

Consolidated Financial Statements of

**THE CORPORATION OF THE DISTRICT  
OF NORTH COWICHAN**

Year ended December 31, 2025

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Consolidated Financial Statements

Year ended December 31, 2025

## Financial Statements

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## **MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying consolidated financial statements of The Corporation of the District of North Cowichan (the "North Cowichan") 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 North Cowichan'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 North Cowichan. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the North Cowichan's consolidated financial statements.

*Teri Vetter*

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*Chief Financial Officer*



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## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councilors of The Corporation of the District of North Cowichan

### ***Opinion***

We have audited the consolidated financial statements of the Corporation of the District of North Cowichan (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 debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying 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.



Corporation of the District of North Cowichan

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.



Corporation of the District of North Cowichan

- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Victoria, Canada  
May 7, 2026

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

## Consolidated Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
<b>Financial assets:</b>		
Cash (note 2)	\$ 20,878,018	\$ 9,307,715
Temporary investments	99,924,553	86,762,957
Accounts receivable (note 3)	17,422,522	15,809,064
	<u>138,225,093</u>	<u>111,879,736</u>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities (note 4)	7,879,121	8,369,287
Employee benefits payable (note 5)	5,222,797	4,532,035
Unearned revenue (note 6)	20,656,280	18,791,811
Asset retirement obligation (note 8)	24,698,242	28,215,854
Restricted reserves (note 9)	27,036,660	24,403,609
Debt (note 10)	49,743,782	31,584,655
	<u>135,236,882</u>	<u>115,897,251</u>
<b>Net financial assets (debt)</b>	2,988,211	(4,017,515)
<b>Non-financial assets:</b>		
Tangible capital assets (note 11)	370,652,408	368,084,191
Inventory of supplies	670,057	674,475
Prepaid items	648,398	566,119
Property acquired for taxes	2,567,323	2,341,177
	<u>374,538,186</u>	<u>371,665,962</u>
Commitments and contingencies (note 14)		
<b>Accumulated surplus (note 12)</b>	<u>\$ 377,526,397</u>	<u>\$ 367,648,447</u>

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

On behalf of the North Cowichan:

*Teri Vetter*

Chief Financial Officer

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

## Consolidated Statement of Operations

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

	Financial plan (note 16)	2025	2024
<b>Revenue:</b>			
Taxation (note 19)	\$ 49,923,138	\$ 49,154,370	\$ 45,512,849
Sales of services	13,925,265	14,252,151	14,247,632
Other revenue from own sources	3,188,487	4,479,067	4,212,448
Return on investments (note 13)	1,820,000	3,654,984	2,570,478
Grants and government transfers (note 13)	28,402,962	7,275,056	4,756,109
Collections from developers and others	12,090,552	6,573,422	7,978,045
Actuarial adjustments to debt	-	769,553	678,221
<b>Total revenue</b>	<b>109,350,404</b>	<b>86,158,603</b>	<b>79,955,782</b>
<b>Expenses:</b>			
General government	7,989,840	8,592,556	8,099,336
Protective services	20,346,391	18,943,721	16,783,167
Engineering and public works	12,539,392	12,252,038	12,436,221
Environmental health services	5,205,720	4,819,877	2,988,444
Recreation and cultural services	14,404,121	15,549,942	14,506,934
Water utility	6,674,445	6,548,220	6,081,653
Sewer utility	4,878,680	6,619,153	6,058,036
Other	2,794,913	2,686,864	2,532,921
<b>Total expenses</b>	<b>74,833,502</b>	<b>76,012,371</b>	<b>69,486,712</b>
Annual surplus	34,516,902	10,146,232	10,469,070
Accumulated surplus, beginning of year	367,648,447	367,648,447	356,064,530
Remeasurement gains (losses) for the period	-	(268,282)	1,114,847
<b>Accumulated surplus, end of year</b>	<b>\$ 402,165,349</b>	<b>\$ 377,526,397</b>	<b>\$ 367,648,447</b>

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

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

## Consolidated Statement of Remeasurement Gains and Losses

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

	2025	2024
Accumulated remeasurement losses at the beginning of the year	\$ (689,613)	\$ (1,804,460)
Unrealized gains (losses) attributable to:		
Unrealized gains (losses) on portfolio investments	(268,282)	241,841
Realized losses reclassified to Statement of Operations	-	873,006
Accumulated remeasurement losses at the end of the year	\$ (957,895)	\$ (689,613)

