

Consolidated Financial Statements of

THE DISTRICT OF METCHOSIN

Year ended December 31, 2025

DISTRICT OF METCHOSIN

Consolidated Statement of Financial Position

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

Financial Statements

| | |
|---|---|
| Management's Responsibility for the Consolidated Financial Statements | 1 |
| Independent Auditor's Report | 2 |
| Consolidated Statement of Financial Position | 5 |
| Consolidated Statement of Operations | 6 |
| Consolidated Statement of Change in Net Financial Assets | 7 |
| Consolidated Statement of Cash Flows | 8 |
| Notes to Consolidated Financial Statements | 9 |

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of The District of Metchosin (the "District") are the responsibility of management and have been prepared in compliance with applicable legislation and in accordance with public sector accounting principles for local governments established by 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 District'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 acceptance of the consolidated financial statements.

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



Chief Financial Officer



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councilors of The District of Metchosin

Opinion

We have audited the consolidated financial statements of the District of Metchosin (the "District"), which comprise:

- the consolidated statement of financial position as at end of December 31, 2025
- the consolidated statement of operations 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 District 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 District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



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

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

In preparing the financial statements, management is responsible for assessing the District'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 District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District'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 District'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 District'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 District 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
April 27, 2026

DISTRICT OF METCHOSIN

Consolidated Statement of Financial Position

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

| | 2025 | 2024 |
|--|----------------------|----------------------|
| Financial Assets: | | |
| Cash and cash equivalents (note 3) | \$ 22,166,708 | \$ 21,482,646 |
| Accounts receivable | 284,422 | 270,765 |
| Taxes receivable | 156,450 | 125,814 |
| Long-term Investments (note 4) | 5,050,762 | 4,577,549 |
| Other assets | 270,211 | 207,784 |
| Total Financial Assets | 27,928,553 | 26,664,558 |
| Liabilities: | | |
| Accounts payable and accrued liabilities | 2,366,397 | 2,920,939 |
| Deposits payable | 434,204 | 332,463 |
| Prepaid property taxes | 370,669 | 294,686 |
| Wages and benefits payable (note 5) | 378,613 | 291,403 |
| Deferred revenue (note 6) | 894,537 | 915,357 |
| Asset retirement obligations (note 7) | 285,092 | 292,812 |
| Total Financial Liabilities | 4,729,512 | 5,047,660 |
| Net financial assets | 23,199,041 | 21,616,898 |
| Non-Financial Assets: | | |
| Tangible capital assets (note 8) | 35,165,478 | 35,575,169 |
| Prepaid expenses | 82,055 | 47,097 |
| Total Non-Financial Assets | 35,247,533 | 35,622,266 |
| Commitments and contingencies (note 12) | | |
| Accumulated Surplus (note 9) | \$ 58,446,574 | \$ 57,239,164 |

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

On behalf of the District:



DISTRICT OF METCHOSIN

Consolidated Statement of Operations

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

| | 2025 Budget | 2025 Actuals | 2024 Actuals |
|--|----------------------|----------------------|----------------------|
| | (Note 13) | | |
| Revenue | | | |
| Taxes levied for municipal purposes (note 10) | \$ 3,995,335 | \$ 4,052,609 | \$ 3,880,610 |
| Net grants in lieu of taxes | 1,908,005 | 1,906,731 | 1,831,302 |
| Sale of services | 731,800 | 1,054,021 | 1,013,665 |
| Government transfers (note 11) | 1,205,000 | 1,456,109 | 1,565,143 |
| Investment income | 180,000 | 819,943 | 1,332,893 |
| Penalties and interest | 36,000 | 42,012 | 43,285 |
| Other | 282,511 | 102,977 | 98,322 |
| Total Revenue | 8,338,651 | 9,434,402 | 9,765,220 |
| Expenses | | | |
| General government | 1,454,313 | 1,646,314 | 1,533,393 |
| Protective services | 2,639,505 | 2,672,005 | 2,142,187 |
| Transportation services | 2,046,666 | 1,847,263 | 1,897,590 |
| Planning and environmental services | 168,654 | 275,591 | 200,390 |
| Parks, recreation & culture | 2,003,513 | 1,785,819 | 1,955,309 |
| Total Expenses | 8,312,651 | 8,226,992 | 7,728,869 |
| Annual surplus | 26,000 | 1,207,410 | 2,036,351 |
| Accummulated surplus, beginning of year | 57,239,164 | 57,239,164 | 55,202,813 |
| Accumulated Surplus, end of year | \$ 57,265,164 | \$ 58,446,574 | \$ 57,239,164 |

