

Financial Statements of the

TOWN OF SIDNEY

Year ended December 31, 2025



TOWN OF SIDNEY

BRITISH COLUMBIA

TOWN OF SIDNEY

Financial Statements
Year ended December 31, 2025

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TOWN OF SIDNEY

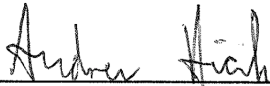
FINANCIAL REPORTING RESPONSIBILITY

The accompanying financial statements of the Town of Sidney (the “Town”) are the responsibility of management and have been prepared in compliance with legislation, and in accordance with public sector accounting standards for local governments, as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is included in note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management’s judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Town’s management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Municipal Council meets with management and the external auditors to review the financial statements and discuss any significant reporting or internal control matters prior to their acceptance of the financial statements.

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



Director of Finance



KPMG LLP

St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250 480 3500
Fax 250 480 3539

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councillors of the Town of Sidney

Opinion

We have audited the financial statements of the Town of Sidney (the "Town"), which comprise:

- the statement of financial position as at December 31, 2025
- the statement of operations and accumulated operating surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2025, and its results of operations, its remeasurement gains and losses, its 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 Financial Statements*** section of our auditor's report.

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

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



Town of Sidney

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.



Town of Sidney

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

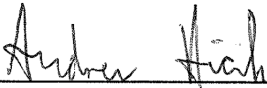
Victoria, Canada
May 11, 2026

TOWN OF SIDNEY

Statement of Financial Position December 31, 2025, with comparative figures for 2024

	2025	2024
Financial assets:		
Cash and cash equivalents (note 2)	\$ 14,680,803	\$ 14,071,752
Investments	9,204,297	9,000,000
Property taxes receivable	557,201	412,937
Accounts receivable	2,933,340	2,761,494
MFA Debt Reserve Fund cash (note 5c)	159,865	155,216
	<u>27,535,506</u>	<u>26,401,399</u>
Liabilities:		
Accounts payable and accrued liabilities	4,374,320	3,454,335
Deferred revenue and deposits (note 3)	5,883,884	5,166,739
Employee future benefit liability (note 4)	1,135,500	1,131,800
Debt (note 5)	10,100,236	10,555,138
Asset retirement obligations (note 6)	757,700	739,300
	<u>22,251,640</u>	<u>21,047,312</u>
Net financial assets	5,283,866	5,354,087
Non-financial assets:		
Tangible capital assets (note 7)	121,476,096	119,186,841
Inventory of supplies	465,217	378,342
Prepaid expenses	499,078	462,581
	<u>122,440,391</u>	<u>120,027,764</u>
Accumulated operating surplus (note 8)	127,673,436	125,193,836
Accumulated remeasurement gain	50,821	188,015
Accumulated surplus	<u>\$ 127,724,257</u>	<u>\$ 125,381,851</u>
Contractual rights (note 14)		
Commitments and contingent liabilities (note 15)		

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



Director of Finance

TOWN OF SIDNEY

Statement of Operations and Accumulated Operating Surplus Year ended December 31, 2025, with comparative figures for 2024

	<i>Budget</i> 2025	Actual 2025	Actual 2024
	<i>(note 12)</i>		
Revenue:			
Net taxes available for municipal purposes (note 9)	\$ 18,843,746	\$ 18,822,262	\$ 17,188,397
Fees, rates and service charges	8,381,853	8,277,508	7,636,683
Government transfers (note 10)	3,250,987	2,828,768	3,869,608
Investment earnings	750,000	913,474	1,248,663
Gifts and contributions	132,500	806,353	1,588,570
Penalties and interest	129,500	160,121	153,827
Actuarial adjustment on debt	-	81,851	67,434
Other	9,500	48,290	3,840
Total revenue	31,498,086	31,938,627	31,757,022
Expenses:			
General government	3,610,923	3,449,984	3,499,661
Protective services	8,876,673	8,779,254	7,363,649
Transportation	5,269,301	4,884,037	5,133,712
Environmental health services	1,501,004	1,289,084	1,278,898
Environmental development	733,095	565,652	579,080
Leisure, parks and cultural	4,090,041	4,050,718	3,871,539
Water utility	2,748,025	2,629,181	2,494,048
Sewer utility	2,883,109	2,688,590	2,691,771
Other (note 11)	1,213,040	1,122,527	1,178,033
Total expenses	30,925,211	29,459,027	28,090,391
Annual operating surplus	572,875	2,479,600	3,666,631
Accumulated operating surplus, beginning of year	125,193,836	125,193,836	121,527,205
Accumulated operating surplus, end of year	\$ 125,766,711	\$ 127,673,436	\$ 125,193,836

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

TOWN OF SIDNEY

Statement of Changes in Net Financial Assets Year ended December 31, 2025, with comparative figures for 2024

	Budget 2025	Actual 2025	Actual 2024
	<i>(note 12)</i>		
Annual surplus	\$ 572,875	\$ 2,479,600	\$ 3,666,631
Acquisition of tangible capital assets	(11,118,520)	(5,993,687)	(11,466,772)
Amortization of tangible capital assets	3,500,000	3,690,283	3,467,218
Gain on disposal of tangible capital assets	-	(39,091)	(886)
Proceeds on disposal of tangible capital assets	-	53,240	18,404
	(7,045,645)	190,345	(4,315,405)
Acquisition of inventory of supplies	-	(465,217)	(378,342)
Acquisition of prepaid expense	-	(499,078)	(462,581)
Consumption of inventory of supplies	-	378,342	320,899
Use of prepaid expenses	-	462,581	400,001
Change in net financial assets	(7,045,645)	66,973	(4,435,428)
Net financial assets, beginning of year	5,354,087	5,354,087	9,566,512
Change in accumulated remeasurement gain (loss)	-	(137,194)	223,003
(Net debt) / Net financial assets, end of year	\$ (1,691,558)	\$ 5,283,866	\$ 5,354,087

