

Regional District of Okanagan-Similkameen
Consolidated Financial Statements
For the year ended December 31, 2024

Regional District of Okanagan-Similkameen
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For the year ended December 31, 2024

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Regional District of Okanagan-Similkameen are the responsibility of management and have been approved by the Chief Administrative Officer and the Board Chair on behalf of the Board of Directors.

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Regional District of Okanagan-Similkameen maintains systems of internal accounting and administrative controls, consistent with reasonable costs. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Regional District's assets are appropriately accounted for and adequately safeguarded.

The Regional District of Okanagan-Similkameen is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Board of Directors reviews the Regional District of Okanagan-Similkameen's consolidated financial statements and recommends their approval to the Chief Administrative Officer and the Board Chair. The Board meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, consolidated financial statements and external auditor's report.

The consolidated financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards. BDO Canada LLP has full and free access to the Board of Directors.

Chief Administrative Officer

Board Chair

May 8, 2025



Independent Auditor's Report

To the Board of Directors of the Regional District of Okanagan-Similkameen

Opinion

We have audited the consolidated financial statements of the Regional District of Okanagan-Similkameen and its controlled entities (the "Regional District"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of operations and accumulated surplus, the consolidated statement of change in net financial assets and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Regional District as at December 31, 2024, and its consolidated results of operations, its consolidated change in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Regional District 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.

Unaudited Information

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the unaudited supplementary schedules 1 and 2 of the consolidated financial statements.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.



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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain 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 Regional District'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 Regional District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Regional District 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Regional District to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Chartered Professional Accountants

Penticton, British Columbia
May 8, 2025

Regional District of Okanagan-Similkameen Consolidated Statement of Financial Position

| December 31 | 2024 | 2023 |
|---|----------------------|----------------------|
| Financial assets | | |
| Cash (Note 2) | \$ 46,819,629 | \$ 38,356,988 |
| Portfolio investments (Note 2) | 24,027,886 | 23,315,344 |
| Accounts receivable (Note 3) | 7,792,851 | 5,604,705 |
| Debt reserve fund (Note 4) | 2,174,959 | 2,120,240 |
| Debt recoverable from member municipalities (Note 10) | 59,954,377 | 62,916,207 |
| Due from Town of Osoyoos | - | 30,581 |
| Due from Town of Oliver | 564,139 | 150,000 |
| | <u>141,333,841</u> | <u>132,494,065</u> |
| Financial Liabilities | | |
| Accounts payable and accrued liabilities (Note 5) | 7,782,329 | 6,131,609 |
| Deferred revenue (Note 6) | 12,151,365 | 2,050,362 |
| Asset retirement obligation (Note 7) | 11,081,058 | 14,827,922 |
| Development cost charges (Note 8) | 655,354 | 658,549 |
| MFA equipment financing (Note 9) | 65,815 | 85,191 |
| Debt reserve fund (Note 4) | 2,174,959 | 2,120,240 |
| Long-term debt - Regional District (Note 10) | 17,266,860 | 17,768,282 |
| Long-term debt - Member Municipalities (Note 10) | 59,954,377 | 62,916,207 |
| Due to Town of Osoyoos | 48,944 | - |
| | <u>111,181,061</u> | <u>106,558,362</u> |
| Net financial assets | <u>30,152,780</u> | <u>25,935,703</u> |
| Non-financial assets | | |
| Prepaid expenses | 458,304 | 277,411 |
| Tangible capital assets (Note 11) | 106,752,705 | 99,365,691 |
| | <u>107,211,009</u> | <u>99,643,102</u> |
| Accumulated surplus (Note 12) | <u>\$137,363,789</u> | <u>\$125,578,805</u> |

Approved on behalf of the Board of Directors

Chief Administrative Officer

Board Chair

Regional District of Okanagan-Similkameen Consolidated Statement of Operations and Accumulated Surplus

| For the year ended December 31 | (Note 18) Budget | 2024 | 2023 |
|--|----------------------|----------------------|----------------------|
| Revenues | | | |
| Property taxes and grant in lieu (Note 15) | \$ 23,336,306 | \$ 23,421,530 | \$ 21,554,864 |
| Sales of goods and services | 14,234,433 | 15,646,696 | 15,277,068 |
| Government transfers | 8,286,420 | 7,867,580 | 9,524,198 |
| Interest and investment income | - | 3,155,403 | 2,806,832 |
| Donations | 373,441 | 389,935 | 877,813 |
| Rental | 219,826 | 245,462 | 265,053 |
| Other contracts and miscellaneous (Note 16) | 1,073,693 | 6,634,059 | 4,183,625 |
| Total revenues for the year | 47,524,119 | 57,360,665 | 54,489,453 |
| Expenses (Note 22) | | | |
| General government | 8,026,253 | 8,532,016 | 8,022,846 |
| Protective services | 7,823,881 | 7,904,404 | 7,544,176 |
| Transportation services | 761,379 | 893,522 | 868,608 |
| Development services | 2,908,735 | 2,419,168 | 2,199,088 |
| Parks, recreation and culture | 8,135,804 | 8,677,179 | 7,364,695 |
| Environmental services | 8,679,620 | 9,802,567 | 10,019,765 |
| Bylaw enforcement | 339,328 | 529,658 | 525,565 |
| Water services | 4,294,989 | 5,267,615 | 4,179,487 |
| Sewer services | 1,185,717 | 1,271,644 | 1,905,016 |
| Economic development | 319,672 | 277,908 | 297,291 |
| Total expenses for the year | 42,475,378 | 45,575,681 | 42,926,537 |
| Excess of revenue over expenses for the year before other items | 5,048,741 | 11,784,984 | 11,562,916 |
| Other items | | | |
| Net impact of restructuring transaction | - | - | 3,802,346 |
| Annual surplus (Note 12) | 5,048,741 | 11,784,984 | 15,365,262 |
| Accumulated surplus, beginning of year | 125,578,805 | 125,578,805 | 110,213,543 |
| Accumulated surplus, end of year | \$130,627,546 | \$137,363,789 | \$125,578,805 |

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

Regional District of Okanagan-Similkameen Consolidated Statement of Change in Net Financial Assets

| For the year ended December 31 | (Note 18) Budget | 2024 | 2023 |
|---|---------------------|---------------|---------------|
| Annual surplus | \$ 5,048,741 | \$ 11,784,984 | \$ 15,365,262 |
| Acquisition of tangible capital assets (Note 11) | (26,782,444) | (13,015,544) | (8,305,665) |
| Amortization of tangible capital assets (Note 11) | - | 4,299,145 | 3,925,817 |
| Net disposal of tangible capital assets (Note 11) | - | 265,558 | 109,470 |
| Net change in ARO estimate (Note 11) | - | 1,063,827 | - |
| Impact of restructuring (Note 11) | - | - | (1,934,880) |
| | (26,782,444) | (7,387,014) | (6,205,258) |
| Acquisition of prepaid expenses | - | (180,893) | (76,074) |
| Increase (decrease) in net financial assets | (21,733,703) | 4,217,077 | 9,083,930 |
| Net financial assets, beginning of year | 25,935,703 | 25,935,703 | 16,851,773 |
| Net financial assets, end of year | \$ 4,202,000 | \$ 30,152,780 | \$ 25,935,703 |

