
To: Mayor and Council
From: Paul Gipps, CAO
Meeting Date: May 5, 2026
Meeting Type: Regular Council Meeting

Prepared by: Trevor James, CFO, Director of Finance & Administration
Department: Finance & Administration

Title: 2025 Audit and Financial Statements | Mario Piroddi, BDO
Description: Review of the 2025 Financial Statements

RECOMMENDATION

THAT the District of Lake Country's 2025 Draft Financial Statements be approved.
AND THAT the 2026 Financial Plan be amended for an additional \$2,350,000 towards the Indoor Multi-Use Facility capital project to be funded \$2,350,000 from the Growing Communities Fund Reserve and \$1,000,000 from Parks Development Cost Charges.

EXECUTIVE SUMMARY

Our auditors, BDO LLP, have audited the 2025 financial statements and provided a preliminary unmodified (clean) audit opinion. The draft financial statements are contained in Attachment 1. The full financial statements will be presented to Council by BDO LLP and by management at the May 5, 2026 Regular Council meeting.

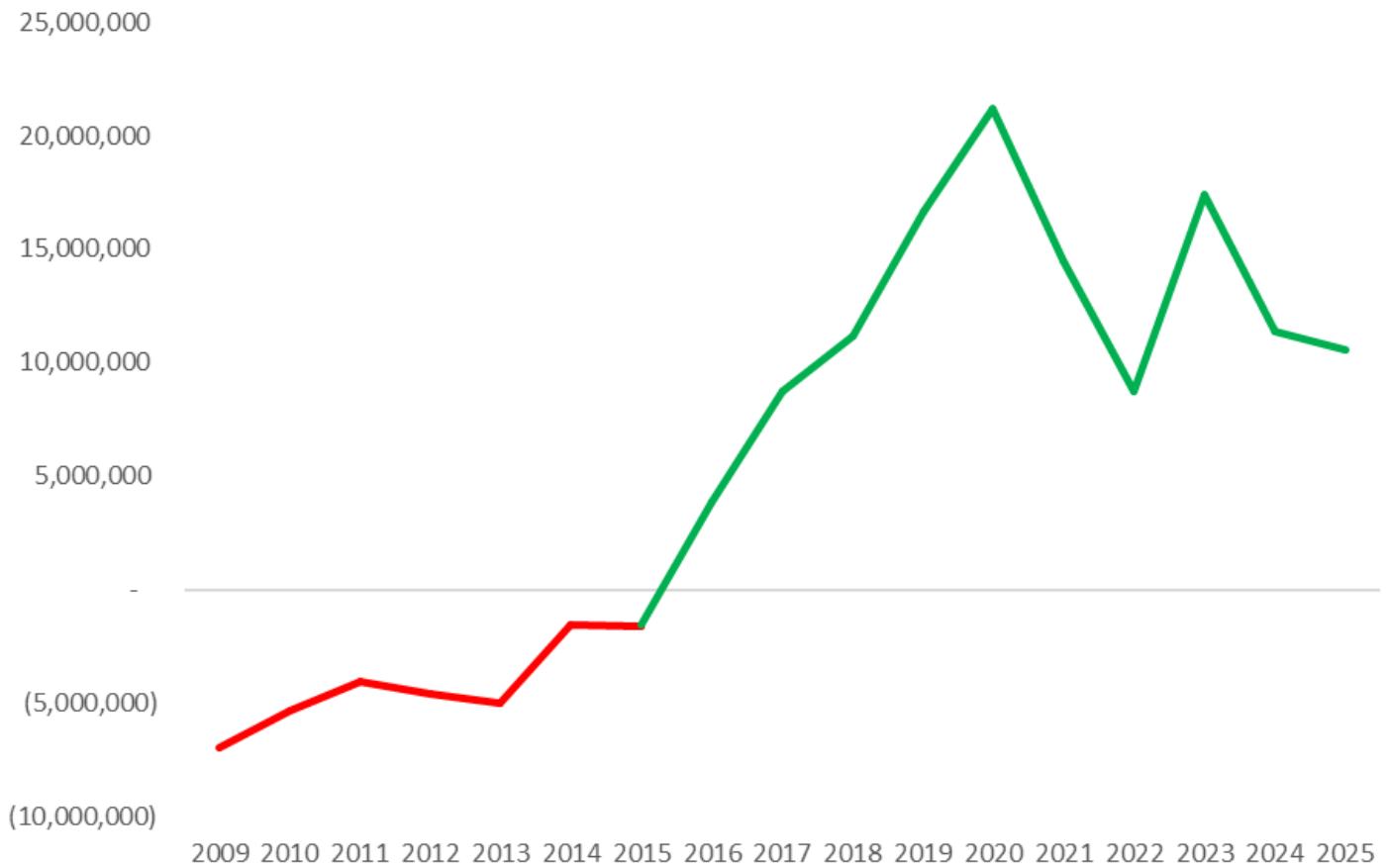
DISCUSSION/ANALYSIS

These financial statements have been prepared in accordance with generally accepted accounting principles for local governments following recommendations and guidance provided by Public Sector Accounting Standards (PSAS).

A net financial position indicates the extent that net financial resources are available to fund future operations and expenditures. In 2025 the District moved to a net financial position of \$10.5 million compared to \$11.4 million in 2024. This decrease is primarily attributable to a significant amount of tangible capital asset purchases in the year, \$21.9 million. The net financial position is in line with expectations based on timing of capital asset purchases.

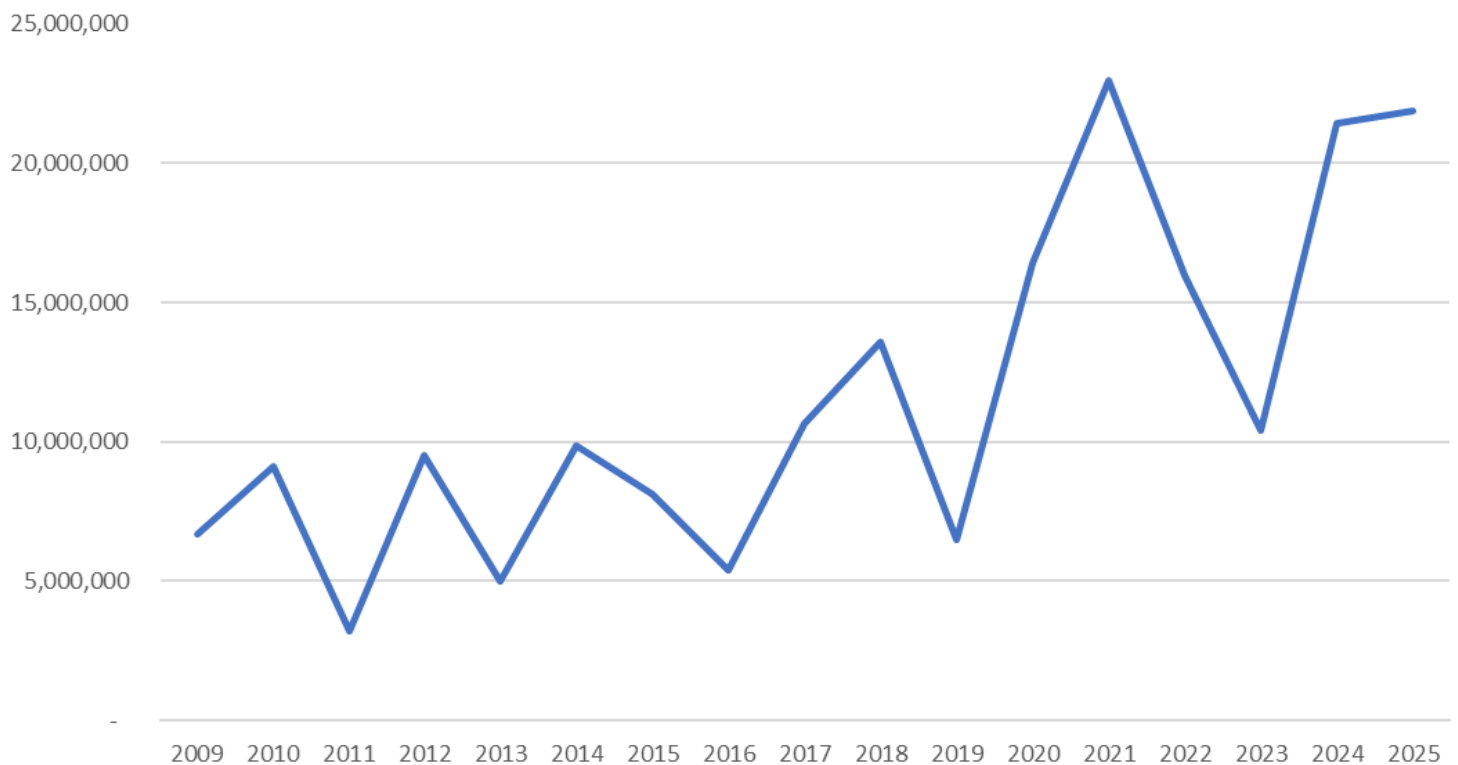
The following chart shows the trend of net financial assets over the years:

