

2024

CITY OF LANGFORD
Consolidated Financial Statements
For the fiscal year ending December 31, 2024



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, 2024

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, 2024, with comparative information for 2023

| | 2024 | 2023 |
|--|-----------------------|-----------------------|
| Financial assets: | | |
| Cash and cash equivalents (note 2) | \$ 72,046,766 | \$ 73,157,063 |
| Short term investments | 1,273,376 | 6,753,454 |
| Property taxes receivable | 4,375,629 | 1,887,692 |
| Accounts receivable | 13,898,362 | 13,896,079 |
| Other assets | 1,256,265 | 1,231,624 |
| | 92,850,398 | 96,925,912 |
| Financial liabilities: | | |
| Accounts payable and accrued liabilities | 16,919,863 | 23,120,758 |
| Prepaid property taxes | 2,061,038 | 1,742,616 |
| Deferred revenue (note 3) | 17,643,064 | 11,971,448 |
| Refundable deposits | 28,684,472 | 24,946,746 |
| Debt (note 4) | 38,673,494 | 26,775,511 |
| | 103,981,931 | 88,557,079 |
| Net financial assets (debt) | (11,131,533) | 8,368,833 |
| Non-financial assets: | | |
| Tangible capital assets (note 5) | 708,184,317 | 655,463,054 |
| Sewer franchise agreement (note 6) | 51,836,162 | 47,904,493 |
| Prepaid expenses | 759,465 | 1,152,582 |
| | 760,779,944 | 704,520,129 |
| Commitments, contingencies and contractual rights (note 11 and 12) | | |
| Accumulated surplus (note 7) | \$ 749,648,411 | \$ 712,888,962 |

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, 2024, with comparative information for 2023

| | Financial Plan (note 13) | 2024 | 2023 |
|---|--------------------------------|-----------------------|-----------------------|
| Revenue: | | | |
| Taxation, net (note 8) | \$ 58,965,188 | \$ 56,358,739 | \$ 47,256,849 |
| Development cost charges (note 3) | 6,477,884 | 3,411,657 | 3,200,351 |
| Sewer capital recovery fees | - | 7,817,199 | 6,385,272 |
| Utility charges | 5,000 | 5,000 | 5,000 |
| Other | 6,813,723 | 9,056,197 | 8,678,996 |
| Licences and permits | 3,843,700 | 3,822,668 | 3,999,565 |
| Penalties and interest | 442,325 | 801,759 | 536,729 |
| Government transfers (note 9) | 4,397,140 | 4,331,295 | 19,949,360 |
| Commercial leasing | 6,053,367 | 8,654,232 | 8,330,259 |
| Casino | 1,400,000 | 1,389,857 | 1,415,836 |
| Investment earnings | 750,000 | 2,751,312 | 2,831,858 |
| Developer and property owner contributions | 5,139,977 | 30,792,293 | 35,733,710 |
| Total revenue | 94,288,304 | 129,192,208 | 138,323,785 |
| Expenses: | | | |
| General government services: | | | |
| Legislative | 655,041 | 537,642 | 598,391 |
| Administrative | 7,519,762 | 7,600,498 | 7,125,669 |
| Other | 3,145,795 | 2,705,806 | 2,300,069 |
| | 11,320,598 | 10,843,946 | 10,024,129 |
| Protective services: | | | |
| Police and bylaw enforcement | 17,407,362 | 18,189,825 | 16,159,094 |
| Fire protection and emergency response | 6,828,467 | 7,414,233 | 5,481,419 |
| Building inspection and other | 949,789 | 1,087,823 | 937,471 |
| | 25,185,618 | 26,691,881 | 22,577,984 |
| Engineering and public works: | | | |
| Common services | 2,868,984 | 2,375,826 | 1,926,626 |
| Land development services | 405,290 | 605,664 | 637,324 |
| Roads, streets and storm drainage | 8,510,659 | 15,005,221 | 15,763,157 |
| | 11,784,933 | 17,986,711 | 18,327,107 |
| Community services: | | | |
| Environmental and development services | 2,720,571 | 1,982,926 | 1,436,876 |
| Recreation and cultural services | 17,183,925 | 22,981,763 | 20,999,056 |
| West Shore Parks and Recreation Society (note 14) | 7,890,090 | 8,060,001 | 7,670,808 |
| | 27,794,586 | 33,024,690 | 30,106,740 |
| Utility and enterprise services: | | | |
| Sewer infrastructure | - | 3,885,531 | 3,348,453 |
| Total expenses | 76,085,735 | 92,432,759 | 84,384,413 |
| Annual surplus | 18,202,569 | 36,759,449 | 53,939,372 |
| Accumulated surplus, beginning of year | 712,888,962 | 712,888,962 | 658,949,590 |
| Accumulated surplus, end of year | \$ 731,091,531 | \$ 749,648,411 | \$ 712,888,962 |