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

TOWN OF SIDNEY

Statement of Remeasurement Gains and Losses Year ended December 31, 2025, with comparative figures for 2024

	2025	2024
Accumulated remeasurement gain (loss), beginning of year	\$ 188,015	\$ (34,988)
Unrealized gain (loss) attributable to:		
Foreign exchange	(137,194)	223,003
Net change in remeasurement gain (loss) for the year	(137,194)	223,003
Accumulated remeasurement gain, end of year	\$ 50,821	\$ 188,015

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

TOWN OF SIDNEY

Statement of Cash Flows

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

	2025	2024
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 2,479,600	\$ 3,666,631
Items not involving cash:		
Amortization	3,690,283	3,467,218
Gain on disposal of tangible capital assets	(39,091)	(886)
Developer contribution of tangible capital assets	(495,320)	(898,435)
Change in employee future benefit liability	3,700	(1,700)
Actuarial adjustment on debt	(81,851)	(67,434)
Asset retirement expense on inactive assets	500	4,800
Unrealized remeasurement gain (loss) on foreign exchange	(137,194)	223,003
Changes in non-cash assets and liabilities:		
Property taxes receivable	(144,264)	(7,210)
Accounts receivable	(171,846)	3,708,410
Accounts payable and accrued liabilities	919,985	(623,617)
Deferred revenue	717,145	(979,743)
Inventory of supplies	(86,875)	(57,443)
Prepaid expenses	(36,497)	(62,580)
Net change in cash from operating activities	6,618,275	8,371,014
Capital activities:		
Proceeds on disposal of tangible capital assets	21,440	18,404
Cash used to acquire tangible capital assets	(5,448,667)	(10,534,437)
Net change in cash from capital activities	(5,427,227)	(10,516,033)
Investment activities:		
Investments	(204,297)	3,020,282
Net change in cash from investing activities	(204,297)	3,020,282
Financing activities		
Municipal Finance Authority debt reserve adjustment	(4,649)	(17,921)
Debt issued and assumed	-	1,300,000
Long-term debt repaid	(373,051)	(327,079)
Net change in cash from financing activities	(377,700)	955,000
Net change in cash and cash equivalents	609,051	1,830,263
Cash and cash equivalents, beginning of year	14,071,752	12,241,489
Cash and cash equivalents, end of year	\$ 14,680,803	\$ 14,071,752
Cash paid for interest	\$ 340,788	\$ 278,809
Cash received from interest	936,661	1,273,635

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

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2025

The Town of Sidney (the “Town”) is a municipality in the Province of British Columbia and operates under the provisions of the Local Government Act and Community Charter. Its principal activities are the provision of local government services to residents of the Town. These include administrative, protective, transportation, environmental, recreational, water, sewer and fiscal services.

1. Significant accounting policies:

The financial statements of the Town are prepared by management in accordance with Canadian public sector accounting standards for local governments, as recommended by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Town are as follows:

(a) Reporting entity:

The financial statements include a combination of the assets, liabilities, accumulated surplus, revenues and expenses of all of the Town’s activities and funds. Inter-departmental balances and organizational transactions have been eliminated.

(b) Basis of accounting:

The Town follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Government transfers:

Government transfers are recognized in the financial statements as revenue in the period the transfers are authorized and any eligibility criteria have been met, except when, and to the extent that, the transfer gives rise to an obligation that meets the definition of a liability for the recipient government. Transfers received which meet the definition of a liability are included in deferred revenue.

(d) Property tax revenue:

Property tax revenue is recognized on an accrual basis using property assessment values established by BC Assessment for the current year and the tax rates established annually by Council. Tax revenues are recorded at the date property taxes are due. Assessments are subject to appeal and tax adjustments are recorded when the results of the appeals are known, and if required. An allowance for unresolved assessment appeals is also recorded.

(e) Deferred revenue:

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation, regulation or agreement, which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenues arising from exchange transactions are recognized when the related performance obligation(s) are satisfied.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2025

1. Significant accounting policies (continued):

(f) Investment income:

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

(g) Financial instruments:

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

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Town does not hold any instruments that require fair value reporting and has not elected to record any other financial instruments at fair value.

Financial instruments recorded at cost are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method or effective interest rate method. All financial assets are assessed for impairment on an annual basis.

(h) Employee future benefits:

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

Leave benefits such as banked sick, discretionary, or vacation time, along with retirement allowance benefits, are also available to the Town's employees. The costs of these benefits are actuarially determined based on service, best estimates of retirement ages, and expected future salary and benefit increases. The obligation under this benefit plan is accrued based on projected benefits as the employees render services necessary to earn the future benefits.

(i) Asset retirement obligation:

An asset retirement obligation (ARO) is a legal obligation associated with the retirement of a tangible capital asset and is recognized when, as at the financial reporting date, all of the following criteria are met:

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

The recognition of an ARO liability increases the carrying value of the underlying asset, and is amortized over the asset's remaining useful life in accordance with the accounting policy outlined in note 1(j). Where the underlying asset is no longer in productive use, the obligation is recorded as an expense on the Statement of Operations and Accumulated Operating Surplus.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2025

1. Significant accounting policies (continued):

(i) Asset retirement obligation (continued):

AROs are initially measured at the best estimate of the amount required to retire a tangible capital asset at the financial statement date. In subsequent periods, the assumptions used in determining the ARO will be reviewed annually, and the value of the liability revised, when appropriate.

