TOWN OF LAKE COWICHAN

CONSOLIDATED FINANCIAL STATEMENTS

(Audited)

DECEMBER 31, 2025

Town of Lake Cowichan

Consolidated Financial Statements

For the Year Ended December 31, 2025

Statement of Management's Responsibility

Independent Auditor's Report

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TOWN OF LAKE COWICHAN

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The accompanying Consolidated Financial Statements for the Town of Lake Cowichan (the Town) are the responsibility of management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards.

In carrying out its responsibilities, management maintains appropriate systems of internal controls and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that the financial information produced is relevant and reliable.

The consolidated financial statements have been audited by MNP LLP, independent external auditors appointed by the Town.

The accompanying Independent Auditor's report, addressed to the Mayor and members of Council, outlines MNP's responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Their opinion is based upon an examination conducted in accordance with Canadian Auditing Standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement and present fairly the financial position and results of the Town in accordance with Canadian Public Sector Accounting Standards.

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John Thomas
Chief Administrative Officer

To the Mayor and Council of the Town of Lake Cowichan:

Opinion

We have audited the consolidated financial statements of the Town of Lake Cowichan (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations and accumulated surplus, net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town as at December 31, 2025, and the results of its consolidated operations, changes in net financial assets and its 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 Consolidated Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information, consisting of the annual report, which is expected to be made available to us after the date of this auditor's report.

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

Nanaimo, British Columbia

MNP LLP

May 12, 2026

Chartered Professional Accountants

MNP LLP

Town of Lake Cowichan

Consolidated Statement of Financial Position

As at December 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash and short-term deposits (Note 3)	$ 27,371,812	$ 25,868,014
Accounts receivable (Note 4)	1,353,316	907,710
	28,725,128	26,775,724
FINANCIAL LIABILITIES		
Accounts payable (Note 5)	451,505	374,286
Wages payable	17,796	47,843
Future payroll obligations (Note 6)	304,888	409,060
Deferred revenues and deposits (Note 7)	1,191,372	979,585
Community works fund (Note 8)	426,155	234,597
Restricted Revenues (Note 9)	3,136,773	2,948,519
Asset Retirement Obligation (Note 10)	373,200	373,200
	5,901,689	5,367,090
NET FINANCIAL ASSETS	22,823,439	21,408,634
NON-FINANCIAL ASSETS		
Inventory	133,839	104,483
Prepaid items	215,066	168,230
Tangible capital assets (Note 11)	38,860,632	37,950,643
	39,209,537	38,223,356
ACCUMULATED SURPLUS (Note 12)	62,032,976	59,631,990

Commitments and Contingencies (Note 13)

See accompanying notes to the Consolidated Financial Statements

Ronnie Gill, CPA, CGA
Director of Finance

Town of Lake Cowichan

Consolidated Statement of Operations and Accumulated Surplus

For the Year Ended December 31, 2025

	Budget 2025 (Note 16)	2025	2024
REVENUES			
Taxation and grants-in-lieu of taxes (Schedule I)	$ 4,228,705	$ 4,237,851	$ 3,723,390
Government grants and transfers (Schedule II)	481,900	476,845	723,970
Grants and Other (Schedule II)	1,762,950	687,161	840,499
Sales of services (Schedule III)	3,463,200	3,802,623	3,601,683
Return on investments	200,000	685,506	1,040,675
Contributed tangible capital assets	-	644,603	625,498
	10,136,755	10,534,589	10,555,715
EXPENSES			
General government services	1,467,500	1,734,584	1,060,702
Protective services	786,500	910,814	861,827
Public Works - transportation	524,000	615,578	601,881
Garbage and Recycling Services	607,000	561,683	521,102
Parks and Recreational Services (Note 14)	1,093,000	1,373,417	1,228,810
Sewer services	725,000	844,325	927,746
Water services	1,718,000	2,093,202	1,328,976
	6,921,000	8,133,603	6,531,044
SURPLUS FOR THE YEAR	3,215,755	2,400,986	4,024,671
ACCUMULATED SURPLUS, beginning of year	59,631,990	59,631,990	55,607,319
ACCUMULATED SURPLUS, end of year	62,847,745	62,032,976	59,631,990

