 - \$25,083,926), land improvements \$nil (2021 - \$495,814), Vehicles, machinery, equipment \$nil (2021 - \$nil), sewer and storm infrastructure \$4,496,782 (2021 - \$3,804,536) and roads infrastructure \$5,668,040 (2021 - \$6,176,007).

(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 2022 or 2021.

(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	2022	2021
Cost:											
Opening	\$	252,844,931	25,416,601	49,732,259	15,692,724	78,226,593	195,933,059	10,090,636	38,861,198	666,798,001	\$ 605,348,391
Additions		25,268,187	3,870,977	1,280,375	277,453	6,380,703	11,821,793	10,964,888	464,003	60,328,379	65,891,172
Transfers		75,015	2,371,955	93,227	147,543	-	5,363,467	(8,051,207)	-	-	-
Disposals		(4,658,032)	(67,768)	(144,000)	(645,438)	-	(93,974)	-	(31,206)	(5,640,418)	(5,132,977)
Change in share		-	-	-	-	-	-	-	69,667	69,667	691,415
Balance, end of year		273,530,101	31,591,765	50,961,861	15,472,282	84,607,296	213,024,345	13,004,317	39,363,662	721,555,629	666,798,001
Accumulated Amortization:											
Opening		-	8,609,652	10,913,480	9,879,937	14,616,170	52,112,320	-	12,800,715	108,932,274	99,328,952
Disposals		-	(50,277)	(23,040)	(637,650)	-	(70,408)	-	(31,206)	(812,581)	(131,577)
Amortization		-	1,398,290	1,055,819	918,364	1,252,336	4,852,736	-	855,698	10,333,243	9,501,228
Change in share		-	-	-	-	-	-	-	22,948	22,948	233,671
Balance, end of year		-	9,957,665	11,946,259	10,160,651	15,868,506	56,894,648	-	13,648,155	118,475,884	108,932,274
Net book value, end of year	\$	273,530,101	21,634,100	39,015,602	5,311,631	68,738,790	156,129,697	13,004,317	25,715,507	603,079,745	\$ 557,865,727

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 \$2,985,435 (2021 - \$4,477,152) 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 2022 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 \$5,858,523 (2021 - \$4,655,362).

	Opening	Increase	Decrease	Closing
WSES sewer infrastructure				
Cost	\$ 52,403,235	3,587,374	(601,939)	\$ 55,388,670
Accumulated amortization	(9,664,770)	(856,226)	-	(10,520,996)
	42,738,465	2,731,148	(601,939)	44,867,674
Remaining cost to be recovered	-	(3,587,374)	3,587,374	-
	\$ 42,738,465	(856,226)	2,985,435	\$ 44,867,674

7. Accumulated surplus:

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

	2022	2021
Surplus:		
Invested in tangible capital assets	\$ 631,137,079	\$ 581,840,303
Other	801,564	(4,481,971)
Total surplus	631,938,643	577,358,332
Reserves set aside by Council:		
Future operational contingencies	1,129,198	1,445,274
Future capital contingencies	1,279,734	1,279,734
Federal Gas Tax	3,929,384	6,277,148
West Shore Parks & Rec Society	1,001,457	877,975
Total reserves	7,339,773	9,880,131
Reserve funds set aside for specific purposes by Council:		
Capital works	6,427,914	7,828,900
Affordable housing	3,938,807	3,322,109
Parks and open space	2,819,176	2,470,246
Parkland improvement	3,117	3,060
General amenity	2,504,965	5,105,962
Equipment replacement	1,562,437	1,552,843
Sidewalk capital	44,859	44,030
Bear Mountain fire hall	1,575,389	1,496,368
Special police capital	-	30,022
Special police operating	667,493	654,310
Downtown parking	127,017	124,669
Total reserve funds	19,671,174	22,632,519
	\$ 658,949,590	\$ 609,870,982

CITY OF LANGFORD

Notes to Consolidated Financial Statements

8. Taxation:

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

	2022	2021
General	\$ 38,488,619	\$ 35,306,433
Parcel tax	1,763,819	1,854,676
Revenue in lieu of taxes	163,592	144,904
Collections for other governments	38,921,194	36,878,325
1% utility taxes	486,544	476,497
	79,823,768	74,660,835
Less taxes levied for other authorities:		
Capital Regional District - General Operating	9,089,395	8,681,354
Revenue in lieu of taxes	140,211	123,213
Capital Regional Hospital District	2,539,188	2,615,002
School Authorities	22,649,766	21,365,741
BC Assessment Authority	674,146	621,701
Municipal Finance Authority	3,650	2,909
BC Transit	3,824,838	3,468,405
	38,921,194	36,878,325
	\$ 40,902,574	\$ 37,782,510

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.