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

DISTRICT OF METCHOSIN

Consolidated Statement of Change in Net Financial Assets

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

| | 2025 Budget | 2025 Actuals | 2024 Actuals |
|---|---------------|---------------|---------------|
| | (Note 13) | | |
| Annual Surplus | \$ 26,000 | \$ 1,207,410 | \$ 2,036,351 |
| Acquisition of tangible capital assets | (1,354,500) | (1,052,855) | (933,819) |
| Amortization of tangible capital assets | 1,367,059 | 1,474,631 | 1,472,373 |
| Asset retirement obligation | - | 20,518 | - |
| Loss on disposal of assets | - | 18,451 | - |
| Change in proportionate share of West Shore | - | (51,054) | 119,656 |
| | 12,559 | 409,691 | 658,210 |
| Acquisition of prepaid expense | - | (34,958) | (15,045) |
| Change in net financial assets | 38,559 | 1,582,143 | 2,679,516 |
| Net financial assets, beginning of year | 21,616,898 | 21,616,898 | 18,937,382 |
| Net financial assets, end of year | \$ 21,655,457 | \$ 23,199,041 | \$ 21,616,898 |

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

DISTRICT OF METCHOSIN

Consolidated Statement of Cash Flows

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

| | 2025 | 2024 |
|---|---------------|---------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 1,207,410 | \$ 2,036,351 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 1,474,631 | 1,472,373 |
| Accretion on asset retirement obligation | 12,798 | 12,314 |
| Loss on disposal of asset(s) | 18,451 | - |
| Change in proportionate share of West Shore | (51,054) | 119,656 |
| Changes in non-cash operating assets and liabilities: | | |
| Accounts receivable | (13,657) | 770,627 |
| Taxes receivable | (30,636) | 26,841 |
| Other assets | (62,427) | (2,258) |
| Accounts payable and accrued liabilities | (554,542) | 508,878 |
| Wages and benefits payable | 87,210 | 36,799 |
| Prepaid property taxes | 75,983 | 19,261 |
| Deposits payable | 101,741 | 44,209 |
| Deferred revenue | (20,820) | 501,741 |
| Prepaid expense | (34,958) | (15,045) |
| | 2,210,130 | 5,531,747 |
| Capital activities: | | |
| Acquisition of tangible capital assets | (1,052,855) | (933,819) |
| Investing activities: | | |
| Net change in investments | (473,213) | (271,993) |
| Increase (decrease) in cash and cash equivalents | 684,062 | 4,325,935 |
| Cash and cash equivalents, beginning of year | 21,482,646 | 17,156,711 |
| Cash and cash equivalents, end of year | \$ 22,166,708 | \$ 21,482,646 |
| Supplemental cash flow information: | | |
| Cash paid for interest | \$ 12,360 | \$ 23,741 |
| Cash received from interest | 819,943 | 1,332,893 |

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

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

The District of Metchosin (the "District") is a municipality in the Province of British Columbia and operates under the provisions of the Local Government Act and the Community Charter of British Columbia.

1. Significant accounting policies:

The consolidated financial statements of the District are prepared by management in accordance with Canadian public sector accounting principles for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the District are as follows:

(a) Reporting entity:

The consolidated financial statements reflect the combination of all the assets, liabilities, revenues, expenses, and changes in net financial assets of the District. The consolidated financial statements of the District includes the District's proportionate interest in West Shore Parks and Recreation Society ("West Shore"), an organization jointly controlled by the District. The District does not administer any trust activities on behalf of external parties.

(b) Basis of accounting:

The District 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) Government transfers:

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. Government transfers with stipulations restricting their use are recognized in the financial statements as revenues in the period in which eligible expenses are incurred provided they are authorized and meet eligibility criteria.

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

1. Significant accounting policies (continued):

(d) Deferred revenue:

Revenue from unilateral transactions is recognized when the District 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 District has satisfied performance obligations.

Deferred revenue includes contributions 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 the related liability.

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

(e) Property tax revenue:

Property tax revenue is recognized on the accrual basis using the approved mill rates and the anticipated assessment related to the current year.