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, 2024, with comparative information for 2023

| | Financial Plan (note 13) | 2024 | 2023 |
|---|--------------------------------|-----------------|---------------|
| Annual surplus | \$ 18,202,569 | \$ 36,759,449 | \$ 53,939,372 |
| Acquisition of tangible capital assets | (117,040,961) | (40,433,985) | (38,965,074) |
| Amortization of tangible capital assets | - | 12,580,394 | 11,979,436 |
| Loss (gain) on sale of tangible capital assets | - | (134,250) | 1,046,186 |
| Proceeds on sale of tangible capital assets | - | 340,463 | 103,970 |
| Sewer capital recovery fees | - | (7,817,199) | (6,385,272) |
| Sewer capital agency fee | - | 2,916,315 | 2,442,573 |
| Developer contributions of tangible capital assets | - | (23,998,203) | (27,509,642) |
| Change in proportionate share of West Shore Parks & Rec Society | - | (106,467) | (88,018) |
| Transfer of assets to other Governments (note 5) | - | - | 1,955,713 |
| | (98,838,392) | (19,893,483) | (1,480,756) |
| Consumption (acquisition) of prepaid expenses | - | 393,117 | (102,857) |
| Change in net financial assets | (98,838,392) | (19,500,366) | (1,583,613) |
| Net financial assets, beginning of year | 8,368,833 | 8,368,833 | 9,952,446 |
| Net financial assets (debt), end of year | \$ (90,469,559) | \$ (11,131,533) | \$ 8,368,833 |

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

CITY OF LANGFORD

Consolidated Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

| | 2024 | 2023 |
|---|---------------|---------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 36,759,449 | \$ 53,939,372 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 12,580,394 | 11,979,436 |
| Transfer of assets to other Governments | - | 1,955,713 |
| Loss (gain) on sale of tangible capital assets | (134,250) | 1,046,186 |
| Developer contributions of tangible capital assets | (23,998,203) | (27,509,642) |
| Sewer capital recovery fees | (7,817,199) | (6,385,272) |
| Sewer capital agency fee | 2,916,315 | 2,442,573 |
| Change in proportionate share of West Shore Parks & Rec Society | (106,467) | (88,018) |
| Changes in non-cash operating assets and liabilities: | | |
| Property taxes receivable | (2,487,937) | (479,255) |
| Accounts receivable | (2,283) | (236,061) |
| Other assets | (24,641) | (245,614) |
| Accounts payable and accrued liabilities | (6,200,895) | 1,882,389 |
| Prepaid property taxes and licences | 318,422 | 615,322 |
| Deferred revenue | 5,671,616 | 1,933,378 |
| Refundable deposits | 3,737,726 | 3,348,813 |
| Prepaid expenses | 393,117 | (102,857) |
| | 21,605,164 | 44,096,463 |
| Capital activities: | | |
| Acquisition of tangible capital assets | (40,433,985) | (38,965,074) |
| Proceeds on sale of tangible capital assets | 340,463 | 103,970 |
| | (40,093,522) | (38,861,104) |
| Financing activities: | | |
| Debt proceeds | 15,010,000 | 12,485,509 |
| Debt payments | (3,112,017) | (2,520,338) |
| Sale of investments | 5,480,078 | 3,607,393 |
| | 17,378,061 | 13,572,564 |
| (Decrease) increase in cash and cash equivalents | (1,110,297) | 18,807,923 |
| Cash and cash equivalents, beginning of year | 73,157,063 | 54,349,140 |
| Cash and cash equivalents, end of year | \$ 72,046,766 | \$ 73,157,063 |
| Supplemental cash flow information: | | |
| Cash paid for interest | \$ 1,044,790 | \$ 976,801 |
| Cash received from interest | 3,533,262 | 3,320,725 |