	2022	2021
Operating transfers:		
Federal	\$ 358,442	\$ -
Provincial	1,341,247	3,010,188
Other	105,313	761,351
	1,805,002	3,771,539
Capital transfers:		
Federal	1,722,969	3,166,049
Provincial	245,900	30,180
Other	75,000	-
	2,043,869	3,196,229
	\$ 3,848,871	\$ 6,967,768

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 administering the Plan, including investment of the assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2021, the plan had about 227,000 active members and approximately 118,000 retired members. Active members include approximately 42,000 contributors from local governments.

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, 2021 indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as December 31, 2024 with results available in 2025.

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 \$1,066,448 (2021 - \$1,043,259) for employer contributions while employees contributed \$929,789 (2021 - \$870,767) to the Plan in fiscal 2022.

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 2023 estimated cost of this contract is \$11,500,000.

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 2023, the City agreed to increase this amount by an additional \$950,000.

In 2022, the City entered into agreements for various property purchases. The estimated commitment as of December 31, 2022 is \$5,348,405. Subsequent to December 31, 2022, the City has entered into agreements for property purchases and other capital projects with an estimated commitment of \$1,950,325.

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, 2022, the following major contracts were in progress:

	Total Amount of Contract	Paid or Accrued
Operating	\$ 23,630,874	\$ 11,434,472
Capital	21,468,459	4,903,632

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:

2023	\$	734,000
2024		735,000
2025		736,000
2026		736,000
2027		733,000
	\$	3,674,000

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.

13. Financial plan:

The financial plan data presented in these consolidated financial statements is based upon the 2022 operating and capital financial plans approved by Council on May 2, 2022. 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	\$ 72,366,340
Capital	110,221,549
West Shore Parks & Rec Society	4,113,723
Less:	
Transfers from own funds	27,414,605
Proceeds on debt issue	59,900,000
Total revenue	99,387,007
Expenses:	
Operating	72,366,340
Capital	110,221,549
West Shore Parks & Rec Society	4,114,188
Less:	
Capital expenditures	110,221,549
Transfer to own funds	14,152,530
Debt principal payments	1,491,900
Total expenses	60,836,098
Annual surplus	\$ 38,550,909

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 2022, the City's share of improvements purchased by the Society on its behalf is \$336,084.

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 2022, the City of Langford's change in cost share is \$46,719.

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 2022 the City's proportion for consolidation purposes was 53.76% (2021 - 53.66%).

Condensed financial information for the Society is as follows:

	2022	2021
Financial assets	\$ 5,425,730	\$ 4,128,433
Financial liabilities	3,417,398	2,755,185
Net financial assets	2,008,332	1,373,248
Non-financial assets	1,153,172	1,112,757
Accumulated surplus	\$ 3,161,504	\$ 2,486,005
Invested in tangible capital assets	\$ 1,034,152	\$ 1,056,306
Reserve funds	2,507,059	1,864,050
Other	(379,707)	(434,351)
	\$ 3,161,504	\$ 2,486,005
Revenues	\$ 7,316,425	\$ 11,161,070
Requisition from members	5,879,262	5,268,639
	13,195,687	16,429,709
Expenses	6,640,926	10,274,054
Requisition from members	5,879,262	5,268,639
	12,520,188	15,542,693
Annual deficit	\$ 675,499	\$ 887,016

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 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 15 2022 Segmented Information (Continued)