(j) Non-financial assets:

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

(i) Tangible capital assets

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

Assets	Useful Life - Years
Land improvements	10 - 75
Buildings and building improvements	15 - 100
Vehicles, machinery and equipment	3 - 50
Water and wastewater infrastructure	12 - 75
Road infrastructure	25 - 100

Amortization is charged annually. 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 services, or when the value of future economic benefits associated with the asset is less than the book value.

(ii) Contribution 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 historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(iv) Interest capitalization

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

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2025

1. Significant accounting policies (continued):

(k) Contaminated sites:

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

- (i) An environmental standard exists;
- (ii) Contamination exceeds the environmental standard;
- (iii) The Town is directly responsible or accepts responsibility;
- (iv) It is expected that future economic benefits will be given up; and
- (v) A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site. Management has not identified any Town sites that meet the criteria of a contaminated site.

(l) Foreign currency:

Foreign currency transactions are translated into Canadian dollars at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Unrealized foreign exchange gains or losses, resulting from a change in the exchange rate that arises prior to settlement, are recognized in the Statement of Remeasurement Gains and Losses. In the period of settlement, realized gains or losses are recognized on the Statement of Operations and Accumulated Operating Surplus, and the related unrealized balances are reversed from the Statement of Remeasurement Gains and Losses.

(m) Measurement uncertainty:

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Estimates include assumptions used in estimating historical cost and useful lives of tangible capital assets, estimating provisions for accrued liabilities, including employee future benefits, contaminated sites, contingent liabilities and asset retirement obligations. Actual results could differ from these estimates.

2. Cash and cash equivalents:

	2025	2024
Cash	\$ 12,657,300	\$ 14,071,752
Municipal Finance Authority money market fund	2,023,503	-
	<u>\$ 14,680,803</u>	<u>\$ 14,071,752</u>

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2025

3. Deferred revenue and deposits:

The deferred revenues and deposits reported on the statement of financial position are comprised of the following:

	Balance at Dec 31, 2024	Recognized as revenue or refunded	Interest earned	Current year deferred	Balance at Dec 31, 2025
Prepaid property taxes	\$ 1,996,280	\$ (1,996,280)	\$ -	\$ 2,852,812	\$ 2,852,812
Prepaid fees and charges	703,131	(329,731)	-	212,515	585,915
Deferred developer contributions & deposits	1,872,843	(1,762,386)	6,700	1,619,887	1,737,044
Deposits on hold	594,485	(385,563)	-	499,191	708,113
	<u>\$ 5,166,739</u>	<u>\$ (4,473,960)</u>	<u>\$ 6,700</u>	<u>\$ 5,184,405</u>	<u>\$ 5,883,884</u>

4. Employee future benefit liability:

Sick leave and retirement benefits are available to Town employees; these benefits will require funding in future periods. The amounts recorded for these benefits are actuarially determined based on years of service and best estimates of retirement ages and expected future salary and wage increases. The obligations are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

Information regarding the Town's obligation for employee future benefits is as follows:

	2025	2024
Accrued employee benefit obligations:		
Balance, beginning of year	\$ 993,900	\$ 909,900
Plan amendment	-	68,100
Current service cost	100,900	88,300
Interest cost	43,800	38,900
Benefits paid	(128,400)	(109,500)
Actuarial adjustment	(37,900)	(1,800)
Balance, end of year	972,300	993,900
Unamortized net actuarial gain	163,200	137,900
Accrued employee benefit liability	<u>\$ 1,135,500</u>	<u>\$ 1,131,800</u>

Any actuarial gain or loss is amortized over a period equal to the employees' average remaining service lifetime, estimated to be 10 years (2024 - 10 years).

The liabilities are based on an actuarial valuation of the Town's employee future benefits completed as at December 31, 2025.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2025

4. Employee future benefit liability (continued):

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

	2025	2024
Discount rates	4.40%	4.30%
Expected wage and salary increases	2.50%	2.50%

The Town funds the employee future benefits with tax revenues from the general operating fund. The total expense recorded in the financial statements in respect of obligations under this plan amounts to \$132,100 (2024 - \$107,800).

Municipal pension plan:

The Town and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of 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 had 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. The rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

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

The next valuation will be as at December 31, 2027 with results available in 2028.

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 costs to the individual employers participating in the Plan.

The Town paid \$776,044 for employer contributions (2024 - \$727,316) and Town employees paid \$695,776 for employee contributions (2024 - \$655,654) to the plan in fiscal 2025.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2025

4. Employee future benefit liability (continued):

GVLRA – CUPE Long-Term Disability Trust

The Trust was established January 1, 1987 as a result of negotiations between the Greater Victoria Labour Relations Association representing a number of employers and the Canadian Union of Public Employees representing a number of CUPE locals. The Trust's sole purpose is to provide a long-term disability income benefit plan. Employers and employees each contribute equal amounts into the Trust. The total plan provision for approved and unreported claims was fully actuarially determined as at December 31, 2024. At December 31, 2024, the total plan provision for approved claims was \$29,016,100 (2023 - \$25,464,600) and the provision for unreported claims was \$2,671,900 (2023 - \$2,327,000) with an accumulated deficit of \$4,356,410 (accumulated surplus in 2023 - \$3,419,021).

The Town paid \$112,040 for employer contributions (2024 - \$109,974) and Town employees paid \$112,040 for employee contributions (2024 - \$109,974) to the plan in 2025.