(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 and cash equivalents:

Cash and cash equivalents include investments in the Municipal Finance Authority of British Columbia ("MFA") Money Market Funds which are recorded at cost plus earnings reinvested in the funds.

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

1. Significant accounting policies (continued)

(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) 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 | 20 - 40 |
| Buildings | 20 - 50 |
| Vehicles, machinery and equipment | 4 - 25 |
| Roads infrastructure | 25 - 100 |

Amortization is charged annually, including in the year of acquisition and disposal. Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the District'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 at the date of receipt and also are recorded as revenue.

(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.

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

1. Significant accounting policies (continued)

(i) Non-financial assets (continued):

(iv) Interest capitalization:

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

(v) Contaminated sites:

The District records a liability in its financial statements when contamination on nonactive property exceeds an accepted environmental standard and the District is directly responsible, or accepts responsibility for the damage. The liability is measured at the District's best estimate of the costs directly attributable to remediation of the contamination. No contaminated sites liabilities have been recorded in these financial statements.

(j) Employee future benefits:

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

Sick leave, vacation pay and other retirement benefits are also available to the District's employees. Sick leave entitlements are accrued based on the estimated liability based on past history and can only be used while employed by the District. They are not paid out upon retirement or termination of employment. Accrued vacation represents earned and unused vacation amounts at the reporting date. The costs of retirement benefits are determined based on service and best estimates calculated as 1.5 days per year of service greater than 5 years. The obligations under these benefit plans are accrued as the employees render services necessary to earn the future benefits. The benefit amounts are included in wages and benefits payable.

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

1. Significant accounting policies (continued)

(k) Asset retirement obligations:

An asset retirement obligation (ARO) is a legal obligation associated with the retirement of a tangible capital asset that the District will be required to settle. The District recognizes asset retirement obligations when there is a legal obligation to incur retirements 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.

Asset retirement obligations are initially measured at the best estimate of the amount required to retire a tangible capital asset at the financial statement date. The estimate of a liability includes costs directly attributable to asset retirement activities. Asset retirement obligations are recorded as liabilities with a corresponding increase to the carrying amount of the related tangible capital asset are being amortized with the buildings following the amortization policies outlined in note 1(h).

This obligation is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and for revisions to either the timing or the amount of the current estimate of the undiscounted cash flow or the discount rate. Assumptions used in the subsequent calculations are reviewed annually and revised as necessary when new information becomes available.

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

1. Significant accounting policies (continued):

(l) Financial instruments:

The District's financial instruments include cash and cash equivalents, accounts receivable, taxes receivable, other assets, accounts payable and accrued liabilities and wages and benefits payable.

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 recorded at cost or amortized cost unless the District elects to carry the financial instrument at fair value. The District 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. They are recorded in the Statement of Operations when they are realized. There are no unrealized changes in fair value in the years presented; as a result, the District does not have a Statement of Remeasurement Gains and Losses.

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.

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 are included in the cost and amortized on an effective interest basis.

(m) Use of estimates:

The preparation of 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 revenues and expenses during the period. Estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets, asset retirement obligations and in estimating provisions for accrued liabilities including employee future benefits. Actual results could differ from these estimates.

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

2. Comparative Figures:

Certain comparative figures have been reclassified to conform to presentation adopted in the current year. These reclassifications do not affect the annual surplus or accumulated surplus previously reported.

3. Cash and cash equivalents:

| | 2025 | 2024 |
|--|---------------|---------------|
| Municipal Finance Authority - Money Market Funds | \$ 9,625,714 | \$ 9,958,986 |
| Coast Capital Savings - GIC's | 4,723,621 | - |
| Bank deposits | 7,817,373 | 11,523,660 |
| | \$ 22,166,708 | \$ 21,482,646 |

4. Investments:

| | 2025 | 2024 |
|-------------------------------|--------------|--------------|
| Coast Capital Savings - GIC's | 5,050,762 | 4,577,549 |
| | \$ 5,050,762 | \$ 4,577,549 |

The fair value of the GIC's approximates the recorded value. Investments mature between 2027 and 2030 and bear interest rates ranging from 3.7% to 4.25%. Investments include \$50,762 (2024 - \$0) in accrued interest receivable.

