



Consolidated Financial Statements

Town of View Royal

Year ended December 31, 2025

45 View Royal Avenue
Victoria, BC Canada
V9B 1A6
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Town of View Royal

Consolidated Financial Statements
Year ended December 31, 2025

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Town of View Royal

Consolidated Financial Statements
Year ended December 31, 2025

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards for British Columbia local governments and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

View Royal's Mayor and Council are responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility by meeting with management and the external auditors to review the consolidated financial statements and to discuss any significant financial reporting or internal control matters prior to their acceptance of the consolidated financial statements.

The external auditors, MNP LLP, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the consolidated financial statements. Their examination includes a review and evaluation of the Town of View Royal's system of internal controls and appropriate tests and procedures to provide reasonable assurance that the consolidated financial statements are presented fairly. The external auditors have full and free access to the Mayor and Council.



Chief Administrative Officer



Director of Finance

To the Mayor and Council of the Town of View Royal:

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2025, and the results of its operations, changes in net financial assets and 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. The other information comprises the annual report, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the 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 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 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 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 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

May 12, 2026

MNP LLP

Chartered Professional Accountants

Town of View Royal

Consolidated Statement of Financial Position
as at December 31, 2025

	2025	2024
Financial assets		
Cash and cash equivalents (Note 3)	\$ 53,894,337	\$ 53,150,527
Property taxes receivable	682,022	283,848
Accounts receivable (Note 4)	1,827,044	1,980,226
Inventory held for sale	8,702	11,223
	56,412,105	55,425,824
Liabilities		
Accounts payable and accrued liabilities (Note 5)	4,892,314	4,000,716
Deposits	2,769,399	3,282,526
Deferred revenue (Note 6)	12,247,616	11,976,497
Prepaid property taxes	875,881	737,483
Long-term debt (Note 7)	3,206,708	3,688,412
Employee benefits and retirement obligations (Note 8)	300,746	315,050
	24,292,664	24,000,684
Net financial assets	32,119,441	31,425,140
Non-financial assets		
Tangible capital assets (Note 9) (Schedule 3)	125,462,884	123,278,431
Inventory of supplies	18,747	8,636
Prepaid expenses	168,424	158,742
	125,650,055	123,445,809
Commitments and contingencies (Note 17)		
Accumulated surplus (Note 10)	\$ 157,769,496	\$ 154,870,949



Steven Vella, CPA, CGA

Officer responsible for financial administration

Pursuant to Section 149 of the Community Charter (SBC 2003)

Town of View Royal

Consolidated Statement of Operations

Year ended December 31, 2025

	Financial plan (Note 19)	2025	2024
Revenue			
Taxes for municipal purposes (Note 14)	\$ 13,184,221	\$ 13,033,436	\$ 12,209,528
User charges and sales of services	5,673,271	5,796,531	5,842,294
Investment income	615,000	1,386,512	2,059,442
Actuarial adjustments on debt	-	157,361	143,633
Penalties and fines	79,000	134,080	137,670
Development charges earned	644,840	204,009	348,948
Contributions from developers and others	10,000	2,402,471	1,049,550
Other revenue from own sources	265,018	157,551	503,746
Government grants and transfers (Note 16)	4,236,265	3,257,637	3,883,449
Gain (loss) on sale of tangible capital assets (Note 9)	-	15,082	(63,566)
	<u>24,707,615</u>	<u>26,544,670</u>	<u>26,114,694</u>
Expense			
General government services	3,515,580	3,100,913	2,902,317
Protective services	8,134,702	7,890,283	6,137,187
Transportation services	5,446,209	4,815,302	4,852,813
Environmental health services	3,159,033	2,983,098	2,871,649
Development services	994,323	946,499	709,841
Recreation and cultural services	3,843,653	3,910,028	3,973,007
	<u>25,093,500</u>	<u>23,646,123</u>	<u>21,446,814</u>
Annual surplus (deficit)	(385,885)	2,898,547	4,667,880
Accumulated surplus, beginning	154,870,949	154,870,949	150,203,069
Accumulated surplus, ending	<u>\$ 154,485,064</u>	<u>\$ 157,769,496</u>	<u>\$ 154,870,949</u>