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

Regional District of Okanagan-Similkameen Consolidated Statement of Cash Flows

| For the year ended December 31 | 2024 | 2023 |
|---|----------------------|----------------------|
| Cash flows from operating activities | | |
| Cash received from grants, other governments, and own sources | \$ 58,823,177 | \$ 49,414,066 |
| Cash paid to employees and suppliers | (38,358,725) | (36,865,551) |
| Interest paid | (839,275) | (767,610) |
| Interest received | 3,155,403 | 2,806,832 |
| | <u>22,780,580</u> | <u>14,587,737</u> |
| Cash flows from capital activities | | |
| Purchase of tangible capital assets | (13,015,544) | (8,974,878) |
| Proceeds from sale of tangible capital assets | 265,558 | 786,913 |
| Impact of restructuring transaction | - | 2,194,481 |
| | <u>(12,749,986)</u> | <u>(5,993,484)</u> |
| Cash flows from financing activities | | |
| Repayment of long-term debt | (520,797) | (1,316,318) |
| Increase in due from related parties | (383,558) | (180,581) |
| Increase (decrease) in due to related parties | 48,944 | (47,521) |
| | <u>(855,411)</u> | <u>(1,544,420)</u> |
| Cash flows from investing activities | | |
| Increase in investments | (712,542) | (995,747) |
| Increase in cash for the year | 8,462,641 | 6,054,086 |
| Cash, beginning of year | 38,356,988 | 32,302,902 |
| Cash, end of year | \$ 46,819,629 | \$ 38,356,988 |

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

Regional District of Okanagan-Similkameen

Notes to the Consolidated Financial Statements

December 31, 2024

1. Summary of Significant Accounting Policies

Nature of Business

The Regional District of Okanagan-Similkameen ("Regional District") was incorporated as a regional district in 1966 under the Municipal Act (replaced by the Local Government Act) of British Columbia. The Regional District is composed of the member municipalities of the City of Penticton, the District of Summerland, the Town of Oliver, the Town of Osoyoos, the Village of Keremeos, and the Town of Princeton, and Electoral Areas A through I.

The Regional District provides a political framework and administrative framework for region-wide services and sub-regional services as well as acts as the local government for electoral areas. The Board of Directors is composed of appointees from each member municipality and a director elected from each electoral area. Municipal directors serve until council decides to change the appointment. Directors from electoral areas serve for a four year term. The number of directors and the number of votes each may cast is based upon the population of the municipality or electoral area.

The Regional District reporting entity includes the local government and all related entities that are controlled by the Regional District.

Basis of Presentation

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments, as recommended by the Public Sector Accounting Board ("PSAB").

Principles of Consolidation

All governmental units are fully consolidated by the government reporting entity. Other business enterprises and partnerships which meet the definition of a government business enterprise or partnership are accounted for on the modified equity basis of accounting.

Entities that fall under the consolidated basis of accounting are fully consolidated on a line-by-line basis with inter-organizational balances and transactions eliminated. The following entity is accounted for on a consolidation basis:

Sunbowl Arena

Business partnerships that are accounted for on the modified equity basis of accounting includes the cost of the Regional District's investment in the entities including the proportionate share of earnings. Under the modified equity basis of accounting inter-organizational balances are not eliminated. The following entity is accounted for on a modified equity basis:

Vermilion Forks Community Forest Corporation

Regional District of Okanagan-Similkameen

Notes to the Consolidated Financial Statements

December 31, 2024

1. Summary of Significant Accounting Policies (continued)

| | |
|----------------------------|---|
| Cash | Cash consists of cash on hand and bank balances. |
| Retirement Benefits | The Regional District's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred. |
| Revenue Recognition | <p>Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.</p> <p>Revenues from transactions with performance obligations are recognized when (at a point in time) or as (over a period of time) the Regional District satisfies the performance obligations, which occurs when control of the benefits associated with the promised goods or services has passed to the payor.</p> <p>The Regional District recognizes revenue from users fees of water, sewer, and solid waste disposal on a straightline basis over the period of time that the relevant performance obligations are satisfied by the Regional District.</p> <p>The Regional District recognizes revenue from administrative services, building permits, development permits, sales of goods and other licenses and permits at the point in time that the Regional District has performed the related performance obligations and control of the related benefits has passed to the payors.</p> <p>Revenue from transactions without performance obligation is recognized at realizable value when the Regional District has the authority to claim or retain an inflow of economic resources received or receivable and there is a past transaction or event that gives rise to the economic resources. The Regional District recognizes revenue from tax penalties and interest, bylaw enforcement, and other revenue without associated performance obligations at the realizable value at the point in time when the Regional District is authorized to collect these revenues.</p> <p>In accordance with the Local Government Act of BC, development cost charges (DCC's) funds must be deposited into a separate fund. When the related costs are incurred, the DCC's are recognized as revenue.</p> |

Regional District of Okanagan-Similkameen

Notes to the Consolidated Financial Statements

December 31, 2024

1. Summary of Significant Accounting Policies (continued)

Trusts Under Administration

Trusts administered by the Regional District are not included in these consolidated financial statements.

Financial Instruments

All financial instruments are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the consolidated statement of financial position.

All financial instruments are measured using amortized cost, and the effective interest rate method is used to determine interest revenue or expense.

For investments measured at cost, the cost method records the initial investment at cost and earnings from such investments are recognized only to the extent received or receivable. When an investment is written down to recognize an impairment loss, the new carrying value is deemed to be the new cost basis for subsequent accounting purposes.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

Government Transfers

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are 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 the transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

When the Regional District is deemed to be the transferor, the transfer expense is recognized when the recipient is authorized and has met the eligibility criteria.

Regional District of Okanagan-Similkameen

Notes to the Consolidated Financial Statements

December 31, 2024

1. Summary of Significant Accounting Policies (continued)

| | |
|------------------------------------|--|
| Contaminated Sites | Liabilities for remediation of contaminated sites are recognized when an environmental standard exists, contamination exceeds the standard, the Regional District has responsibility for remediation of the site, future economic benefits will be given up, and a reasonable estimate of the amount can be made. |
| Long-term Debt | Long-term debt is recorded net of related sinking fund balances and actuarial earnings. |
| Asset Retirement Obligation | A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed. |
| Tangible Capital Assets | <p>Tangible capital assets are not available to discharge existing liabilities and are held for use in the provision of goods and services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.</p> <p>Tangible capital assets are valued at acquisition cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs.</p> |

Regional District of Okanagan-Similkameen

Notes to the Consolidated Financial Statements

December 31, 2024

1. Summary of Significant Accounting Policies (continued)

Tangible Capital Assets (continued)

Amortization is charged against tangible capital assets based on the estimated useful life of the asset as follows:

- | | |
|------------------------------|-----------------------------|
| - Automotive equipment | - 5-20 years straight-line |
| - Buildings and improvements | - 10-75 years straight-line |
| - Machinery and equipment | - 5-20 years straight-line |
| - IT infrastructure | - 3-10 years straight-line |
| - Land improvements | - 5-20 years straight-line |
| - Utilities infrastructure | - 10-75 years straight-line |

Tangible capital assets under construction, development or that have been removed from service are not amortized until they are available to be put into service.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Regional District's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations and accumulated surplus.