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

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

## Consolidated Statement of Change in Net Financial Assets

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

	Financial plan (note 16)	2025	2024
Annual surplus	\$ 34,516,902	\$ 10,146,232	\$ 10,469,070
Acquisition of tangible capital assets	(1,166,000)	(19,718,061)	(17,894,592)
Contributed capital assets	-	(1,392,060)	(4,442,976)
Amortization of tangible capital assets	1,378,436	13,773,963	12,710,677
Gain on disposal	-	(1,140,102)	(35,462)
Proceeds on sale of tangible capital assets	-	1,229,808	86,778
Asset retirement obligation	-	4,617,686	2,860,662
Write-downs of tangible capital assets	-	60,549	44,207
	212,436	(2,568,217)	(6,670,706)
Acquisition of prepaid expenses	-	(82,279)	(106,631)
Acquisition and consumption of inventory	-	4,418	(13,836)
Property acquired for taxes	-	(226,146)	-
	-	(304,007)	(120,467)
Change in net financial assets	34,729,338	7,274,008	3,677,897
Decrease in accumulated remeasurement gain	-	(268,282)	1,114,847
Net debt, beginning of year	(4,017,515)	(4,017,515)	(8,810,259)
Net financial assets (debt), end of year	\$ 30,711,823	\$ 2,988,211	\$ (4,017,515)

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

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

## Consolidated Statement of Cash Flows

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

	2025	2024
Cash provided by (used in):		
<b>Operating activities:</b>		
Annual surplus	\$ 10,146,232	\$ 10,469,070
Items not involving cash:		
Amortization of tangible capital assets	13,773,963	12,710,677
Gain on disposal of tangible capital assets	(1,140,102)	(35,462)
Contributed tangible capital assets	(1,392,060)	(4,442,976)
Write-downs of tangible capital assets	60,549	44,207
Accretion on asset retirement obligation	1,100,074	1,226,594
Actuarial adjustment on debt	769,553	(678,221)
Changes in non-cash operating assets and liabilities:		
Accounts receivable	(1,613,458)	(6,465,991)
Inventory of supplies	4,418	(13,836)
Prepaid items	(82,279)	(106,603)
Accounts payable and accrued liabilities	(490,166)	(961,484)
Employee benefits payable	690,762	243,728
Unearned revenue	1,864,469	1,440,538
Restricted reserves	2,633,051	3,184,188
	<u>26,325,006</u>	<u>16,614,429</u>
<b>Capital activities:</b>		
Acquisition of tangible capital assets	(19,718,061)	(17,894,592)
Proceeds on sale of tangible capital assets	1,229,808	86,778
	<u>(18,488,253)</u>	<u>(17,807,814)</u>
<b>Investing activities:</b>		
Investments	(13,429,878)	9,482,932
Property acquired for taxes	(226,146)	-
	<u>(13,656,024)</u>	<u>9,482,932</u>
<b>Financing activities:</b>		
Debt proceeds	21,000,000	-
Debt repayments	(3,610,426)	(2,011,320)
	<u>17,389,574</u>	<u>(2,011,320)</u>
Increase in cash	11,570,303	6,278,227
Cash, beginning of year	9,307,715	3,029,488
Cash, end of year	<u>\$ 20,878,018</u>	<u>\$ 9,307,715</u>

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

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements

Year ended December 31, 2025

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The Corporation of the District of North Cowichan ("North Cowichan" or the "District") was incorporated in 1873 under a statute of the Province of British Columbia and operates under the provisions of the Local Government Act and the Community Charter of British Columbia. The principal activities include community development, parks and recreation, police and fire protection, road transportation, forestry management, cemetery, solid waste, water utility, sewer utility, and fiscal services.

## 1. Significant accounting policies:

The consolidated financial statements of North Cowichan 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 North Cowichan 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 North Cowichan.

The consolidated financial statements of North Cowichan includes its interest in the Duncan - North Cowichan Joint Utilities Board, an organization jointly controlled by the District. Adjustments have been made to these consolidated statements to include the District's proportionate share of assets, liabilities and net revenues over expenditures of the administrative body of 53.69%. Interfund transactions and balances have been eliminated.

### (b) Basis of accounting:

North Cowichan 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. Expenses paid in the current period and attributable to a future period are recorded as prepaid.

### (c) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit in qualifying institutions as defined in the Community Charter.

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 1. Significant accounting policies (continued):

### (d) Financial instruments:

Investments are recorded at fair value. Investments consist of cash on deposit in the Municipal Finance Authority ("MFA") investment funds that are highly liquid, readily convertible to cash, and are subject to an insignificant risk of change in value.

North Cowichan's financial instruments consists of cash, portfolio investments, accounts receivable, accounts payable and accrued liabilities, restricted reserves, temporary financing and debt. The carrying amount of these financial instruments approximates the fair value because they are short-term in nature or because they bear interest at market rates.

Financial instruments are recorded at fair value on initial recognition. Derivative instruments, equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to carry MFA Pooled Investment Funds (PIF) at fair value.

Unrealized changes in fair value are recognized in the Consolidated Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Consolidated Statement of Operations.

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

When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and any unrealized gain is adjusted through the Consolidated Statement of Remeasurement Gains and Losses. When the asset is sold, the unrealized gains and losses previously recognized on the Consolidated Statement of Remeasurement Gains and Losses are reversed and recognized in the Consolidated Statement of Operations.

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 1. Significant accounting policies (continued):

### (e) Asset retirement obligations:

An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset that North Cowichan 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 being amortized with the buildings following the amortization policies.

