

2023

CITY OF LANGFORD
Consolidated Financial Statements
For the fiscal year ending December 31, 2023

DRAFT



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: Katelyn Balzer, 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, 2023

Financial Statements

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the City of Langford (the "City") are the responsibility of management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

City of Langford Council meets with management and the external auditor 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 auditor 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.

Chief Administrative Officer

Director of Finance

CITY OF LANGFORD

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Cash and cash equivalents (note 2)	\$ 73,157,063	\$ 54,349,140
Short term investments	6,753,454	10,360,847
Property taxes receivable	1,887,692	1,408,437
Accounts receivable	13,896,079	13,660,018
Other assets	1,231,624	986,010
	96,925,912	80,764,452
Financial liabilities:		
Accounts payable and accrued liabilities	23,120,758	21,238,369
Prepaid property taxes and licences	3,754,308	3,138,986
Deferred revenue (note 3)	9,959,756	8,026,378
Refundable deposits	24,946,746	21,597,933
Debt (note 4)	26,775,511	16,810,340
	88,557,079	70,812,006
Net financial assets	8,368,833	9,952,446
Non-financial assets:		
Tangible capital assets (note 5)	655,463,054	603,079,745
Sewer franchise agreement (note 6)	47,904,493	44,867,674
Prepaid expenses	1,152,582	1,049,725
	704,520,129	648,997,144
Commitments, contingencies and contractual rights (note 11 and 12)		
Accumulated surplus (note 7)	\$ 712,888,962	\$ 658,949,590

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, 2023, with comparative information for 2022

	Financial Plan (note 13)	2023	2022
Revenue:			
Taxation, net (note 8)	\$ 47,309,074	\$ 47,256,849	\$ 40,902,574
Development cost charges (note 3)	7,153,100	3,200,351	13,788,471
Sewer capital recovery fees	-	6,385,272	8,843,959
Utility charges	5,000	5,000	5,000
Other	6,450,545	8,678,996	14,050,780
Licences and permits	4,052,449	3,999,565	5,523,709
Penalties and interest	440,515	536,729	499,049
Government transfers (note 9)	3,402,060	19,949,360	3,848,871
Commercial leasing	5,882,951	8,330,259	7,021,017
Casino	1,400,000	1,415,836	1,454,016
Investment earnings	550,000	2,831,858	1,479,452
Developer and property owner contributions	7,281,356	35,733,710	29,275,015
Total revenue	83,927,050	138,323,785	126,691,913
Expenses:			
General government services:			
Legislative	652,414	598,391	492,061
Administrative	5,923,092	7,125,669	5,379,894
Other	2,780,835	2,300,069	2,276,680
	9,356,341	10,024,129	8,148,635
Protective services:			
Police and bylaw enforcement	15,392,110	16,159,094	13,841,673
Fire protection and emergency response	5,473,984	5,481,419	4,667,832
Building inspection and other	1,047,940	937,471	882,655
	21,914,034	22,577,984	19,392,160
Engineering and public works:			
Common services	2,243,381	1,926,626	1,557,702
Land development services	410,560	637,324	637,187
Roads, streets and storm drainage	6,801,233	15,763,157	14,644,983
	9,455,174	18,327,107	16,839,872
Community services:			
Environmental and development services	1,686,907	1,436,876	1,227,636
Recreation and cultural services	17,355,873	20,999,056	18,227,986
West Shore Parks and Recreation Society (note 14)	7,798,527	7,670,808	7,062,267
	26,841,307	30,106,740	26,517,889
Utility and enterprise services:			
Sewer infrastructure	-	3,348,453	6,714,749
Total expenses	67,566,856	84,384,413	77,613,305
Annual surplus	16,360,194	53,939,372	49,078,608
Accumulated surplus, beginning of year	658,949,590	658,949,590	609,870,982
Accumulated surplus, end of year	\$ 675,309,784	\$ 712,888,962	\$ 658,949,590

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, 2023, with comparative information for 2022