Town of View Royal

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2025

	Financial plan (Note 19)	2025	2024
Annual surplus (deficit)	\$ (385,885) \$	2,898,547 \$	4,667,880
Acquisition of tangible capital assets	(7,046,352)	(3,118,021)	(4,753,869)
Contributed tangible capital assets	-	(2,395,201)	-
Amortization of tangible capital assets	3,338,711	3,272,351	3,314,066
(Gain) loss on disposal and write-down of tangible capital assets	-	(15,082)	63,566
Proceeds on sale of tangible capital assets	-	10,136	35,800
Change in proportionate share of West Shore Parks and Recreation Society	-	61,364	245,655
Change in inventory of supplies	-	(10,111)	5,962
Change in prepaid expenses	-	(9,682)	(26,052)
Increase (decrease) in net financial assets	(4,093,526)	694,301	3,553,008
Net financial assets, beginning	31,425,140	31,425,140	27,872,132
Net financial assets, ending	\$ 27,331,614 \$	32,119,441 \$	31,425,140

Town of View Royal

Consolidated Statement of Cash Flows

Year ended December 31, 2025

	2025	2024
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 2,898,547	\$ 4,667,880
Items not affecting operating activities		
Amortization of tangible capital assets	3,272,351	3,314,066
(Gain) loss on disposal and write-down of tangible capital assets	(15,082)	63,566
Change in inventory of supplies	(10,111)	5,962
Change in prepaid expenses	(9,682)	(26,052)
Actuarial adjustment on debt	(148,631)	(142,357)
Change in proportionate share of West Shore Parks and Recreation Society	61,364	245,655
Decrease (increase) in non-cash financial assets		
Property taxes receivable	(398,174)	(160,967)
Accounts receivable	153,182	(4,268)
Inventory held for sale	2,521	1,628
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	891,598	(1,044,289)
Deposits	(513,127)	1,036,628
Deferred revenue	271,119	1,030,228
Prepaid property taxes	138,398	43,383
Employee benefits and retirement obligations	(14,304)	5,466
	4,184,768	9,036,529
Capital activities		
Acquisition of tangible capital assets	(3,118,021)	(4,753,869)
Proceeds on disposal of tangible capital assets	10,136	35,800
	(3,107,885)	(4,718,069)
Financing activities		
Debt principal repaid	(333,073)	(315,615)
Increase in cash and cash equivalents	743,810	4,002,845
Cash and cash equivalents, beginning	53,150,527	49,147,682
	\$ 53,894,337	\$ 53,150,527

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2025

The Town of View Royal (the "Town") was incorporated on December 5, 1988 by letters patent issued by the Province of British Columbia. Its principal activities are the provision and coordination of local government services to residents of the incorporated area. These services include general government administration, bylaw enforcement, planning and development services, building inspection, fire protection and emergency response planning, public transportation, parks and recreation, solid waste collection and disposal, sewer collection and disposal, and street lighting.

1. Significant accounting policies

a) Principles of consolidation

The Town follows Canadian public sector accounting standards. The consolidated financial statements of the Town are prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB).

b) Reporting entity

The consolidated financial statements reflect the combined assets, liabilities, accumulated surplus, revenue and expense of all of the Town's activities and funds. The consolidated financial statements also include the Town's proportionate share of the West Shore Parks and Recreation Society (West Shore). Interfund transactions and fund balances have been eliminated on consolidation.

c) Basis of accounting

The Town follows the accrual method of accounting for revenue and expense. Revenue is normally recognized in the year in which it is earned and measurable. Expense is recognized as it is incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay. Expense paid in the current period and attributable to a future period is recorded as prepaid expense.

d) Property tax revenue

Property tax revenue is recognized at the date property tax notices are issued, based on property assessment values issued by BC Assessment for the current year and tax rates established annually by bylaw. Assessments are subject to appeal and tax adjustments are recorded when the results of appeals are known.

e) Government transfers

Government transfers are recognized as revenue in the period the transfers are authorized and any eligibility criteria have been met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability and recognized in the Consolidated Statement of Operations as revenue as the stipulation liabilities are settled.

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2025

1. Significant accounting policies (continued)

f) Revenue recognition

User charges and sales of services are recognized as revenue when the performance obligation has been satisfied and when the amount can be estimated and collection is reasonably assured. Deferred revenue is recorded until the performance obligation has been met on these exchange transactions.

For non-exchange transactions, deferred revenue includes grants from non-government sources, contributions and other amounts received from third parties pursuant to legislation, regulation and agreement which may only be used in certain programs, in completion of specific work, or for the purchase of tangible capital assets. Revenue for these non-exchange transactions is recognized when the related expenses are incurred, services performed, or the tangible capital assets are acquired.