Net financial assets (liabilities)



This is consistent with the timing of significant capital expenditures:

Acquisition of tangible capital assets



2025 revenues were \$63.3m compared to \$56.0 budget. This 13.1% difference is primarily explained by the fact that Developer contributions were \$13.7m compared to budget of \$6.8m. This was in large part due to a one-time non-cash statutory parkland dedication associated with a subdivision of land valued at \$5.0m as well as the purchase of \$2m of DCC parkland through a 2025 budget amendment. Two other note worthy variances which were offsetting were in 2025, charges for sewer were shifted from parcel taxes to user fees explaining taxation being under budget and utility revenues being over budget.

2025 revenues were \$15.3m higher than 2024 (\$63.3m vs. \$48.0m) primarily due to:

- 6.45% property tax increase and water & sewer utility rate increases in 2025
- \$11.8m increase in developer contributions made up principally of the following:
 - \$5.0m non-cash land contributed capital discussed above.
 - \$5.1m in additional Development Cost Charge (DCC) revenue recognized in 2025 (\$6.9m in 2025 vs. \$1.8m in 2024) due to some large DCC land acquisitions and projects.
- \$1.2m increases in government transfers due to additional grant revenue

Included in 2025 revenues is \$1,350,000 of Parks DCCs recognized related to the 2024 purchase of 9718 Bottom Wood Lake Road. When this property was purchased, it was known that a portion of the property was associated with DCC eligible parkland. However, prior to doing community engagement it was not known what proportion of the property would ultimately be related to parkland. The nature of DCCs is that they are initially recorded as deferred revenue (a liability) when received, and then recognized as revenue when spent, as such the District did not want to over recognize revenue prior to engaging with the community on the ultimate use. Public engagement in 2025 determined that 25.6% of the land would be associated with parkland use meaning it was appropriate to recognize significantly more than the \$50,000 of Parks DCCs that was originally recorded in 2024. \$1,350,000 that was originally recorded from the Growing Communities Fund Reserve (originally funded by the provincial government's Growing Communities Fund Grant in 2023) has been returned to the reserve with the corresponding amount recognized as Parks DCC revenue. Staff is now requesting a 2026 budget amendment to use this \$1,350,000 of Growing Communities Fund Reserve funds in addition to another \$1,000,000 of Parks DCCs for a total of an additional \$2,350,000 towards enhancements to the 9718 Bottom Wood Lake Road facility as part of the Indoor Multi-Use Facility capital project approved as part of the 2026 capital budget. Additional details on the original budget request can be found here: [OpenBook](#). The additional funding request would allow the District to advance more robust facility enhancements on an earlier timeline with all funding coming from grants and DCCs and no impact on taxation.

2025 expenses of \$43.5m were \$1.2m higher than budget of \$42.3m. This 2.7% variance was largely due to amortization of capital assets of \$6.6m compared to budget of \$5.2m. Given the non-cash nature of amortization and its non-impact on taxation rates, it has not been overly scrutinized as part of the budget process and as such has lagged behind actual amortization. Changes to budgeting for 2026 have taken place to more accurately budget for amortization. Please see "2025 Expenses Budget to Actual" for a breakdown by department.

2025 expenses of \$43.5m were \$4.2m higher than \$39.2m of 2024 expenses. This 10.7% increase was expected due to increases in RCMP costs, utility costs, general inflationary and materials and supplies costs as well as some major projects such as the OCP update and the ASP for the Business Park being classified as operating projects but funded from capital reserves increasing the overall operating expenses. Please see table "2025 Actual to 2024 Actual" for breakdown by department.

