

**Regional District of Okanagan-Similkameen**  
**Consolidated Financial Statements**  
For the year ended December 31, 2025

# Regional District of Okanagan-Similkameen

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For the year ended December 31, 2025

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## Management's Responsibility for Financial Reporting

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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.

*Jim Zaffino*

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Chief Administrative Officer

*Mark Ruppert*

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Board Chair

May 7, 2026



Tel: 250 763 6700  
Fax: 250 763 4457  
Toll-free: 1 800 928 3307  
www.bdo.ca

BDO Canada LLP  
1631 Dickson Avenue, Suite 400  
Kelowna, BC, V1Y 0B5

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## Independent Auditor's Report

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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, 2025, and the consolidated statements of operations and accumulated surplus, change in net financial assets and 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, 2025, 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 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.
- Plan and perform group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Regional District as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision, and review of the audit work performed for the purposes 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.

*BDO Canada LLP*

Chartered Professional Accountants

Penticton, British Columbia

May 7, 2026

## Regional District of Okanagan-Similkameen Consolidated Statement of Financial Position

December 31	2025	2024
<b>Financial assets</b>		
Cash (Note 2)	\$ 37,563,797	\$ 46,819,629
Portfolio investments (Note 2)	24,811,045	24,027,886
Accounts receivable (Note 3)	5,568,555	7,792,851
Debt reserve fund (Note 4)	2,216,577	2,174,959
Debt recoverable from member municipalities (Note 10)	71,262,149	59,954,377
Due from Town of Osoyoos	58,697	-
Due from Town of Oliver	1,088,750	564,139
	<b>142,569,570</b>	<b>141,333,841</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	6,522,815	7,782,329
Deferred revenue (Note 6)	13,063,333	12,151,365
Asset retirement obligation (Note 7)	11,005,937	11,081,058
Development cost charges (Note 8)	490,226	655,354
MFA equipment financing (Note 9)	1,063,719	65,815
Debt reserve fund, member municipalities (Note 4)	1,854,311	2,174,959
Long-term debt - Regional District (Note 8)	16,682,592	17,266,860
Long-term debt - Member Municipalities (Note 10)	71,262,149	59,954,377
Due to Town of Osoyoos	-	48,944
	<b>121,945,082</b>	<b>111,181,061</b>
<b>Net financial assets</b>	<b>20,624,488</b>	<b>30,152,780</b>
<b>Non-financial assets</b>		
Prepaid expenses	526,390	458,304
Tangible capital assets (Note 12)	127,878,775	106,752,705
	<b>128,405,165</b>	<b>107,211,009</b>
<b>Accumulated surplus (Note 13)</b>	<b>\$ 149,029,653</b>	<b>\$ 137,363,789</b>
<b>Contingencies (Note 11)</b>		

Approved on behalf of the Board of Directors

*Jim Baffino*

Chief Administrative Officer

*Mark Reddy*

Board Chair

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

For the year ended December 31	(Note 19) Budget	2025	2024
<b>Revenues</b>			
Property taxes and grant in lieu (Note 16)	\$ 25,035,094	\$ 25,103,115	\$ 23,421,530
Sales of goods and services	16,055,431	16,593,018	15,646,696
Government transfers	18,786,510	6,001,524	7,867,580
Interest and investment income	-	2,823,340	3,155,403
Development cost charges	434,516	-	-
Donations	6,840	241,417	389,935
Rental	234,388	276,897	245,462
Other contracts and miscellaneous (Note 17)	1,554,689	3,090,921	6,634,059
Restructuring transaction (Note 20)	-	6,518,873	-
<b>Total revenues for the year</b>	<b>62,107,468</b>	<b>60,649,105</b>	<b>57,360,665</b>
<b>Expenses (Note 23)</b>			
General government	8,379,334	9,406,962	8,532,016
Protective services	6,765,718	8,057,038	7,904,404
Transportation services	1,020,057	965,420	893,522
Development services	2,864,201	2,711,872	2,419,168
Parks, recreation and culture	8,590,906	8,708,859	8,677,179
Environmental services	9,620,504	10,782,412	9,802,567
Bylaw enforcement	525,372	570,174	529,658
Water services	5,411,167	5,178,375	5,267,615
Sewer services	1,303,501	2,278,557	1,271,644
Economic development	282,943	323,572	277,908
<b>Total expenses for the year</b>	<b>44,763,703</b>	<b>48,983,241</b>	<b>45,575,681</b>
<b>Annual surplus (Note 13)</b>	<b>17,343,765</b>	<b>11,665,864</b>	<b>11,784,984</b>
<b>Accumulated surplus, beginning of year</b>	<b>137,363,789</b>	<b>137,363,789</b>	<b>125,578,805</b>
<b>Accumulated surplus, end of year</b>	<b>\$154,707,554</b>	<b>\$149,029,653</b>	<b>\$137,363,789</b>