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

g) Investment income

Investment income is reported as revenue in the period earned. When required by the funding entity or related legislation, investment income earned on deferred revenue is added to the deferred revenue balance.

h) Cash equivalents

Cash equivalents are comprised primarily of Municipal Finance Authority (MFA) pooled investments including money market, intermediate and bond funds. Town funds invested with MFA are pooled with other local governments and are professionally managed and objectively benchmarked by large, secure financial services organizations.

i) Deposits

Receipts restricted by third parties are deferred and reported as deposits and are refundable under certain circumstances. Deposits that are prepayments are recognized as revenue when qualifying expenditures are incurred.

j) Employee benefits and retirement obligations

The Town and its employees make contributions to the Municipal Pension Plan. The Town's contributions are expensed as incurred and are included within the Consolidated Statement of Operations.

Sick leave and other retirement benefits are also available to the Town's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2025

1. Significant accounting policies (continued)

k) 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, net of disposals, write-downs and amortization. The cost of tangible capital assets includes all 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, is amortized on a straight line basis over the estimated useful life as follows:

Land	Indefinite
Land improvements	10 - 25
Buildings	20 - 70
Vehicles, machinery and equipment	3 - 20
Engineering structures	10 - 100

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

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Town's ability to provide goods and services, or when the value of future economic benefits associated with the asset is 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, with the value of the contribution recorded as revenue.

iii) Works of art and cultural and historical treasures

The Town manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Town sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized due to the subjectivity of their value.

iv) Interest capitalization

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

v) Leased tangible capital assets

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

vi) Inventory of supplies

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

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2025

1. Significant accounting policies (continued)

l) Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, performing calculations of employee future benefits, sick benefits liability, collectability of accounts receivable, amortization of capital assets, determination of liability for contaminated sites, deferred charges and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

m) Financial instruments

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

At initial recognition, the Town may irrevocably elect to subsequently measure any financial instrument at fair value. The Town has not 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. The Town has not presented a statement of remeasurement gains and losses as it does not have any items giving rise to remeasurement gains (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 operating annual surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2025

2. Financial instruments

The Town's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, deposits, and long-term debt. The carrying amount of these financial instruments approximates their fair value because they are short-term in nature or because they bear interest at market rates.

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

3. Cash and cash equivalents

	<u>2025</u>	<u>2024</u>
Bank deposits	\$ 40,176,776	\$ 39,926,615
Municipal Finance Authority - Money Market	1,110,001	1,078,989
Municipal Finance Authority - Ultra Short Bond	2,344,129	2,269,914
Municipal Finance Authority - Short-Term Bond	10,263,431	9,875,009
	<u>\$ 53,894,337</u>	<u>\$ 53,150,527</u>

Cash and cash equivalents consist of short-term investments in the MFA money market, ultra short-term, and short-term bond funds and pooled high-interest savings. The market value is equal to the carrying value. Temporary investments have yields ranging from 2.508% to 3.071% (2024 - 4.007% to 5.440%).

Included in cash and cash equivalents are the following restricted amounts:

	<u>2025</u>	<u>2024</u>
Restricted cash - West Shore reserve funds (Note 10)	\$ 405,065	\$ 369,275
Restricted investments - reserve funds (Note 10)	20,091,964	18,703,945
Restricted investments - development cost charges (Note 6)	11,040,419	10,862,177
	<u>\$ 31,537,448</u>	<u>\$ 29,935,397</u>

The Town has an operating line of credit with the Toronto Dominion Bank for an authorized amount of \$1,000,000, bearing interest at bank prime rate less 0.50% per annum. At December 31, 2025 the balance outstanding was \$nil (2024 - \$nil).

4. Accounts Receivable

	<u>2025</u>	<u>2024</u>
Government of Canada	\$ 366,966	\$ 445,919
Province of British Columbia	1,162,505	1,047,776
Regional and local governments	29,494	1,039
Deposits	2,500	2,500
Other trade receivables	265,579	482,992
	<u>\$ 1,827,044</u>	<u>\$ 1,980,226</u>

5. Accounts payable and accrued liabilities

	<u>2025</u>	<u>2024</u>
Government of Canada	\$ 982,921	\$ 610,243
Province of British Columbia	936,888	748,331
Regional and local governments	978,621	709,360
Payroll liabilities	298,322	224,534
Other trade payables	1,695,562	1,708,248
	<u>\$ 4,892,314</u>	<u>\$ 4,000,716</u>

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2025

6. Deferred revenue

	2025	2024
Development cost charges		
Beginning balance	\$ 10,862,177	\$ 9,466,742
Received during the year	-	1,219,394
Interest earned	382,251	525,008
Recognized as revenue	(204,009)	(348,948)
Ending balance	11,040,419	10,862,177
Deferred revenue - other	1,207,197	1,114,320
Total deferred revenue	<u>\$ 12,247,616</u>	<u>\$ 11,976,497</u>

7. Long-term debt

a) Debt outstanding

Issue #	Matures	Rate	Original Amount	Net debt 2025	Net debt 2024
117	Oct. 12, 2026	3.25%	\$ 2,445,000	\$ 209,494	\$ 411,904
127	Apr. 7, 2034	3.30%	5,490,000	2,997,214	3,276,508
			<u>\$ 7,935,000</u>	<u>\$ 3,206,708</u>	<u>\$ 3,688,412</u>

b) Debenture debt

The loan agreements with the Capital Regional District and the MFA provide that if, at any time, the scheduled payments provided for in the agreements are not sufficient to meet the MFA's obligations in respect of such borrowings, the resulting deficiency becomes a liability of the Town.

