Consolidated Financial Statements of

TOWN OF QUALICUM BEACH

And Independent Auditor's Report thereon

Year ended December 31, 2025

TOWN OF
QUALICUM BEACH

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Town of Qualicum Beach (the "Town") are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established 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 consolidated 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 Town'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.

Mayor and Council meet with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Director of Finance

KPMG LLP
177 Victoria Street, Suite 400
Prince George, BC V2L 5R8
Canada
Telephone 250 563 7151
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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the of Town of Qualicum Beach

Opinion

We have audited the consolidated financial statements of Town of Qualicum Beach (the Town), which comprise:

the consolidated statement of financial position as at December 31, 2025

the consolidated statement of operation and accumulated surplus for the year then ended

the consolidated statement of changes in net financial assets for the year then ended

the consolidated statement of cash flows for the year then ended

and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Town as at December 31, 2025 and its consolidated results of operations, its consolidated changes in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

Other Information

Management is responsible for the other information. The other information comprises:

- Information, other than the financial statements and the auditor's report thereon, included in:
  Schedule 1 - Canada Community Building Fund, and
  Schedule 2 - Growing Communities Fund.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in Schedule 1 - Canada Community Building Fund, and Schedule 2 - Growing Communities Fund as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Prince George, Canada

May 15, 2026

TOWN OF
QUALICUM BEACH

Consolidated Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Financial assets:		
Cash and cash equivalents (note 3)	$ 22,937,184	$ 28,142,587
Accounts receivable (note 4)	2,673,224	4,636,953
Municipal Finance Authority debt reserve fund deposit	5,491	57,560
	25,615,899	32,837,100
Financial liabilities:		
Accounts payable and accrued liabilities (note 5)	2,142,989	2,446,283
Accrued employee benefits	798,932	808,807
Deferred revenue (note 6)	655,217	1,057,033
Unearned revenue (note 7)	5,407,566	5,527,672
Performance bonds and deposits	982,160	942,619
Long-term debt (note 8)	2,165,161	2,688,092
Asset retirement obligation (note 9)	307,130	307,130
	12,459,155	13,777,636
Net financial assets	13,156,744	19,059,464
Non-financial assets:		
Inventories	192,053	163,276
Prepaid expenses	294,045	94,398
Tangible capital assets (note 10)	156,218,703	139,790,670
	156,704,801	140,048,344
Commitments and contingencies (note 16)		
Accumulated surplus (note 11)	$ 169,861,545	$ 159,107,808

See accompanying notes to consolidated financial statements.

TOWN OF
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Consolidated Statement of Operation and Accumulated Surplus

Year ended December 31, 2025, with comparative information for 2024

	2025 Budget (note 18)	2025 Actual	2024 Actual
Revenue (note 17):			
Net taxation (note 13)	$ 15,822,300	$ 15,807,436	$ 14,641,109
Sales of services	3,763,700	4,172,963	3,907,986
Other revenue from own sources	1,660,100	1,831,492	1,608,977
Interest and tax penalties	694,500	949,336	1,446,723
Government transfers (note 14)	7,582,500	2,190,957	4,553,749
Capital contributions	-	-	970,570
Other income (note 15)	439,000	8,900,270	2,206,067
Gain on sale of tangible capital assets	-	17,386	32,379
Total revenue	29,962,100	33,869,840	29,367,560
Expenses (note 17):			
General government services	3,563,600	3,494,473	3,178,667
Protective services	3,625,000	3,254,415	2,980,163
Transportation services	4,785,600	7,442,785	6,961,058
Solid waste services	1,061,500	1,093,694	987,291
Water services	1,954,800	2,499,107	2,407,564
Sewer services	712,200	850,228	996,574
Planning and development services	1,765,700	1,321,440	1,221,724
Parks and community services	2,861,800	3,159,961	2,685,430
Total expenses	20,330,200	23,116,103	21,418,471
Annual surplus	9,631,900	10,753,737	7,949,089
Accumulated surplus, beginning of year	159,107,808	159,107,808	151,158,719
Accumulated surplus, end of the year	$ 168,739,708	$ 169,861,545	$ 159,107,808

See accompanying notes to consolidated financial statements.