5. Wages and benefits payable:

Included in wages and benefits payable are accrued benefits of \$99,328 (2024 - \$96,584). This includes accrued sick leave, accrued vacation and retirement benefit.

Municipal Pension Plan

The Municipality 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 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.

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

5. Wages and benefits payable (continued):

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

The District paid \$114,140 (2024 - \$97,956) for employer contributions and District employees paid \$102,527 (2024 - \$87,952) for employee contributions to the plan in fiscal 2025.

Employers participating in the plan record their pension expense at 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.

GVLRA – CUPE Long-Term Disability Trust

The Trust was established January 1, 1987 as a result of negotiations between the Greater Victoria Labour Relations Association representing a number of employers and the Canadian Union of Public Employees representing a number of CUPE locals. The Trust's sole purpose is to provide a long-term disability income benefit plan. The District and its employees each contribute equal amounts into the Trust. The total plan provision for approved and unreported claims was actuarially determined as of December 31, 2024. At December 31, 2024, the total plan provision for approved and unreported claims was \$31,688,000 (2024 - \$27,791,600) with a plan deficit of \$4,356,410 (2024 - \$3,419,021). The actuary does not attribute portions of the unfunded liability to individual employers. The District paid \$20,668 (2024 - \$15,285) for employer contributions and District employees paid \$20,668 (2024 - \$15,285) for employee contributions to the plan in fiscal 2025.

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

6. Deferred revenue:

| | 2025 | 2024 |
|-----------------------|------------|------------|
| Subdivision servicing | \$ 156,874 | \$ 156,874 |
| Grants | 377,983 | 584,094 |
| West Shore | 166,712 | 174,389 |
| Building permits | 192,218 | - |
| Rent | 750 | - |
| | \$ 894,537 | \$ 915,357 |

7. Asset retirement obligations:

The District owns and operates several assets that are known to have asbestos, lead paint, and polychlorinated biphenyls (PCBs) which represent a health hazard upon demolition or renovation of the assets. There is a legal obligation to remove and dispose of the hazardous materials. Estimated costs totaling \$762,260 have been discounted using a present value calculation with a discount rate of 4.73% (2024 - 4.39%). The timing of these expenditures is estimated to occur between 2026 and 2047 with the regular replacement, renovation, or disposal of assets. No recoveries are expected at this time.

| | 2025 | 2024 |
|-------------------------------------|------------|------------|
| Balance, beginning of year | \$ 292,812 | \$ 280,498 |
| Increase due to accretion | 12,798 | 12,314 |
| Revision due to change in estimates | (20,518) | - |
| | \$ 285,092 | \$ 292,812 |

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

8. Tangible capital assets:

| | Land | Land improvements | Buildings | Vehicles, machinery, and equipment | Transportation | Assets under construction | Total 2025 | Total 2024 |
|---|-----------|-------------------|-----------|------------------------------------|----------------|---------------------------|------------|------------|
| Cost: | | | | | | | | |
| Balance, beginning of year | 8,326,460 | 586,913 | 6,909,223 | 4,090,445 | 66,342,343 | 11,965 | 86,267,349 | 85,553,638 |
| Change in proportionate share of West Shore | - | - | 73,596 | 6,039 | - | - | 79,635 | (184,110) |
| Additions | - | 32,582 | 222,407 | 123,563 | 674,303 | - | 1,052,855 | 933,819 |
| ARO adjustment | - | - | (20,518) | - | - | - | (20,518) | - |
| Disposals | - | (19,220) | (52,927) | - | - | - | (72,147) | (35,998) |
| Balance, end of year | 8,326,460 | 600,275 | 7,131,781 | 4,220,047 | 67,016,646 | 11,965 | 87,307,174 | 86,267,349 |
| Accumulated amortization: | | | | | | | | |
| Balance, beginning of year | - | 276,845 | 3,626,884 | 2,219,947 | 44,568,504 | - | 50,692,180 | 49,320,260 |
| Change in proportionate share of West Shore | - | - | 24,106 | 4,475 | - | - | 28,581 | (64,455) |
| Disposals | - | (769) | (52,927) | - | - | - | (53,696) | (35,998) |
| Amortization | - | 22,583 | 244,284 | 207,524 | 1,000,240 | - | 1,474,631 | 1,472,373 |
| Balance, end of year | - | 298,659 | 3,842,347 | 2,431,946 | 45,568,744 | - | 52,141,696 | 50,692,180 |
| Net book value, end of year | 8,326,460 | 301,616 | 3,289,434 | 1,788,101 | 21,447,902 | 11,965 | 35,165,478 | 35,575,169 |

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

8. Tangible capital assets (continued):

(a) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset has been recognized at a nominal value. Land is the only category to which nominal values can be assigned.