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

CITY OF LANGFORD

Notes to Consolidated Financial Statements

Year ended December 31, 2024

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.

Revenue from unilateral transactions is recognized when the City has the ability to claim or retain an inflow of economic resources and a past transaction or event giving rise to the asset has occurred. Revenue from exchange transactions is recognized when or as the City has satisfied performance obligations.

(d) Deferred revenue:

Deferred revenue includes grants, contributions, and other amounts received from third parties pursuant to legislation, regulation and agreement which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired thereby extinguishing any liability to the City.

Development cost charges are amounts which are restricted by government legislation or agreement with external parties. When qualifying expenditures are incurred, development cost charges are recognized as revenue in amounts which equal the associated expenses.

(e) Refundable deposits:

Receipts restricted by third parties are deferred and reported as refundable deposits under certain circumstances. Refundable deposits are returned when the third party meets their obligations or the deposits are recognized as revenue when qualifying expenditures are incurred.

(f) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(g) Cash equivalents:

Cash equivalents include short-term, highly liquid investments that are cashable on demand or have a term to maturity of 90 days or less at acquisition.

(h) Long-term debt:

Long-term debt is recorded net of related repayments.

CITY OF LANGFORD

Notes to Consolidated Financial Statements

(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

(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.

CITY OF LANGFORD

Notes to Consolidated Financial Statements

(l) Financial instruments

Financial instruments include cash and cash equivalents, investments, accounts receivables, property taxes receivable, 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, 2024 and December 31, 2023. 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) Public private partnerships (P3):

A P3 arrangement occurs between a public sector entity and a private sector entity where the private sector entity designs, builds, finances and operates the infrastructure.

The City recognizes infrastructure assets acquired under P3 arrangements as tangible capital assets when the City controls the purpose and use of the infrastructure, access to the future economic benefits and exposure to risks of the infrastructure assets, and significant residual interest in the infrastructure, if any, at the end of the P3's term. The assets are initially recognized at fair value, including costs incurred directly by the City and are subsequently amortized over the assets' useful lives in accordance with the amortization accounting policy (note 1(i)).

Under the financial liability model, the P3 related liability is initially recognized at the same amount as the assets, less any consideration paid to the private sector entity, and is subsequently measured at amortized cost using the interest rate implicit in the P3 arrangement.

Under the user-pay model, the private sector partner has the rights to earn revenue from third party users or access to another revenue-generating asset as compensation. The P3 related liability is initially recognized at the same amount as the assets. Revenue from the user-pay model is recognized and the liability reduced according to the terms of the agreement.

(n) 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 and asset retirement obligations. Actual results could differ from these estimates.

(o) Change in accounting policy

On January 1, 2024, the City adopted Canadian Public Sector Accounting Standard *PS 3400 Revenue Recognition*. The new accounting standard differentiates between revenue arising from transactions with performance obligations (exchange transactions) and transactions that do not have performance obligations (non-exchange transactions). The standard was adopted on a prospective basis and the prior year revenues are not restated, which may result in the financial statements not being as comparable to the prior year.