TOWN OF
QUALICUM BEACH

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2025, with comparative information for 2024

	2025 Budget (note 18)	2025	2024
Annual surplus	$ 9,631,900	$ 10,753,737	$ 7,949,089
Acquisition of tangible capital assets	(16,215,800)	(20,869,620)	(9,561,800)
Amortization of tangible capital assets	-	4,383,297	3,839,821
Proceeds on sale of tangible capital assets	-	75,676	120,000
Gain on disposal of tangible capital assets	-	(17,386)	(32,379)
	(16,215,800)	(16,428,033)	(5,634,358)
Use of inventories	-	163,276	180,961
Purchase of inventories	-	(192,053)	(163,276)
Use of prepaid expenses	-	94,398	96,488
Acquisition of prepaid expenses	-	(294,045)	(94,398)
	-	(228,424)	19,775
Change in net financial assets	(6,441,200)	(5,902,720)	2,334,506
Net financial assets, beginning of year	19,059,464	19,059,464	16,724,958
Net financial assets, end of year	$ 12,475,564	$ 13,156,744	$ 19,059,464

See accompanying notes to consolidated financial statements.

TOWN OF
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Consolidated Statement of Cash Flows

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash and cash equivalents provided by (used in):		
Operations:		
Annual surplus	$ 10,753,737	$ 7,949,089
Items not involving cash:		
Gain on disposal of tangible capital assets	(17,386)	(32,379)
Amortization of tangible capital assets	4,383,297	3,839,821
	15,119,648	11,756,531
Changes in non-cash operating working capital:		
Accounts receivable	1,963,729	(1,165,782)
Municipal Finance Authority debt reserve fund deposit	52,069	(1,937)
Inventories	(28,777)	17,685
Prepaid expenses	(199,647)	2,090
Accounts payable and accrued liabilities	(303,294)	(1,774,428)
Accrued employee benefits	(9,875)	88,497
Deferred revenue	(401,816)	98,638
Unearned revenue	(120,106)	341,299
Performance bonds and deposits	39,541	(123,092)
	16,111,472	9,239,501
Financing:		
Repayment of long-term debt	(1,062,931)	(1,009,396)
Proceeds from long-term debt	540,000	-
	(522,931)	(1,009,396)
Investing:		
Acquisition of tangible capital assets	(20,869,620)	(9,561,800)
Proceeds on disposal of tangible capital assets	75,676	120,000
	(20,793,944)	(9,441,800)
Decrease in cash and cash equivalents	(5,205,403)	(1,211,695)
Cash and cash equivalents, beginning of year	28,142,587	29,354,282
Cash and cash equivalents, end of year	$ 22,937,184	$ 28,142,587
Non-cash transactions:		
Deemed donation on acquisition of tangible capital assets	4,480,000	-
	4,480,000	-

See accompanying notes to consolidated financial statements.

Nature of operations:

The Town of Qualicum Beach (the "Entity") was incorporated on May 5, 1942 under the provisions of the Local Government Act of British Columbia. The Town's principal activities include the provision of services to residents of Qualicum Beach. These include general government services, protective services, transportation services, solid waste services, water services, sewer services, planning and development services, and parks and community services.

1. **Significant accounting policies:**

   These consolidated financial statements of the Town are prepared in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Town are as follows:

   (a) Basis of consolidation:

   (i) Consolidated entities:

   The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the Town. The Town is comprised of all organizations, committees and local boards accountable for the administration of it's financial affairs and resources to the Town and which are owned or controlled by the Town.

   (ii) Accounting for Region and School Board transactions:

   The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the Region and the School Board are not reflected in these consolidated financial statements.

   (iii) Trust funds:

   Trust funds and their related operations administered by the Town are not included in these consolidated financial statements.

1. Significant accounting policies (continued):

(b) Basis of accounting:

The Town 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:

Taxation and user fee revenues are recognized in accordance with the provisions of the Community Charter. The Town is required to act as the agent for the collection of certain taxes and fees imposed by other authorities. Collections for other authorities are excluded from the Town's taxation revenues, except for the taxes collected for the Vancouver Island Regional Library.

The Town is entitled to collect interest and penalties on overdue taxes. This revenue is recorded in the period the interest and penalties are levied.

Revenue from the sales of services, other revenue from own sources, as well as other income, are recorded as revenue when the performance obligations are met.

Government transfers, which include legislative grants, are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfer revenue is recognized in the statement of operations as the stipulations for liabilities are settled.

Revenue unearned in the current period is reported on the consolidated statement of financial position as deferred revenue and unearned revenue.

(d) 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.

1. Significant accounting policies (continued):

(e) Cash and cash equivalents:

Cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition.