See accompanying notes to the Consolidated Financial Statements

Town of Lake Cowichan

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2025

	2025	2024
OPERATIONS		
Surplus for the year	$ 2,400,986	$ 4,024,671
Non-cash charges to operations		
Amortization	1,469,263	1,420,537
Loss on disposal	-	99,758
Contributed tangible capital assets	(644,603)	(625,498)
Cash from Operations	3,225,646	4,919,468
CHANGE IN WORKING CAPITAL BALANCES		
Accounts receivable	(445,606)	(90,847)
Prepaid items	(46,836)	6,068
Inventory	(29,356)	(19,048)
Redeemable Tax Sale Properties	-	48,434
Accounts payable	77,219	(345,199)
Wages payable	(30,047)	10,304
Future payroll obligations	(104,172)	(27,809)
Deferred revenue	211,787	266,859
Community works fund	191,558	128
Restricted Revenues	188,254	376,908
Tax sale deposits	-	(63,817)
Cash provided by operating transactions	3,238,447	5,081,449
CAPITAL		
Acquisition of tangible capital assets	(1,734,649)	(1,458,585)
FINANCING		
Municipal Finance Authority loan payments	-	(32,893)
NET CHANGE IN CASH AND SHORT TERM DEPOSITS	1,503,798	3,589,971
CASH AND SHORT TERM DEPOSITS, beginning of year	25,868,014	22,278,043
CASH AND SHORT TERM DEPOSITS, end of year	27,371,812	25,868,014
Cash and short term deposits:		
Cash	411,470	509,011
Short term deposits	26,960,342	25,359,003
	27,371,812	25,868,014

Interest paid during the year amounted to $7,160 (2024 - $9,346).

See accompanying notes to the Consolidated Financial Statements

Town of Lake Cowichan

Consolidated Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2025

	Budget 2025 (Note 16)	2025	2024
SURPLUS FOR THE YEAR	3,215,755	2,400,986	4,024,671
Amortization of tangible capital assets	-	1,469,263	1,420,537
Change in inventories and prepaid expenses	-	(76,192)	(12,980)
Acquisition of tangible capital assets	(5,459,000)	(2,379,252)	(1,984,325)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(2,243,245)	1,414,805	3,447,903
NET FINANCIAL ASSETS, beginning of year	21,408,634	21,408,634	17,960,731
NET FINANCIAL ASSETS, end of year	19,165,389	22,823,439	21,408,634

See accompanying notes to the Consolidated Financial Statements

Town of Lake Cowichan

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2025

The Town of Lake Cowichan was incorporated under the provisions of the British Columbia Municipal Act in 1944. Its principal activities are the provision of local government services to the Town, as governed by the Community Charter and the Local Government Act.

The notes to the consolidated financial statements are an integral part of these financial statements. They provide detailed information and explain the significant accounting and reporting policies and principles that form the basis for these statements. They also provide relevant supplementary information and explanations which cannot be expressed in the consolidated financial statements.

1. Significant Accounting Policies

The consolidated financial statements are prepared by management in accordance with Public Sector Accounting Standards, as recommended by the CPA Canada Public Sector Accounting Board. The following is a summary of the Town's significant policies:

a) Basis of Presentation

The consolidated financial statements reflect the assets, liabilities, reserves, surpluses or deficits, revenues and expenses and financial position of the Town. These consolidated financial statements include the operations of the General, Water, Sewer, Capital and Reserve Funds.

b) Basis of Accounting

Revenue Recognition

Revenue is recorded on the accrual basis and is recorded in the period in which the transaction or event occurred that gave rise to the revenue. Expenses are recorded in the period the goods and services are acquired and a liability is incurred.