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 19) Budget	2025	2024
Annual surplus	\$ 17,343,765	\$ 11,665,864	\$ 11,784,984
Acquisition of tangible capital assets (Note 12)	(49,632,778)	(19,661,433)	(13,015,544)
Amortization of tangible capital assets (Note 12)	-	4,627,358	4,299,145
Net disposal of tangible capital assets (Note 12)	-	313,305	265,558
Net change in ARO estimate (Note 12)	-	-	1,063,827
Increase in tangible capital assets on restructuring (Note 20)	-	(6,405,300)	-
	(49,632,778)	(21,126,070)	(7,387,014)
Acquisition of prepaid expenses	-	(68,086)	(180,893)
<b>Increase (decrease) in net financial assets</b>	<b>(32,289,013)</b>	<b>(9,528,292)</b>	<b>4,217,077</b>
<b>Net financial assets, beginning of year</b>	<b>30,152,780</b>	<b>30,152,780</b>	<b>25,935,703</b>
<b>Net financial assets, end of year</b>	<b>\$ (2,136,233)</b>	<b>\$ 20,624,488</b>	<b>\$ 30,152,780</b>

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	2025	2024
<b>Cash flows from operating activities</b>		
Cash received from grants, other governments, and own sources	\$ 53,509,753	\$ 58,823,177
Cash paid to employees and suppliers	(44,241,157)	(38,358,725)
Interest paid	(977,424)	(839,275)
Interest received	2,802,901	3,155,403
	<u>11,094,073</u>	<u>22,780,580</u>
<b>Cash flows from capital activities</b>		
Purchase of tangible capital assets	(19,661,433)	(13,015,544)
Proceeds from sale of tangible capital assets	313,305	265,558
	<u>(19,348,128)</u>	<u>(12,749,986)</u>
<b>Cash flows from financing activities</b>		
Acquisition of short-term debt	1,118,861	-
Repayment of short-term debt	(120,957)	-
Acquisition of long-term debt	800,000	-
Repayment of long-term debt	(1,384,270)	(520,797)
Increase (decrease) in due to related parties	(48,944)	48,944
	<u>364,690</u>	<u>(471,853)</u>
<b>Cash flows from investing activities</b>		
Increase in investments	(783,159)	(712,542)
Increase in due from related parties	(583,308)	(383,558)
	<u>(1,366,467)</u>	<u>(1,096,100)</u>
<b>Increase (decrease) in cash for the year</b>	<b>(9,255,832)</b>	<b>8,462,641</b>
<b>Cash, beginning of year</b>	<b>46,819,629</b>	<b>38,356,988</b>
<b>Cash, end of year</b>	<b>\$ 37,563,797</b>	<b>\$ 46,819,629</b>

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, 2025**

### 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*

Government business enterprises that are accounted for on the modified equity basis of accounting include the cost of the Regional District's investment in the entities and its proportionate share of earnings or losses. 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*

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

**December 31, 2025**

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### 1. Summary of Significant Accounting Policies (continued)

<b>Cash</b>	Cash consists of cash on hand and bank balances.
<b>Retirement Benefits</b>	The Regional District's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred.
<b>Revenue Recognition</b>	<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>

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

**December 31, 2025**

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**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 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. Transaction costs are added to the initial carrying value for financial instruments measured using cost or amortized cost.

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

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.

**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.

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

December 31, 2025

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### 1. Summary of Significant Accounting Policies (continued)

<b>Contaminated Sites</b>	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.
<b>Long-term Debt</b>	Long-term debt is recorded net of related sinking fund balances and actuarial earnings.
<b>Asset Retirement Obligation</b>	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 at the financial statement date of the expenditure required to retire a tangible capital asset. 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.
<b>Tangible Capital Assets</b>	<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>

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

December 31, 2025

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### 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.

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

December 31, 2025

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### 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 providing refuse disposal and recycling services, including regional waste management and disposal, and various communication and educational programs. The services also includes the delivery of insect and weed control programs, including the Sterile Insect Release program.