(f) Assets held for sale:

Assets held for sale are those expected to be sold within one year. They are valued at the lower of cost or expected net realizable value. When a decline in net realizable value is determined to be other than temporary, the impairment is recognized in the consolidated statement of operations and accumulated surplus.

(g) Accrued employee benefits:

The Town and its employees make contributions to the Municipal Pension Plan. These contributions are expensed as incurred.

In addition to the Municipal Pension Plan, sick leave and other retirement benefits are also available to the Town's employees. The costs of these benefits are determined based on years of service and best estimates of retirement ages and expected future salary and wage increases. The obligations under these benefit plans are accrued based on projected benefits earned as the employees render services necessary to earn the future benefits.

(h) 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) Inventories:

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

1. Significant accounting policies (continued):

(h) Non-financial assets (continued):

(ii) 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
Buildings	5-50
Equipment	3-20
Land improvements	10-75
Transportation	20-75
Water and sewer	50-80

A full year of amortization is charged in the year that an asset becomes available for productive use and none in the year of disposal.

Assets under construction are not amortized until the asset is available for productive use.

(iii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iv) Interest capitalization:

The Town does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

1. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying value of tangible capital assets, collectibility of accounts receivable, accrued liabilities, obligations related to employee future benefits, and the provision for asset retirement obligations.

Actual results could differ from those estimates.

(j) 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 when all of the following criteria are met:

a) an environmental standard exists;
b) contamination exceeds the environmental standard;
c) the organization is directly responsible or accepts responsibility for the contamination;
d) it is expected that future economic benefits will be given up; and
e) a reasonable estimate of the liability can be made.

1. Significant accounting policies (continued):

(k) Asset retirement obligation:

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

a) there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
b) the past transaction or event giving rise to the liability has occurred;
c) it is expected that future economic benefits will be given up; and
d) a reasonable estimate of the amount can be made.

The estimate of the asset retirement obligation includes costs directly attributable to the asset retirement activities.

If the tangible capital asset is in productive use, the estimated obligation is recorded as a liability and increase to the related tangible capital asset. The increase to the tangible capital asset is amortized in accordance with the amortization accounting policy outlined in note 1(h)(ii). The carrying value of the liability is reviewed at each financial reporting date with changes to the amount of the original estimate of cash flows recorded as an adjustment to the asset retirement obligations liability and related tangible capital asset.

If the tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

1. Significant accounting policies (continued):

(l) Financial instruments:

Financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, accrued employee benefits, performance bonds and deposits, and long-term debt. Cash and cash equivalents include cash, high-interest savings accounts and short-term highly liquid investments that are readily convertible to known amount of cash and are subject to insignificant risk of changes in value.

Financial instruments are recorded at fair value on initial recognition. Equity instruments quoted in an active market and derivatives are subsequently measured at fair value as at the reporting date. All other financial instruments are subsequently measured at cost or amortized cost unless the Town has elected to carry the financial instrument at fair value. The Town has elected to carry any financial instruments at cost.

Unrealized changes in fair value would be recognized on the consolidated statement of remeasurement gains and losses. They are recorded in the consolidated statement of operations when they are realized. There are no unrealized changes in fair value as at December 31, 2025 and 2024 as the Town does not hold any equity instruments quoted in an active market nor any derivatives. As a result, the Town does not have a consolidated statement of remeasurement gains and losses.

Transaction costs incurred on the acquisition of financial instruments subsequently measured at fair value are expensed as incurred. Transaction costs incurred on the acquisition of financial instruments recorded at cost or amortized cost are included in the cost.

Sales and purchases of investments are recorded on the trade date.

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 consolidated statement of operations.

2. Changes in accounting policies:

(a) Future accounting prononcements:

These standards and amendments were not effective for the year ended December 31, 2025, and have therefore not been applied in preparing these consolidated financial statements. Management is currently assessing the impact of the following accounting standards updates on the future consolidated financial statements.

i. Concepts Underlying Financial Performance. The revised conceptual framework will replace the existing conceptual framework, which consists of Section PS 1000, Financial Statement Concepts, and Section PS 1100, Financial Statement Objectives. The conceptual framework is to be adopted prospectively. This revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 (the Town's December 31, 2027 year end).

ii. PS 1202, Financial Statement Presentation, will replace the current section PS 1201. The Town is currently assessing the impact of this standard on the future financial statements. Prior period amounts would need to be restated to conform to the presentation requirements for comparative financial information. This standard is effective for fiscal years beginning on or after April 1, 2026 (the Town's December 31, 2027 year end).

iii. PS 3251, Employee Benefits, will replace the current sections PS 3250 and PS 3255. The proposed section is currently undergoing discussions where further changes are expected as a result of the re-exposure comments. Effective date is currently not determined.