Property tax and parcel taxes are recognized in the year levied. User fees including water, sewer and garbage are recognized as revenue in the period to which they relate or when the commodity or service has been received by the user.

Receipts that are restricted by legislation or by an agreement with external parties are recorded as deferred revenues until the qualifying expenses are incurred, at which time revenue is recognized.

The Town recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Town recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized when received.

1. Significant Accounting Policies (continued)

The Town recognizes revenue from sources of revenue deemed to be non-exchange transactions such as some user fees, donations and contributions and investments. These non-exchange transactions have no performance obligations and are recognized at their realizable value when the Town has the authority to claim or retain economic inflow based on a past transaction giving rise to an asset.

Revenue from transactions with performance obligations is recognized when the Town satisfies a performance obligation by providing the promised goods or services to a payor. The performance obligation is evaluated as being satisfied either over a period of time or at a point in time.

Interest and penalties are recognized when earned. Allocations of interest are made to the reserve funds.

Short-term deposits

Short-term deposits are held with the Municipal Finance Authority in the Money Market fund and are carried at cost, which approximates market value.

Non-Financial Assets

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

Inventory

Inventory is valued at the lower of cost and replacement cost.

Tangible Capital Assets

Tangible capital assets are recorded at cost in the year of acquisition or construction. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Tangible Capital Asset	Useful Life - Years
Land improvements	15 to 25
Buildings	15 to 50
Equipment and vehicles	5 to 25
Engineering structures	30 to 60
Roads and footbridges	20 to 80
Underground services	20 to 80

1. Significant Accounting Policies (continued)

Amortization is charged commencing on the date the asset is acquired or available for use. Assets under construction are not amortized until the assets are available for use.

Donated or contributed tangible capital assets are recorded as revenue at the fair market value at the date of receipt.

Financial Instruments

The Town recognizes financial instruments when the Town becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at fair value.

At initial recognition, the Town may irrevocably elect to subsequently measure any financial instrument at fair value. The Town has made such an election during the year.

The Town subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. Interest income is recognized in the statement of operations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the operating annual surplus. Conversely, transactions costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net measurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

The Town has not presented a statement remeasurement gains and losses as it does not have any items giving rise to remeasurement gains or losses.

1. Significant Accounting Policies (continued)

Future Payroll Obligations

The Town has adopted PS 3255 of the CPA Canada handbook which requires municipalities to recognize estimated sick leave benefits.

The Town provides sick leave to employees based on their banked sick time and to a maximum of six months of sick leave benefits for non-unionized staff.

The estimated sick leave liability has been calculated by management based on the following assumptions:

- annual inflation rate is 2% (2024 – 2%)
- discount rate is 3.45% (2024 – 3.45%)
- probability of compensated sick leave being used is 50% for management staff and 100% for public works and administration employees.

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant areas requiring the use of management estimates relate to the determination of accrued sick benefits, collectability of accounts receivable, provisions, contingencies and recognition of assets retirement obligations. Amortization is calculated using estimated useful life of the tangible capital asset. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Liability for Contaminated Sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Town of Lake Cowichan is either directly responsible or accepts the responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2025.

At each financial reporting date, the Town reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Town 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. As at December 31, 2025, the Town has not recorded any liability for contaminated sites as no such sites exist.

1. Significant Accounting Policies (continued)

Asset Retirement Obligations

PS 3280 Asset Retirement Obligations, issued August 2018, establishes standards for recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets and is effective for the Town as of January 1, 2023. A liability will be recognized when, as at the financial reporting date:

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

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related tangible capital asset. The capitalized asset retirement cost is amortized on the same basis as the related asset is included in the Consolidated Statement of Operations and Accumulated Surplus. The Town has not inflated and discounted current valuations due to the uncertainty surrounding the actual settlement of the asset retirement obligations included in the scope.