Contributed tangible capital assets are recorded at their fair value on the date of contribution, except in unusual circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

Segmented Information

The Regional District provides a wide range of services including general government, protective services, transportation services, development services, parks, recreation and culture, environmental services, bylaw enforcement, water services, sewer services, and economic development. For management reporting purposes, the Regional District's operations and activities are organized and reported by segment.

General government services is comprised of a number of different services, including: corporate services; administration; finance; human resources; information systems; and electoral area costs. Corporate services involves staff and management working closely with the Regional District Board and community partners to coordinate the delivery of a wide range of functions and services. The finance department is responsible for the requisition of tax revenues from the Province and from member municipalities and all treasury and accounting functions. Human resources involves the administration of full-time and part-time employees, as well as the responsibility for labour relations, recruitment, training and career planning, employee health and safety and Workers Compensation regulations.

Regional District of Okanagan-Similkameen

Notes to the Consolidated Financial Statements

December 31, 2024

1. Summary of Significant Accounting Policies (continued)

Segmented Information (continued)

Information systems includes an all-encompassing computer database and mapping system for properties in the Regional District, which is used by regional services and Regional District departments and other government agencies, as well as members of the public and businesses.

Protective services includes a number of different programs. These programs include electoral area fire protection; 911 services; crime stoppers; victims services; and crime prevention. These services are designed to provide a safe environment to the community. The Regional District is responsible for ensuring these services are provided to various jurisdictions within the unincorporated electoral areas A through I.

Transportation services includes road/street light improvements and transit services.

Development services includes regional planning, sustainability, and zoning. The department is responsible for land use planning for all unincorporated electoral areas.

Parks, recreation and culture includes the community halls, regional parks, community parks, and Okanagan Regional Library. The parks department is responsible for nine regional parks and various community and neighbourhood parks. The department is also responsible for future recreational opportunities through parkland acquisition and development.

Environmental services is responsible for refuse disposal and recycling services, including regional waste management and disposal, and various communication and educational programs.

Bylaw enforcement services is responsible for building inspection, dog control, mosquito control, starling control, and prohibited animal control.

Water services includes a total of eight water systems that provides water services to local service areas within the electoral areas.

Sewer services includes the OK Falls Sewer System and the Gallagher Lake Sewer System.

Regional District of Okanagan-Similkameen

Notes to the Consolidated Financial Statements

December 31, 2024

1. Summary of Significant Accounting Policies (continued)

Segmented Information (continued)

Economic development is responsible for delivering insect and weed control, sterile insect release, economic development and planning. Economic development provides assistance to businesses and entrepreneurs in the Regional District and to those interested in relocating to the region. The planning function is responsible for developing land use policies that provide guidance to elected officials, developers, the public and other decision makers. It puts land use plans and policies into action and ensures proper infrastructure and orderly development. The program also evaluates applications and provides recommendations to decision makers; assists the public with land use regulations, applications, and processes; and invites and responds to public comments.

Measurement Uncertainty

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts in the financial statements and the disclosure of contingent liabilities. Significant estimates in these consolidated financial statements include the determination of the useful lives of tangible capital assets, valuation of the asset retirement obligation, valuation of the contaminated sites obligation, and assessment of legal claims. For common consolidated financial statement items, such as accounts payable and accrued liabilities, measurement uncertainty is inherent but not assessable. These estimates and assumptions are based on management's judgment and the best information available at the time of preparation and may differ significantly from actual results. Estimates are reviewed annually to reflect new information as it becomes available.

Regional District of Okanagan-Similkameen

Notes to the Consolidated Financial Statements

December 31, 2024

2. Cash and Portfolio Investments

| | 2024 | 2023 |
|--|----------------------|----------------------|
| Consists of: | | |
| Cash | \$ 46,819,629 | \$ 38,356,988 |
| Portfolio Investments | | |
| Term deposits | 220,104 | 213,468 |
| Mutual funds | 4,297 | 4,099 |
| MFA short-term bond fund | 23,768,325 | 23,062,617 |
| Vermilion Forks Community Forest Corporation | 35,160 | 35,160 |
| | <u>24,027,886</u> | <u>23,315,344</u> |
| | <u>\$ 70,847,515</u> | <u>\$ 61,672,332</u> |
| Restricted Internally | | |
| Capital Investment reserves | \$ 22,876,859 | \$ 22,197,616 |
| Oliver Parks & Recreation reserves | 891,466 | 865,001 |
| Vermilion Forks Community Forest Corporation | 35,160 | 35,160 |
| | <u>23,803,485</u> | <u>23,097,777</u> |
| Unrestricted | <u>47,044,030</u> | <u>38,574,555</u> |
| | <u>\$ 70,847,515</u> | <u>\$ 61,672,332</u> |

3. Accounts Receivable

| | 2024 | 2023 |
|---------------------------|---------------------|---------------------|
| Trade accounts receivable | \$ 1,666,992 | \$ 2,211,623 |
| Grants | 4,148,848 | 1,782,135 |
| Utilities | 781,002 | 629,146 |
| GST receivable | 516,414 | 376,578 |
| Due from municipalities | 679,595 | 605,223 |
| | <u>\$ 7,792,851</u> | <u>\$ 5,604,705</u> |

Regional District of Okanagan-Similkameen

Notes to the Consolidated Financial Statements

December 31, 2024

4. Debt Reserve Fund - Municipal Finance Authority

The Regional District is required to issue its long-term debt through the Municipal Finance Authority ("MFA"). As a condition of borrowing, 1% of the gross debenture proceeds are withheld by the MFA as a debt reserve fund and 0.06% of the gross debenture proceeds are withheld as a debt issue expense. The debt reserve fund is invested by the MFA and interest earned and expenses incurred are reported annually to the Regional District. If at any time the MFA does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, the payments will be made from the debt reserve fund. Details of cash deposits held in the debt reserve fund are as follows:

| Debt Reserve Fund - Cash Deposits | 2024 | 2023 |
|-----------------------------------|---------------------|---------------------|
| Regional District | \$ 349,113 | \$ 329,550 |
| Member Municipalities | 1,825,846 | 1,790,690 |
| | <u>\$ 2,174,959</u> | <u>\$ 2,120,240</u> |