3. Cash and cash equivalents:

Included in cash and cash equivalents is $292,033 (2024 - $270,654) that is invested on behalf of the cemetery trust fund. These funds may only be used for the upkeep and care of the cemetery and burial plots.

4. Accounts receivable:

	2025	2024
Property taxes	$ 819,001	$ 458,609
Water rates	359,709	361,443
Sewer rates	211,427	208,794
Solid waste	241,781	227,110
Local area service tax receivable	510,601	546,319
Other grants receivables	75,204	-
Receivable from federal government	191,864	1,005,715
Receivable from provincial government	82,741	1,565,369
Interest receivable	53,152	94,220
Trade receivables	127,744	169,374
	$ 2,673,224	$ 4,636,953

5. Accounts payable and accrued liabilities:

	2025	2024
Trade payables	$ 1,379,589	$ 1,726,271
Payable to federal government	345,897	444,474
Payable to provincial government	374,095	47,618
Holdbacks payable	43,408	227,920
	$ 2,142,989	$ 2,446,283

6. Deferred revenue:

	Balance, beginning of year	Contributions	Revenue Recognized	Balance, end of the year
323 Hall Rd Shoreline	$ 45,000	$ -	$ -	$ 45,000
BC Active Transportation - Waterfront Pathway	211,747	250,000	461,747	-
Community Action Initiative	72,706	120,000	78,608	114,098
Indigenous Engagement Funding	40,000	42,000	40,000	42,000
Local Government Climate Action Program	448,316	-	44,562	403,754
REDIP - Economic Development	100,000	-	56,260	43,740
UBCM - Community Emergency	40,968	-	40,968	-
UBCM - Firesmart Coordinator and Outreach	73,996	-	73,996	-
UBCM - Next Gen 911 Grant	22,500	-	17,675	4,825
Other	1,800	-	-	1,800
	$ 1,057,033	$ 412,000	$ 813,816	$ 655,217

7. Unearned revenue:

	2025	2024
Prepaid taxes	$ 1,914,149	$ 1,655,376
Prepaid utilities	22,891	18,318
Development cost charges	2,773,841	3,264,160
Off street parking	383,915	376,407
Land lease	139,375	139,375
Building permits	75,906	8,479
Building licenses	22,400	4,470
Other	75,089	61,087
	$ 5,407,566	$ 5,527,672

Development cost charges (DCCs) includes statutory reserves that are required to be set-up under section 188(2) of the Community Charter. When the related costs are incurred, the DCCs are recognized as revenue (note 15).

8. Long-term debt:

	2025	2024
Municipal Finance Authority Loan repaid during the year.	$ -	$ 462,936
Municipal Finance Authority loan bearing interest at a daily floating rate, payments of $17,156 monthly including interest, due December 31, 2027.	399,538	588,461
Municipal Finance Authority loan bearing interest at a daily floating rate, payments of $38,322 monthly including interest, due October 31, 2028.	1,225,623	1,636,695
Municipal Finance Authority loan bearing interest at 4.13% per annum, payments of $10,375 annually plus interest of $11,151 semi-annually, due June 25, 2055.	540,000	-
	$ 2,165,161	$ 2,688,092

8. Long-term debt (continued):

Principal repayments and estimated actuarial earnings are as follows:

	Principal repayments	Estimated actuarial earnings	Total
2026	$ 638,575	$ -	$ 638,575
2027	656,033	368	656,401
2028	361,677	750	362,427
2029	10,375	1,145	11,520
2030	10,375	1,553	11,928
Thereafter	259,368	224,942	484,310
	$ 1,936,403	$ 228,758	$ 2,165,161

Principal repayments are deposited by MFA in a fund and earns income called actuarial earnings which, together with principal repayments, are expected to be sufficient to retire the debt at maturity. An actuarial adjustment is associated with each principal payment and is a non-cash reduction in the debt balance based on expected actuarial earnings.

9. Assets retirement obligation:

The Town owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the buildings and there is a legal obligation to remove it. Following the adoption of PS 3280 - Asset Retirement Obligations, the Town recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings as estimated in the amount of $307,130.