The Town issues its debt instruments through the MFA. Debt is issued on a sinking fund basis, where the MFA invests the Town's sinking fund principal payments so that the payments, plus investment income, will equal the original outstanding debt amount at the end of the repayment period. Actuarial adjustments on debt represent the repayment and/or forgiveness of debt by the MFA using surplus investment income generated by the principal repayments.

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

2026	\$ 333,073
2027	201,822
2028	201,822
2029	201,822
2030	201,822
Thereafter	2,066,347
Total	<u>\$ 3,206,708</u>

c) Interest expense

Total interest expense during the year was \$284,090 (2024 - \$250,600).

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2025

8. Employee benefit and retirement obligations

Employee benefit obligations represent accrued benefits as follows:

	<u>2025</u>	<u>2024</u>
Accrued vacation	\$ 10,572	\$ 33,505
Accrued overtime	129,571	115,466
Accrued sick leave	120,300	124,500
West Shore employee future benefit obligations	40,303	41,579
	<u>\$ 300,746</u>	<u>\$ 315,050</u>

Accrued vacation is the amount of unused vacation entitlement carried forward into the next year. Accrued sick leave is the estimated liability for sick leave for all employees. Sick leave entitlements can only be used while employed by the Town and are not paid out upon retirement or termination of employment. The accrued sick leave actuarial valuation was estimated as at December 31, 2025.

Information about liabilities for accrued sick leave is as follows:

	<u>2025</u>	<u>2024</u>
Accrued benefit obligation, beginning of year	\$ 125,400	\$ 123,200
Adjustment to benefit obligation	-	-
Current service cost	9,300	9,100
Interest cost	5,400	4,900
Benefits paid	(19,200)	(23,700)
Amortization of actuarial (gain)	(1,800)	11,900
Accrued benefit obligation, end of year	119,100	125,400
Unamortized gain	1,200	(900)
Accrued benefit liability, end of year	<u>\$ 120,300</u>	<u>\$ 124,500</u>

The accrued benefit liability is included as part of employee benefit obligations on the Consolidated Statement of Financial Position. The actuarial gain is amortized over a period equal to the employees' average remaining service lifetime of 11 years.

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

	<u>2025</u>	<u>2024</u>
Discount rates	4.50%	4.30%
Expected future inflation rates	3.00%	3.00%
Expected wage and salary increase	0.00% - 2.20%	0.00% - 2.20%

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2025

8. Employee benefit and retirement obligations (continued)

Municipal Pension Plan

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

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

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2024, indicated a \$2,675 million funding surplus for basic pension benefits on a going concern basis.

The Town paid \$465,155 (2024 - \$415,258) for employer contributions while Town employees contributed \$389,279 (2024 - \$355,780) to the plan in fiscal 2025.

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

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the plan.

9. Tangible capital assets

a) Assets under construction and completed assets not yet in service

Assets under construction totaling \$917,964 (2024 - \$768,661) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) Contributed tangible capital assets

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed capital assets received during the year is \$2,395,201 (2024 - \$nil).

c) Gain or loss on disposal of tangible capital assets

During the year, the Town recognized a net gain of \$15,082 on disposal of tangible capital assets (2024 - \$63,566 loss). This amount is included as gain (loss) of revenue on the Consolidated Statement of Operations.

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2025

10. Accumulated surplus

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

Surplus	<u>2025</u>	<u>2024</u>
Equity in tangible capital assets	\$ 122,337,387	\$ 119,662,495
Appropriated surplus - casino revenue	4,096,630	4,628,773
Appropriated surplus - Community Works Fund (Note 11)	1,147,448	1,915,247
Appropriated surplus - other	1,095,691	1,181,400
Unrestricted accumulated surplus	8,613,696	8,409,814
	<u>137,290,852</u>	<u>135,797,729</u>
Capital Renewal	2,851,642	1,864,669
Capital Works and Land Acquisition	1,278,388	1,538,966
Cash in lieu of Parking	521,335	521,335
Community Amenity Contributions	2,350,776	2,270,697
Fire Department Equipment	256,917	193,381
Future Operating Expenditures	1,575,917	1,465,086
Growing Communities (Note 12)	3,815,741	3,805,285
Machinery and Equipment Depreciation	250,720	219,031
Parks and Open Space	1,640,228	1,584,354
Parks Improvements	892,679	766,039
Police Equipment, Property and Contract	385,276	382,675
Police Operation and Maintenance	2,992,721	2,890,775
Sewer System Capital	1,261,239	1,201,652
West Shore Parks and Recreation Society reserves	405,065	369,275
	<u>20,478,644</u>	<u>19,073,220</u>
	<u>\$ 157,769,496</u>	<u>\$ 154,870,949</u>