2. Financial Instruments

Unless otherwise noted, it is management's opinion that the Town is not exposed to significant interest, currency or credit risks arising from financial instruments.

3. Cash and Short-Term Deposits

The restricted statutory reserve funds include, but are not limited to, reserves that can only be used for expenses as permitted by the Development Cost Charges Bylaw and the relevant sections of the *Local Government Act or Community Charter*.

	2025	**2024**
General cash and short-term deposits	$ 20,191,872	$ 19,036,613
Restricted revenues	3,136,773	2,948,519
Capital reserves	4,043,167	3,882,882
	27,371,812	25,868,014

4. Accounts Receivable

	2025	2024
Property taxes	$ 515,564	$ 450,718
Water trade receivables	74,483	63,033
Sewer trade receivables	62,403	53,071
Other	700,865	340,888
	1,353,316	907,710

5. Accounts Payable

	2025	2024
Trade accounts and accrued liabilities	$ 431,107	$ 355,677
Regional and local governments	20,399	18,609
	451,505	374,286

6. Future Payroll Obligations

	2025	2024
Vacation leave accrual	$ 236,728	$ 348,806
Sick leave payable	68,160	60,254
	304,888	409,060

Total sick leave paid out during the year amounted to $44,746 (2024 - $54,968).

7. Deferred Revenues and Deposits

	2025	2024
Prepaid property taxes and utilities	$ 155,221	$ 172,368
Developers' deposits	440,978	427,516
Other deposits and unearned revenues	595,173	379,701
	1,191,372	979,585

8. Community Works Fund

	2025	2024
Balance, beginning of year	$234,597	$234,469
Funds received	214,812	214,811
Funds expended	(31,453)	(218,088)
Interest earned	8,199	3,405
Balance, end of year	426,155	234,597

Transfer of Federal Gas Tax Revenues is provided by the Government of Canada. Gas tax funds received may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the Community Works Fund agreement administered by the Union of British Columbia Municipalities.

9. Restricted Revenues

	2025	2024
Land acquisition	$ 119,122	$ 115,796
Parkland dedication	357,159	347,188
Road development charge	678,965	654,231
Sewer development charge	479,547	417,977
Water development charge	1,466,014	1,395,280
Parks development charge	16,514	7,913
Stormwater development charge	19,452	10,134
	3,136,773	2,948,519

10. Asset Retirement Obligation

Asbestos and other designated hazardous materials represent a health hazard upon disturbance and as a result carry a legal obligation to remove them when a facility undergoes a significant renovation or demolition. The Town owns and operates several facilities that are known to have asbestos and as a result recognized an obligation related to the removal of the hazardous materials upon adoption of the PS 3280 Asset Retirement Obligations. An asset retirement obligation associated with asbestos within several facilities owned by the Town that will need to be abated upon retirement. This resulted in a $373,200 increase in the asset retirement liability and an equal increase in the historical cost base of the associated building assets as presented in Note 11.

11. Tangible Capital Assets

	Opening	Additions	Transfers Disposals	Closing	Opening Accumulated Amortization	Amortization	Transfers Disposals	Closing Accumulated Amortization	2025 Net Book Value	2024 Net Book Value
Land	5,399,654	45,000	-	5,444,654	-	-	-	-	5,444,654	5,399,654
Land improvements	2,156,731	88,608	8,082	2,253,421	644,065	101,819	-	745,884	1,507,537	1,512,666
Buildings (Note 10)	10,360,878	92,164	-	10,453,042	3,921,024	261,365	-	4,182,389	6,270,653	6,439,854
Equipment and vehicles	5,532,507	404,837	-	5,937,344	3,240,423	288,444	-	3,528,867	2,408,477	2,292,084
Engineering structures	12,178,028	132,229	9,945	12,320,202	2,752,246	381,242	-	3,133,488	9,186,714	9,425,782
Roads and services	10,121,298	621,570	-	10,742,868	3,813,648	231,462	-	4,045,110	6,697,758	6,307,650
Underground services	9,815,313	292,812	-	10,108,125	3,644,629	204,931	-	3,849,560	6,258,565	6,170,684
Construction in Progress	402,269	702,032	18,027	1,086,274	-	-	-	-	1,086,274	402,269
	55,966,678	2,379,252	-	58,345,930	18,016,035	1,469,263	-	19,485,298	38,860,632	37,950,643