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10. Tangible capital assets:

The Town manages and controls various works of art located at Town sites and public display areas including paintings and a sculpture. These assets are not recorded as tangible capital assets and are not amortized.

2025	Work in progress	Land	Buildings	Equipment	Transportation	Land Improvements	Water	Sewer	Total
Cost:									
Balance, beginning of year	$ 8,783,938	$ 38,432,522	$ 36,269,862	$ 11,139,209	$ 73,148,971	$ 32,535,750	$ 16,990,336	$ 11,635,821	$ 228,936,409
Additions	652,574	12,119,197	1,504,854	1,087,607	3,303,640	1,556,308	645,440	-	20,869,620
Disposal	-	-	(123,204)	(35,441)	(81,843)	-	(8,004)	-	(248,492)
Transfers	(7,921,521)	-	-	-	2,842,294	3,523,620	1,555,607	-	-
Balance, end of year	1,514,991	50,551,719	37,651,512	12,191,375	79,213,062	37,615,678	19,183,379	11,635,821	249,557,537
Accumulated amortization:									
Balance, beginning of year	-	-	14,072,469	4,806,387	42,800,062	13,816,365	7,240,111	6,410,345	89,145,739
Amortization	-	-	1,065,684	751,628	1,315,148	782,348	274,049	194,440	4,383,297
Disposals	-	-	(83,778)	(35,442)	(65,494)	-	(5,488)	-	(190,202)
Balance, end of year	-	-	15,054,375	5,522,573	44,049,716	14,598,713	7,508,672	6,604,785	93,338,834
Net book value	$ 1,514,991	$ 50,551,719	$ 22,597,137	$ 6,668,802	$ 35,163,346	$ 23,016,965	$ 11,674,707	$ 5,031,036	$ 156,218,703

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10. Tangible capital assets (continued):

2024	Work in progress	Land	Buildings	Equipment	Transportation	Land Improvements	Water	Sewer	Total
Cost:									
Balance, beginning of year	$ 6,454,075	$ 38,432,522	$ 36,038,646	$ 10,080,745	$ 71,343,490	$ 30,263,357	$ 16,393,560	$ 11,182,667	$ 220,189,062
Additions	5,306,339	-	231,216	1,659,630	522,258	1,004,281	451,417	386,659	9,561,800
Disposal	-	-	-	(772,393)	(42,060)	-	-	-	(814,453)
Transfers	(2,976,476)	-	-	171,227	1,325,283	1,268,112	145,359	66,495	-
Balance, end of year	8,783,938	38,432,522	36,269,862	11,139,209	73,148,971	32,535,750	16,990,336	11,635,821	228,936,409
Accumulated amortization:									
Balance, beginning of year	-	-	13,283,640	4,775,898	41,606,518	13,153,283	6,997,506	6,215,905	86,032,750
Amortization	-	-	788,829	715,261	1,235,604	663,082	242,605	194,440	3,839,821
Disposals	-	-	-	(684,772)	(42,060)	-	-	-	(726,832)
Balance, end of year	-	-	14,072,469	4,806,387	42,800,062	13,816,365	7,240,111	6,410,345	89,145,739
Net book value	$ 8,783,938	$ 38,432,522	$ 22,197,393	$ 6,332,822	$ 30,348,909	$ 18,719,385	$ 9,750,225	$ 5,225,476	$ 139,790,670

11. Accumulated surplus:

	2025	2024
Surplus:		
Investment in tangible capital assets (note 12)	$ 153,746,412	$ 136,795,448
General operating	2,744,694	2,161,599
Water operating	1,110,544	1,061,617
Sewer operating	322,679	226,865
	157,924,329	140,245,529
Statutory Reserves:		
Property reserve fund	80,374	1,233,966
Park land reserve fund	133,038	287,959
Emissions reduction reserve fund	27,802	26,794
Park improvements reserve fund	109,236	105,277
Cemetery reserve fund	304,063	292,004
Asset replacement reserve fund	4,364,853	5,384,623
New asset investment reserve fund	1,240,645	1,360,722
Water infrastructure reserve fund	2,798,325	2,528,105
Sewer infrastructure reserve fund	963,638	597,250
Growing communities fund	41,597	3,573,510
Curling building reserve fund	95,678	128,532
	10,159,249	15,518,742
Non Statutory Reserves:		
Municipal Finance Authority debt reserve fund	5,491	57,560
Arrowsmith water reserve	94,093	82,270
Fire Equipment Replacement	63,201	-
Affordable housing reserve	-	450,000
Developer contribution reserve	110,390	104,202
Local government capacity funding reserve	131,885	191,885
Tree replacement	33,000	30,200
Skate board park donation reserve	6,747	51,160
Community Works (Gas Tax) reserve	724,360	1,199,265
Election reserve fund	30,000	20,000
Strategic initiatives reserve fund	(21,200)	781,995
Community amenity contributions reserve	600,000	375,000
	1,777,967	3,343,537
	$ 169,861,545	$ 159,107,808