At each financial reporting date, the District reviews the carrying amount of the liability. The District recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The District continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 1. Significant accounting policies (continued):

### (f) Revenue recognition:

Taxation revenues are recognized at the time of issuing the property tax notices for the fiscal year.

Sale of services and user fee revenues are recognized when the service or product is rendered by North Cowichan. Building permit revenue is recognized when/as performance obligations are satisfied.

Grant revenues are recognized when the funding becomes receivable.

Revenue unearned in the current period is recorded as unearned revenue.

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.

### (g) Property acquired for taxes:

Property acquired for taxes is presented at estimated historical values as either financial assets or nonfinancial assets. Properties that are presented as a financial asset are those which are readily available for sale during the subsequent period. Properties that are presented as non-financial assets are those that are either not saleable or will not be ready for sale within the subsequent period.

### (h) Employee future benefits:

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

Sick leave and other retirement benefits are also available to North Cowichan's employees. The cost of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary increases. The obligation under these benefit plans is accrued based on project benefits as the employees render services necessary to earn the future benefits.

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 1. Significant accounting policies (continued):

### (i) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

### (i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - Years
Land improvements	10 - 30
Buildings	15 - 50
Engineering structures	10 - 60
Machinery and equipment	5 - 40

Amortization is charged on a monthly basis, starting the month following the date of acquisition and ending in the month of disposition. Capital works in progress are not amortized until the asset is available for productive use.

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.

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 1. Significant accounting policies (continued):

### (i) Non-financial assets (continued):

#### (iv) Interest capitalization

North Cowichan 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 non-active 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) Leases:

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to the ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses incurred.

### (k) Loan guarantees:

Periodically North Cowichan provides loan guarantees on specific debt issued by related authorities and other entities not consolidated in North Cowichan's financial statements. Loan guarantees are accounted for as contingent liabilities and no amounts are accrued in the consolidated financial statements of North Cowichan until North Cowichan considers it likely that the borrower will default on the specific loan obligation. Should a default occur, North Cowichan's liability would be recorded in the consolidated financial statements.

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 1. Significant accounting policies (continued):

### (l) Appropriated surplus:

General Revenue Fund appropriations are non-statutory reserves established at the discretion of Council. These reserves are outlined in Note 19.

- The reserve for property acquired for taxes is an amount set aside to offset the carrying value of property acquired for taxes.
- Reserves for future expenditures are amounts set aside from past and current operations for future operating and capital expenditures.
- The reserve for uncollected taxes is an amount set aside to offset uncollected taxes.
- The reserve for the Joint Utilities Board is an amount set aside for future capital expenditures, established at the discretion of the Board.

### (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.

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 2. Cash and investments:

	2025	2024
Cash	\$ 20,878,018	\$ 9,307,715
Portfolio investments	99,924,582	86,762,957
	<b>\$ 120,802,600</b>	<b>\$ 96,070,672</b>

Investments consist of short-term investments in the Municipal Finance Authority of BC, Government Focused Ultra-short bond fund, CIBC high interest savings, Canaccord, and Raymond James and the market value is equal to the carrying value. Investments have yields ranging from 3.40% to 5.66%.

Included in investments are the restricted amounts totalling \$52,102,901 (2024 - \$51,035,246) that can only be expended in accordance with the terms of the Reserve and Restricted Reserve Funds.

## 3. Accounts receivable:

	2025	2024
Property taxes	\$ 2,761,776	\$ 2,569,654
Utility rates	3,143,980	2,983,318
Federal government	2,393,849	2,256,974
Provincial government	4,252,551	2,443,388
Local government	2,469,478	1,090,026
Other	2,400,888	4,465,704
	<b>\$ 17,422,522</b>	<b>\$ 15,809,064</b>

## 4. Accounts payable and accrued liabilities:

	2025	2024
General	\$ 6,256,728	\$ 7,047,282
Wages and salaries	1,016,554	909,227
Accrued interest	605,839	412,778
	<b>\$ 7,879,121</b>	<b>\$ 8,369,287</b>

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 5. Employee future benefits and compensation:

North Cowichan and its employees make contributions to the Municipal Pension Plan. North Cowichan's contributions are expensed as paid.

The following amounts are the accrued liabilities in respect of Employee Future Benefits and wages payable:

	2025	2024
Lieu time payable	\$ 1,616,497	\$ 1,329,335
Sick leave cash-out and severance benefits	3,606,300	3,202,700
	<b>\$ 5,222,797</b>	<b>\$ 4,532,035</b>

Under the terms of the union contract, sick leave not taken in a year is carried forward to a maximum accumulation of 180 working days for each employee. On retirement or termination of employment, after 10 years of service, sick leave accumulated is paid out at the employee's prevailing wage rate.

Following 5 years of service North Cowichan also provides 30 days of paid leave at retirement, as prescribed by the Pension (Municipal) Act, at the employee's prevailing wage rate.