12. Accumulated Surplus

The accumulated surplus consists of surpluses and reserves as shown below:

Surpluses	**2025**	**2024**
Invested in capital assets	$38,487,432	$37,577,443
Operating surplus	19,502,377	18,171,665
	57,989,809	55,749,108
Reserves		
Capital equipment	4,602	4,474
Covid Restart Grant* (See details below)	18,307	57,812
Fire equipment	666,823	463,511
Fire Hall	410,846	365,353
Growing Communities Grant* (See details below)	794,765	985,919
Municipal Hall	557,592	444,817
Public Works equipment	1,284,047	1,278,992
Parks Capital Improvement	38,640	37,561
Snow Removal	135,417	116,002
Transportation - Roads	120,127	116,774
Sewer General	2,027	1,971
Water General	9,974	9,696
	4,043,167	3,882,882
	62,032,976	59,631,990

***Covid Restart Grant**	**2025**	**2024**
Opening balance	$ 57,812	$ 182,053
Interest earned	1,660	8,758
Covid expenses	(41,166)	(132,999)
Ending Balance	18,307	57,812

***Growing Communities Grant**	**2025**	**2024**
Opening balance	$ 985,919	$ 1,591,703
Interest earned	28,315	76,572
Roads and sidewalks	(219,468)	(158,292)
Washroom/concession building and park improvements	-	(481,957)
Equipment and energy efficient heating	-	(42,107)
Ending Balance	794,765	985,919

13. Commitments and Contingencies

a.) Pension Liability

The Town and its employees contribute to the Municipal Pension Plan (a jointly trusteed pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of the assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2024, the plan has about 273,000 active members and approximately 133,000 retired members. Active members include approximately 47,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2024 indicated a $2.675 billion funding surplus for the basic pension benefits on a going concern basis.

The Town of Lake Cowichan paid $132,991 (2024 - $108,601) for employer contributions while employees contributed $122,992 (2024 - $99,936) to the Plan in fiscal 2025.

The next valuation will be no later than as of 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 the individual employers participating in the plan.

b.) Contingent Liability

There were outstanding claims made against the Town of Lake Cowichan as at December 31, 2025 for incidents that arose in the ordinary course of operations. In the opinion of management and legal counsel, the outcomes of the lawsuits, now pending, are not determinable. As the outcomes are not determinable at this time, no amount has been accrued in the financial statements. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.

13. Commitments and Contingencies (continued)

c.) Reciprocal Insurance Exchange Agreement

The Municipality is a subscribed member of the Municipal Insurance Association of British Columbia (The "Exchange") as provided by Section 3.02 of the Insurance Act of the Province of British Columbia. The main purpose of the Exchange is to pool the risks of liability so as to lessen the impact upon any Subscriber. Under the Reciprocal Insurance Exchange Agreement, the Municipality is assessed a premium and specific deductible for its claims based on population. The obligation of the Municipality with respect to the Exchange and/or contracts and obligations entered into by the Exchange on behalf of its subscribers in connection with the Exchange are in every case several, and not joint and several. The Municipality irrevocably and unconditionally undertakes and agrees to indemnify and save harmless the other Subscribers against liability losses and costs which the other Subscribers may suffer.