12. Investment in tangible capital assets:

	2025	2024
Investment in tangible capital assets, beginning of the year	$ 136,795,448	$ 130,151,694
Add:		
Acquisition of tangible capital assets	20,869,620	9,561,800
Repayment of long-term debt	1,062,931	1,009,396
Less:		
Amortization	(4,383,297)	(3,839,821)
Net book value of tangible capital asset disposals	(58,290)	(87,621)
Loan proceeds	(540,000)	-
Investment in tangible capital assets, end of year	$ 153,746,412	$ 136,795,448

13. Net taxation revenue:

	2025	2024
Taxes collected:		
General	$ 13,116,446	$ 12,118,665
Parcel tax - water	1,232,400	1,128,000
Parcel tax - sewer	289,380	263,048
1% utility tax	154,759	152,810
	14,792,985	13,662,523
Taxes collected for other government services:		
Education	6,756,182	6,341,526
Regional District of Nanaimo	6,092,449	5,403,906
Nanaimo Regional Hospital District	2,779,357	2,254,335
Vancouver Island Regional Library	748,241	715,090
B.C. Assessment Authority	189,561	178,239
Municipal Finance Authority	1,032	998
	16,566,822	14,894,094
Less taxes paid to other governments	(15,826,598)	(14,191,776)
	740,224	702,318
Grants-in-lieu of taxes:		
Federal government	18,455	17,294
Taxes paid to other governments	(10,150)	(9,494)
Fortis BC	76,520	93,197
B.C. Hydro	189,402	175,271
	274,227	276,268
	$ 15,807,436	$ 14,641,109

14. Government transfers:

The government transfers reported on the consolidated statement of operations and accumulated surplus are:

	2025	2024
Provincial grants		
Unconditional	$ 432,000	$ 868,225
Conditional	724,414	801,052
Capital	64,059	1,672,700
	1,220,473	3,341,977
Federal grants		
Conditional	-	4,759
Capital	487,013	487,013
	487,013	491,772
Other governments and agencies		
Unconditional	356,767	-
Conditional	75,879	-
Capital	50,825	720,000
	483,471	720,000
	$ 2,190,957	$ 4,553,749

15. Other income:

		2025		2024
Cash received in-lieu of park dedication	$	-	$	174,000
Community amenity contributions		834,250		375,000
Donations		6,688,486		51,160
Grants		182,265		129,836
Local area service taxes - East Village		-		1,325,000
Provincial emergency program recoveries		59,205		38,291
Development cost charges		1,071,679		57,448
Other		64,385		55,332
	$	8,900,270	$	2,206,067

Community amenity contributions (CACs) is a voluntary contribution that a developer provides to a municipality, typically as part of a rezoning or development approval process, to help offset the impacts of increased density or population growth. In 2025, the Town received $834,250 (2024 - $375,000) in CAC.

In 2025, the Town acquired the Eaglecrest Golf Course for $8,500,000. The property's appraised value was approximately $12,980,000, as a result the difference of $4,480,000 has been recorded as donation revenue. Furthermore, the Town received a cash donation in the amount $2,125,000 to support this purchase.

The local area service taxes - East Village relates to the recovery of costs incurred for the underground servicing and beautification work performed on Second Avenue East.

Development cost charges (DCCs) are one-time fees imposed by local governments on developers to pay for infrastructure needed to support new growth, including water, sewer, drainage, roads, and parkland acquisition. When DCCs are received, they are initially recorded as unearned revenue (see note 7). When DCCs are used to fund eligible projects, they are recognized as revenue. In 2025, the Town recognized $1,071,679 (2024 - $57,448) to fund eligible projects.

16. Commitments and contingencies:

(a) Regional District

The Town is responsible, as a member of the Regional District of Nanaimo and the Nanaimo Regional Hospital District, for its proportion of any operating deficits or capital debt related to functions in which it participates.