The Regional District is also required to execute a demand note for each borrowing in the amount of one-half of the average annual principal and interest due, less the amount held back for the debt reserve fund. The demand notes payable to the MFA are only callable in the event that a local government defaults on its loan obligation, and are therefore not recorded in these financial statements. Details of demand notes are as follows:

| Demand notes | 2024 | 2023 |
|--------------------------------|---------------------|---------------------|
| Regional District | \$ 651,091 | \$ 629,627 |
| Member Municipalities | 3,594,491 | 3,598,866 |
| | <u>\$ 4,245,582</u> | <u>\$ 4,228,493</u> |
| Cash deposits and demand notes | 2024 | 2023 |
| Cash deposits | \$ 2,174,959 | \$ 2,120,240 |
| Demand notes | 4,245,582 | 4,228,493 |
| | <u>\$ 6,420,541</u> | <u>\$ 6,348,733</u> |

5. Accounts Payable and Accrued Liabilities

| | 2024 | 2023 |
|--|---------------------|---------------------|
| Trade payables | \$ 6,380,559 | \$ 4,523,880 |
| Holdbacks | 374,790 | 430,424 |
| Accrued salaries and employee benefits payable | 1,026,980 | 1,177,305 |
| | <u>\$ 7,782,329</u> | <u>\$ 6,131,609</u> |

Regional District of Okanagan-Similkameen

Notes to the Consolidated Financial Statements

December 31, 2024

6. Deferred Revenue

| | 2024 | 2023 |
|---|----------------------|---------------------|
| Deferred government transfers and other revenue | \$ 11,535,724 | \$ 1,442,083 |
| Deposits | 85,696 | 106,339 |
| Parkland dedication | 529,945 | 501,940 |
| | <u>\$ 12,151,365</u> | <u>\$ 2,050,362</u> |

Included in deferred government transfers and other revenue are:

| | 2023 | Collected | Recognized | 2024 |
|--|---------------------|----------------------|---------------------|----------------------|
| Compost Facility Project | \$ - | \$ 10,389,456 | \$ - | \$ 10,389,456 |
| Loose Bay Grant | 181,105 | - | (126,291) | 54,814 |
| Area D Incorporation Study | 87,048 | - | (87,048) | - |
| Indigenous Engagement | - | 40,000 | (4,057) | 35,943 |
| Makeway Foundation | 40,159 | - | - | 40,159 |
| Naramata Fire Hall Donations | 150,487 | - | - | 150,487 |
| UBCM Flood Mapping | 125,061 | 36,180 | (100,000) | 61,241 |
| UBCM FireSmart | 210,023 | 210,663 | (210,023) | 210,663 |
| Hazard, Risk, Vulnerability Assessment | - | 75,000 | - | 75,000 |
| Strategic Priorities | - | 73,914 | - | 73,914 |
| Other | 648,200 | 71,860 | (276,013) | 444,047 |
| | <u>\$ 1,442,083</u> | <u>\$ 10,897,073</u> | <u>\$ (803,432)</u> | <u>\$ 11,535,724</u> |

7. Asset Retirement Obligation

The Regional District's asset retirement obligation consists of the following obligations:

a) Asbestos abatement obligation

The Regional District owns buildings that are known to contain asbestos, which various regulations require specific considerations upon asset retirement. The Regional District recognized an obligation relating to the removal and disposal of the asbestos in these buildings. The buildings have estimated useful lives of between 15 and 50 years from the date of completion of construction, of which various numbers of years remain. Estimated costs of \$844,724 have been discounted to the present value using a discount rate of 4.57% per annum (2023 - 4.17%).

Regional District of Okanagan-Similkameen

Notes to the Consolidated Financial Statements

December 31, 2024

7. Asset Retirement Obligation (continued)

b) Landfill closure and post-closure costs

The Regional District records a liability for landfill closure and post closure costs based on the presently known obligations that will exist over multiple closure dates and monitoring periods as various phases of the landfills are completed. The final closure of the landfills is currently expected to be in 2104. Monitoring of the landfills will be required for an additional 30 years after final closure. Estimated costs of \$23,538,940 have been discounted to the present value using a discount rate of 4.57% per annum (2023 - 4.17%).

c) Well decommissioning obligation

The Regional District has water wells which require decommissioning at the end of their useful lives under the Water Sustainability Act. The Regional District recognized an obligation relating to the decommissioning of well. The wells have an estimated useful life of 75 years, of which various numbers of years remain. Estimated costs of \$560,000 have been discounted to the present value using a discount rate of 4.57% per annum (2023 - 4.17%).

The Regional District's asset retirement obligation consists of the following obligations:

| | Asbestos remediation | Landfill closure and monitoring | Well decommissioning | 2024 |
|---------------------|-------------------------|------------------------------------|-------------------------|----------------------|
| Opening balance | \$ 712,067 | \$ 13,774,135 | \$ 341,720 | \$ 14,827,922 |
| Retirement expenses | - | (43,263) | - | (43,263) |
| Accretion expense | 63,340 | 574,381 | 14,250 | 651,971 |
| Change in estimate | (86,926) | (4,151,398) | (117,248) | (4,355,572) |
| | <u>\$ 688,481</u> | <u>\$ 10,153,855</u> | <u>\$ 238,722</u> | <u>\$ 11,081,058</u> |

| | Asbestos remediation | Landfill closure and monitoring | Well decommissioning | 2023 |
|---------------------|-------------------------|------------------------------------|-------------------------|----------------------|
| Opening Balance | \$ 711,836 | \$ 13,264,000 | \$ 319,811 | \$ 14,295,647 |
| Additions | - | - | 8,230 | 8,230 |
| Retirement expenses | - | (42,973) | - | (42,973) |
| Accretion expense | 231 | 553,108 | 13,679 | 567,018 |
| | <u>\$ 712,067</u> | <u>\$ 13,774,135</u> | <u>\$ 341,720</u> | <u>\$ 14,827,922</u> |

The asset retirement liability has been estimated using a net present value technique using the assumptions as described above. The related asset retirement costs are being amortized on a straight-line basis over the remaining useful lives of the assets.

Regional District of Okanagan-Similkameen

Notes to the Consolidated Financial Statements

December 31, 2024

7. Asset Retirement Obligation (continued)

Significant estimates and assumptions are made in determining the asset retirement costs as there are numerous factors that will affect amount ultimately payable. Those uncertainties may result in future actual expenditures that are different than the amounts currently recorded. At each reporting date, as more information and experience are obtained related to these asset retirement obligations, the estimates of the timing, the undiscounted cash flows, and the discount rates may change. Adjustments to these factors are accounted for as an adjustment to the asset retirement obligation and the related tangible capital asset in the current period on a prospective basis.