14. Parks and Recreational Services

	Budget 2025	2025	2024
Cowichan Lake Education Centre	$ 484,000	$ 619,173	$ 516,413
Information Centre	55,000	50,327	42,185
Lakeview Park	245,000	236,079	233,767
Parks and Playgrounds	262,000	422,676	399,266
Buildings and Other	47,000	45,162	37,179
	1,093,000	1,373,417	1,228,810

15. Funds Held in Trust

These funds account for assets that must be administered as directed by statute and are for the columbaria constructed in 2018. In accordance with PSAB recommendations on financial statement presentation for local governments, trust funds are not included in the Town's Consolidated Financial Statements. A summary of these assets is shown below:

	2025	2024
Cash held in trust	$ 11,534	$ 10,875
Care Fund equity	11,534	10,875

16. Budget Amounts

Financial Plan Bylaw 1118-2025 was adopted by Council on May 13, 2025. The Financial Plan is prepared on a cash basis with anticipated capital expenditure rather than amortization. Transfers to and from reserves and surplus are treated as revenue or expense. The financial plan is the basis for the budget figures presented in these financial statements. Below is a reconciliation of the surplus on the financial plan to the surplus on the consolidated financial statements as presented:

	General Fund	Sewer Utility	Water Utility	Consolidated Funds
Financial Plan Bylaw surplus	$ -	$ -	$ -	$ -
Transfers to (from) surplus	(1,150,520)	(130,725)	(663,000)	(1,944,245)
Add: Capital expenditures	3,199,000	1,825,000	435,000	5,459,000
Less: Transfers from reserve funds	(299,000)	-	-	(299,000)
Adjusted Annual Surplus	1,749,480	1,694,275	(228,000)	3,215,755

17. Consolidated Segment Reporting

The Town of Lake Cowichan provides a variety of services to its residents. The segment disclosures reported on Schedules IV and V are grouped and reported under services areas/departments that are responsible for the provision of services. They are as follows:

General Government – comprises of all administrative services including corporate administration, planning and zoning, property tax and utility levies and all aspects of financial services and reporting.

Protective Services – includes fire and rescue, building inspection, bylaw enforcement and emergency and public health services.

Public Works/Transportation – comprises of general public works, roads and construction, storm drainage, facility management, fleet operations and engineering planning.

Garbage and Recycling – provision of residential curbside garbage collection and recycling services.

Parks and Recreation – includes the planning, management and maintenance of parks, trails and green spaces and includes the operations of Lakeview Park Campground and the Cowichan Lake Education Centre.

Sewer and Water Services – comprises of planning, design, construction, operations and maintenance of the Town's infrastructure of water distribution and sewer collection systems.

Reserve Funds – reports interest income on reserve funds.

18. Comparative Amounts

The prior years' figures have been restated, where applicable, to conform to the current presentation.

Town of Lake Cowichan

For the Year Ended December 31, 2025

Schedule I

Taxation and Grants-in-Lieu of Taxes

	Budget 2025 (Note 16)	2025	2024
Property taxes	$ 2,937,380	$ 2,937,028	$ 2,666,508
Sewer and Water Parcel Tax	1,229,325	1,239,125	999,250
Utilities	55,000	54,418	51,190
Federal Grants-in-lieu	7,000	7,280	6,442
	4,228,705	4,237,851	3,723,390
Collections for other Governments			
British Columbia Assessment Authority	43,546	43,567	41,472
Cowichan Valley Regional District	2,032,348	2,032,348	1,818,146
Municipal Finance Authority	237	237	232
Police Tax Levy	270,000	263,546	256,707
Regional Hospital District	448,727	448,727	423,075
School Tax Levy	1,620,000	1,602,137	1,518,629
Vancouver Island Regional Library	225,572	225,572	218,416
	4,640,430	4,616,134	4,276,677
Total Property Taxes and Collections	8,869,135	8,853,985	8,000,067
Less: transfers to other Governments	4,640,430	4,616,134	4,276,677
Net Taxation Revenue	4,228,705	4,237,851	3,723,390