	Financial Plan (note 13)	2023	2022
Annual surplus	\$ 16,360,194	\$ 53,939,372	\$ 49,078,608
Acquisition of tangible capital assets	(126,947,001)	(38,965,074)	(39,634,248)
Amortization of tangible capital assets	-	11,979,436	11,189,469
Loss (gain) on sale of tangible capital assets	-	1,046,186	(6,868,671)
Proceeds on sale of tangible capital assets	-	103,970	11,696,508
Sewer capital recovery fees	-	(6,385,272)	(8,843,959)
Sewer capital agency fee	-	2,442,573	5,858,524
Developer contributions of tangible capital assets	-	(27,509,642)	(20,694,131)
Change in proportionate share of West Shore Parks & Rec Society	-	(88,018)	(46,719)
Transfer of assets to other Governments (note 5)	-	1,955,713	-
	(110,586,807)	(1,480,756)	1,735,381
Acquisition of prepaid expenses	-	(102,857)	(505,849)
Change in net financial assets	(110,586,807)	(1,583,613)	1,229,532
Net financial assets, beginning of year	9,952,446	9,952,446	8,722,914
Net financial assets, end of year	\$ (100,634,361)	\$ 8,368,833	\$ 9,952,446

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

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CITY OF LANGFORD

Consolidated Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 53,939,372	\$ 49,078,608
Items not involving cash:		
Amortization of tangible capital assets	11,979,436	11,189,469
Transfer of assets to other Governments	1,955,713	
Loss (gain) on sale of tangible capital assets	1,046,186	(6,868,671)
Developer contributions of tangible capital assets	(27,509,642)	(20,694,131)
Sewer capital recovery fees	(6,385,272)	(8,843,959)
Sewer capital agency fee	2,442,573	5,858,524
Change in proportionate share of West Shore Parks & Rec Society	(88,018)	(46,719)
Changes in non-cash operating assets and liabilities:		
Property taxes receivable	(479,255)	735,760
Accounts receivable	(236,061)	1,182,420
Other assets	(245,614)	(318,990)
Accounts payable and accrued liabilities	1,882,389	4,684,037
Prepaid property taxes and licences	615,322	358,659
Deferred revenue	1,933,378	(7,552,547)
Refundable deposits	3,348,813	2,559,850
Prepaid expenses	(102,857)	(505,849)
	44,096,463	30,816,461
Capital activities:		
Acquisition of tangible capital assets	(38,965,074)	(39,634,248)
Proceeds on sale of tangible capital assets	103,970	11,696,508
	(38,861,104)	(27,937,740)
Financing activities:		
Debt proceeds	12,485,509	-
Debt payments	(2,520,338)	(1,953,549)
Sale (purchase) of investments	3,607,393	(107,707)
	13,572,564	(2,061,256)
Increase in cash and cash equivalents	18,807,923	817,465
Cash and cash equivalents, beginning of year	54,349,140	53,531,675
Cash and cash equivalents, end of year	\$ 73,157,063	\$ 54,349,140
Supplemental cash flow information:		
Cash paid for interest	\$ 976,801	\$ 452,070
Cash received from interest	3,320,725	1,518,970

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

CITY OF LANGFORD

Notes to Consolidated Financial Statements

Year ended December 31, 2023

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	60-100
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) Asset retirement obligation:

An asset retirement obligation is recognized when, as at the financial reporting date, all the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

An asset and liability for the removal of asbestos has been recognized based on estimated future expenses on closure of the site and post-closure care. The capital assets affected by the asbestos liability are being amortized following the amortization accounting policies outlined in 1(i)(i) above.

(l) Financial instruments

Financial instruments include cash and cash equivalents, investments, accounts receivables, and accounts payables and accrued liabilities.

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to carry any other financial instruments at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. There are no unrealized changes in fair value as at December 31, 2023 and December 31, 2022. As a result, the City does not have a statement of remeasurement gains and losses.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method or effective interest rate method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses. When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

(m) 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.

CITY OF LANGFORD

Notes to Consolidated Financial Statements

(n) Change in accounting policies

On January 1, 2023, the City adopted Public Accounting Standards *PS 3450 - Financials Instruments* and *PS 2601 - Foreign Currency Translation*. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

No adjustments to the amounts recorded in these statements were made as a result of adoption of these two standards.

On January 1, 2023, the City also adopted Public Accounting Standard *PS 3280 – Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing Section *PS 3270 – Solid Waste Landfill Closure and Post-Closure Liability*. The standard was adopted on the prospective basis at the date of adoption.

In accordance with the provisions of this new standard, the City reflected the following increases at January 1, 2023 to the following asset and liability accounts:

- Tangible capital assets - \$28,943
- Accounts payable and accrued liabilities - \$28,943

2. **Cash and cash equivalents:**

	2023	2022
West Shore Parks and Recreation Society	\$ 1,577,881	\$ 2,578,163
Cash	71,579,182	51,770,977
	\$ 73,157,063	\$ 54,349,140

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:

	2023	2022
Development cost charges	\$ 8,004,980	\$ 5,892,755
Hotel room tax	839,213	971,297
Other	1,115,563	1,162,326
	\$ 9,959,756	\$ 8,026,378

Development cost charges:

	2023	2022
Opening balance of unspent funds	\$ 5,892,755	\$ 13,495,480
Add:		
Development cost charges received during the year	4,911,001	6,016,652
Interest earned	401,575	169,094
	11,205,331	19,681,226
Less amount spent on projects and recorded as revenue	(3,200,351)	(13,788,471)
	\$ 8,004,980	\$ 5,892,755

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 between 5.56% and 5.93%.