8. Development Cost Charges

The Regional District collects development cost charges ("DCC's") to pay for a proportionate share of infrastructure related to new growth. In accordance with the Local Government Act of BC, these DCC's must be deposited into a separate reserve fund. When the related costs are incurred, the DCC's are recognized as revenue.

| | <u>2024</u> | <u>2023</u> |
|------------------------------------|--------------------|--------------------|
| OK Falls Sewer DCC | \$ 276,974 | \$ 341,933 |
| Faulder Water DCC | 13,654 | 12,933 |
| Olalla Water DCC | 7,357 | 6,189 |
| Naramata Water DCC | <u>357,369</u> | <u>297,494</u> |
| | <u>\$ 655,354</u> | <u>\$ 658,549</u> |
| DCC Activity | <u>2024</u> | <u>2023</u> |
| Balance, beginning of the year | \$ 658,549 | \$ 604,910 |
| Return on investments | 35,659 | 36,339 |
| DCC's levied in the year | 54,923 | 17,300 |
| DCC's expenditures during the year | <u>(93,777)</u> | <u>-</u> |
| Balance, end of the year | <u>\$ 655,354</u> | <u>\$ 658,549</u> |

Regional District of Okanagan-Similkameen

Notes to the Consolidated Financial Statements

December 31, 2024

9. MFA Equipment Financing

Equipment financing is repayable to the Municipal Finance Authority and the loan agreements have a maximum length of five years.

Currently the Regional District has one loan agreement under the equipment financing program which bears interest at 5.22% per annum (2023 - 5.22%) and matures in 2027.

Principal payments due in the next three years are as follows:

| | |
|-------|------------------|
| 2025 | \$ 21,434 |
| 2026 | 22,238 |
| 2027 | <u>22,143</u> |
| Total | <u>\$ 65,815</u> |

10. Long-term Debt

The Regional District incurs long-term debt directly as well as on behalf of member municipalities. Loan agreements with the MFA provide that if at any time the payments from member municipalities are not sufficient to meet their obligations in respect of such borrowings, the resulting deficiency becomes a liability of the Regional District.

All long-term debt is reported net of sinking fund balances. Sinking fund installments are invested by the MFA and earn income, which together with principal payments are expected to be sufficient to retire the debt issue at maturity. Where the MFA has determined that sufficient funds exist to retire a debt issue on its maturity date without further installments, payments are suspended by the MFA and the Regional District's liability is reduced to \$nil. Should those funds prove to be insufficient at maturity, the resulting deficiency becomes a liability of the Regional District. The 2024 earnings in the sinking fund were calculated to be \$313,670 (2023 - \$283,155) and are included in interest and investment income on the consolidated statement of operations and accumulated surplus.

Debentures issued mature at various dates ranging from September 2024 to September 2052 with interest rates ranging from 0.91% to 4.52%. The weighted average interest rate on long-term debt was 3.28% (2023 - 2.86%) and interest expense was \$4,302,320 (2023 - \$4,092,583).

| | <u>2024</u> | <u>2023</u> |
|---------------------------------|----------------------|----------------------|
| Municipal Finance Authority | \$ 77,221,237 | \$ 80,684,489 |
| Less: Regional District portion | <u>17,266,860</u> | <u>17,768,282</u> |
| Total Municipal Portion | <u>\$ 59,954,377</u> | <u>\$ 62,916,207</u> |

Regional District of Okanagan-Similkameen

Notes to the Consolidated Financial Statements

December 31, 2024

10. Long-term Debt (continued)

Principal payments and sinking fund installments due in the next five years and thereafter are as follows:

| | Total Payment | Total Recoverable from member municipalities | Net Payment |
|-------------------------------|------------------|---|----------------|
| 2025 | \$ 5,457,852 | \$ 4,413,454 | \$ 1,044,398 |
| 2026 | 4,831,624 | 3,799,249 | 1,032,375 |
| 2027 | 4,171,649 | 3,139,273 | 1,032,376 |
| 2028 | 3,762,906 | 2,861,394 | 901,512 |
| 2029 | 3,052,744 | 2,151,232 | 901,512 |
| Thereafter | 27,003,735 | 20,551,793 | 6,451,942 |
| Total principal payments | 48,280,510 | 36,916,395 | 11,364,115 |
| Expected actuarial adjustment | 28,940,727 | 23,037,982 | 5,902,745 |
| Total | \$ 77,221,237 | \$ 59,954,377 | \$ 17,266,860 |

Regional District of Okanagan-Similkameen
Notes to the Consolidated Financial Statements

December 31, 2024

11. Tangible Capital Assets

| | | | | | | | | 2024 |
|---|----------------------|----------------------------|-------------------------|-------------------|----------------------------|--------------------------|-----------------|-------------|
| | Automotive Equipment | Buildings and Improvements | Machinery and Equipment | IT Infrastructure | Land and Land Improvements | Utilities Infrastructure | Work in Process | Total |
| Cost, beginning of year | \$ 9,201,749 | \$ 12,354,744 | \$ 12,556,313 | \$ 1,843,999 | \$ 36,638,697 | \$ 61,384,955 | \$ 7,391,573 | 141,372,030 |
| Additions | 1,371,656 | 4,878,592 | 689,166 | 150,563 | 351,210 | 268,616 | 5,305,741 | 13,015,544 |
| Disposals | (152,010) | - | (439,497) | - | - | - | (240,433) | (831,940) |
| Change in ARO estimate | - | (86,926) | - | - | - | (1,078,598) | - | (1,165,524) |
| Transfer from Work in Progress | 204,132 | 1,906,575 | - | - | 737,240 | - | (2,847,947) | - |
| Cost, end of year | 10,625,527 | 19,052,985 | 12,805,982 | 1,994,562 | 37,727,147 | 60,574,973 | 9,608,934 | 152,390,110 |
| Accumulated amortization, beginning of year | 6,120,170 | 4,521,785 | 7,197,585 | 1,377,119 | 3,534,262 | 19,255,418 | - | 42,006,339 |
| Amortization | 642,533 | 619,867 | 828,102 | 203,359 | 462,767 | 1,542,517 | - | 4,299,145 |
| Disposals | (152,010) | - | (414,372) | - | - | - | - | (566,382) |
| Change in ARO estimate | - | (60,140) | - | - | - | (41,557) | - | (101,697) |
| Accumulated amortization, end of year | 6,610,693 | 5,081,512 | 7,611,315 | 1,580,478 | 3,997,029 | 20,756,378 | - | 45,637,405 |
| Net carrying amount, end of year | \$ 4,014,834 | \$ 13,971,473 | \$ 5,194,667 | \$ 414,084 | \$ 33,730,118 | \$ 39,818,595 | \$ 9,608,934 | 106,752,705 |

Regional District of Okanagan-Similkameen
Notes to the Consolidated Financial Statements