5. Debt:

	2025	2024
Debt principal		
Short-term and other debt	\$ 54,039	\$ 109,830
Long-term debt	10,046,197	10,445,308
	<u>\$ 10,100,236</u>	<u>\$ 10,555,138</u>

- (a) The Town issues debt instruments through the Municipal Finance Authority (MFA), pursuant to loan authorization bylaws under authority of the Community Charter and the Local Government Act, to finance certain capital expenditures.
- (b) The gross long-term debt issued at year-end was \$12,800,000 (2024 - \$12,800,000). The debt principal reported is net of repayments and actuarial gains or losses on sinking fund contributions managed by the MFA.
- (c) 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 \$219,185 (2024 - \$219,185) and cash deposits of \$159,865 (2024 - \$155,216). The demand notes are not included in the financial statements of the Town; however, the cash deposits are included in the financial statements as MFA Debt Reserve Fund cash.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2025

5. Debt (continued):

- (d) Principal repayments for long-term debt are estimated as follows over the next five years and thereafter:

2026	\$	317,260
2027		317,260
2028		317,260
2029		317,260
2030		317,260
2031-2050		8,459,897
	\$	10,046,197

- (e) Scheduled debt repayments may be suspended should sinking fund accumulations exceed original estimates.
- (f) Total interest expense incurred on debt during the year was \$354,773 (2024 - \$278,809).
- (g) Existing long-term debt matures in annual amounts to the year 2050, and interest rates range from 1.47% to 3.83%. The weighted average interest rate for 2025 was 2.75% (2024 - 2.60%).
- (h) Included in other debt are Equipment Financing Loan Agreements with the Municipal Finance Authority totaling \$54,039 (2024 - \$109,830) to finance the purchase of tangible capital assets.

The loans are repaid in monthly payments of \$4,523 and mature in 2026. The loans are repayable on demand upon occurrence of any event of default. Interest is charged on a daily floating rate basis and compounded monthly. At year end, the floating rate was 2.91% per annum. Interest paid during the year was \$2,934 (2024 - \$7,564) and has been included in expenses on the Statement of Operations and Accumulated Operating Surplus. As a condition of borrowing, the Town has issued promissory notes in the value of \$265,000 to the MFA.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2025

6. Asset retirement obligations:

The Town's asset retirement obligation consists of two obligations as follows:

(a) Asbestos obligation:

The Town owns and operates buildings that are known to contain asbestos and other hazardous materials, which represent a health hazard upon demolition or certain renovations. The recognition of asset retirement obligations involves an accompanying increase to the buildings and building improvements capital assets; where the buildings and building improvements capital assets are no longer in productive use, the obligation is expensed on the Statement of Operations and Accumulated Operating Surplus. These asset retirement activities are estimated to occur between 2028 and 2082.

(b) Well closure obligation:

The Town is responsible for a number of historic wells. Provincial regulations require wells to be decommissioned, if not in use. This obligation was expensed on the Statement Operations and Accumulated Operating Surplus, as the underlying assets are no longer in productive use.

Changes to the asset retirement obligation in the year are as follows:

	Asbestos removal	Well closure	Total 2025	Total 2024
Asset retirement obligation, beginning of year	\$ 726,100	\$ 13,200	\$ 739,300	\$ 700,600
Additions	-	-	-	4,200
Revisions in estimate	18,000	400	18,400	34,500
Asset retirement obligation, end of year	\$ 744,100	\$ 13,600	\$ 757,700	\$ 739,300

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2025

7. Tangible capital assets:

Cost	Balance at Dec 31, 2024	Additions	Disposals / Transfers	Balance at Dec 31, 2025
Land	\$ 15,818,725	\$ -	\$ -	\$ 15,818,725
Land improvements	17,356,054	487,137	195,528	18,038,719
Buildings and building improvements	31,928,833	205,461	119	32,134,413
Vehicles, machinery and equipment	14,546,863	1,929,378	(244,665)	16,231,576
Water and wastewater infrastructure	54,063,139	820,687	713,585	55,597,411
Roads infrastructure	42,944,048	1,137,293	249,421	44,330,762
Assets under construction	1,859,803	1,413,731	(1,385,887)	1,887,647
Total	\$ 178,517,465	\$ 5,993,687	\$ (471,899)	\$ 184,039,253

Accumulated Amortization	Balance at Dec 31, 2024	Amortization Expense	Disposals	Balance at Dec 31, 2025
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	7,964,522	474,604	-	8,439,126
Buildings and building improvements	10,891,793	774,889	-	11,666,682
Vehicles, machinery and equipment	6,973,190	859,324	(333,849)	7,498,665
Water and wastewater infrastructure	19,896,544	747,461	-	20,644,005
Roads infrastructure	13,604,575	834,005	(123,901)	14,314,679
Assets under construction	-	-	-	-
Total	\$ 59,330,624	\$ 3,690,283	\$ (457,750)	\$ 62,563,157

Net Book Value	Balance at Dec 31, 2024	Balance at Dec 31, 2025
Land	\$ 15,818,725	\$ 15,818,725
Land improvements	9,391,532	9,599,593
Buildings and building improvements	21,037,040	20,467,731
Vehicles, machinery and equipment	7,573,673	8,732,911
Water and wastewater infrastructure	34,166,595	34,953,406
Roads infrastructure	29,339,473	30,016,083
Assets under construction	1,859,803	1,887,647
Total	\$ 119,186,841	\$ 121,476,096

(a) Assets under construction

Assets under construction in the amount of \$1,887,647 (2024 - \$1,859,803) have not been amortized. Amortization of these assets will commence when the assets are available for service.