Exchange transactions involve a performance obligation arising from payment or promise of consideration in exchange for goods or services. If the obligation is met at a specific point of time, revenue is recognized at the point where the City receives the goods or service. If the obligation is met over a period of time, then revenue is recognized over this duration using the percentage of completion method. These transactions include development and building permit fees and charges.

Non-exchange transactions are not associated to a performance obligation and may include voluntary or involuntary transactions. The City will recognize the revenue of non-exchange transactions when a past transaction has occurred that gives right to an asset or economic resource. These transactions include fines and licenses.

On January 1, 2024, the City adopted Canadian Public Sector Accounting Standard *PS 3160 Public Private Partnerships*. The new accounting standard establishes guidelines for the recognition, measurement, presentation, and disclosure of infrastructure procured through certain types of public private partnership arrangements. The standard was adopted on a prospective basis and no restatement was made to arrangements that met the definition of a public private partnership.

CITY OF LANGFORD

Notes to Consolidated Financial Statements

2. Cash and cash equivalents:

| | 2024 | | 2023 | |
|---|------|------------|------|------------|
| West Shore Parks and Recreation Society | \$ | 1,872,612 | \$ | 1,577,881 |
| Cash | | 70,174,154 | | 71,579,182 |
| | \$ | 72,046,766 | \$ | 73,157,063 |

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:

| | 2024 | | 2023 | |
|--------------------------|------|------------|------|------------|
| Development cost charges | \$ | 11,215,350 | \$ | 8,004,980 |
| Hotel room tax | | 711,062 | | 839,213 |
| Grants | | 1,074,400 | | - |
| Permit and user fees | | 3,433,854 | | 2,011,692 |
| Other | | 1,208,398 | | 1,115,563 |
| | \$ | 17,643,064 | \$ | 11,971,448 |

Development cost charges:

| | 2024 | | 2023 | |
|---|------|-------------|------|-------------|
| Opening balance of unspent funds | \$ | 8,004,980 | \$ | 5,892,755 |
| Add: | | | | |
| Development cost charges received during the year | | 6,166,743 | | 4,911,001 |
| Interest earned | | 455,284 | | 401,575 |
| | | 14,627,007 | | 11,205,331 |
| Less amount spent on projects and recorded as revenue | | (3,411,657) | | (3,200,351) |
| | \$ | 11,215,350 | \$ | 8,004,980 |

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 the Canadian Overnight Repo Rate Average. The current rate of interest is between 3.59% and 3.73%.

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

| | | |
|---------------------|----|------------|
| 2025 | \$ | 1,097,010 |
| 2026 | | 2,442,010 |
| 2027 | | 2,442,010 |
| 2028 | | 2,442,010 |
| 2029 and thereafter | | 30,250,454 |

Interest expense on debt during the year was \$1,529,180 (2023 - \$976,801).

5. Tangible capital assets:

(a) Assets under construction:

Assets under construction have a value of \$40,505,147 (2023 - \$24,106,796) 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 \$23,998,203 (2023 - \$27,509,642) comprised of land \$19,203,946 (2023 - \$18,671,048), land improvements \$365,479 (2023 - \$367,656), Vehicles, machinery, equipment \$nil (2023 - \$nil), sewer and storm infrastructure \$1,254,462 (2023 - \$3,446,577) and roads infrastructure \$3,174,316 (2023 - \$5,024,361).

(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 2024 or 2023.

(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)

In 2023, 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.

No assets were transferred between the City and School District 62 (Sooke) in 2024.