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

2024	\$	2,730,107
2025		2,745,107
2026		2,575,107
2027		2,330,107
2028 and thereafter		16,395,083

Interest expense on debt during the year was \$976,801 (2022 - \$452,070).

5. Tangible capital assets:

(a) Assets under construction:

Assets under construction have a value of \$24,106,796 (2022 - \$13,004,317) 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 \$27,509,642 (2022 - \$20,694,131) comprised of land \$18,671,048 (2022 - \$10,529,309), land improvements \$367,656 (2022 - \$nil), Vehicles, machinery, equipment \$nil (2022 - \$nil), sewer and storm infrastructure \$3,446,577 (2022 - \$4,496,782) and roads infrastructure \$5,024,361 (2022 - \$5,668,040).

(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 2023 or 2022.

(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.

(f) School District 62 (Sooke)

During the year, the City transferred \$1,955,713 of assets to School District 62 (Sooke), representing project costs incurred to design, engineer, and construct infrastructure, based on terms of the agreement between the City and School District 62 (Sooke). The transfer is recorded as an expense in the consolidated statement of operations.

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	2023	2022
Cost:										
Opening	\$ 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
Additions	27,378,486	3,247,793	841,637	2,743,410	3,497,304	6,734,845	20,603,669	1,427,572	66,474,716	60,328,379
Transfers	3,913,800	3,802,494	-	977,135	789,162	18,599	(9,501,190)	-	-	-
Disposals	(724,499)	(1,965,378)	-	(1,414,224)	(18,565)	(362,365)	-	(390,346)	(4,875,377)	(5,640,418)
Change in share	-	-	-	-	-	-	-	134,732	134,732	69,667
Balance, end of year	304,097,888	36,676,674	51,803,498	17,778,603	88,875,197	219,415,424	24,106,796	40,535,620	783,289,700	721,555,629
Accumulated Amortization:										
Opening	-	9,957,665	11,946,259	10,160,651	15,868,506	56,894,648	-	13,648,155	118,475,884	108,932,274
Disposals	-	(8,384)	-	(1,202,369)	(5,879)	(162,530)	-	(390,346)	(1,769,508)	(812,581)
Amortization	-	1,615,607	1,076,102	982,438	1,337,194	5,175,327	-	886,888	11,073,556	10,333,243
Change in share	-	-	-	-	-	-	-	46,714	46,714	22,948
Balance, end of year	-	11,564,888	13,022,361	9,940,720	17,199,821	61,907,445	-	14,191,411	127,826,646	118,475,884
Net book value, end of year	\$ 304,097,888	25,111,786	38,781,137	7,837,883	71,675,376	157,507,979	24,106,796	26,344,209	655,463,054	\$ 603,079,745

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 \$3,942,699 (2022 - \$2,985,435) 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 2023 year, the remaining costs to be recovered were in excess of the amount owing. In accordance with the agreement, the City has recorded an agency fee of the excess in the amount of \$2,442,573 (2022 - \$5,858,523).

	Opening	Increase	Decrease	Closing
WSES sewer infrastructure				
Cost	\$ 55,388,670	4,733,549	(790,850)	\$ 59,331,369
Accumulated amortization	(10,520,996)	(905,880)	-	(11,426,876)
	44,867,674	3,827,669	(790,850)	47,904,493
Remaining cost to be recovered	-	(4,733,549)	4,733,549	-
	\$ 44,867,674	(905,880)	3,942,699	\$ 47,904,493