The liabilities for sick leave payouts and severance benefits are based on an actuarial valuation as at December 31, 2025. The District provides sick leave and certain benefits to its employees. These amounts are included in wages and benefits payable and are as follows:

	2025	2024
Accrued benefit obligation	\$ 3,713,800	\$ 3,351,300
Unamortized actuarial loss	(107,500)	(148,600)
Accrued benefit liability	<b>\$ 3,606,300</b>	<b>\$ 3,202,700</b>

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 5. Employee future benefits and compensation (continued):

	2025	2024
Benefits expense:		
Current service cost	\$ 463,200	\$ 440,900
Interest cost	145,500	128,800
Amortization of net actuarial (gain) loss	31,300	26,400
	<b>\$ 640,000</b>	<b>\$ 596,100</b>

The significant actuarial assumptions adopted in measuring the District's accrued benefit obligations are as follows:

	2025	2024
Discount rates	4.30 %	4.20 %
Rate of compensation increase	5.00 %	3.00 %
Expected coverage remaining service life (in years)	9.8	8.9

## 6. Unearned revenue:

Deferred revenue, reported on the consolidated statement of financial position, is made up of the following:

	2024	Contributions and interest	Revenue or refund	Total 2025
Prepaid taxes and licenses	\$ 3,461,952	\$ 7,861,443	\$ (7,216,021)	\$ 4,107,374
Service fees and deposits	4,980,367	953,110	(1,912,772)	4,020,705
Aquatic Centre	228,387	474,723	(462,764)	240,346
General	10,121,105	4,001,705	(1,834,955)	12,287,855
	<b>\$ 18,791,811</b>	<b>\$ 13,290,981</b>	<b>\$ (11,426,512)</b>	<b>\$ 20,656,280</b>

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 7. Municipal Finance Authority - reserve deposits:

North Cowichan issues debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds are withheld by the Municipal Finance Authority as a debt reserve fund. North Cowichan also executes demand notes in connection with each debenture.

The debt reserve funds are included in North Cowichan's financial statements as MFA cash deposits. If the debt is repaid without default, the deposits are refunded to North Cowichan. The notes, which are contingent in nature, are held by the MFA to act as security against the possibility of debt repayment default and are not recorded in the financial statements. Upon the maturity of a debt issue, the demand notes are released and debt reserve funds refunded to North Cowichan. As at December 31, 2025, there were contingent demand notes of \$2,114,814 (2024 - \$1,456,895) which are not included in the financial statements of North Cowichan.

## 8. Asset retirement obligations:

North Cowichan owns and operates buildings that are known to contain asbestos and lead paint, which is an environmental hazard upon demolition or renovation of the asset and there is a legal obligation related to the removal and disposal of the hazardous materials. Following the adoption of PS 3280 - Asset Retirement Obligations, North Cowichan recognized an obligation relating to the removal of asbestos and lead paint in these buildings as estimated at January 1, 2023. The buildings had an estimated useful life of 20 to 50 years when purchased or constructed.

North Cowichan has adopted this standard prospectively. Under the prospective method, the discount rate and assumptions used on initial recognition are those at the date of adoption of the standard. Estimated costs have been discounted using the present value calculation with a discount rate of 4.76% (2024 - 4.53%).

	2025	2024
Balance, beginning of year	\$ 28,215,854	\$ 29,849,921
Change in estimated cash flows	(4,617,686)	(2,860,661)
Accretion expense	1,100,074	1,226,594
Balance, end of year	\$ 24,698,242	\$ 28,215,854

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 9. Restricted reserves:

Receipts which are restricted by the legislation of senior governments are deferred and reported as liabilities. Included in liabilities are reserves for development cost charges, the use of which, with any earnings thereon, is restricted by legislation or agreement with external parties. These amounts are recognized as revenue in the period in which corresponding expenditures are incurred.

	2025	2024
Development cost charges:		
Opening	\$ 24,403,609	\$ 21,219,421
Contributions	1,679,811	2,077,258
Investment income	953,240	1,106,930
	<b>\$ 27,036,660</b>	<b>\$ 24,403,609</b>

## 10. Debt:

North Cowichan holds debt through the Municipal Finance Authority, pursuant to security issuing bylaws under the authority of the Community Charter, to finance certain capital expenditures. Sinking fund balances, managed by MFA, are used to reduce long-term debt.