December 31, 2024

11. Tangible Capital Assets (continued)

| | | | | | | | | 2023 |
|---|----------------------|----------------------------|-------------------------|-------------------|----------------------------|--------------------------|-----------------|-------------|
| | Automotive Equipment | Buildings and Improvements | Machinery and Equipment | IT Infrastructure | Land and Land Improvements | Utilities Infrastructure | Work in Process | Total |
| Cost, beginning of year | \$ 7,711,805 | \$ 11,822,923 | \$ 10,664,235 | \$ 1,485,701 | \$ 36,197,816 | \$ 59,352,334 | \$ 4,071,309 | 131,306,123 |
| Additions | 1,305,856 | 283,277 | 1,841,918 | 399,766 | 210,679 | 156,992 | 4,107,177 | 8,305,665 |
| Disposals | (23,700) | - | - | (41,468) | - | - | (109,470) | (174,638) |
| Impact of restructuring | - | 52,336 | 56 | - | 6,859 | 1,875,629 | - | 1,934,880 |
| Trsf from Work in Progress | 207,788 | 196,208 | 50,104 | - | 223,343 | - | (677,443) | - |
| Cost, end of year | 9,201,749 | 12,354,744 | 12,556,313 | 1,843,999 | 36,638,697 | 61,384,955 | 7,391,573 | 141,372,030 |
| Accumulated amortization, beginning of year | 5,624,353 | 4,120,091 | 6,392,938 | 1,163,419 | 3,126,603 | 17,718,286 | - | 38,145,690 |
| Amortization | 519,517 | 401,694 | 804,647 | 255,168 | 407,659 | 1,537,132 | - | 3,925,817 |
| Disposals | (23,700) | - | - | (41,468) | - | - | - | (65,168) |
| Accumulated amortization, end of year | 6,120,170 | 4,521,785 | 7,197,585 | 1,377,119 | 3,534,262 | 19,255,418 | - | 42,006,339 |
| Net carrying amount, end of year | \$ 3,081,579 | \$ 7,832,959 | \$ 5,358,728 | \$ 466,880 | \$ 33,104,435 | \$ 42,129,537 | \$ 7,391,573 | 99,365,691 |

Regional District of Okanagan-Similkameen

Notes to the Consolidated Financial Statements

December 31, 2024

12. Accumulated Surplus

Reserves are non-statutory reserves which represent an appropriation of surplus for specific purposes and are comprised of the following:

| | Opening balance | Transfers to (from) | Surplus (deficit) | Closing balance |
|-------------------------|--------------------|------------------------|----------------------|--------------------|
| Unrestricted surplus | \$ 72,163,596 | \$ (4,640,906) | \$11,784,984 | \$ 79,307,674 |
| Operating | 17,741,117 | 3,146,939 | - | 20,888,056 |
| | 89,904,713 | (1,493,967) | 11,784,984 | 100,195,730 |
| Community Works Gas Tax | 6,823,687 | (355,471) | - | 6,468,216 |
| Capital surplus | 28,850,405 | 1,849,438 | - | 30,699,843 |
| | 35,674,092 | 1,493,967 | - | 37,168,059 |
| | \$ 125,578,805 | \$ - | \$11,784,984 | \$ 137,363,789 |

13. Municipal Insurance Association - Liability Insurance

Commencing December 31, 1987, the Regional District entered into a self-insurance program with British Columbia municipalities and regional districts. The Regional District is obliged under the program to pay a percentage of its fellow insured's losses. The Regional District pays an annual premium, which is anticipated to be adequate to cover any losses incurred.

14. Letters of Credit and Performance Bonds

In addition to the performance deposits reflected in the consolidated statement of financial position, the Regional District is holding irrevocable letters of credit and performance bonds in the amount of \$9,259,064 (2023 - \$897,594) which were received from depositors to ensure their performance of works to be undertaken within the boundaries of the Regional District. These amounts are not reflected in the consolidated financial statements but are available to satisfy obligations arising from non-performance by the depositors.

Regional District of Okanagan-Similkameen

Notes to the Consolidated Financial Statements

December 31, 2024

15. Property Taxes and Grant in Lieu

| | 2024 | 2023 |
|---|----------------------|----------------------|
| Property taxation revenue | \$ 24,936,904 | \$ 22,982,097 |
| Parcel tax | 1,128,792 | 1,050,177 |
| Grant in lieu | 99,294 | 142,877 |
| Collections on behalf of other agencies | (2,743,460) | (2,620,287) |
| Net property taxation revenue | <u>\$ 23,421,530</u> | <u>\$ 21,554,864</u> |

16. Other Contracts and Miscellaneous

| | 2024 | 2023 |
|--------------------------------|---------------------|---------------------|
| Emergency/Wildfire recoveries | \$ 1,326,430 | \$ 2,993,836 |
| Contract fees - Sage Mesa | 146,557 | - |
| Parkland Acquisition | 372,500 | - |
| Gain on change in ARO estimate | 3,190,048 | - |
| Development cost charges | 93,777 | - |
| Other | 1,504,747 | 1,189,789 |
| Total | <u>\$ 6,634,059</u> | <u>\$ 4,183,625</u> |

17. Municipal Pension Plan

The Regional District 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 are based on a formula. As at December 31, 2024, the plan has about 256,000 active members and approximately 129,000 retired members. Active members include approximately 45,000 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.

Regional District of Okanagan-Similkameen

Notes to the Consolidated Financial Statements

December 31, 2024

17. Municipal Pension Plan (continued)

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

The Regional District paid \$780,440 (2023 - \$613,749) for employer contributions to the plan in fiscal 2024.

The next valuation will be as at December 31, 2024, with results available in 2025.

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

18. Budget

The Regional District's Budget Bylaw adopted by the Board of Directors on March 7, 2024 was not prepared on a basis consistent with that used to report actual results (PSAB). The budget was prepared on a modified accrual basis while PSAB require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the consolidated statements of operations and change in net financial assets represent the Budget adopted by the Board of Directors on March 7, 2024 with adjustments as follows:

| | <u>2024</u> |
|---|---------------------|
| Budget Bylaw surplus for the year | \$ - |
| Add: | |
| Capital expenditures | 26,782,444 |
| Debt principal | 5,605,232 |
| Municipal interest | 3,233,044 |
| Admin revenue | 510,018 |
| Less: | |
| Budgeted transfers from accumulated surplus | (18,095,876) |
| Bank loan proceeds | <u>(12,986,121)</u> |
| Budget surplus per consolidated statement of operations and accumulated surplus | <u>\$ 5,048,741</u> |

Regional District of Okanagan-Similkameen

Notes to the Consolidated Financial Statements

December 31, 2024

19. Financial Instruments

Financial Instrument Risk Management

The Regional District is exposed to credit risk, liquidity risk, and interest rate risk from its financial instruments. This note describes the Regional District's objectives, policies, and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

There have not been any changes from the prior year in the Regional District's exposure to above risks or the policies, procedures and methods it uses to manage and measure the risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Regional District is exposed to credit risk through its cash and cash equivalents, accounts receivable, and portfolio investments.