7. Accumulated surplus:

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

	2023	2022
Surplus:		
Invested in tangible capital assets	\$ 676,592,036	\$ 631,137,079
Other	(5,142,064)	801,564
Total surplus	671,449,972	631,938,643
Reserves set aside by Council:		
Future operational contingencies	1,240,807	1,129,198
Future capital contingencies	1,279,734	1,279,734
Federal Gas Tax	3,460,465	3,929,384
West Shore Parks & Rec Society	1,209,721	1,001,457
Total reserves	7,190,727	7,339,773
Reserve funds set aside for specific purposes by Council:		
Capital works	2,964,039	6,427,914
Affordable housing	4,378,258	3,938,807
Parks and open space	3,283,258	2,819,176
Parkland improvement	3,279	3,117
General amenity	2,480,233	2,504,965
Equipment replacement	1,401,660	1,562,437
Sidewalk capital	47,194	44,859
Bear Mountain fire hall	1,670,396	1,575,389
Special police capital	49,090	-
Special police operating	702,218	667,493
Downtown parking	133,627	127,017
Growing Communities Fund	17,135,011	-
Total reserve funds	34,248,263	19,671,174
	\$ 712,888,962	\$ 658,949,590

CITY OF LANGFORD

Notes to Consolidated Financial Statements

8. Taxation:

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

	2023	2022
General	\$ 44,956,641	\$ 38,488,619
Parcel tax	1,575,511	1,763,819
Revenue in lieu of taxes	189,971	163,592
Collections for other governments	43,443,295	38,921,194
1% utility taxes	534,726	486,544
	90,700,144	79,823,768
Less taxes levied for other authorities:		
Capital Regional District - General Operating	9,770,798	9,089,395
Revenue in lieu of taxes	154,641	140,211
Capital Regional Hospital District	2,674,489	2,539,188
School Authorities	25,285,116	22,649,766
BC Assessment Authority	751,676	674,146
Municipal Finance Authority	4,276	3,650
BC Transit	4,802,299	3,824,838
	43,443,295	38,921,194
	\$ 47,256,849	\$ 40,902,574

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.

	2023	2022
Operating transfers:		
Federal	\$ 62,448	\$ 358,442
Provincial	1,426,367	1,341,247
Other	71,644	105,313
	1,560,459	1,805,002
Capital transfers:		
Federal	1,828,969	1,722,969
Provincial	16,484,932	245,900
Other	75,000	75,000
	18,388,901	2,043,869
	\$ 19,949,360	\$ 3,848,871

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, 2022, the plan had about 240,000 active members and approximately 124,000 retired members. Active members include approximately 43,000 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 \$1,208,986 (2022 - \$1,066,448) for employer contributions while employees contributed \$1,055,709 (2022 - \$929,789) to the Plan in fiscal 2023.

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 2024 estimated cost of this contract is \$12,626,728

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 2023, the City entered into agreements for various property purchases. The estimated commitment as of December 31, 2023 is \$637,873.

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, 2023, the following major contracts were in progress:

	Total Amount of Contract	Paid or Accrued
Operating	\$ 24,877,926	\$ 16,389,458
Capital	28,965,237	15,084,292

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:

2024	\$	780,288
2025		781,338
2026		782,135
2027		781,844
2028		780,367
	\$	3,905,972

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.

The City has entered into an agreement with School District 62 (Sooke) in relation to the installation of a turf field and associated lighting. Under this agreement, the City will receive \$650,000 at such time as Provincial funding is approved. The City is unable to estimate when the funds will be received.

13. Financial plan:

The financial plan data presented in these consolidated financial statements is based upon the 2023 operating and capital financial plans approved by Council on May 11, 2023. 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	\$ 67,812,529
Capital	122,285,945
West Shore Parks & Rec Society	4,358,215
Less:	
Transfers from own funds	16,165,413
Proceeds on debt issue	94,364,226
Total revenue	83,927,050
Expenses:	
Operating	67,812,529
Capital	122,285,945
West Shore Parks & Rec Society	4,661,056
Less:	
Capital expenditures	122,285,945
Transfer to own funds	3,078,804
Debt principal payments	1,827,925
Total expenses	67,566,856
Annual surplus	\$ 16,360,194

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 2023, the City's share of improvements purchased by the Society on its behalf is \$1,048,674.

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 2023, the City of Langford's change in cost share is \$88,018.

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 2023 the City's proportion for consolidation purposes was 53.94% (2022 - 53.76%).