(b) Works of art and historical treasures:

The District manages and controls various works of art and non-operational historical cultural assets including artifacts, paintings and sculptures located at District sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(c) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$18,451 (2024 - nil).

9. Accumulated surplus:

Accumulated surplus consists of unappropriated operating funds, various appropriated operating funds and reserve funds.

| | 2025 | 2024 |
|------------------------------|----------------------|----------------------|
| Reserve funds: | | |
| Capital: | | |
| General Capital | \$ 1,611,635 | \$ 1,275,299 |
| Parkland Acquisition | 290,934 | 284,528 |
| Community Works Fund | 705,151 | 717,965 |
| | <u>2,607,720</u> | <u>2,277,792</u> |
| Capital replacement: | | |
| Road Capital and Maintenance | 5,725,170 | 4,907,793 |
| Fire Equipment Replacement | 621,608 | 439,834 |
| Municipal Equipment | 221,284 | 60,930 |
| Building Replacement | 3,556,066 | 3,319,396 |
| School Building | 454,523 | 346,732 |
| Trails Replacement Reserve | 134,590 | 119,758 |
| | <u>10,713,241</u> | <u>9,194,443</u> |
| Balance forward | \$ 13,320,961 | \$ 11,472,235 |

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

9. Accumulated surplus (continued):

| | 2025 | 2024 |
|---|----------------------|----------------------|
| Balance forward | \$ 13,320,961 | \$ 11,472,235 |
| Appropriated operating funds: | | |
| Operating: | | |
| Policing phase-in | 1,154,345 | 1,256,122 |
| Recreation taxation equalization reserve | 2,136,973 | 1,989,060 |
| Tax stabilization | 78,266 | 78,266 |
| Growing Community Funds grant | 2,736,948 | 2,660,480 |
| Climate action | 91,758 | 91,758 |
| Victoria library | 34,777 | 34,777 |
| Admin staffing | - | 62,000 |
| | <u>6,233,067</u> | <u>6,172,463</u> |
| Surplus accounts: | | |
| Snow and storm reserve | 130,290 | 112,000 |
| Legal, insurance, consulting | 175,000 | 175,000 |
| Revenue shortfall | 517,000 | 517,000 |
| Public works efficiency | 462,500 | 312,500 |
| Business development | 56,000 | 63,000 |
| Planning | 40,400 | 23,000 |
| Public works minor infrastructure | 273,000 | 273,000 |
| Environment | 51,000 | 51,000 |
| Elections | 26,055 | 11,522 |
| Fire equipment | 81,134 | 55,845 |
| Admin computer | 14,031 | 9,000 |
| Buffer Land | 15,000 | - |
| | <u>1,841,410</u> | <u>1,602,867</u> |
| Total reserve and appropriated operating funds | 21,395,438 | 19,247,565 |
| Unappropriated operating funds | 2,170,750 | 2,709,242 |
| | <u>23,566,188</u> | <u>21,956,807</u> |
| Equity in tangible capital assets | 34,880,386 | 35,282,357 |
| | <u>\$ 58,446,574</u> | <u>\$ 57,239,164</u> |

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

10. Taxes levied for municipal purposes:

| | 2025 | 2024 |
|--------------------------------------|------------------|------------------|
| Taxes levied for municipal purposes: | | |
| Property taxes | \$ 3,979,723 | \$ 3,808,559 |
| 1% utility taxes | 72,886 | 72,051 |
| | <u>4,052,609</u> | <u>3,880,610</u> |
| Taxes levied for other authorities: | | |
| School authorities | 2,885,147 | 2,836,997 |
| Capital Regional District | 587,156 | 554,737 |
| Capital Regional Hospital District | 277,362 | 284,438 |
| BC Transit | 783,147 | 580,022 |
| BC Assessment Authority | 82,025 | 80,952 |
| Municipal Finance Authority | 450 | 456 |
| | <u>4,615,287</u> | <u>4,337,602</u> |
| Total property taxes collected | \$ 8,667,896 | \$ 8,218,212 |