The Regional District manages its credit risk through credit approval processes and highly diversified nature of the residents of the Regional District. The Regional District measures its exposure to credit risk based on how long the amounts have been outstanding, and historical experience regarding collections. Accounts receivable arise primarily as a result of utilities, and grants receivable, see Note 3. Based on this knowledge, credit risk of cash and accounts receivable are assessed as low.

The Regional District manages exposure to credit risk for portfolio investments by ensuring adequate diversification and by maintaining its investments in the Ministry of Finance Authority which meets the investment requirements of Section 183 of the Community Charter of the Province of BC. As a result, the Regional District has reduced exposure to market or value risk.

Liquidity risk

Liquidity risk is the risk that the Regional District will encounter difficulty in meeting obligations associated with financial liabilities. The Regional District is exposed to liquidity risk through its accounts payable and accrued liabilities, long-term debt, and portfolio investments.

The Regional District manages this risk by maintaining a balance of short-term or highly liquid investments, holding a credit facility with its primary banking institution, staggering maturity dates of investment portfolio for cash flow needs, increasing tax rates per bylaw to increase cash, and monitoring cash activities and expected outflows through budgeting and maintaining investments that may be converted to cash in the near term if unexpected cash flows arise. Also to help manage the risk, the Regional District has in place a planning, budgeting and forecasting process to help determine the funds required to support the normal operating requirements. The Regional District's five-year financial plan is approved by the Board of Directors, which includes operational activities and capital investments. The Regional District measures its exposure to liquidity risk based on the results of cash forecasting and expected outflows, and extensive budgeting.

Regional District of Okanagan-Similkameen

Notes to the Consolidated Financial Statements

December 31, 2024

19. Financial Instruments (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Regional District is exposed to interest rate risk through its cash and cash equivalents, long-term debt and the value of portfolio investments.

The Regional District manages interest rate risk on its long-term debt by holding all debt through MFA at a fixed rate, with refinancing typically being completed at the ten or fifteen year mark. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to long-term debt. See Note 10 for interest rates and maturity dates for long-term debt.

Investments that are subject to interest rate risk are MFA pooled investment funds (see Note 2). The risk is caused by changes in interest rates. As interest rates rise, the fair value of the MFA pooled investment funds notes decrease and, as interest rates fall, the fair value of these investments increase.

To mitigate interest rate risk and market risk on its portfolio investments, the Regional District holds its MFA long term pooled investment funds for 10 years or longer.

20. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year financial statement presentation.

21. Subsequent Events

Subsequent to the year end, several referendums were held with the outcomes having a significant impact on the Regional District.

In March 2025, assent voting determined that Okanagan Falls will be incorporated as a municipality. The Letters Patent will be prepared by the Ministry of Housing and Municipal Affairs in the upcoming months and must be approved by Cabinet. Once the Letters Patent are issued by the province, arrangements can be made for a new council and municipal administration. The financial impact of this event cannot be reasonably estimated at this time.

In April 2025, the Regional District held assent voting to take over the Lakeshore Waterworks System and the Vintage Views Wastewater System. The majority of voters voted in favour of the Regional District assuming control over both systems. An estimated \$13.53M and \$6.92M will have to be borrowed in order to bring both systems into compliance with regulations. This will be accounted for as a restructuring transaction and the Regional District will record the assets of the Water and Wastewater systems at their fair market value upon transfer.

Regional District of Okanagan-Similkameen

Notes to the Consolidated Financial Statements

December 31, 2024

22. Statement of Expenses by Object

| | 2024 | 2023 |
|------------------------------------|----------------------|----------------------|
| Accretion | \$ 651,971 | \$ 567,019 |
| Administration | 73,489 | 78,958 |
| Advertising and promotion | 36,769 | 41,243 |
| Agreements | 735,018 | 651,906 |
| Amortization | 4,299,145 | 3,925,817 |
| Bank charges | 59,395 | 259,962 |
| Bylaw | 5,320 | 8,222 |
| Community works expenses | 99,517 | 27,922 |
| Contract services | 7,565,848 | 7,628,751 |
| Development charges | 13,948 | 1,067 |
| Donations | - | 2,290 |
| Education and training | 447,402 | 350,645 |
| Environmental | 191,013 | 178,921 |
| Grants | 1,780,668 | 1,153,086 |
| Insurance | 556,291 | 545,372 |
| Interest on long-term debt | 839,275 | 767,610 |
| Information systems | 5,750 | 9,771 |
| Lease payments | 198,060 | 190,725 |
| Materials, supplies and services | 1,195,195 | 1,140,901 |
| Office | 526,661 | 359,879 |
| Professional and legal fees | 214,758 | 193,570 |
| Program | 270,267 | 185,807 |
| Rental of facilities and equipment | 123,647 | 146,012 |
| Repairs and maintenance | 8,409,041 | 9,073,785 |
| Salaries and benefits | 15,576,549 | 13,751,585 |
| Telephone | 1,068,883 | 1,080,403 |
| Travel and meetings | 513,915 | 505,973 |
| Vehicle | 117,886 | 99,335 |
| Total expenses for the year | \$ 45,575,681 | \$ 42,926,537 |

Regional District of Okanagan-Similkameen Notes to the Consolidated Financial Statements