(b) Contributed tangible capital assets

Contributed capital assets are recognized at fair market value at the date of contribution and consist of water, wastewater and roads infrastructure. The value of contributed assets received during the year is \$495,320 (2024 - \$898,435).

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2025

7. Tangible capital assets (continued):

(c) Works of art and historical cultural assets

The Town manages and controls a limited number of works of art and non-operational historical cultural assets including 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.

(d) Write-downs

The Town did not write down any tangible capital asset values during 2025 or 2024.

8. Accumulated surplus:

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

	2025	2024
Surplus:		
Invested in tangible capital assets	\$ 110,636,060	\$ 107,909,803
Surplus from operations	2,331,240	2,871,156
Total surplus	112,967,300	110,780,959
Reserves set aside by Council:		
Miscellaneous operating purposes	887,203	823,215
Miscellaneous capital purposes	476,347	439,293
Total reserves	1,363,550	1,262,508
Reserves funds set aside for specific purposes by Council:		
Land sale proceeds	87,175	284,282
Parkland acquisition	242,873	13,073
Off-street parking	439,997	425,197
Alternative transportation	72,210	387,742
Computer replacement	512,809	461,038
General capital	473,914	552,307
Vehicle replacement	(145,000)	589,435
Fire equipment replacement	(172,374)	(256,484)
Infrastructure replacement	5,557,306	4,745,376
Amenities	1,189,252	1,147,883
Ferry terminal	1,723,411	1,542,648
Agreements	133,371	138,057
Climate action	93,941	147,741
Canada Community-Building Fund	1,777,911	1,591,216
Growing Communities Fund	1,195,925	1,225,642
Total reserve funds	13,182,721	12,995,153
MFA Debt Reserve Fund cash	159,865	155,216
	\$ 127,673,436	\$ 125,193,836

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2025

8. Accumulated surplus (continued):

The Town periodically receives Canada Community-Building Fund contributions from the federal government. These funds, along with interest earned on the funds, are recorded as revenues and transferred to reserves until they are used to fund future eligible expenditures under the Community Works Fund Agreement.

	2025	2024
Canada Community-Building Fund, beginning of year	\$ 1,591,216	\$ 2,404,667
Amounts received during the year	624,298	624,298
Interest earned restricted for projects	55,500	125,200
Expenditures	(493,103)	(1,562,949)
Canada Community-Building Fund, end of year	\$ 1,777,911	\$ 1,591,216

9. Net taxes available for municipal purposes:

	2025	2024
Taxes:		
Property taxes	\$ 35,050,808	\$ 31,851,612
Revenue in lieu of taxes	306,643	319,729
Other	1,076,775	1,066,205
	36,434,226	33,237,546
Less taxes on behalf of:		
Provincial Government School Authorities	9,188,910	8,813,380
Capital Regional District	3,401,823	3,164,876
Capital Regional Hospital District	955,565	961,391
BC Transit	3,423,501	2,486,027
BC Assessment Authority	286,551	276,503
Municipal Finance Authority	1,553	1,547
Business Improvement Area	354,061	345,425
	17,611,964	16,049,149
Net taxes available for municipal purposes	\$ 18,822,262	\$ 17,188,397

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2025

10. Government transfers:

Government transfers are recognized in the financial statements as revenue in the period the transfers are authorized and any eligibility criteria and stipulations have been met. The government transfers reported on the Statement of Operations and Accumulated Operating Surplus are:

	2025	2024
Federal grants:		
Canada Community-Building Fund	\$ 624,298	\$ 624,298
Provincial grants:		
Federal / provincial capital grant programs	825,378	1,364,741
Small community protection grant	300,000	341,600
Traffic fine revenue sharing	80,000	97,000
Other provincial grants	359,055	354,391
	1,564,433	2,157,732
Regional and other local governments:		
Capital	-	500,170
Policing	535,077	482,943
Recreation	104,960	94,465
Other	-	10,000
	640,037	1,087,578
Total government transfer revenue	\$ 2,828,768	\$ 3,869,608

11. Other expenses:

	2025	2024
Grants to non-government organizations:		
Saanich Peninsula Memorial Park Society	\$ 443,425	\$ 414,970
Shaw Centre for the Salish Sea	206,932	205,000
Sidney Business Improvement Area Society	181,340	178,703
ArtSea Community Arts Council	51,800	51,800
South Island Prosperity Partnership	28,841	28,138
Peninsula Celebrations Society	12,000	12,000
Other	60,826	60,965
	985,164	951,576
Interest on prepaid taxes	63,464	94,284
Amortization on miscellaneous assets	5,313	7,924
Other	68,586	124,249
	\$ 1,122,527	\$ 1,178,033

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2025

12. Budget data:

The budget data presented in these financial statements is based upon the 2025-2029 Financial Plan adopted by Council on May 12, 2025. The table below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenues:	
Financial Plan	\$ 30,765,791
Add:	
Vancouver Island Regional Library Levy	1,086,356
Less:	
Sidney Business Improvement Area Levy	(354,061)
Total revenue	31,498,086
Expenses:	
Financial Plan	30,192,916
Add:	
Vancouver Island Regional Library Levy	1,086,356
Less:	
Sidney Business Improvement Area Levy	(354,061)
Total expenses	30,925,211
Annual surplus	\$ 572,875

13. Segmented information:

The Town of Sidney is a diversified organization that provides a wide range of services. These services have been captured in specific functions that have been separately disclosed in the segmented information as follows:

(a) General Government:

The General Government function is comprised of Legislative Services (Council and Committees) and General Administration, which includes Financial Management, Driver Services, Computer Services, Human Resources, Common Services, and other administrative activities related to the management of the Town.