Town of Lake Cowichan

For the Year Ended December 31, 2025

Schedule II

Government Grants and Transfers

	Budget 2025 (Note 16)	2025	2024
Unconditional Grants			
Small Community Protection Grant	$ 480,000	$ 475,000	$ 528,500
Other	1,900	1,845	1,845
BC Climate Action	-	-	193,625
	481,900	476,845	723,970
Conditional Grants			
CMHC Housing Accelerator grant	100,000	3,859	-
Community Works Funds	235,000	31,453	218,088
CRI FireSmart Community Funding	125,000	89,614	319,026
Destination BC	15,000	15,000	15,000
Development Approval Process	100,000	3,911	17,188
Federal Grants	-	-	39,070
Fire Department equipment grants	45,000	59,189	29,142
Other	8,000	5,000	8,750
Province of BC	35,000	7,647	-
Sewer Treatment Facilities grant	1,099,950	471,488	194,235
	1,762,950	687,161	840,499

Town of Lake Cowichan

For the Year Ended December 31, 2025

Schedule III

Sales of services

	Budget 2025 (Note 16)	2025	2024
Administration recoveries	$ 3,500	$ 3,866	$ 3,777
Cowichan Lake Education Centre	449,000	506,143	485,238
CVRD fire protection	461,000	447,923	423,278
Fire service	-	1,478	2,730
Garbage fees	483,000	515,993	481,278
Lakeview Park fees	250,000	267,933	257,203
Lease revenues	66,800	67,996	65,798
Penalties and interest on taxes	60,000	101,661	92,803
Public Works revenues	-	15,175	8,350
	1,773,300	1,928,168	1,820,455
Licences and Permits			
Business licences	22,000	26,470	23,340
Building permit and fees	50,100	129,892	98,536
Dog licences and fines	2,700	3,385	3,695
Other	35,100	47,065	22,695
	109,900	206,812	148,266
Water and Sewer Utility Fees			
Connection and service charges	57,000	150,176	142,326
Penalties and interest	11,000	13,486	11,536
User fees	1,512,000	1,503,981	1,479,100
	1,580,000	1,667,643	1,632,962
	3,463,200	3,802,623	3,601,683

Town of Lake Cowichan

For the Year Ended December 31, 2025
Schedule IV

Consolidated Segment Disclosures

	General Government	Protective Services	Public Works Transportation	Garbage & Recycling	Parks and Recreation	Sewer Services	Water Services	Reserve	2025 Consolidated	2025 Budget (Note 16)
REVENUE										
Taxation & grants in lieu of taxes	$ 2,998,726	$ -	$ -	$ -	$ -	$ 589,875	$ 649,250	$ -	$ 4,237,851	$ 4,228,705
Government grants and transfers	476,845	-	-	-	-	-	-	-	476,845	481,900
Conditional Grants	15,417	148,803	-	31,453	20,000	471,488	-	-	687,161	1,762,950
Utility fees	-	-	-	515,993	-	679,764	824,217	-	2,019,974	1,995,000
Services and fees	393,821	449,401	15,175	-	774,076	63,583	86,593	-	1,782,649	1,468,200
Interest and penalties	560,507	-	-	-	-	6,286	7,200	111,513	685,506	200,000
Contributed tangible capital assets	-	-	494,179	-	-	52,150	98,274	-	644,603	-
	4,445,316	598,204	509,354	547,446	794,076	1,863,146	1,665,534	111,513	10,534,589	10,136,755
EXPENSES										
Administration	(337,000)	16,000	(305,000)	67,000	48,000	205,000	306,000	-	-	-
Audit and legal	214,562	-	-	-	-	-	-	-	214,562	71,000
Conferences, travel and memberships	42,469	33,853	-	-	-	534	353	-	77,209	91,000
Contracted services	281,992	52,674	142,961	126,176	93,824	115,739	92,026	-	905,392	1,088,700
Contribution-Ts'uubaa-asatx First Nation	-	-	-	-	-	-	731,000	-	731,000	731,000
Discounts	-	-	-	32,241	-	51,933	63,507	-	147,681	144,000
Insurance	184,724	9,990	31,890	-	156	-	-	-	226,760	197,200
Interest	7,160	-	-	-	-	-	-	-	7,160	6,000
Materials	186,698	150,352	164,432	-	241,056	31,885	97,406	-	871,829	764,500
Telephone and utilities	16,133	51,018	97,770	-	81,114	53,031	87,538	-	386,604	393,300
Wages, benefits and equipment charges	1,015,807	398,638	72,200	336,266	723,485	261,828	287,919	-	3,096,143	3,434,300
	1,612,545	712,525	204,253	561,683	1,187,635	719,950	1,665,749	-	6,664,340	6,921,000
Amortization	122,039	198,289	411,325	-	185,782	124,375	427,453	-	1,469,263	-
TOTAL EXPENSES	1,734,584	910,814	615,578	561,683	1,373,417	844,325	2,093,202	-	8,133,603	6,921,000
SURPLUS (DEFICIT)	2,710,732	(312,610)	(106,224)	(14,237)	(579,341)	1,018,821	(427,668)	111,513	2,400,986	3,215,755