11. Community Works Fund

Community Works Fund is a component of the Gas Tax Agreement funding provided by the Government of Canada and administered through the Union of British Columbia Municipalities (UBCM). Community Works Fund transfers are recorded as revenue when received, then held as reserves until spent on eligible expenditures.

	<u>2025</u>	<u>2024</u>
Community Works Fund, beginning balance	\$ 1,915,247	\$ 2,350,232
Amounts received during the year	590,466	590,466
Interest earned	58,048	123,873
Amounts allocated to projects during the year	(1,416,313)	(1,149,324)
	<u>\$ 1,147,448</u>	<u>\$ 1,915,247</u>

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2025

12. Growing Communities Fund: Reserve Funds

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

The Town of View Royal received \$4,665,000 of GCF funding in March 2023.

Growing Communities Fund	2025	2024
Balance, beginning of year	\$ 3,805,285	\$ 4,879,515
Amounts received during the year	-	-
Interest earned	133,704	247,731
Eligible costs	(123,248)	(1,321,961)
	\$ 3,815,741	\$ 3,805,285

13. Capacity Funding for Local Government Housing Initiatives

The Government of British Columbia is providing \$51 million in grant-based funding to help facilitate implementation and support local governments to meet new legislative requirements of Bill 44 Housing Statutes (Residential Development) Amendment Act, Bill 46 Housing Statutes (Development Financing) Amendment Act, and Bill 47 Housing Statutes (Transit-Oriented Areas) Amendment Act.

The Town of View Royal received \$207,254 in January 2024.

Local Government Housing Initiatives Funding	2025	2024
Balance, beginning of year	\$ 192,279	\$ -
Amounts received during the year	-	207,254
Eligible costs	(77,279)	(14,975)
	\$ 115,000	\$ 192,279

14. Taxes for municipal purposes

The Town is required to collect taxes on behalf of and transfer these amounts to the government agencies noted below. Taxes levied over or under the amounts requisitioned are recorded as accounts payable or receivable.

Taxes	2025	2024
Property tax	\$ 23,341,720	\$ 21,473,363
Grants in lieu of taxes	(16,979)	74,930
1% Utility tax	144,799	141,765
	23,469,540	21,690,058
Less taxes levied for other authorities		
School authorities	6,190,247	5,941,566
Capital Regional District	1,297,631	1,212,312
Capital Regional Hospital District	635,624	630,213
British Columbia Assessment Authority	190,573	181,613
British Columbia Transit	2,120,998	1,513,812
Municipal Finance Authority	1,031	1,014
	10,436,104	9,480,530
Taxes for municipal purposes	\$ 13,033,436	\$ 12,209,528

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2025

15. Gaming revenue

The Town has an agreement with the Province whereby 10% of the net gaming revenue from community casinos is to be paid to local governments. The Town also has a casino revenue sharing agreement with neighbouring municipalities whereby 55% of the revenue received from the Province in respect of the gaming facility situated within the Town is to be disbursed to these governments. This disbursement is netted against the gaming revenue in the consolidated financial statements for the Town as disclosed below.

	<u>2025</u>	<u>2024</u>
Gaming revenue		
Amounts received during the year	\$ 3,878,605	\$ 4,176,253
Disbursements to partner municipalities	(2,133,233)	(2,296,939)
	<u>\$ 1,745,372</u>	<u>\$ 1,879,314</u>

16. Government grants and transfers

	<u>2025</u>	<u>2024</u>
Conditional transfers		
Federal	\$ 629,092	\$ 734,754
Provincial	2,130,523	2,627,110
Other agencies	93,022	91,385
	<u>2,852,637</u>	<u>3,453,249</u>
Unconditional transfers		
Small communities protection	327,000	368,200
Traffic fine revenue sharing	78,000	62,000
	<u>405,000</u>	<u>430,200</u>
Total government grants and transfers	<u>\$ 3,257,637</u>	<u>\$ 3,883,449</u>