(b) Protective Services:

The Protective Services function is comprised of five core services: Emergency Measures, Fire Protection, Police Protection, Court House, and Building & Bylaw Enforcement.

Emergency Measures captures the Town's emergency preparedness programs that ensure the Town is prepared and able to respond to the devastating effects of a disaster or major catastrophic event.

Fire Protection services are carried out by the Town's Fire Department, whose mandate is to provide critical, life-saving services in preventing or minimizing the loss of life and property from fire and natural or man-made emergencies.

Police Protection services are performed under contract by the RCMP, who ensure the safety of lives and property in the Town through law enforcement, the maintenance of law and order, and the prevention of crime.

Building and Bylaw Enforcement promotes, facilitates and enforces general compliance with the provisions of bylaws that pertain to the health, safety and welfare of the community.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2025

13. Segmented information (continued):

(c) Transportation Services:

The Transportation Services function is responsible for a wide variety of transportation and engineering services including Roads, Storm Drainage, Dock & Port Facilities, and Hydrants.

The Roads function's principal activity is the development and maintenance of the Town's roadway systems by the Public Works department or contracted service providers. The main functions include traffic services consisting of street signs, street painting and traffic light control maintenance; street lighting; road, curb, sidewalk and cul-de-sac repairs and maintenance; and street sweeping.

The Storm Drains service performs preventative maintenance and repairs to the Town's storm drain system, maintains and repairs storm drain ditches, and cleans catch basins.

Dock & Port Facilities captures maintenance of the Town's waterfront infrastructure.

Hydrant services pertain to the maintenance of existing and installation of new fire hydrants.

(d) Environmental Health Services:

Environmental Health Services is comprised of two functions: Solid Waste and Environmental Programs.

Solid Waste provides garbage, organics and compost collection and disposal services to residents and businesses through the Town's designated contractors.

Environmental Programs undertakes initiatives in the Town that address the impacts of climate change.

(e) Environmental Development Services:

Environmental Development Services administers zoning and related bylaws, and provides long range planning and policy services, as well as administrative support to the Building Inspection function.

(f) Leisure, Parks and Cultural Services:

Leisure, Parks & Cultural Services is comprised of four different functions: Parks, Library, Senior's Centre and Museums.

Parks is responsible for the maintenance, planning and development of Town park facilities such as ornamental gardens, natural ecosystems, and playgrounds for recreational and cultural enjoyment in a beautiful and safe environment. It also preserves and enhances green spaces on public lands.

Library services are specific to maintenance of the Town owned library building, and funding to the Vancouver Island Regional Library service to operate and manage the library.

The Town owned Shoal Activity Centre is operated by Beacon Community Services, who receive funding from the Town to provide senior-related programs.

Museum services include providing space and funding to the Sidney Museum and Archives Society to manage and operate the Town's Historical Museum and Archives. The Town also provides space to the New Marine Centre Society for the operation of the Shaw Centre for the Salish Sea.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2025

13. Segmented information (continued):

(g) Sewer and Water Utilities:

The Sewer Utility protects the environment and human health from the impacts of liquid waste generated as a result of human occupation and development in the Town. The Town operates a collection system, which transfers wastewater to a sub-regional treatment facility.

The Water Utility delivers clean, safe and aesthetically pleasing potable water, in accordance with the Provincial Drinking Water Protection Act, to the residents and businesses of the Town. The water is for the purposes of domestic and commercial consumption, irrigation and firefighting. The Town operates a water distribution system only, using treated water purchased in bulk from the Regional District.

(h) Other:

Other includes all revenues and expenses not captured in the above-named segmentation categories.

Other revenues include municipal taxes, unconditional provincial and federal government grants, traffic fine revenues, investment income, and other miscellaneous sources of revenue.

Other expenses include community support funding and grants, economic development, interest on prepaid taxes and deposits, contingencies, and other miscellaneous expenses.

The resulting annual surplus is primarily used for budgeted transfers to reserves, debt principal repayments, and acquisition of tangible capital assets.

Certain allocation methodologies have been employed in the preparation of the segmented financial information. Property taxation and revenue in-lieu of taxes are apportioned to the functions based on year-end operating results and funding of capital expenditures.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements, as disclosed in note 1.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2025