	Issue	Rate	Maturity	Original	2025	2024
<b>General capital fund</b>						
Maple Bay Fire Hall	95	0.91	April 2025	\$ 1,600,000	\$ -	\$ 109,901
Maple Bay Fire Hall	103	3.79	April 2028	500,000	102,097	133,547
Cowichan Aquatic Centre	104	4.30	Nov 2028	15,000,000	3,062,941	4,006,411
Cowichan Aquatic Centre	106	4.10	Oct 2029	2,265,500	605,101	742,116
Duncan Curling Club	-	2.11	Jan 20232	551,500	215,851	246,534
Tier 2 Flood Protection	121	3.39	Oct 2032	745,475	327,107	367,733
Tier 2 Flood Protection	124	4.52	April 2033	1,000,000	493,287	545,941
Municipal Hall Expansion	126	4.52	Sept 2033	1,500,000	739,930	818,911
Stoney Hill Road	131	2.20	April 2040	2,000,000	1,397,616	1,467,598
Tier 4 Flood Protection	137	2.60	April 2036	1,700,000	1,076,710	1,155,868
Tier 4 Flood Protection	141	2.80	April 2037	200,000	133,813	142,967
RCMP Building	158	4.09	Sept 2042	22,000,000	19,583,532	20,416,884
RCMP Building	164	2.31	Feb 2045	10,000,000	9,750,000	-
RCMP Building	166	2.07	Jun 2045	11,000,000	11,000,000	-
					<b>48,487,985</b>	<b>30,154,411</b>
<b>Water Capital Fund</b>						
Crofton	106	4.10	Oct 2029	530,000	141,560	173,613
Chemainus	110	1.28	Apr 2030	1,750,000	567,014	669,178
Chemainus	137	2.60	Apr 3036	864,000	547,222	587,453
					<b>1,255,796</b>	<b>1,430,244</b>
					<b>\$ 49,743,781</b>	<b>\$ 31,584,655</b>

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 10. Debt (continued):

Principal payments on long-term debt for the next five years are as follows:

	General	Water	Actuarial Adjustment	Total
2026	\$ 2,530,413	\$ 112,683	\$ 816,284	\$ 3,459,380
2027	2,531,663	112,683	924,884	3,569,230
2028	2,532,964	112,683	1,037,528	3,683,175
2029	2,010,866	112,683	534,367	2,657,916
2030	1,939,131	94,885	498,119	2,532,135
Thereafter	23,699,137	183,315	9,959,493	33,841,945
	\$ 35,244,174	\$ 728,932	\$ 13,770,675	\$ 49,743,781

### Interest expense:

Total interest expense during the year was \$2,691,449 (2024 - \$1,953,325).

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 11. Tangible capital assets:

	Land	Land improvements	Buildings	Engineering structures	Machinery	Work-in-process	Total 2025	Total 2024
<b>Cost:</b>								
Balance, beginning of year	\$ 62,563,529	\$ 20,125,228	\$ 100,617,976	\$ 351,071,258	\$ 54,800,146	\$ 12,053,392	\$ 601,231,529	\$ 582,371,841
Additions	520,556	366,482	5,819,841	9,785,825	5,393,221	5,839,787	27,725,712	65,467,826
Disposals	24,010	83,800	1,651,393	329,747	446,940	6,676,437	9,212,327	46,608,138
Change in estimate	-	-	-	(4,616,236)	-	-	(4,616,236)	-
Balance, end of year	63,060,075	20,407,910	104,786,424	355,911,100	59,746,427	11,216,742	615,128,678	601,231,529
<b>Accumulated amortization:</b>								
Balance, beginning of year	-	9,838,513	28,002,779	162,136,462	33,169,584	-	233,147,338	220,958,351
Disposals	-	83,800	1,651,393	261,706	448,132	-	2,445,031	521,690
Amortization	-	877,087	3,086,939	7,005,390	2,804,547	-	13,773,963	12,710,677
Balance, end of year	-	10,631,800	29,438,325	168,880,146	35,525,999	-	244,476,270	233,147,338
Net book value, end of year	\$ 63,060,075	\$ 9,776,110	\$ 75,348,099	\$ 187,030,954	\$ 24,220,428	\$ 11,216,742	\$ 370,652,408	\$ 368,084,191

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 11. 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 North Cowichan manages and controls various works of art and non-operational historical cultural assets including artifacts, paintings and sculptures located at North Cowichan 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 \$6,862 (2024 - \$8,745).

## 12. Accumulated surplus:

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

	2025	2024
<b>Operating funds:</b>		
Unappropriated:		
General	\$ 6,824,035	\$ 3,910,134
Water Systems	6,668,100	7,699,610
Sewer Systems	26,074,330	25,382,794
	<u>39,566,465</u>	<u>36,992,538</u>
Appropriated:		
Reserves for property acquired for taxes	2,567,323	2,341,177
Reserves for future expenditures	11,592,611	(9,289,704)
Reserve for uncollected taxes	1,295,091	1,295,091
Reserve for Joint Utilities Board	(21,978,300)	(25,639,300)
	<u>(6,523,275)</u>	<u>(31,292,736)</u>
Balance forward	<u>33,043,190</u>	<u>5,699,802</u>

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 12. Accumulated surplus (continued):