17. Commitments and contingencies

- a) The Capital Regional District ("CRD") debt, under provisions of the Local Government Act, is a direct, joint and several liability of the CRD and each member municipality within the CRD, including the Town.
- b) The Town is a shareholder and member of the Capital Region Emergency Service Telecommunications Incorporated ("CREST") which provides centralized emergency communications, and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout the Greater Victoria region and the Gulf Islands. Members' obligations to share in funding ongoing operations and any additional costs relating to capital assets are to be contributed pursuant to a Members' Agreement.
- c) The Town is a defendant in various lawsuits. Whether claims are in progress or have yet to be initiated, the Town records an accrual in respect of legal claims that are likely to be successful and for which an amount is reasonably determinable.
- d) Under borrowing arrangements with the MFA, the Town is required to lodge security by means of demand notes and interest bearing cash deposits based on the amount of the borrowing. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund. These deposits are held by the MFA as security against the possibility of debt repayment default. If the debt is repaid without default, the deposits are refunded to the Town. At December 31, 2025 there were contingent demand notes of \$204,201 (2024 - \$204,201) and a contingent deposit of \$109,547 (2024 - \$106,362).
- e) The Town entered into a long term contract with the Federal Government and the Royal Canadian Mounted Police for the provision of police services. Under the terms of this contract, the Town is responsible for 70% of policing costs, which in 2026 are estimated to be \$2,826,143 (2025 actual \$2,568,379).
- f) The Town has purchase orders in the amount of \$691,622 open as at December 31, 2025 which have not been recorded. These amounts have been taken into account in the budget and will be recorded in the period the goods and services to which they relate are received.

Town of View Royal

Notes to Consolidated Financial Statements

Year ended December 31, 2025

18. Contaminated site

The Town owns one property not in productive use with levels of contamination exceeding current environmental standards. Testing of the contamination in 2003 found no known threats to human health or safety. The property is surrounded by the ocean and undeveloped crown-owned land with no current development applications. The property and surrounding crown-owned land were historically occupied by a plywood mill. Due to uncertainty regarding the future development of the surrounding property, the Town is unable to reasonably estimate what, if any, loss of future economic benefits will occur. As such no liability has been recorded in the consolidated financial statements for the year ending December 31, 2025.

19. Financial plan

The financial plan amounts presented throughout these consolidated financial statements are audited and represent the five year financial plan bylaw (Bylaw No. 1153) approved by Council on May 13, 2025 consolidated with the proportional share of the budgeted operating revenue and expense of West Shore Parks and Recreation Society. The summary below reconciles the 2025 consolidated financial plan to the Consolidated Statement of Operations.

Consolidated financial plan, 2025 surplus (deficit)	\$ -
Add:	
Capital expenditures	7,046,352
Transfers to reserves	1,505,200
Transfers to surplus	2,530,017
Principal payments on debt	333,073
Less:	
Transfers from equity in capital assets	(3,317,441)
Transfers from reserves for operating	(430,500)
Transfers from reserves for capital	(2,409,144)
Transfers from surplus for operating	(2,140,209)
Transfers from surplus for capital	(3,503,233)
Financial plan annual surplus (deficit)	<u>\$ (385,885)</u>

20. West Shore Parks and Recreation Society

a) Capital asset transfer

The lands and facilities comprising the Juan de Fuca Recreation Centre are owned by the member municipalities (the "Municipalities") in their proportionate share, as specified in the Co-Owners' Agreement. The Town became party to the agreement effective January 1, 2007. Future improvements are allocated among the partners as per the cost sharing formula in effect each year for each service or facility, as outlined in a Members' Agreement. For 2025, the Town's share of improvements purchased by the Society on its behalf is \$129,489 (2024 - \$199,063).

Because the cost sharing formula in the Members' Agreement produces different cost shares for the members from year to year, there is a gain (loss) on the opening fund balances. In 2025, the Town recorded a loss of \$59,483 (2024 - loss of \$238,202).

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2025

20. West Shore Parks and Recreation Society (continued)

The participating Municipalities have each become members in the Society, which was incorporated to provide parks, recreation and community services to the Municipalities under contract. Under terms of an Operating, Maintenance and Management Agreement, the Society is responsible to equip, maintain, manage and operate the facilities located at the recreation centre.

b) Consolidation

Financial results and budget for the Society are consolidated into the Town's financial statements proportionately, based on the cost sharing formula outlined in the Members' Agreement. In 2025, the Town's proportion for consolidation purposes was 12.582% (2024 - 12.707%). Condensed financial information for the Society is as follows:

	<u>2025</u>	<u>2024</u>
Financial assets	\$ 6,723,414	\$ 6,319,372
Financial liabilities	3,786,218	3,888,495
Net financial assets	<u>2,937,196</u>	2,219,905
Non-financial assets	<u>2,937,196</u>	1,716,367
Accumulated surplus	<u>5,874,392</u>	3,936,272
Revenues	9,837,169	9,643,960
Requisition for members	6,455,788	6,049,085
	<u>16,292,957</u>	15,693,045
Expenses	<u>15,921,345</u>	15,438,840
Annual surplus (deficit)	<u>\$ 371,612</u>	<u>\$ 254,205</u>

21. Segmented information

The Town is a diversified municipal organization that provides a wide range of services to its citizens. Town 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:

a) General government services

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

b) Protective services

Protective Services includes the View Royal Fire Rescue which is a composite fire department responsible to provide fire suppression service, fire inspections of public buildings, and training and education of volunteer firefighters as well as the citizens of View Royal. In addition, it also includes policing provided by the RCMP, emergency planning, animal control and the maintenance and enforcement of building and construction bylaws as well as all other municipal bylaws. Fire protection services are provided to the Songhees and Esquimalt First Nation communities under contract.

Town of View Royal

Notes to Consolidated Financial Statements
Year ended December 31, 2025

21. Segmented information (continued)

c) Transportation services

Transportation services comprises a wide variety of services such as the annual maintenance of all municipally owned roads and bridges, sidewalks, street signage, boulevards, bus shelters, street lighting and traffic signals. Transportation also includes the design, inspection, and maintenance of the storm drain collection systems.

d) Environmental health services

Environmental health services includes solid waste collection and disposal as well as collection and disposal of liquid waste through the sanitary sewer service.

e) Development services

Development services include all land use, planning, and zoning issues in the Town.

f) Recreation and cultural services

Recreation and culture includes maintenance and development of all parks and green spaces within the Town as well as the Town's financial contribution to the services provided by the Greater Victoria Public Library and the Town's portion of West Shore Parks and Recreation Society.

g) Consolidated schedules of segmented disclosure by service

Schedules 1 and 2 provide additional financial information for the foregoing functions. Certain allocation methodologies have been employed in the preparation of the segmented financial information. Taxation is apportioned based on budgeted taxation revenue as presented in the consolidated financial plan.

22. Comparative figures

Certain comparative figures have been restated to conform with the current year's presentation.

Town of View Royal

Consolidated Schedule of Segment Disclosure by Service

Year ended December 31, 2025

2025	General Government Services	Protective Services	Transportation Services	Environmental Health Services	Development Services	Recreation and Cultural Services	2025 Actual	2025 Budget
(Note 19)								
Revenue								
Taxation for municipal purposes	\$ 2,682,446	\$ 5,625,258	\$ 2,667,122	\$ -	\$ 435,403	\$ 1,623,207	\$ 13,033,436	\$ 13,184,221
User charges and sales of services	11,182	570,508	65,679	3,499,912	529,772	1,119,478	5,796,531	5,673,271
Investment income	857,356	122,935	139,344	83,990	98,463	84,424	1,386,512	615,000
Actuarial adjustments on debt	-	157,361	-	-	-	-	157,361	-
Penalties and fines	126,415	7,665	-	-	-	-	134,080	79,000
Development charges earned	-	-	183,629	1,234	-	19,146	204,009	644,840
Contributions from developers and others	-	-	-	-	2,402,471	-	2,402,471	10,000
Other revenue from own sources	89,842	49,524	18,185	-	-	-	157,551	265,018
Government grants and transfers	671,256	1,299,038	339,013	19,859	194,434	734,037	3,257,637	4,236,265
Gain (loss) on sale of tangible capital assets (Note 9)	-	15,082	-	-	-	-	15,082	-
Total revenue	4,438,497	7,847,371	3,412,972	3,604,995	3,660,543	3,580,292	26,544,670	24,707,615
Expense								
Labour and benefits	1,851,088	3,452,315	776,799	50,188	659,354	1,808,628	8,598,372	8,162,354
Goods and services	1,137,276	3,743,425	2,068,790	2,598,316	287,145	1,594,994	11,429,946	13,308,345
Amortization	112,549	410,453	1,969,713	334,594	-	445,042	3,272,351	3,338,711
Change in proportionate share of West Shore Parks and Recreation Society	-	-	-	-	-	61,364	61,364	-
Debt interest	-	284,090	-	-	-	-	284,090	284,090
Total expense	3,100,913	7,890,283	4,815,302	2,983,098	946,499	3,910,028	23,646,123	25,093,500
Surplus (deficit)	\$ 1,337,584	\$ (42,912)	\$ (1,402,330)	\$ 621,897	\$ 2,714,044	\$ (329,736)	\$ 2,898,547	\$ (385,885)