CITY OF LANGFORD

Notes to Consolidated Financial Statements

Note 5. Tangible Capital Assets (Continued)

| | | Land | Land | Buildings | Vehicles Machinery & Equipment | Sewer and Storm Infrastructure | Roads Infrastructure | Assets Under Construction | West Shore Parks & Recreation Society | 2024 | 2023 |
|------------------------------------|-----------|--------------------|-------------------|-------------------|--------------------------------------|--------------------------------------|-------------------------|---------------------------------|--|--------------------|-----------------------|
| | | Land | Improvements | | | | | | | | |
| Cost: | | | | | | | | | | | |
| Opening | \$ | 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 |
| Additions | | 22,114,625 | 1,432,527 | 7,184,670 | 1,057,720 | 1,748,695 | 5,485,265 | 24,365,371 | 1,043,315 | 64,432,188 | 66,474,716 |
| Transfers | | - | 281,771 | 5,945,111 | 310,838 | 140,150 | 1,274,298 | (7,952,168) | - | - | - |
| Disposals | | (104,457) | (195,324) | - | (1,020,429) | - | (119,596) | (14,852) | (271,046) | (1,725,704) | (4,875,377) |
| Change in share | | - | - | - | - | - | - | - | 163,820 | 163,820 | 134,732 |
| Balance, end of year | | 326,108,056 | 38,195,648 | 64,933,279 | 18,126,732 | 90,764,042 | 226,055,391 | 40,505,147 | 41,471,709 | 846,160,004 | 783,289,700 |
| Accumulated Amortization: | | | | | | | | | | | |
| Opening | | - | 11,564,888 | 13,022,361 | 9,940,720 | 17,199,821 | 61,907,445 | - | 14,191,411 | 127,826,646 | 118,475,884 |
| Disposals | | - | (161,632) | - | (1,003,754) | - | (83,058) | - | (271,046) | (1,519,490) | (1,769,508) |
| Amortization | | - | 1,665,638 | 1,223,634 | 1,035,685 | 1,385,831 | 5,394,089 | - | 906,301 | 11,611,178 | 11,073,556 |
| Change in share | | - | - | - | - | - | - | - | 57,353 | 57,353 | 46,714 |
| Balance, end of year | | - | 13,068,894 | 14,245,995 | 9,972,651 | 18,585,652 | 67,218,476 | - | 14,884,019 | 137,975,687 | 127,826,646 |
| Net book value, end of year | \$ | 326,108,056 | 25,126,754 | 50,687,284 | 8,154,081 | 72,178,390 | 158,836,915 | 40,505,147 | 26,587,690 | 708,184,317 | \$ 655,463,054 |

CITY OF LANGFORD

Notes to Consolidated Financial Statements

6. Sewer franchise agreement:

During 2004, the City entered into a franchise and partnering agreement with West Shore Environmental Services Inc. ("WSES") and Terasen Utility Services Inc. The term of the agreement is 21 years, with a single 21 year renewal. Under the agreement, the City grants an exclusive franchise to WSES to design, construct, finance, own, and operate and maintain sanitary sewers in the City. The City also grants an exemption from municipal property tax for sewer infrastructure and WSES has been granted an Order in Council to extend that exemption to property taxes for all other jurisdictions. Upon termination of the agreement, the sewer infrastructure constructed by WSES will be acquired by the City for a nominal payment.

WSES will recover its capital costs by imposition of a sewer capital recovery fee ("SCRF") on owners of property who wish to connect to the sewer. WSES will also bill and collect all user fees. WSES will pay the City franchise fees that are estimated to total \$11 million over the 21 year term of the agreement.

The City records the costs of sewer infrastructure constructed by WSES \$4,900,855 (2023 - \$3,942,699) 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 2024 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 \$2,916,315 (2023 - \$2,442,573).

| | Opening | Increase | Decrease | Closing |
|--------------------------------|---------------|-------------|-----------|---------------|
| WSES sewer infrastructure | | | | |
| Cost | \$ 59,331,369 | 5,689,249 | (788,364) | \$ 64,232,254 |
| Accumulated amortization | (11,426,876) | (969,216) | - | (12,396,092) |
| | 47,904,493 | 4,720,033 | (788,364) | 51,836,162 |
| Remaining cost to be recovered | - | (5,689,249) | 5,689,249 | - |
| | \$ 47,904,493 | (969,216) | 4,900,885 | \$ 51,836,162 |