(b) Municipal Pension Plan

The Town and its employees contribute to the Municipal Pension Plan (a jointly trusteed pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2024, the plan has about 273,000 active members and approximately 133,000 retired members. Active members include approximately 47,000 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 for the Municipal Pension Plan as at December 31, 2024, indicated a $2,675 million funding surplus for basic pension benefits on a going concern basis.

The Town paid $570,274 (2024 - $520,275) for employer contributions to the plan in fiscal 2025.

The next valuation will be as at December 31, 2027.

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, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

16. Commitments and contingencies (continued):

(c) Municipal Finance Authority contingent demand notes

Under borrowing arrangements with the MFA, the Town is required to lodge security by means of a demand note and an interest-bearing cash deposit based on the amount of the borrowing. As a condition of the borrowing, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund. This deposit is included in the Town's financial assets and is held by the MFA as security against the possibility of debt repayment default. If the debt is repaid without default, the deposit is refunded to the Town. At December 31, 2025, there was a contingent demand note of $10,938 (2024 - $212,517) which was not included in the financial statements of the Town.

(d) Municipal Insurance Association of British Columbia

The Town is a participant in the Municipal Insurance Association of British Columbia (the "Association"). Should the Association pay out claims in excess of premiums received, it is possible that the Town, along with other participants, would be required to contribute towards the deficit. Management does not consider payment under this contingency to be likely and therefore no amounts have been accrued.

(e) Contingent liabilities

The Town may, from time to time, be involved in legal proceedings, claims, and litigation that arise in the normal course of business. It is considered that the potential claims would not materially affect the Town's financial statements and any amounts ultimately settled will be recorded in the period in which the claim is resolved. At December 31, 2025, there are no claims outstanding.

17. Segmented information:

The Town is a diversified municipal government that provides a wide range of services to its residents. The following is a description of the types of services included in each of the main segments of the Town's financial statements:

General government services

Services related to general corporate and legislative governance and administration as well as human resources, information technology and financial management.

17. Segmented information (continued):

Protective services

Services related to providing fire protection, bylaw enforcement and building inspection to the Town, as well as the Town's share of expenses related to providing policing.

Transportation services

Services related to the delivery of municipal public works services including the development and maintenance of roadway systems, street lighting, airport operations and other public works and engineering related services.

Solid waste services

Services related to the collection of garbage and chipping as well as environmental testing and monitoring.

Water services

Services related to the delivery of water and the planning and development and maintenance of the Town's water infrastructure.

Sewer services

Services related to the sanitary sewer removal and the planning and development and maintenance of the Town's sewer infrastructure.

Planning and development services

Services related to planning for development and for improving quality of life and sustainability initiatives.

Parks and community services

Services related to the development and maintenance of parks and trails, municipal landscaping, and providing and maintaining recreation and cultural buildings.

The following statement provides additional information for the foregoing functions. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

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Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

17. Segmented information (continued):

	2025								
	General government services	Protective services	Transportation services	Solid waste services	Water services	Sewer services	Planning and development services	Parks and community services	Total
Revenue:									
Net taxation	$ 14,285,656	$ -	$ -	$ -	$ 1,232,400	$ 289,380	$ -	$ -	$ 15,807,436
Sale of services	5,926	170,221	13,427	954,579	1,964,902	788,798	241,838	33,272	4,172,963
Other revenue from own sources	766,090	921,853	-	-	-	-	-	143,549	1,831,492
Interest and tax penalties	949,336	-	-	-	-	-	-	-	949,336
Government transfers	485,535	426,919	1,080,899	-	64,059	-	-	133,545	2,190,957
Other	132,845	59,205	481,984	-	-	-	-	8,226,236	8,900,270
Gain on disposal of assets	17,386	-	-	-	-	-	-	-	17,386
Total revenues	16,642,774	1,578,198	1,576,310	954,579	3,261,361	1,078,178	241,838	8,536,602	33,869,840
Expenses:									
Salaries, wages and employee benefits	2,442,574	1,218,170	1,946,182	182,855	840,691	255,013	851,870	1,437,837	9,175,192
Goods and services	785,897	1,870,969	2,311,319	910,839	1,217,245	405,517	469,570	1,462,279	9,433,635
Amortization	142,024	165,276	3,185,284	-	441,171	189,698	-	259,845	4,383,298
Fiscal services	123,978	-	-	-	-	-	-	-	123,978
Total expenses	3,494,473	3,254,415	7,442,785	1,093,694	2,499,107	850,228	1,321,440	3,159,961	23,116,103
Annual surplus (deficit)	$ 13,148,301	$ (1,676,217)	$ (5,866,475)	$ (139,115)	$ 762,254	$ 227,950	$ (1,079,602)	$ 5,376,641	$ 10,753,737