	2025	2024
Balance forward	33,043,190	5,699,802
<b>Capital funds:</b>		
General	237,175,151	255,076,580
Water Systems	39,837,915	34,260,514
Sewer Systems	20,107,692	20,307,493
Joint Utilities Board	22,873,131	26,362,036
	319,993,889	336,006,623
<b>Reserve funds:</b>		
Land sales	4,900,491	3,684,548
Machinery and Equipment	3,212,365	4,231,630
Local Area Service	1,650,591	1,631,114
Forest	439,624	559,936
Park Development	440,657	241,009
Parkland Purchase	610,441	223,489
Chemainus Parking	203,541	196,098
Agriculture	400,004	362,929
Self-Insurance	190,379	183,417
Climate Action and Energy Plan	573,606	721,109
Maple Bay Sewer	106,811	102,905
Cowichan Aquatic Centre	455,198	381,967
Evans Park	126,851	122,212
Fuller Lake Arena	737,954	539,851
Harbours Crofton	110,477	111,585
Harbours Chemainus	514,500	482,715
Mural Protection	26,061	2,968
Canada Community-Building Fund	4,278,325	4,809,495
Quamichan Lake	971,246	832,081
IT Asset Management	722,692	727,198
Growing Community Fund	1,348,961	3,725,906
Infrastructure Replacement	2,020,785	1,702,435
Gravel Pits	636,907	613,616
Affordable Housing	150,309	138,945
Buildings	618,437	302,477
	25,447,213	26,631,635
Accumulated resmaurement losses	(957,895)	(689,613)
	\$ 377,526,397	\$ 367,648,447

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 13. Joint Utilities Board:

Financial results for the Joint Utilities Board are consolidated into North Cowichan's financial statements proportionately based on the units owned by each partner. In 2024, North Cowichan's proportion for consolidation purposes was 53.69% (2024 - 53.69%). Condensed financial information for the Joint Utilities Boards is as follows:

	2025	2024
<b>Statement of financial position</b>		
Net financial debt	\$ (40,937,357)	\$ (47,756,232)
Non-financial assets	42,602,219	49,102,417
	1,664,862	1,346,185
<b>Proportionate share allocated to other parties</b>		
Net financial assets	18,958,090	22,115,911
Non-financial assets	(19,729,088)	(22,739,330)
	(770,998)	(623,419)
<b>Accumulated surplus</b>	<b>\$ 893,864</b>	<b>\$ 722,766</b>
<b>Statement of operations:</b>		
Revenues	\$ 4,780,652	\$ 2,114,933
Expenses	(4,461,976)	(4,846,780)
	318,676	(2,731,847)
Proportionate share allocated to other parties	(147,579)	1,265,118
<b>Annual surplus (deficit)</b>	<b>\$ 171,097</b>	<b>\$ (1,466,729)</b>

The Duncan – North Cowichan Joint Utilities Board is a government partnership that operates and maintains joint sewer lagoons on behalf of the City of Duncan and the District of North Cowichan. The distribution of expenditures related to operations is based on the number of users in each municipality as well as users from surrounding areas in the Cowichan Valley Regional District and the Cowichan Tribes.

The Joint Utilities Board leases the sewage lagoon lands under an operating lease which expires July 31, 2060. North Cowichan's proportionate share of the lease payments for 2025 is \$237,539 and has an annual increase of 2.2%. The proportionate share of the the total lease payments over the remaining term are estimated at \$12.8 million.

Because the percentage of units owned by the partners may change from year-to-year which produces different cost shares for each partner, there may be a write down or write up of asset balances. In 2025 North Cowichan recorded an adjustment to assets in the amount of \$nil (2024 - \$nil).

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 14. Commitments and contingencies:

- (a) North Cowichan has guaranteed a commercial loan to a maximum of \$400,000 to the Duncan-Cowichan Chamber of Commerce. The loan matures January 1, 2032 at an annual interest rate of 3.75%.
- (b) North Cowichan and its employees contribute to the Municipal Pension Plan (a jointly trusted 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, 2025 the plan has about 286,000 active members and approximately 138,000 retired members. Active members include approximately 49,000 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 rate is based on an 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 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 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.

North Cowichan paid \$1,712,260 (2024 - \$1,575,424) for employer contributions while employees contributed \$1,576,674 (2024 - \$1,452,206) to the Plan in fiscal 2025.

- (c) At the end of the year North Cowichan was involved in a number of legal actions the outcomes of which are indeterminate at this time. North Cowichan carries liability insurance with a current deductible of \$25,000, and believes it is adequately insured to mitigate any material financial impact.

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 15. Funds Held in Trust:

These funds account for assets, which must be administered as directed by agreement or statute for certain beneficiaries. In particular, these funds are for the Cemetery Trust Fund. Trust funds are not included in North Cowichan's Consolidated Financial Statements. A summary of trust fund activities by North Cowichan is as follows:

	2025	2024
<b>Financial position:</b>		
Assets:		
Cash and short term investments	\$ 581,967	\$ 544,220
<b>Total assets</b>	<b>\$ 581,967</b>	<b>\$ 544,220</b>
Equity:		
Opening balances	544,220	494,775
Contributions	37,747	49,445
<b>Total equity</b>	<b>\$ 581,967</b>	<b>\$ 544,220</b>

## 16. Financial plan data:

The budget data presented in these financial statements is based upon the 2025-2029 Financial Plan Bylaw adopted by council February 7, 2024. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

Financial Plan Bylaw surplus for the year	\$	-
Add-back:		
Principal debt repayments		2,302,615
Capital expenditures		69,478,597
Deduct:		
Amortization		(10,287,100)
Proceeds from borrowing		(504,830)
Budgeted transfers to reserve funds		(3,325,574)
Budgeted transfers from accumulated surplus		(23,146,806)
	<b>\$</b>	<b>34,516,902</b>

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 17. 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 collectible 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.