7. Accumulated surplus:

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

| | 2024 | 2023 |
|--|----------------|----------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 721,346,985 | \$ 676,592,036 |
| Other | (14,937,009) | (5,142,064) |
| Total surplus | 706,409,976 | 671,449,972 |
| Reserves set aside by Council: | | |
| Future operational contingencies | 1,153,186 | 1,240,807 |
| Future capital contingencies | 1,279,734 | 1,279,734 |
| Federal Gas Tax | 5,008,427 | 3,460,465 |
| West Shore Parks & Rec Society | 1,238,596 | 1,209,721 |
| Total reserves | 8,679,943 | 7,190,727 |
| Reserve funds set aside for specific purposes by Council: | | |
| Capital works | 2,477,950 | 2,964,039 |
| Affordable housing | 4,541,624 | 4,378,258 |
| Parks and open space | 3,503,162 | 3,283,258 |
| Parkland improvement | 3,443 | 3,279 |
| General amenity | 908,134 | 2,480,233 |
| Equipment replacement | 2,300,087 | 1,401,660 |
| Sidewalk capital | 49,546 | 47,194 |
| Bear Mountain fire hall | 1,763,947 | 1,670,396 |
| Special police capital | 144,143 | 49,090 |
| Special police operating | 737,214 | 702,218 |
| Downtown parking | 140,286 | 133,627 |
| Growing Communities Fund | 17,988,956 | 17,135,011 |
| Total reserve funds | 34,558,492 | 34,248,263 |
| | \$ 749,648,411 | \$ 712,888,962 |

CITY OF LANGFORD

Notes to Consolidated Financial Statements

8. Taxation:

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

| | 2024 | 2023 |
|---|---------------|---------------|
| General | \$ 53,859,807 | \$ 44,956,641 |
| Parcel tax | 1,743,009 | 1,575,511 |
| Revenue in lieu of taxes | 218,570 | 189,971 |
| Collections for other governments | 48,947,472 | 43,443,295 |
| 1% utility taxes | 537,353 | 534,726 |
| | 105,306,211 | 90,700,144 |
| Less taxes levied for other authorities: | | |
| Capital Regional District - General Operating | 11,133,961 | 9,770,798 |
| Revenue in lieu of taxes | 172,398 | 154,641 |
| Capital Regional Hospital District | 2,730,567 | 2,674,489 |
| School Authorities | 27,057,217 | 25,285,116 |
| BC Assessment Authority | 791,881 | 751,676 |
| Municipal Finance Authority | 4,407 | 4,276 |
| BC Transit | 7,057,041 | 4,802,299 |
| | 48,947,472 | 43,443,295 |
| | \$ 56,358,739 | \$ 47,256,849 |

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.

| | 2024 | 2023 |
|----------------------|--------------|---------------|
| Operating transfers: | | |
| Federal | \$ 4,872 | \$ 62,448 |
| Provincial | 1,268,374 | 1,426,367 |
| Other | 216,018 | 71,644 |
| | 1,489,264 | 1,560,459 |
| Capital transfers: | | |
| Federal | - | 1,828,969 |
| Provincial | 589,732 | 16,484,932 |
| Other | 2,252,299 | 75,000 |
| | 2,842,031 | 18,388,901 |
| | \$ 4,331,295 | \$ 19,949,360 |

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, 2023, the plan had about 256,000 active members and approximately 129,000 retired members. Active members include approximately 45,000 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 later 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 \$1,416,787 (2023 - \$1,208,986) for employer contributions while employees contributed \$1,289,619 (2023 - \$1,055,709) to the Plan in fiscal 2024.

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 2025 estimated cost of this contract is \$14,589,120.

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. On December 17, 2024, the City entered into an agreement to purchase the building, which the YMCA/YWCA of Greater Victoria occupies, for a cost of \$35,000,000. The City's annual obligation under the purchase of service agreement ceased at March 31, 2025, the date building ownership transferred to the City. In connection with this purchase, the City secured \$20,000,000 in debt from the Municipal Financing Authority in March 2025.