	General Government Services	Protective Services	Engineering and Public Works	Community Services	Utility and Enterprise Services	Total
Revenue:						
Taxation	\$ 3,201,930	\$ 16,868,957	\$ 7,405,423	\$ 13,426,264	\$ -	\$ 40,902,574
Utility charges	-	-	-	-	5,000	5,000
Government transfers	1,183,870	484,059	393,391	1,787,551	-	3,848,871
Commercial leasing	163,248	126,347	-	6,731,422	-	7,021,017
Other	10,459,813	68,816	749,300	4,751,352	8,843,959	24,873,240
Licences and permits	38,606	3,742,329	393,507	1,349,267	-	5,523,709
Developer and property owner contributions	4,682,946	60,054	14,571,228	5,450,177	4,510,610	29,275,015
Development cost charges	5,523,262	-	5,791,558	2,473,651	-	13,788,471
Casino	1,454,016	-	-	-	-	1,454,016
Total Revenue	26,707,691	21,350,562	29,304,407	35,969,684	13,359,569	126,691,913
Expenses:						
Salaries, wages and employee benefits	3,973,815	6,347,460	2,037,736	3,506,433	-	15,865,444
Contracted and general services	2,553,466	11,602,155	7,577,691	17,333,629	5,858,523	44,925,464
Materials, goods, supplies and utilities	888,474	698,488	651,914	1,211,959	-	3,450,835
Other	407,825	301,511	554,672	918,084	-	2,182,092
Amortization	325,055	442,546	6,017,859	3,547,784	856,226	11,189,470
Total Expenses	8,148,635	19,392,160	16,839,872	26,517,889	6,714,749	77,613,305
Annual surplus	\$ 18,559,056	\$ 1,958,402	\$ 12,464,535	\$ 9,451,795	\$ 6,644,820	\$ 49,078,608

CITY OF LANGFORD

Notes to Consolidated Financial Statements

Note 15 2021 Segmented Information (Continued)

	General Government Services	Protective Services	Engineering and Public Works	Community Services	Utility and Enterprise Services	Total
Revenue:						
Taxation	\$ 2,887,736	\$ 14,891,482	\$ 6,927,719	\$ 13,075,573	\$ -	\$ 37,782,510
Utility charges	-	-	-	-	5,000	5,000
Government transfers	825,346	1,013,520	2,146,405	2,982,497	-	6,967,768
Commercial leasing	62,044	60,285	-	4,783,267	-	4,905,596
Other	6,786,280	55,448	347,990	3,650,518	9,132,514	19,972,750
Licences and permits	38,040	3,469,679	326,909	1,286,340	-	5,120,968
Developer and property owner contributions	11,588,628	59,150	17,061,564	12,345,893	3,820,484	44,875,719
Development cost charges	-	-	7,484,365	3,646,258	-	11,130,623
Casino	759,073	-	-	-	-	759,073
Total Revenue	22,947,147	19,549,564	34,294,952	41,770,346	12,957,998	131,520,007
Expenses:						
Salaries, wages and employee benefits	3,656,521	6,391,173	1,938,725	1,981,503	-	13,967,922
Contracted and general services	2,182,066	10,882,793	6,019,991	15,888,534	4,655,362	39,628,746
Materials, goods, supplies and utilities	911,864	625,865	506,705	1,049,271	-	3,093,705
Other	222,135	206,404	336,925	801,283	-	1,566,747
Amortization	273,983	464,026	5,522,266	3,240,953	802,921	10,304,149
Total Expenses	7,246,569	18,570,261	14,324,612	22,961,544	5,458,283	68,561,269
Annual surplus	\$ 15,700,578	\$ 979,303	\$ 19,970,340	\$ 18,808,802	\$ 7,499,715	\$ 62,958,738

CITY OF LANGFORD

Notes to Consolidated Financial Statements

16. Subsequent Event:

Subsequent to December 31, 2022, the City of Langford has received funds from the Province of BC under the Growing Communities Fund (GCF) in the amount of \$16,464,000.

17. Safe Restart Grant Schedule (Unaudited)

The City of Langford received \$4,878,000 under the COVID-19 Safe Restart Grant for Local Governments in 2020.

	2022	2021
Balance of unspent funds, beginning of year	\$ 474,028	2,803,000
Utilized to cover reduced revenues and increased expenses		
Transferred to Capital Works Reserve (loss of Casino Funds)	465,395	1,400,000
Direct Expenses related to Covid Compliance	-	200,000
Lost Operating Revenues (estimate)	-	570,605
Reduced Hotel Tax - due to reduced travel	8,633	158,367
Total Grant Funds Spent	474,028	2,328,972
Balance, end of year	\$ -	\$ 474,028