Statement of Financial Position

Some items that are unique to PSAS financial reporting as follows:

- **Separation of financial assets and non-financial assets** – in typical financial statements of a business, a balance sheet is separated into three main categories – assets, liabilities, and shareholders' equity. In public sector financial statements, total assets are not specifically presented. Assets are separated between "financial" assets and "non-financial" assets:

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- Financial Assets are assets that generate cash flow and can be used to repay liabilities. Financial Assets include cash and cash equivalents and accounts receivables.
 - Non-Financial Assets generally do not provide cash flow and include tangible capital assets and other assets that are utilized on a continuing basis for public purposes having a useful life beyond one year. These assets are reflected at net book value (initial cost less amortization to date) and not intended to be sold in the normal course of operations.
- **Net Debt or Net Financial Assets** – With this separation of financial assets and non-financial assets, a performance measure unique to public sector financial statements results. The difference between financial assets and liabilities either reflects a “net debt” or “net financial asset” position.
 - Net Debt – A net debt position indicates the extent that debt and other liabilities have been taken on by the municipality to fund the delivery of services, investments in tangible capital assets and other transactions. Future revenue streams need to contemplate the requirement to repay debt obligations as they come due based on established repayment terms.
 - Net Financial Assets – A net financial asset position indicates the extent that net financial resources are available to fund future operations and spending.
 - The net debt and net financial assets will fluctuate from year to year depending on how much is spent on capital and how much surplus is recognized. However, the District should continue to see a net financial asset position as the reserves are held in line with the Reserve Policy adopted by Council.
 - **Accumulated Surplus or Deficit** – the accumulated sum of non-financial assets and net financial assets. The District is in a “surplus” position. The surplus position reflects that net financial and physical resources are available to provide future services. If an entity was in a net deficit position, this would reflect that future revenues are required to finance historical operations.

Statement of Operations and Accumulated Surplus

This statement provides the budgeted and actual revenues and expenses of the District for the fiscal year. Revenues are presented by their sources of funds (i.e. taxation, user fees, government transfers, etc.) Expenses are presented by function or major program (i.e. Protective services, Water, Sewer, etc.) The accumulated surplus represents the accumulated results experienced by the District over the years.

Please see executive summary for summary of most significant changes in budget vs. actual and actual vs. prior year as well as below for additional information:

2025 Expenses Budget to Actual

| Expenses | 2025 Budget | 2025 Actual | Difference in Budget vs. Actual | % Difference in Budget vs. Actual | Comments |
|-----------------------------------|-------------------|-------------------|---------------------------------|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| General Government Services | 5,671,506 | 6,037,329 | 365,823 | 6% | \$443,541 of actual amortization compared to budget of \$169,393. Increase in contracted services along with associated increase in grant revenue. |
| Protective Services | 9,102,910 | 8,973,585 | (129,325) | -1% | Came in under budget due to actual RCMP FTEs of 15.76 compared to budget of 21. This was partially offset by some budget overages in fire due to record levels of calls, non-reimbursable mutual-aid responses, higher than usual recruiting, training and replacement costs due to turnover, vacancies, and having to maintain provincial training standards. |
| Transportation Services | 7,556,999 | 7,811,153 | 254,154 | 3% | Comparable to budget, \$2.2m of actual amortization compared to budget of \$1.8m. |
| Environmental Services | 2,378,578 | 2,349,185 | (29,393) | -1% | Comparable to budget. |
| Planning and Development Services | 2,945,311 | 2,861,913 | (83,398) | -3% | Comparable to budget, slightly under budget due to some staffing vacancies in the year. |
| Parks and Recreation Services | 5,886,614 | 6,704,585 | 817,971 | 14% | \$1,061,338 of actual amortization compared with \$636,852 budgeted. \$318,471 of performance fees at Creekside Theatre compared to \$80,000 budget. However, there was also programming revenues of \$342,136 compared to budget of \$90,000 associated with these events. |
| Water Services | 5,130,452 | 5,149,056 | 18,604 | 0% | Comparable to budget. |
| Sewer Services | 2,795,987 | 2,745,302 | (50,685) | -2% | Comparable to budget. |
| Expense | 845,416 | 850,520 | 5,104 | 1% | Comparable to budget. |
| Total | 42,313,773 | 43,482,628 | 1,168,855 | 3% | |