13. Segmented information (continued):

	General Government	Protective Services	Transportation Services	Environmental Health Services	Environmental Development Services	Leisure, Parks and Cultural	Water Utility	Sewer Utility	Other	2025
Revenue:										
Taxes for municipal purposes	\$ 2,756,279	\$ 6,797,684	\$ 2,209,338	\$ 223,997	\$ 524,291	\$ 3,240,472	\$ 489,825	\$ 586,950	\$ 1,993,426	\$ 18,822,262
Fees, rates and service charges	548,751	417,034	1,004,726	936,112	25,606	159,203	2,484,300	2,525,633	176,143	8,277,508
Government transfers	3,946	993,680	536,254	149,881	27,445	113,264	-	-	1,004,298	2,828,768
Investment earnings	-	-	-	-	-	-	-	-	913,474	913,474
Gifts and contributions	-	-	487,820	-	-	23,069	7,500	-	287,964	806,353
Penalties and interest	-	-	-	3,185	-	-	7,357	7,873	141,706	160,121
Actuarial adjustment on debt	-	-	-	-	-	-	-	-	81,851	81,851
Other	-	-	-	-	-	-	-	-	48,290	48,290
Total revenue	3,308,976	8,208,398	4,238,138	1,313,175	577,342	3,536,008	2,988,982	3,120,456	4,647,152	31,938,627
Expenses:										
Salaries, wages and benefits	2,300,507	3,691,845	1,900,995	226,906	525,550	1,469,098	612,977	387,516	13,029	11,128,423
Contracted services	870,033	3,790,409	753,110	1,034,502	38,526	1,672,007	45,149	2,017,311	519,048	10,740,095
Supplies and equipment	58,592	351,043	370,322	27,326	1,576	385,630	1,673,570	88,538	375	2,956,972
Debt interest	-	239,186	32,059	-	-	83,528	-	-	13,986	368,759
Other	869	2,500	-	350	-	-	-	-	570,776	574,495
Amortization	219,983	704,271	1,827,551	-	-	440,455	297,485	195,225	5,313	3,690,283
Total expenses	3,449,984	8,779,254	4,884,037	1,289,084	565,652	4,050,718	2,629,181	2,688,590	1,122,527	29,459,027
Annual surplus (deficit)	\$ (141,008)	\$ (570,856)	\$ (645,899)	\$ 24,091	\$ 11,690	\$ (514,710)	\$ 359,801	\$ 431,866	\$ 3,524,625	\$ 2,479,600

TOWN OF SIDNEY

Notes to Financial Statements
Year ended December 31, 2025

13. Segmented information (continued):

	General Government	Protective Services	Transportation Services	Environmental Health Services	Environmental Development Services	Leisure, Parks and Cultural	Water Utility	Sewer Utility	Other	2024
Revenue:										
Taxes for municipal purposes	\$ 2,483,143	\$ 5,407,119	\$ 2,183,721	\$ 159,572	\$ 533,803	\$ 3,026,490	\$ 483,675	\$ 582,530	\$ 2,328,344	\$ 17,188,397
Fees, rates and service charges	492,537	496,009	1,146,711	894,969	23,442	157,514	2,217,453	2,030,600	177,448	7,636,683
Government transfers	22,415	591,861	1,865,855	205,819	21,295	99,466	-	-	1,062,897	3,869,608
Investment earnings	-	-	-	-	-	-	-	-	1,248,663	1,248,663
Gifts and contributions	-	7,355	1,402,427	-	-	119,138	36,375	23,275	-	1,588,570
Penalties and interest	-	-	-	3,313	-	-	8,987	8,518	133,009	153,827
Actuarial adjustment on debt	-	-	-	-	-	-	-	-	67,434	67,434
Other	-	-	-	-	-	-	-	-	3,840	3,840
Total revenue	2,998,095	6,502,344	6,598,714	1,263,673	578,540	3,402,608	2,746,490	2,644,923	5,021,635	31,757,022
Expenses:										
Salaries, wages and benefits	2,128,988	3,227,149	1,961,079	227,432	516,442	1,391,618	615,225	395,844	8,177	10,471,954
Contracted services	1,062,001	2,948,292	1,117,688	1,006,395	61,909	1,564,050	76,932	2,021,831	478,567	10,337,665
Supplies and equipment	61,884	277,171	386,943	38,671	729	457,393	1,532,108	73,756	435	2,829,090
Debt interest	-	227,770	32,505	-	-	31,601	-	-	-	291,876
Other	632	2,500	-	6,400	-	126	-	-	682,930	692,588
Amortization	246,156	680,767	1,635,497	-	-	426,751	269,783	200,340	7,924	3,467,218
Total expenses	3,499,661	7,363,649	5,133,712	1,278,898	579,080	3,871,539	2,494,048	2,691,771	1,178,033	28,090,391
Annual surplus (deficit)	\$ (501,566)	\$ (861,305)	\$ 1,465,002	\$ (15,225)	\$ (540)	\$ (468,931)	\$ 252,442	\$ (46,848)	\$ 3,843,602	\$ 3,666,631

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2025

14. Contractual rights:

The Town holds contractual rights arising from contracts and agreements that have been entered into with various parties that provide the Town with enforceable future payments that will result in assets and revenues in the future. The estimated contractual rights under these contracts, for the years ending December 31 are as follows:

2026	\$	1,253,857
2027		1,126,196
2028		1,130,422
	\$	3,510,475

In addition to these contractual rights, the Town has agreements with several parties that provide for the recovery of operating costs, and payment of annual fees and commissions. The timing and extent of these future contributions vary depending on annual results, and cannot be determined with certainty at the financial statement date.

15. Commitments and contingent liabilities:

- (a) Under Section 412 of the Local Government Act, all member municipalities are jointly and severally liable for the indebtedness of the Capital Regional District in the event of default by the Regional District. Management does not consider external payment under this contingency to be likely and therefore, no amounts have been accrued.
- (b) The Town is a participant in the Municipal Insurance Association of British Columbia (MIABC). Should the MIABC pay out claims in excess of its accumulated reserves, it is possible that the Town, along with other participants, would be required to contribute towards the deficit. Management does not consider external payment under this contingency to be likely and therefore, no amounts have been accrued.
- (c) The Town is a shareholder and member of Capital Regional Emergency Service Telecommunications (CREST) Incorporated, which provides centralized emergency communications and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout the Greater Victoria region and the Gulf Islands. Members' obligations to share in funding ongoing operations and any additional costs relating to capital assets are to be contributed pursuant to a Members' Agreement.
- (d) The Town has an RCMP Premises Agreement with the District of North Saanich for the provision of accommodations for a joint RCMP detachment. The parties jointly own the building occupied by the policing detachment, in proportion to their relative contributions to the principal repayment of the debt incurred in order to construct the building. North Saanich's proportionate share is approximately 36%. The Agreement requires the Town to pay to North Saanich their proportionate share of the fair market value of the building should the parties eventually decide to terminate their agreement to provide joint accommodations.