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 17. Financial risk management (continued):

### (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.

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.

The imposition of tariffs from the US could result in increased costs for the District, impacting operations and capital projects. The District is continuously monitoring the potential impacts and options to mitigate the risks arising from tariffs.

## 18. 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**

This segment includes Administration, Finance, Information Technology and other Corporate Services.

### **Protective Services**

This segment includes police protection, fire protection, building and plumbing inspections, animal control, weed control, and other protective services.

### **Engineering and Public Works**

This segment is responsible for the construction and maintenance of North Cowichan's infrastructure, including drainage and transportation systems.

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 18. Segmented information (continued):

### Environmental Health Services

This segment is comprised of garbage and recycling collection, energy management and the Mountain View Cemetery.

### Recreation and Cultural Services

The Parks and Recreation department manages, facilitates, and maintains a system of services, facilities, and parks to enhance the quality of life for the citizens of North Cowichan.

### Water Utility

This segment includes all of the operating activities related to the treatment and distribution of water throughout North Cowichan.

### Sewer Utility

This segment includes all of the operating activities related to the collection and treatment of wastewater (sewage) throughout North Cowichan.

### Other

The segment includes the following funds:

- **Forestry Services:** This segment is responsible for the maintenance and management of the Municipal Forest Reserve.
- **Community Development:** This segment includes planning and development, which includes processing development applications and developing related policies and regulations.
- **Reserve Funds:** These funds have been created to hold assets for specific future requirements pursuant to the Community Charter. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Taxes, grants-in-lieu of taxes and any revenues not directly attributable to a segment are apportioned to the General Revenue Fund service based on the net annual budget. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 18. Segmented information (continued):

2025	General Government	Protective Services	Engineering and public works	Environmental health services	Recreation and cultural services	Water Utility	Sewer Utility	Other	Total
<b>Revenue:</b>									
Taxation	\$ 8,261,476	\$ 13,455,491	\$ 10,113,094	\$ 2,356,723	\$ 5,620,732	\$ 2,800,403	\$ 3,277,755	\$ 3,268,696	\$ 49,154,370
Sales of services	466,194	1,466,889	738,212	2,485,972	2,549,669	3,901,196	2,530,281	113,738	14,252,151
Other revenue from own sources	641,733	3,446,554	71,187	-	14,400	53,244	32,073	219,876	4,479,067
Return on investments	1,682,582	23,866	-	101,256	76,232	282,635	946,316	542,097	3,654,984
Grants and government transfers	221,000	691,857	7,290	261,769	461,047	15,881	232,448	5,383,764	7,275,056
Collections from developers and others	-	-	-	-	5,181,362	-	-	1,392,060	6,573,422
Actuarial adjustments to debt	23,838	114,770	68,503	-	500,679	61,763	-	-	769,553
<b>Total revenue</b>	<b>11,296,823</b>	<b>19,199,427</b>	<b>10,998,286</b>	<b>5,205,720</b>	<b>14,404,121</b>	<b>7,115,122</b>	<b>7,018,873</b>	<b>10,920,231</b>	<b>86,158,603</b>
<b>Expenses:</b>									
Salaries and wages	6,070,219	6,484,495	3,879,290	1,504,741	6,353,635	1,868,344	1,183,372	1,899,742	29,243,838
Contracted services	1,976,236	8,345,202	1,973,070	2,169,564	3,939,841	1,299,032	1,128,657	630,040	21,461,642
Amortization	496,783	2,533,737	5,892,797	202,102	1,643,903	1,381,265	1,615,004	8,372	13,773,963
Materials and supplies	(23,298)	1,205,522	251,237	943,470	2,848,389	1,900,649	1,373,959	144,041	8,643,969
Accretion	4,816	2,630	2,447	-	16,985	3,062	1,070,134	-	1,100,074
Interest and other	67,800	1,580,279	192,017	-	747,189	95,299	4,196	4,669	2,691,449
Rent	-	-	-	-	-	-	237,538	-	237,538
Loss (gain) on capital assets	-	(1,208,144)	61,180	-	-	569	6,293	-	(1,140,102)
<b>Total expenses</b>	<b>8,592,556</b>	<b>18,943,721</b>	<b>12,252,038</b>	<b>4,819,877</b>	<b>15,549,942</b>	<b>6,548,220</b>	<b>6,619,153</b>	<b>2,686,864</b>	<b>76,012,371</b>
<b>Annual surplus (deficit)</b>	<b>\$ 2,704,267</b>	<b>\$ 255,706</b>	<b>\$ (1,253,752)</b>	<b>\$ 385,843</b>	<b>\$ (1,145,821)</b>	<b>\$ 566,902</b>	<b>\$ 399,720</b>	<b>\$ 8,233,367</b>	<b>\$ 10,146,232</b>