11. Government transfers:

| | 2025 | 2024 |
|----------------------|------------------|------------------|
| Operating transfers: | | |
| Provincial | 1,027,159 | 1,114,099 |
| Other | 66,247 | 73,502 |
| West Shore | 68,571 | 83,410 |
| | <u>1,161,977</u> | <u>1,271,011</u> |
| Capital transfers: | | |
| Gas Tax | 294,132 | 294,132 |
| Total revenue | \$ 1,456,109 | \$ 1,565,143 |

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

12. Commitments and contingencies:

- (a) The Capital Regional District (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 District.
- (b) The District is a shareholder and member of the Capital Region Emergency Service Telecommunications (CREST) Incorporated which provides centralized emergency communications, and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service 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.
- (c) The District is a defendant in various lawsuits for which no liability is reasonably determinable at this time. Should the claims be successful as a result of litigation, amounts will be recorded when a liability is likely and determinable. The District is self-insured through membership in the Municipal Insurance Association of British Columbia. Under this program, member municipalities are to share jointly for general liability claims against any member in excess of \$10,000. Should the Association pay out claims in excess of premiums received, it is possible that the District, along with the other participants, would be required to contribute towards the deficit.
- (d) The District has entered into a Municipal Police Unit Agreement with the Province of BC and the Royal Canadian Mounted Police for the provision of police services effective April 1, 2022. Under the terms of this contract, the District is responsible for 70% of policing costs. The estimated cost of the contract is \$957,745 in 2026.
- (e) The District has entered into a Dispatch Services Agreement with E-Comm Emergency Communications for British Columbia for the provisions of emergency call dispatch services effective January 1, 2026. The estimated cost of the contract is \$134,540.

13. Financial plan data:

The financial plan data presented in these consolidated financial statements is based upon the 2025 financial plan adopted by Council on April 28, 2025.

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

14. West Shore Parks and Recreation Society:

(a) Capital asset transfers:

The CRD transferred the lands and facilities comprising the Juan de Fuca Recreation Centre to the following municipal partners (the “Municipalities”) in 2003: City of Langford, City of Colwood, District of Highlands, District of Metchosin and Town of View Royal.

The lands and facilities were transferred to the Municipalities in their proportionate share, as specified in the Co-Owners’ Agreement. Future improvements are allocated among the partners as per the cost sharing formula in effect each year for each service or facility, as outlined in a Members’ Agreement. For 2025, the District’s share of improvements purchased by the Society on its behalf is \$75,098 (2024 - \$112,683).

Because the cost sharing formula in the Members’ Agreement produces different cost shares for the members from year-to-year, there is an adjustment to increase or decrease the opening fund balances. In 2025, the District recorded an increase of \$102,914 (2024 - decrease of \$119,656).

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.

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

14. West Shore Parks and Recreation Society (continued):

(b) Consolidation:

Financial results and financial plan for the Society are consolidated into the District's financial statements proportionately, based on the cost sharing formula outlined in the Members' Agreement. In 2025, the District's proportion for consolidation purposes was 7.297% (2024 - 7.193%). Condensed financial information for the Society is as follows:

| | 2025 | 2024 |
|--------------------------|---------------|---------------|
| Financial assets | \$ 6,723,414 | \$ 6,319,372 |
| Financial liabilities | 3,786,218 | 3,888,495 |
| Net financial assets | 2,937,196 | 2,430,877 |
| Non-financial assets | 1,786,364 | 1,716,367 |
| Accumulated surplus | \$ 4,723,560 | \$ 4,147,244 |
| Revenues | \$ 10,007,956 | \$ 9,643,960 |
| Requisition from members | 6,285,001 | 6,049,085 |
| | 16,292,957 | 15,693,045 |
| Expenses | \$ 15,921,345 | \$ 15,438,840 |
| Annual surplus | \$ 371,612 | \$ 254,205 |

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

15. Financial risk management

The District has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, and market risk (foreign currency risk, interest rate risk, and other price risk). Management oversees the District's systems and practices of internal control and ensures that these controls contribute to the assessment and mitigation of risk. Management reports regularly to Council on its activities. The District has experienced no change in its risk exposure and has not made any changes to its risk management policies and procedures during the year.