Town of View Royal

Consolidated Schedule of Segment Disclosure by Service

Year ended December 31, 2025

2024	General Government Services	Protective Services	Transportation Services	Environmental Health Services	Development Services	Recreation and Cultural Services	2024 Actual	2024 Budget
Revenue								
Taxation for municipal purposes	\$ 2,664,436	\$ 4,664,672	\$ 2,907,422	\$ -	\$ 411,725	\$ 1,561,273	\$ 12,209,528	\$ 12,241,375
User charges and sales of services	9,805	481,980	58,031	3,270,716	943,654	1,078,108	5,842,294	5,396,732
Investment income	1,367,707	150,563	174,195	131,355	120,742	114,880	2,059,442	465,000
Actuarial adjustments on debt	-	143,633	-	-	-	-	143,633	-
Penalties and fines	114,166	23,504	-	-	-	-	137,670	69,000
Development charges earned	-	-	281,945	62,708	-	4,295	348,948	553,276
Contributions from developers and others	-	-	-	-	1,049,550	-	1,049,550	634,500
Other revenue from own sources	219,028	35,652	215,277	33,789	-	-	503,746	319,696
Government grants and transfers	604,818	831,931	956,707	-	550,554	939,439	3,883,449	5,085,104
Gain (loss) on sale of tangible capital assets (Note 9)	(11,783)	(129)	8,946	(60,600)	-	-	(63,566)	-
Total revenue	4,968,177	6,331,806	4,602,523	3,437,968	3,076,225	3,697,995	26,114,694	24,764,683
Expense								
Labour and benefits	1,840,098	2,777,961	738,082	59,843	607,686	1,705,919	7,729,589	7,410,322
Goods and services	954,201	2,668,712	2,096,914	2,490,601	102,155	1,578,723	9,891,306	12,646,578
Amortization	108,018	424,316	2,017,817	321,205	-	442,710	3,314,066	3,279,925
Change in proportionate share of West Shore Parks and Recreation Society	-	-	-	-	-	245,655	245,655	-
Debt interest	-	266,198	-	-	-	-	266,198	217,112
Total expense	2,902,317	6,137,187	4,852,813	2,871,649	709,841	3,973,007	21,446,814	23,553,937
Stmt B	2,902,317	6,137,187	4,852,813	2,871,649	709,841	3,973,007	21,446,814	
Difference	-	-	-	-	-	-	-	-
Surplus (deficit)	\$ 2,065,860	\$ 194,619	\$ (250,290)	\$ 566,319	\$ 2,366,384	\$ (275,012)	\$ 4,667,880	\$ 1,210,746

Town of View Royal

Consolidated Schedule of Tangible Capital Assets
Year ended December 31, 2025

	Land	Land Improvements	Buildings	Vehicles, Machinery & Equipment	Engineering Structures			Work in Progress	West Shore	2025	2024
					Roads	Drainage	Sewer				
Cost											
Balance, beginning	\$ 43,479,637	\$ 6,632,667	\$ 10,756,142	\$ 10,639,535	\$ 66,680,697	\$ 23,192,562	\$ 12,854,266	\$ 768,661	\$ 9,952,856	\$ 184,957,023	\$ 180,853,525
Additions	-	213,394	22,635	1,760,159	2,598,060	355,200	250,848	239,497	173,083	5,612,876	5,791,032
Disposals or write-downs	-	-	-	(331,144)	-	-	-	-	(77,877)	(409,021)	(650,365)
Completed during year	-	-	-	-	-	-	-	(90,194)	-	(90,194)	(1,037,169)
Balance, ending	43,479,637	6,846,061	10,778,777	12,068,550	69,278,757	23,547,762	13,105,114	917,964	10,048,062	190,070,684	184,957,023
Accumulated amortization											
Balance, beginning	-	3,745,923	3,789,554	5,537,323	34,704,367	6,236,394	3,950,177	-	3,714,854	\$ 61,678,592	\$ 58,669,876
Current year amortization	-	261,750	194,154	397,019	1,574,544	289,276	334,594	-	221,014	3,272,351	3,314,066
Accumulated amortization on disposals or write-downs	-	-	-	(326,630)	-	-	-	-	(16,513)	(343,143)	(305,350)
Balance, ending	-	4,007,673	3,983,708	5,607,712	36,278,911	6,525,670	4,284,771	-	3,919,355	64,607,800	61,678,592
Net book value	\$ 43,479,637	\$ 2,838,388	\$ 6,795,069	\$ 6,460,838	\$ 32,999,846	\$ 17,022,092	\$ 8,820,343	\$ 917,964	\$ 6,128,707	\$ 125,462,884	\$ 123,278,431