Town of Lake Cowichan

For the Year Ended December 31, 2024

Schedule V

Consolidated Segment Disclosures

	General Government	Protective Services	Public Works Transportation	Garbage & Recycling	Parks and Recreation	Sewer Services	Water Services	Reserve	2024 Consolidated	2024 Budget
REVENUE										
Taxation & grants in lieu of taxes	$ 2,724,140	$ -	$ -	$ -	$ -	$ 448,750	$ 550,500	$ -	$ 3,723,390	$ 3,723,040
Government grants and transfers	723,970	-	-	-	-	-	-	-	723,970	685,525
Conditional Grants	56,258	348,168	-	218,088	23,750	194,235	-	-	840,499	1,779,583
Contributed tangible capital assets	-	-	429,688	-	-	99,864	95,946	-	625,498	-
Utility fees	-	-	-	481,278	-	675,914	803,186	-	1,960,378	1,913,000
Services and fees	322,180	426,008	8,350	-	742,441	68,600	73,726	-	1,641,305	1,310,728
Interest and penalties	838,807	-	-	-	-	5,036	6,500	190,332	1,040,675	269,000
	4,665,355	774,176	438,038	699,366	766,191	1,492,399	1,529,858	190,332	10,555,715	9,680,876
EXPENSES										
Administration	(317,000)	16,000	(281,000)	55,000	47,000	176,000	304,000	-	-	-
Audit and legal	47,990	-	-	-	-	-	-	-	47,990	70,000
Conferences, travel and memberships	38,329	34,084	-	-	-	1,920	-	-	74,333	82,000
Contracted services	234,550	42,185	106,197	121,490	58,583	230,591	102,409	-	896,005	707,000
Discounts	-	-	-	30,946	-	49,553	61,266	-	141,765	139,000
Insurance	159,527	7,801	27,261	-	155	-	-	-	194,744	187,200
Interest	8,625	722	-	-	-	-	-	-	9,347	7,000
Materials	91,464	156,723	217,147	(3,759)	222,280	72,817	54,142	-	810,814	739,350
Telephone and utilities	16,255	55,228	93,980	-	79,883	43,657	85,503	-	374,506	391,300
Wages, benefits and equipment charges	669,776	358,526	37,688	317,425	650,308	230,162	297,118	-	2,561,003	2,900,250
	949,516	671,269	201,273	521,102	1,058,209	804,700	904,438	-	5,110,507	5,223,100
Amortization	111,186	190,558	400,608	-	170,601	123,046	424,538	-	1,420,537	-
TOTAL EXPENSES	1,060,702	861,827	601,881	521,102	1,228,810	927,746	1,328,976	-	6,531,044	5,223,100
SURPLUS (DEFICIT)	3,604,653	(87,651)	(163,843)	178,264	(462,619)	564,653	200,882	190,332	4,024,671	4,457,776