(a) Credit risk:

Credit risk is the risk of a financial loss to the District if a counterparty to a financial instrument fails to meet its contractual obligations resulting in a financial loss. Such risks arise principally from certain financial assets held by the District consisting of cash and cash equivalents, investments and receivables.

Cash and cash equivalents and investments are held with reputable financial institutions with investment grade external credit ratings. The majority of receivables are owing from government agencies. The District is able to recover delinquent taxes through tax sale of properties with unpaid property taxes.

The District assesses on a continuous basis its receivables and provides for any amounts that are uncollectible in an allowance for doubtful accounts. The maximum exposure to credit risk is the carrying value of financial assets.

(b) Liquidity risk:

Liquidity risk is the risk that the District will not be able to meet its financial obligations as they become due. The District's objective is to have sufficient liquidity to meet these liabilities when due. The District prepares financial plans, monitors its cash balance and cash flows to meet its liquidity requirements. Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

(c) Market risk:

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and other price risks, will affect the District's results of operations or the fair value of its holdings of financial instruments. In the normal course of operations, the District makes purchases denominated in US dollars. The District does not have any material transactions denominated in foreign currencies at year end.

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

15. Financial risk management (continued):

(c) Market risk (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The District is subject to interest rate risk on its cash and money market investments.

Changes in tariffs, counter-tariffs, or other trade measures between Canada and the United States may increase the cost of goods, materials, equipment, and contracted services used by the District. These cost increases could impact operations and capital projects. The District continues to monitor potential impacts and assess options to mitigate these risks.

16. Segmented information:

The District is a diversified municipal organization that provides a wide range of services to its citizens. District services are provided by departments and their activities reported separately. Certain functions that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General Government

The general government operations provide the functions of corporate administration and legislative services and any other functions categorized as non-departmental.

Protective Services

Protective services is comprised of three different functions, including the District's emergency management agency, fire and regulatory services. The emergency management agency prepares the District to be more prepared and able to respond to, recover from, and be aware of, the devastating effects of a disaster or major catastrophic event that will impact the community. The fire department is responsible for providing critical, life-saving services in preventing or minimizing the loss of life and property from fire and natural or man-made emergencies. The mandate of the regulatory services is to promote, facilitate and enforce general compliance with the provisions of bylaws that pertain to the health, safety and welfare of the community and provide a full range of planning services related to zoning, development permits, variance permits and current regulatory issues.

Transportation Services

Transportation services is responsible for transportation functions including roads and streets. As well, services are provided around infrastructure, transportation planning, pedestrian and cycling issues and on-street parking regulations, including street signs and painting.

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

16. Segmented information (continue):

Planning and Environmental Services

Planning works to achieve the District's community planning goals through the Official Community Plan and other policy initiatives.

Recreation and Cultural Services

Parks is responsible for the maintenance and development of all park facilities. Recreation services facilitate the provision of recreation and wellness programs and services through West Shore.

The accounting policies used in these segments is 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.

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

16. Segmented Information (continued):

| 2025 | General Government | Protective Services | Planning and Environmental Services | Transporation | Parks, Recreation, and Culture | 2025 TOTAL |
|---|-----------------------|------------------------|---|--------------------|-----------------------------------|------------------|
| Revenue | | | | | | |
| Taxation | 4,293,155 | 747,664 | - | - | 960,533 | 6,001,352 |
| Sale of services | 19,309 | 258,294 | 36,298 | - | 740,120 | 1,054,021 |
| Government transfers | 1,102,331 | 200,506 | 70,361 | - | 82,911 | 1,456,109 |
| Investment income | 819,943 | - | - | - | - | 819,943 |
| Other | 7,013 | 95,895 | - | 12,867 | 5,653 | 121,428 |
| Gain (loss) on assets | (18,451) | - | - | - | - | (18,451) |
| TOTAL REVENUE | 6,223,300 | 1,302,359 | 106,659 | 12,867 | 1,789,217 | 9,434,402 |
| Expenses by Object | | | | | | |
| Salaries and wages | 970,942 | 696,069 | 40,491 | 393,099 | 20,681 | 2,121,282 |
| Materials and supplies | 26,924 | 168,153 | 15,636 | 83,373 | 9,625 | 303,711 |
| Property service cost | 232,646 | 106,176 | 108,062 | 352,718 | 92,262 | 891,864 |
| Professional service cost | 351,131 | 1,458,927 | 111,402 | 24,909 | 1,536,949 | 3,483,318 |
| Other expenses | 10,762 | 117,688 | - | (81,375) | 24,910 | 71,985 |
| Fiscal expenses (interest, etc) | 29,183 | - | - | - | 4,484 | 33,667 |
| Amortization | 24,726 | 124,992 | - | 1,074,539 | 241,344 | 1,465,601 |
| Change in proportionate share of West Shore | - | - | - | - | (144,436) | (144,436) |
| TOTAL EXPENSES | 1,646,314 | 2,672,005 | 275,591 | 1,847,263 | 1,785,819 | 8,226,992 |
| Annual surplus (deficit) | 4,576,986 | (1,369,646) | (168,932) | (1,834,396) | 3,398 | 1,207,410 |