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 18. Segmented information (continued):

2024	General Government	Protective Services	Engineering and public works	Environmental health services	Recreation and cultural services	Water Utility	Sewer Utility	Other	Total
<b>Revenue:</b>									
Taxation	\$ 5,716,037	\$ 10,082,955	\$ 5,355,725	\$ 1,932,358	\$ 9,112,410	\$ 2,604,882	\$ 3,089,652	\$ 7,618,830	\$ 45,512,849
Sales of services	726,033	1,392,501	936,716	2,297,755	2,686,709	3,567,102	2,518,897	121,919	14,247,632
Other revenue from own sources	673,136	3,039,229	158,384	-	14,400	53,018	31,865	242,416	4,212,448
Return on investments	870,936	22,567	582,518	95,359	71,867	365,074	1,128,710	-	2,570,478
Grants and government transfers	240,000	284,731	-	175,884	2,309,923	-	-	1,745,571	4,756,109
Collections from developers and others	-	-	-	-	3,510,027	-	-	4,468,018	7,978,045
Actuarial adjustments to debt	21,167	82,179	60,038	-	459,122	55,715	-	-	678,221
<b>Total revenue</b>	<b>8,247,309</b>	<b>14,904,162</b>	<b>7,093,381</b>	<b>4,501,356</b>	<b>18,164,458</b>	<b>6,645,791</b>	<b>6,769,124</b>	<b>14,196,754</b>	<b>79,955,782</b>
<b>Expenses:</b>									
Salaries and wages	5,715,975	5,700,342	3,873,289	1,110,993	6,092,632	1,729,073	1,002,785	1,704,946	26,930,035
Contracted services	2,011,559	7,196,346	1,948,878	1,194,700	3,421,318	1,134,163	1,217,353	667,292	18,791,609
Amortization	472,447	1,660,329	5,892,748	48,120	1,549,458	1,333,184	1,745,310	9,081	12,710,677
Materials and supplies	(176,779)	1,281,991	545,842	634,631	2,698,593	1,819,239	910,608	151,602	7,506,515
Accretion	8,334	4,659	4,233	-	29,384	5,297	1,174,687	-	1,226,594
Interest and other	67,800	939,500	164,272	-	715,549	58,911	7,293	-	1,953,325
Loss on capital assets	-	-	6,959	-	-	1,786	-	-	8,745
<b>Total expenses</b>	<b>8,099,336</b>	<b>16,783,167</b>	<b>12,436,221</b>	<b>2,988,444</b>	<b>14,506,934</b>	<b>6,081,653</b>	<b>6,058,036</b>	<b>2,532,921</b>	<b>69,127,500</b>
<b>Annual surplus (deficit)</b>	<b>\$ 147,973</b>	<b>\$ (1,879,005)</b>	<b>\$ (5,342,840)</b>	<b>\$ 1,512,912</b>	<b>\$ 3,657,524</b>	<b>\$ 564,138</b>	<b>\$ 711,088</b>	<b>\$ 11,663,833</b>	<b>\$ 10,828,282</b>

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 19. Growing Community Fund (Unaudited):

The province of British Columbia distributed conditional Growing Community 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. North Cowichan received \$7,686,000 of GCF funding and will spend the grant in accordance with the guidelines provided by the province.

	2025	2024
Unspent funds, opening	\$ 3,725,906	\$ 6,760,855
Investment income	94,590	281,817
Eligible costs:		
Fire Hall replacement	(164,610)	(3,316,766)
Garbage trucks and automation	(1,934,993)	-
Affordable Housing	(371,932)	-
	<u>\$ 1,348,961</u>	<u>\$ 3,725,906</u>

## 20. Canada Community-Building Fund (Unaudited):

Canada Community-Building funding (CCBF) is provided by the Government of Canada. The use of the funding is established by a funding agreement between North Cowichan and the Union of British Columbia Municipalities. CCBF may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements.

	2025	2024
Unspent funds, opening	\$ 4,809,495	\$ 3,453,523
Amounts received during the year	1,520,040	1,520,040
Investment income	182,551	174,749
Eligible costs	(2,233,761)	(338,817)
	<u>\$ 4,278,325</u>	<u>\$ 4,809,495</u>

# THE CORPORATION OF THE DISTRICT OF NORTH COWICHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 21. Local Government Housing Initiative (Unaudited):

The Province of British Columbia distributed conditional Housing Initiative Fund grants to local governments in January 2024 to support and supplement local government activities and projects in meeting the new legislative requirements arising from Bill 44, 46, and 47. The Local Government Housing Initiative Fund provided a one time total of \$51 million in funding to all 161 municipalities and 27 regional districts in British Columbia. North Cowichan received \$299,774 in 2024 and will be expending the funding in accordance with the guidelines provided by the Province.

	2025	2024
Unspent funds, opening	\$ 200,093	\$ -
Amount received during the year	-	299,774
Eligible costs	(46,176)	(99,681)
	\$ 153,917	\$ 200,093