17. Segmented information (continued):

2024		General government services		Protective services		Transportation services		Solid waste services		Water services		Sewer services		Planning and development services		Parks and community services		Total
Revenue:																		
Net taxation	$	13,250,061	$	-	$	-	$	-	$	1,128,000	$	263,048	$	-	$	-	$	14,641,109
Sale of services		6,000		136,172		6,750		849,817		1,829,004		770,912		288,698		20,633		3,907,986
Other revenue from own sources		608,335		-		859,967		-		-		-		-		140,675		1,608,977
Interest and tax penalties		1,446,723		-		-		-		-		-		-		-		1,446,723
Government transfers		435,600		266,720		2,159,712		-		730,000		-		309,434		652,283		4,553,749
Capital contributions		-		-		287,070		-		330,000		353,500		-		-		970,570
Other income		1,726,857		132,743		88,769		-		21,532		-		55,035		181,131		2,206,067
Gain on disposal of assets		32,379		-		-		-		-		-		-		-		32,379
Total revenues		17,505,955		535,635		3,402,268		849,817		4,038,536		1,387,460		653,167		994,722		29,367,560
Expenses:																		
Salaries, wages and employee benefits		2,286,760		1,228,727		1,996,026		188,218		779,928		270,646		706,991		1,074,074		8,531,370
Goods and services		590,443		1,605,255		2,147,761		799,073		1,237,436		558,147		514,733		1,381,532		8,834,380
Amortization		88,565		146,181		2,817,271		-		390,200		167,781		-		229,824		3,839,822
Fiscal services		212,899		-		-		-		-		-		-		-		212,899
Total expenses		3,178,667		2,980,163		6,961,058		987,291		2,407,564		996,574		1,221,724		2,685,430		21,418,471
Annual surplus (deficit)	$	14,327,288	$	(2,444,528)	$	(3,558,790)	$	(137,474)	$	1,630,972	$	390,886	$	(568,557)	$	(1,690,708)	$	7,949,089

18. Budget data

The budget data presented in these consolidated financial statements is based upon the 2025 operating and capital budgets approved by Council via Bylaw 908 on March 19, 2025.

The table below reconciles the approved budget to the budget figures reported in these consolidated financial statements:

	Budget amount
Revenue:	
Operating budget	$ 29,962,100
Add:	
Transfers from surplus or reserves	11,990,800
Total revenue	41,952,900
Expenses:	
Operating budget	20,330,200
Capital budget	16,215,800
Add:	
Transfers to reserves	4,371,400
Debt principal repayments	1,035,500
Total expenses	41,952,900
	$ -

19. Comparative information:

Certain 2024 comparative figures have been reclassified to conform with the consolidated financial statement presentation adopted for the current year. The changes had no impact on prior year annual surplus.

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Schedule 1 - Canada Community Building Fund

Year ended December 31, 2025
(Unaudited)

		2025		2024
Opening balance	$	1,199,265	$	939,812
Grant funds received		487,013		487,013
Interest earned		52,780		-
		1,739,058		1,426,825
Project expenditures		1,014,698		227,560
	$	724,360	$	1,199,265

Canada Community Building Fund grants are provided by the Government of Canada. Use of the funding is established by a funding agreement between the Municipality and the Union of British Columbia Municipalities. Canada Community Buildings Fund grants may be used towards designated public transport, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreement.

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Schedule 2 - Growing Communities Fund

Year ended December 31, 2025
(Unaudited)

The Province of British Columbia distributed conditional Growing Communities Fund (GCF) grants to communities at the end of March 2023 to help local governments build community infrastructure and amenities to meet the demands of population growth. The GCF provided a one-time total of $1 billion in grants to all 161 municipalities and 27 regional districts in British Columbia.

The Town received $3,346,000 of GCF funding in March 2023.

	2025	2024
Growing Community Fund	$ 3,573,510	$ 3,414,107
Project expenditures:		
Eaglecrest golf course purchase	2,100,000	-
Saahtlam Park washrooms, playground and food truck services	166,307	-
Seacrest Road replacement - slope stabilization	700,000	-
Skate park project	700,000	11,200
	(92,797)	3,402,907
Interest earned	134,394	170,603
	$ 41,597	$ 3,573,510