DISTRICT OF METCHOSIN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

16. Segmented Information (continued):

| 2024 | General Government | Protective Services | Planning and Environmental Services | Transporation | Parks, Recreation, and Culture | 2024 TOTAL |
|---|-----------------------|------------------------|---|--------------------|-----------------------------------|------------------|
| Revenue | | | | | | |
| Taxation | 4,130,129 | 707,453 | - | - | 917,614 | 5,755,196 |
| Sale of services | 20,528 | 191,723 | 75,168 | - | 726,246 | 1,013,665 |
| Government transfers | 1,118,837 | 424,641 | (61,745) | - | 83,410 | 1,565,143 |
| Investment income | 1,332,893 | - | - | - | - | 1,332,893 |
| Other | 15,302 | 76,021 | - | 1,000 | - | 92,323 |
| Gain (loss) on assets | 6,000 | - | - | - | - | 6,000 |
| TOTAL REVENUE | 6,623,689 | 1,399,838 | 13,423 | 1,000 | 1,727,270 | 9,765,220 |
| Expenses by Object | | | | | | |
| Salaries and wages | 903,303 | 630,423 | 37,517 | 383,363 | 3,384 | 1,957,990 |
| Materials and supplies | 39,127 | 221,129 | 14,133 | 113,088 | 2,471 | 389,948 |
| Property service cost | 264,733 | 73,003 | 84,484 | 304,977 | 83,280 | 810,477 |
| Professional service cost | 258,960 | 1,079,849 | 64,256 | 77,878 | 1,489,727 | 2,970,670 |
| Other expenses | 4,984 | 12,791 | - | (74,274) | 18,905 | (37,594) |
| Fiscal expenses (interest, etc) | 39,444 | - | - | - | - | 39,444 |
| Amortization | 22,842 | 124,992 | - | 1,092,558 | 231,981 | 1,472,373 |
| Change in proportionate share of West Shore | - | - | - | - | 125,561 | 125,561 |
| TOTAL EXPENSES | 1,533,393 | 2,142,187 | 200,390 | 1,897,590 | 1,955,309 | 7,728,869 |
| Annual surplus (deficit) | 5,090,296 | (742,349) | (186,967) | (1,896,590) | (228,039) | 2,036,351 |

DISTRICT OF METCHOSIN

Statement of BC Safe Restart Grant

Year ended December 31, 2025

(Unaudited)

| | | |
|--|----|---------|
| Restart Grant Amount Brought forward from 2024 | \$ | 683,175 |
|--|----|---------|

Expenses:

Administration Department:

Direct covid supplies

IT and remote access work and equipment

Fire Department:

Personal protective equipment

| | | |
|--|----|---------|
| Restart Grant Amount reported in capital reserve December 31, 2025 | \$ | 683,175 |
|--|----|---------|

DISTRICT OF METCHOSIN

Statement of Growing Communities Fund Grant

Year ended December 31, 2025

(Unaudited)

| | | |
|--|----|-----------|
| Grant Amount Brought forward from 2024 | \$ | 2,660,480 |
| Interest Earned | | 76,468 |
| Expenses incurred | | - |
| Balance at December 31, 2025 | \$ | 2,736,948 |

DISTRICT OF METCHOSIN

Statement of Capacity Funding for Local Government Housing Initiatives

Year ended December 31, 2025

(Unaudited)

| | | |
|--|----|----------|
| Grant Amount Brought forward from 2024 | \$ | 159,516 |
| Expenses incurred | | (70,361) |
| Balance at December 31, 2025 | \$ | 89,155 |