TOWN OF SIDNEY

Notes to Financial Statements Year ended December 31, 2025

15. Commitments and contingent liabilities (continued):

A market value study commissioned in 2011 places North Saanich's share at approximately \$615,000, and the RCMP Premises Agreement caps the maximum payout at \$715,000. However, there is no intention at this time to contemplate termination of the agreement.

- (e) The Town has entered into two agreements with the Saanich Peninsula Memorial Park Society (MPS), which commit the Town to the following payment streams until the current agreements expire in 2032, at which time the funding formula may be renegotiated.

Base Funding Agreement: The Town will provide annual funding to the Society in the amount of 2.5% of the previous year's municipal property tax revenues. The 2025 payment was \$369,522; and the 2026 payment will be \$408,955; future year payments are estimated to increase by 4% annually.

Parking Agreement: The Town uses a part of the Society's lands for the purpose of a public parking lot. This agreement commits the Town to pay the equivalent of 0.5% of the previous year's municipal property tax revenues. The 2025 payment was \$73,904; and the 2026 payment will be \$81,791; future year payments are estimated to increase by 4.0% annually.

The Town has also committed to assuming responsibility for grounds maintenance at the Mary Winspear Centre (the local theatre and conference facility owned and operated by MPS), beginning in 2017, at a maximum cost of \$25,000 per year, with an annual inflation factor being applied starting in the sixth year. The maximum commitment for 2026 will be \$29,079. This commitment is included in the Town's annual operating budget, under Leisure, Parks and Cultural Services.

16. Financial risk management:

The Town is exposed to the following risks from its use of financial instruments in the normal course of operations: liquidity risk, credit risk, interest rate risk and foreign exchange risk. It is management's opinion that the Town is not exposed to significant risks from its use of financial instruments which could affect its ability to achieve strategic objectives.

- (a) Liquidity risk:

Liquidity risk is the risk that the Town will not be able to meet its financial obligations as they become due. The Town manages its liquidity risk by continually monitoring cash flows from operations and anticipated investing and financial activities to ensure, as far as possible, that it will always have sufficient liquidity to meet obligations when due.

- (b) Credit risk:

Credit risk is the risk of financial loss to the Town if a counterparty to a financial instrument fails to meet their contractual obligations. The Town is exposed to credit risk through its receivables and investment holdings.

TOWN OF SIDNEY

Notes to Financial Statements
Year ended December 31, 2025

16. Financial risk management (continued):

(b) Credit risk (continued):

Receivables primarily consist of payment for cost sharing agreements with neighboring local governments, user fees, accrued interest and other payments secured by letters of credit. The risk of default on these receivables is very low. Receivables from other parties are monitored regularly and an allowance for potentially uncollectible amounts is established when needed.

Investments consist of guaranteed investment certificates, issued by either Canadian Chartered banks with a credit rating of AA or higher, or credit unions with 100% guarantee from the Credit Union Deposit Insurance Corporation of British Columbia.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Town is exposed to interest rate risk on its floating rate deposits and variable rate equipment financing loans. Maintaining an adequate level of readily accessible floating rate deposits is necessary for working capital and mitigates the Town's exposure to liquidity risk. The balance of the Town's variable rate equipment financing loans does not expose the Town to a significant level of interest rate risk, and is partially offset by the floating rate deposits.

(d) Foreign exchange risk:

Foreign exchange risk is the risk that the fair value of financial instruments will fluctuate due to changes in foreign exchange rates. The functional currency of the Town is the Canadian dollar, and the Town occasionally makes certain purchases denominated in U.S. dollars. The Town is exposed to foreign exchange risks on its U.S. dollar bank account; however, the exposure does not significantly impact the Town's operations.

17. Comparative information:

Certain prior year comparative information has been reclassified to conform to the presentation adopted in the current year.

TOWN OF SIDNEY

Growing Communities Fund Grant Schedule Year Ended December 31, 2025 (Unaudited)

On March 23, 2023, the Town received \$3,820,000 in a one-time grant from the Provincial Growing Communities Fund. The grant was recognized as revenue when received and transferred to a statutory reserve to fund future eligible expenditures.

	2025	2024
Growing Communities Fund Grant, beginning of year	\$ 1,225,642	\$ 3,820,000
Interest earned	42,700	198,900
Eligible costs incurred		
Water system upgrades	-	(1,799,000)
Public safety	(43,560)	-
Road improvements	(28,857)	(505,000)
New accessible public washroom	-	(305,000)
Parks improvements	-	(168,883)
Other	-	(15,375)
Growing Communities Fund Grant, end of year	\$ 1,195,925	\$ 1,225,642

TOWN OF SIDNEY

Capacity Funding for Housing Initiatives Grant Schedule Year Ended December 31, 2025 (Unaudited)

On January 30, 2024, the Town received \$206,117 in a one-time grant from the Provincial Capacity Funding for Local Government Housing Initiatives program. The unused portion of the grant was deferred, and will be recognized as revenue as eligible expenditures are incurred.

	2025	2024
Capacity Funding for Housing Initiatives Grant, beginning of year	\$ 184,822	\$ -
Received during the year	-	206,117
Eligible costs incurred:		
DCC / ACC Bylaw development	(19,855)	(21,295)
Tenant Protection Bylaw development	(7,590)	-
Capacity Funding for Housing Initiatives Grant, end of year	\$ 157,377	\$ 184,822