Expenses - 2025 Actual to 2024 Actual

| Expenses | 2025 Actual | 2024 Actual | Difference in Actual vs. Prior | % Difference in Actual | Comments |
|-----------------------------------|-------------------|-------------------|--------------------------------|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| General Government Services | 6,037,329 | 5,488,597 | 548,732 | 10% | Amortization of \$443,541 compared to \$415,709 prior year. Additional budgeted FTEs. Other increased costs anticipated in budget surrounding materials & supplies, contracted services etc. |
| Protective Services | 8,973,585 | 7,763,211 | 1,210,374 | 16% | Higher contracted services for RCMP including 15.76 FTEs compared to 14.78 in prior year. Increases in fire due to record levels of calls, non-reimbursable mutual-aid responses, higher than usual recruiting, training and replacement costs due to turnover, vacancies, and having to maintain provincial training standards. |
| Transportation Services | 7,811,153 | 7,358,905 | 452,248 | 6% | Increase from \$2,119,264 in amortization to \$2,200,928. Increase in transit contract. Inflationary increases to contracted services such as road maintenance services contract. |
| Environmental Services | 2,349,185 | 2,241,356 | 107,829 | 5% | Increases in hydro plant & garbage & recycling contract costs. Note that offsetting revenues were also collected. |
| Planning and Development Services | 2,861,913 | 1,882,578 | 979,335 | 52% | Major operating projects such as the business park area structure plan and OCP update. Less FTE vacancies in 2025 vs. 2024. |
| Parks and Recreation Services | 6,704,585 | 5,900,784 | 803,801 | 14% | Increases in line with budgeted increases due to rising costs of materials, supplies, utilities, contracted services. Higher theatre performance fees (along with higher revenues). Some large one off operating projects funded from capital reserves. Increase in amortization. Note that there was a \$759,000 increase in total revenues in the department as well offsetting increased costs. |
| Water Services | 5,149,056 | 4,970,003 | 179,053 | 4% | Higher than prior year due to higher material/supply costs as well as additional users. \$64,000 additional amortization. |
| Sewer Services | 2,745,302 | 2,618,008 | 127,294 | 5% | Higher than prior year due to higher material/supply costs as well as additional users. |
| Interest Expense | 850,520 | 1,011,314 | (160,794) | -16% | Less interest due to maturity of some loans. |
| Total | 43,482,628 | 39,234,756 | 4,247,872 | 11% | |

Statement of Changes in Net Debt

Explains the changes in net debt, reconciling the opening to the closing balance of net debt reported in the Statement of Financial Position.

Statement of Cash Flows

Explains the changes to cash and cash equivalents, reconciling the opening to the closing balance of cash and cash equivalents reported in the Statement of Financial Position.

Notes to Financial Statements and Schedules

Provides further details on information provided in the financial statements noted above. The full listing of debt including what it is for has been provided in Attachment B.

Schedule 1 – Schedule of Tangible Capital Assets

Summary of changes to the net book value of all District tangible capital assets and work in progress held by category.

Schedule 2 – Schedule of Accumulated Surplus

Summary of changes to reserves as well as the net investment in tangible capital assets.

Schedule 3 – Schedule of Segment Disclosure

Further details of the use of financial resources (revenue and expenses) by the District by function or segment.

Schedule 4 – Schedule of Local Government Housing Initiatives Grant

This is a schedule required for the acceptance of the Local Government Housing Initiatives Grant received in January 2024 from the Provincial Government. This grant was recorded as revenue for 2024 and then transferred into the financial stabilization reserve where the amount will be drawn down as it gets spent.

FINANCIAL IMPLICATIONS

None Budget Previously Approved Other (see below)
Reporting on actual results for 2025.

COMMUNICATION

The financial statements are available publicly on the District's website and at Municipal Hall as well as are included in the annual report that is released in June.

ALTERNATE RECOMMENDATION(S)

1. THAT the District of Lake Country's 2025 draft Financial Statements not be approved and be sent back to staff.

Respectfully Submitted.

Trevor James, CFO, Director of Finance & Administration