On December 12, 2024, the City entered into an agreement to purchase parkland valued at \$18,125,000 of which \$8,325,000 will be received as a gift-in-kind. At December 31, 2024, the City had paid a deposit of \$100,000 and is committed to an additional \$9,700,000 to be paid over two installments of \$4,800,000 and \$4,900,000 in 2025 and 2026, respectively. The City is also committed to purchase all manufactured homes located on the property, if the tenant is unable or does not wish to relocate their manufactured home. These home purchases are to be completed by January 31, 2030 and at December 31, 2024, the total cost is estimated at \$9,423,480.

CITY OF LANGFORD

Notes to Consolidated Financial Statements

(c) Commitments continued:

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, 2024, the following major contracts were in progress:

| | Total Amount of Contract | Paid or Accrued |
|-----------|-----------------------------|--------------------|
| Operating | \$ 24,424,690 | \$ 13,796,422 |
| Capital | 34,068,080 | 24,314,120 |

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:

| | |
|------|--------------|
| 2025 | \$ 1,421,140 |
| 2026 | 1,367,590 |
| 2027 | 1,340,565 |
| 2028 | 1,312,410 |
| 2029 | 1,283,219 |
| | \$ 6,724,924 |

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 2024 operating and capital financial plans approved by Council on May 6, 2024. 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 | \$ 81,748,471 |
| Capital | 112,427,076 |
| West Shore Parks & Rec Society | 4,514,004 |
| Less: | |
| Transfers from own funds | 15,883,207 |
| Proceeds on debt issue | 88,518,040 |
| Total revenue | 94,288,304 |
| Expenses: | |
| Operating | 81,748,471 |
| Capital | 112,427,076 |
| West Shore Parks & Rec Society | 4,613,885 |
| Less: | |
| Capital expenditures | 112,427,076 |
| Transfer to own funds | 4,667,410 |
| Debt principal payments | 5,609,211 |
| Total expenses | 76,085,735 |
| Annual surplus | \$ 18,202,569 |

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 2024, the City's share of improvements purchased by the Society on its behalf is \$848,452.

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 2024, the City of Langford's change in cost share is \$106,467.

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. The current agreement has a term of March 1, 2020 to February 28, 2025. The agreement was extended for another five year term to February 28, 2030.

(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 2024 the City's proportion for consolidation purposes was 54.16% (2023 - 53.94%).

Condensed financial information for the Society is as follows:

| | 2024 | 2023 |
|-------------------------------------|--------------|--------------|
| Financial assets | \$ 6,319,372 | \$ 5,775,508 |
| Financial liabilities | 3,888,495 | 3,555,603 |
| Net financial assets | 2,430,877 | 2,219,905 |
| Non-financial assets | 1,716,367 | 1,673,134 |
| Accumulated surplus | \$ 4,147,244 | \$ 3,893,039 |
| Invested in tangible capital assets | \$ 1,504,592 | \$ 1,481,675 |
| Reserve funds | 2,906,071 | 2,734,123 |
| Other | (263,419) | (322,759) |
| | \$ 4,147,244 | \$ 3,893,039 |
| Revenues | \$ 9,643,960 | \$ 9,659,065 |
| Requisition from members | 6,049,085 | 5,816,429 |
| | 15,693,045 | 15,475,494 |
| Expenses | 9,389,755 | 9,047,249 |
| Requisition from members | 6,049,085 | 5,816,429 |
| | 15,438,840 | 14,863,678 |
| Annual surplus | \$ 254,205 | \$ 611,816 |