Condensed financial information for the Society is as follows:

	2023	2022
Financial assets	\$ 5,775,508	\$ 5,425,730
Financial liabilities	3,555,603	3,417,398
Net financial assets	2,219,905	2,008,332
Non-financial assets	1,673,134	1,153,172
Accumulated surplus	\$ 3,893,039	\$ 3,161,504
Invested in tangible capital assets	\$ 1,481,675	\$ 1,034,152
Reserve funds	2,734,123	2,507,059
Other	(322,759)	(379,707)
	\$ 3,893,039	\$ 3,161,504
Revenues	\$ 9,659,065	\$ 7,316,425
Requisition from members	5,816,429	5,879,262
	15,475,494	13,195,687
Expenses	9,047,249	6,640,926
Requisition from members	5,816,429	5,879,262
	14,863,678	12,520,188
Annual surplus (deficit)	\$ 611,816	\$ 675,499

CITY OF LANGFORD

Notes to Consolidated Financial Statements

15. Segmented information:

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

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

General Government Services

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

Protective Services

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

Engineering and Public Works

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

Community Services

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

Utility and Enterprise Services

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

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

CITY OF LANGFORD

Notes to Consolidated Financial Statements

Note 15 2023 Segmented Information (Continued)

	General Government Services	Protective Services	Engineering and Public Works	Community Services	Utility and Enterprise Services	Total
Revenue:						
Taxation	\$ 4,635,309	\$ 18,696,366	\$ 8,151,371	\$ 15,773,803	\$ -	\$ 47,256,849
Utility charges	-	-	-	-	5,000	5,000
Government transfers	17,564,361	482,050	275,346	1,627,603	-	19,949,360
Commercial leasing	222,009	107,678	-	8,000,572	-	8,330,259
Other	6,495,065	96,081	85,852	5,370,585	6,385,272	18,432,855
Licences and permits	31,534	2,569,646	381,154	1,017,231	-	3,999,565
Developer and property owner contributions	2,716,113	12,500	16,832,158	12,607,732	3,565,207	35,733,710
Development cost charges	-	-	1,618,985	1,581,366	-	3,200,351
Casino	1,415,836	-	-	-	-	1,415,836
Total Revenue	33,080,227	21,964,321	27,344,866	45,978,892	9,955,479	138,323,785
Expenses:						
Salaries, wages and employee benefits	4,532,121	7,051,848	2,441,979	3,816,747	-	17,842,695
Contracted and general services	2,875,969	13,885,512	5,772,120	19,561,877	2,442,573	44,538,051
Materials, goods, supplies and utilities	1,036,773	779,165	596,603	1,626,493	-	4,039,034
Other	1,207,269	390,442	3,085,788	1,301,698	-	5,985,197
Amortization	371,997	471,017	6,430,617	3,799,925	905,880	11,979,436
Total Expenses	10,024,129	22,577,984	18,327,107	30,106,740	3,348,453	84,384,413
Annual surplus	\$ 23,056,098	\$ (613,663)	\$ 9,017,759	\$ 15,872,152	\$ 6,607,026	\$ 53,939,372

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

16. Financial risks and concentration of credit risk

(a) Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The City is exposed to credit risk with respect to the accounts receivable, cash and investments.

The City assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the City at December 31, 2023 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at December 31, 2023 is \$199,080 (2022 - \$288,665)

As at December 31, 2023, \$8,384,148 (2022 - \$7,257,142) of trade accounts receivable were past due, but not impaired.

There have been no significant changes to credit risk exposure from 2022.

(b) Liquidity risk

Liquidity risk is the risk that the City will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The City manages its liquidity risk by monitoring its operating requirements. The City prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2022.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the City's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

CITY OF LANGFORD

Notes to Consolidated Financial Statements

(i) Foreign exchange risk:

The City is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the City makes purchases denominated in U.S. dollars. To help mitigate this risk, the City maintains a U.S. dollar bank account.

During the year, the City purchased a new fire truck in U.S. dollars. The total value of this transaction was \$866,265 USD (\$1,193,081 CAD).

As at December 31, 2023 financial instruments denominated in foreign currencies totalled \$40,677 USD (\$53,799 CAD).

There have been no significant changes to the foreign exchange risk exposure from 2022.

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the City to interest rate risk. The City is exposed to this risk through to its interest bearing loans payable and its investments.

The City mitigates interest rate risk on its term debt through regular management and monitoring of interest rate fluctuations and ensuring revenues (primarily Parcel Tax) are adjusted accordingly. Additionally, interest rate risk for financial liabilities are mitigated through corresponding interest rate fluctuations for financial assets; therefore, fluctuations in market interest rates would not significantly impact future cash flows and operations relating to the term debt.

There has been no change to the interest rate risk exposure from 2022.

CITY OF LANGFORD

Notes to Consolidated Financial Statements

17. Growing Communities Fund (Unaudited)

The City of Langford received \$16,464,000 under the Growing Communities Fund in 2023.

	2023	2022
Balance, beginning of year	\$ -	-
Grant received during the year	16,464,000	
Interest earned	671,011	
Eligible Costs		
Total Grant Funds Spent	-	-
Balance, end of year	\$ 17,135,011	\$ -

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