23. Segmented Operations

2024

| | General Government | Protective Services | Transportation Services | Development Services | Parks Recreation and Culture | Environmental Services | Bylaw Enforcement | Water Services | Sewer Services | Economic Development | Total |
|--|-----------------------|------------------------|----------------------------|-------------------------|------------------------------------|---------------------------|----------------------|---------------------|-------------------|-------------------------|---------------------|
| Revenue | | | | | | | | | | | |
| Property taxes and grant in lieu | \$ 4,976,683 | \$ 5,930,662 | \$ 635,216 | \$ 1,922,233 | \$ 7,053,458 | \$ 1,698,302 | \$ 398,327 | \$ 478,042 | \$ 15,600 | \$ 313,007 | \$23,421,530 |
| Sales of goods and services | 19,449 | 7,732 | 128,628 | 721,278 | 731,697 | 8,883,389 | 45,135 | 3,730,447 | 1,378,941 | - | 15,646,696 |
| Government transfers | 2,805,969 | 1,021,284 | 26,562 | 232,650 | 2,478,975 | 985,229 | - | 178,496 | 119,665 | 18,750 | 7,867,580 |
| Interest and investment income | 708,549 | 431,590 | 6,994 | 130,487 | 230,774 | 1,096,981 | 23,256 | 399,465 | 112,799 | 14,508 | 3,155,403 |
| Donations | - | 23,989 | - | - | 365,946 | - | - | - | - | - | 389,935 |
| Rental | - | - | - | - | 242,362 | - | - | 3,100 | - | - | 245,462 |
| Other contracts and miscellaneous | 3,759,485 | 1,326,430 | 49,185 | 167,305 | 567,185 | 185,186 | - | 316,253 | 258,357 | 4,673 | 6,634,059 |
| | 12,270,135 | 8,741,687 | 846,585 | 3,173,953 | 11,670,397 | 12,849,087 | 466,718 | 5,105,803 | 1,885,362 | 350,938 | 57,360,665 |
| Expenses | | | | | | | | | | | |
| Administrative | - | - | - | - | 62,000 | - | - | 11,489 | - | - | 73,489 |
| Amortization | 477,028 | 762,630 | - | 3,793 | 1,074,888 | 328,063 | - | 1,652,743 | - | - | 4,299,145 |
| Grants | 427,334 | 1,091,714 | - | - | 18,400 | 186,891 | - | - | - | 56,329 | 1,780,668 |
| Lease payments | - | - | - | - | 10,001 | 188,059 | - | - | - | - | 198,060 |
| Materials, supplies, utilities | 1,862,804 | 960,440 | 92 | 247,438 | 1,029,036 | 1,092,672 | 13,375 | 750,839 | 405,750 | 112,459 | 6,474,905 |
| Operations and maintenance | 798,261 | 2,909,588 | 864,889 | 140,945 | 4,360,799 | 5,584,508 | 169,365 | 1,250,393 | 431,352 | 10,794 | 16,520,894 |
| Accretion | 77,590 | - | - | - | - | 574,381 | - | - | - | - | 651,971 |
| Salaries and benefits | 4,888,999 | 2,180,032 | 28,541 | 2,026,992 | 2,122,055 | 1,847,993 | 346,918 | 1,602,151 | 434,542 | 98,326 | 15,576,549 |
| | 8,532,016 | 7,904,404 | 893,522 | 2,419,168 | 8,677,179 | 9,802,567 | 529,658 | 5,267,615 | 1,271,644 | 277,908 | 45,575,681 |
| Excess (deficiency) of revenue over expenses for the year | \$ 3,738,119 | \$ 837,283 | \$ (46,937) | \$ 754,785 | \$ 2,993,218 | \$ 3,046,520 | \$ (62,940) | \$ (161,812) | \$ 613,718 | \$ 73,030 | \$11,784,984 |

Regional District of Okanagan-Similkameen Notes to the Consolidated Financial Statements

23. Segmented Operations (continued)

2023

| | General Government | Protective Services | Transportation Services | Development Services | Parks Recreation and Culture | Environmental Services | Bylaw Enforcement | Water Services | Sewer Services | Economic Development | Total |
|---|-----------------------|------------------------|----------------------------|-------------------------|------------------------------------|---------------------------|----------------------|-------------------|-------------------|-------------------------|---------------|
| Revenue | | | | | | | | | | | |
| Property taxes and grant in lieu | \$ 4,702,600 | \$ 5,089,062 | \$ 615,077 | \$ 1,759,130 | \$ 6,480,919 | \$ 1,725,177 | \$ 401,448 | \$ 467,070 | \$ 15,600 | \$ 298,781 | \$ 21,554,864 |
| Sales of goods and services | 16,409 | 1,837 | 133,915 | 1,067,712 | 771,132 | 8,574,390 | 35,488 | 3,408,202 | 1,267,983 | - | 15,277,068 |
| Government transfers | 6,115,551 | 777,365 | 50,209 | - | 465,713 | 1,619,320 | - | 191,544 | 268,427 | 36,069 | 9,524,198 |
| Interest and investment income | 521,235 | 505,878 | 5,823 | 112,522 | 133,638 | 1,008,824 | 17,570 | 398,235 | 91,174 | 11,933 | 2,806,832 |
| Donations | - | 92,895 | - | - | 784,818 | 100 | - | - | - | - | 877,813 |
| Rental | - | - | - | - | 257,803 | - | - | 7,250 | - | - | 265,053 |
| Other contracts and miscellaneous | 194,817 | 2,993,836 | 52,514 | 31,258 | 257,112 | 205,691 | 300 | 444,565 | 3,532 | - | 4,183,625 |
| | 11,550,612 | 9,460,873 | 857,538 | 2,970,622 | 9,151,135 | 13,133,502 | 454,806 | 4,916,866 | 1,646,716 | 346,783 | 54,489,453 |
| Expenses | | | | | | | | | | | |
| Administrative | - | 50 | - | - | 14,378 | 4,875 | - | 59,655 | - | - | 78,958 |
| Amortization | 490,428 | 696,672 | - | 3,793 | 826,241 | 284,021 | - | 951,038 | 673,624 | - | 3,925,817 |
| Grants | 221,627 | 588,691 | - | - | 54,142 | 240,431 | - | - | - | 48,195 | 1,153,086 |
| Lease payments | - | - | - | - | 9,725 | 181,000 | - | - | - | - | 190,725 |
| Materials, supplies, utilities | 1,709,525 | 846,091 | 87 | 227,540 | 1,039,853 | 1,016,130 | 33,266 | 758,119 | 371,887 | 101,058 | 6,103,556 |
| Operations and maintenance | 825,099 | 3,660,024 | 831,679 | 191,946 | 3,578,881 | 6,273,615 | 186,311 | 1,102,442 | 453,935 | 51,859 | 17,155,791 |
| Accretion | 13,910 | - | - | - | - | 553,109 | - | - | - | - | 567,019 |
| Salaries and benefits | 4,762,257 | 1,752,648 | 36,842 | 1,775,809 | 1,841,475 | 1,466,584 | 305,988 | 1,308,233 | 405,570 | 96,179 | 13,751,585 |
| | 8,022,846 | 7,544,176 | 868,608 | 2,199,088 | 7,364,695 | 10,019,765 | 525,565 | 4,179,487 | 1,905,016 | 297,291 | 42,926,537 |
| Excess (deficiency) of revenue over expenses for the year | \$ 3,527,766 | \$ 1,916,697 | \$ (11,070) | \$ 771,534 | \$ 1,786,440 | \$ 3,113,737 | \$ (70,759) | \$ 737,379 | \$ (258,300) | \$ 49,492 | \$ 11,562,916 |

Regional District of Okanagan-Similkameen
Schedule 1 - Growing Communities Grant
(Unaudited)

December 31, 2024

| | <u>2024</u> |
|--------------------------|---------------------|
| Opening balance | \$ 4,522,186 |
| Received during the year | - |
| Interest allocation | 236,453 |
| Spent during the year | <u>(620,610)</u> |
| Ending balance | <u>\$ 4,138,029</u> |

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Regional District of Okanagan-Similkameen
Schedule 2 - Local Government Housing Initiatives Grant
(Unaudited)

December 31, 2024

| | <u>2024</u> |
|--------------------------|-------------------|
| Opening balance | \$ - |
| Received during the year | 232,650 |
| Interest allocation | - |
| Spent during the year | <u>(6,583)</u> |
| Ending balance | <u>\$ 226,067</u> |

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