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 2024 Segmented Information (Continued)

| | General Government Services | Protective Services | Engineering and Public Works | Community Services | Utility and Enterprise Services | Total |
|--|-----------------------------------|------------------------|------------------------------------|-----------------------|---------------------------------------|----------------------|
| Revenue: | | | | | | |
| Taxation | \$ 9,717,541 | \$ 22,021,453 | \$ 9,116,353 | \$ 15,503,392 | \$ | \$ 56,358,739 |
| Utility charges | | | | | 5,000 | 5,000 |
| Government transfers | 782,650 | 583,231 | 2,761,568 | 203,846 | | 4,331,295 |
| Commercial leasing | 186,794 | 54,736 | | 8,412,702 | | 8,654,232 |
| Other | 6,801,014 | 115,044 | 498,044 | 5,195,166 | 7,817,199 | 20,426,467 |
| Licences and permits | 40,600 | 2,524,709 | 594,733 | 662,626 | | 3,822,668 |
| Developer and property owner contributions | 2,628,477 | 10,000 | 14,525,755 | 12,228,071 | 1,399,990 | 30,792,293 |
| Development cost charges | - | - | 2,342,924 | 1,068,733 | - | 3,411,657 |
| Casino | 1,389,857 | - | - | - | - | 1,389,857 |
| Total Revenue | 21,546,933 | 25,309,173 | 29,839,377 | 43,274,536 | 9,222,189 | 129,192,208 |
| Expenses: | | | | | | |
| Salaries, wages and employee benefits | 5,431,858 | 9,669,759 | 2,682,097 | 4,518,663 | - | 22,302,377 |
| Contracted and general services | 3,381,074 | 15,503,423 | 6,903,023 | 21,555,397 | 2,916,315 | 50,259,232 |
| Materials, goods, supplies and utilities | 1,116,793 | 763,323 | 686,208 | 1,641,304 | - | 4,207,628 |
| Other | 551,050 | 257,745 | 1,025,115 | 1,249,218 | - | 3,083,128 |
| Amortization | 363,171 | 497,631 | 6,690,268 | 4,060,108 | 969,216 | 12,580,394 |
| Total Expenses | 10,843,946 | 26,691,881 | 17,986,711 | 33,024,690 | 3,885,531 | 92,432,759 |
| Annual surplus | \$ 10,702,987 | \$ (1,382,708) | \$ 11,852,666 | \$ 10,249,846 | \$ 5,336,658 | \$ 36,759,449 |

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

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, 2024 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, 2024 is \$136,689 (2023 - \$199,080)

As at December 31, 2024, \$7,955,275 (2023 - \$8,084,147) of trade accounts receivable were past due, but not impaired.

There have been no significant changes to credit risk exposure from 2023.

(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 2023.

(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.

(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.

As at December 31, 2024 financial instruments denominated in foreign currencies totalled \$44,285 USD (\$63,721 CAD).

There have been no significant changes to the foreign exchange risk exposure from 2023.

(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 2023.

CITY OF LANGFORD

Notes to Consolidated Financial Statements

17. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted

18. Impact of tariffs:

The imposition of U.S. tariffs on cross-border trade will result in increased costs for goods and services procured from U.S. suppliers, impacting operations and infrastructure projects. While the long-term impact remains uncertain, the City is actively working to monitor and mitigate the risks and impacts of tariffs.

19. Growing Communities Fund (Unaudited)

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

| | 2024 | 2023 |
|--------------------------------|---------------|---------------|
| Balance, beginning of year | \$ 17,135,011 | - |
| Grant received during the year | - | 16,464,000 |
| Interest earned | 853,945 | 671,011 |
| Eligible Costs | - | - |
| Total Grant Funds Spent | - | - |
| Balance, end of year | \$ 17,988,956 | \$ 17,135,011 |

20. Local Government Housing Initiatives Fund (Unaudited)

The City of Langford received \$379,457 under the Local Government Housing Initiatives Fund in 2024.

| | 2024 | 2023 |
|--------------------------------|------------|------|
| Balance, beginning of year | \$ - | - |
| Grant received during the year | 379,457 | - |
| Eligible Costs | | |
| Transportation Master Plan | (30,061) | - |
| Parks Master Plan | (9,268) | - |
| Total Grant Funds Spent | (39,329) | - |
| Balance, end of year | \$ 340,128 | \$ - |