**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, Vintage Views Sewer System and the Gallagher Lake Sewer System.

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

December 31, 2025

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### 1. Summary of Significant Accounting Policies (continued)

**Segmented Information** (continued) **Economic development** is responsible for economic development and planning activities. The service 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 future amounts payable in relation to legal claims. For common consolidated financial statement items, such as accounts payable and accrued liabilities, measurement uncertainty is inherent but not material. 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, 2025**

### 2. Cash and Portfolio Investments

	2025	2024
Cash	<u>\$ 37,563,797</u>	<u>\$ 46,819,629</u>
Portfolio Investments		
Term deposits	226,157	220,104
Mutual funds	4,420	4,297
MFA short-term bond fund	24,545,308	23,768,325
Vermilion Forks Community Forest Corporation	<u>35,160</u>	<u>35,160</u>
	<u>24,811,045</u>	<u>24,027,886</u>
	<u>\$ 62,374,842</u>	<u>\$ 70,847,515</u>
Restricted Internally		
Capital Investment reserves	\$ 23,624,700	\$ 22,876,859
Oliver Parks & Recreation reserves	920,609	891,466
Vermilion Forks Community Forest Corporation	<u>35,160</u>	<u>35,160</u>
	<u>24,580,469</u>	<u>23,803,485</u>
Unrestricted	<u>37,794,373</u>	<u>47,044,030</u>
	<u>\$ 62,374,842</u>	<u>\$ 70,847,515</u>

### 3. Accounts Receivable

	2025	2024
Trade accounts receivable	\$ 1,633,598	\$ 1,666,992
Government grants	1,896,026	4,148,848
Utilities	907,126	781,002
GST receivable	337,927	516,414
Due from municipalities	<u>793,878</u>	<u>679,595</u>
	<u>\$ 5,568,555</u>	<u>\$ 7,792,851</u>

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

**December 31, 2025**

### 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	2025	2024
Regional District	\$ 362,266	\$ 349,113
Member Municipalities	1,854,311	1,825,846
	<b>\$ 2,216,577</b>	<b>\$ 2,174,959</b>

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	2025	2024
Regional District	\$ 672,341	\$ 651,091
Member Municipalities	3,686,251	3,594,491
	<b>\$ 4,358,592</b>	<b>\$ 4,245,582</b>

### 5. Accounts Payable and Accrued Liabilities

	2025	2024
Trade payables	\$ 4,743,000	\$ 6,380,559
Holdbacks	210,460	374,790
Accrued salaries and employee benefits payable	1,569,355	1,026,980
	<b>\$ 6,522,815</b>	<b>\$ 7,782,329</b>

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

December 31, 2025

### 6. Deferred Revenue

	2025	2024
Deferred government transfers and other revenue	\$ 12,429,166	\$ 11,621,420
Parkland dedication	634,167	529,945
	\$ 13,063,333	\$ 12,151,365

Included in deferred government transfers and other revenue are:

	2024	Collected	Recognized	2025
Compost Facility Project	\$ 10,389,456	\$ -	\$ (20,258)	\$ 10,369,198
Loose Bay Grant	54,814	-	(2,283)	52,531
Universal Metering Grant	-	2,050,325	(773,349)	1,276,976
Indigenous Engagement	35,943	42,000	(11,132)	66,811
Makeway Foundation	40,159	-	-	40,159
Naramata Fire Hall Donations	150,487	-	-	150,487
UBCM Flood Mapping	61,241	-	(55,558)	5,683
UBCM FireSmart	210,663	-	(210,663)	-
Hazard, Risk, Vulnerability Assessment	75,000	-	(75,000)	-
Strategic Priorities	73,914	-	(36,280)	37,634
Other	529,743	32,663	(132,719)	429,687
	\$ 11,621,420	\$ 2,124,988	\$ (1,317,242)	\$ 12,429,166

### 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 remaining estimated useful lives between 4 and 40 years. Estimated costs of \$844,724 (2024 - \$844,724) have been discounted to the present value. The accretion expense is based on a discount rate of 4.57%.

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

**December 31, 2025**

### 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 \$23,413,773 (2024 - \$23,455,496) have been discounted to the present value. The accretion expense is based on a discount rate of 4.57%.

#### 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 remaining estimated useful lives between 18 and 73 years. Estimated costs of \$560,000 (2024 - \$560,000) have been discounted to the present value. The accretion expense is based on a discount rate of 4.57%.

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

	Asbestos remediation	Landfill closure and monitoring	Well decommissioning	2025
Opening balance	\$ 688,481	\$ 10,153,855	\$ 238,722	\$ 11,081,058
Retirement costs incurred	-	(41,952)	-	(41,952)
Accretion expense	31,828	463,985	11,029	506,842
Change in estimate	-	(540,011)	-	(540,011)
	<u>\$ 720,309</u>	<u>\$ 10,035,877</u>	<u>\$ 249,751</u>	<u>\$ 11,005,937</u>

	Asbestos remediation	Landfill closure and monitoring	Well decommissioning	2024
Opening Balance	\$ 712,067	\$ 13,774,135	\$ 341,720	\$ 14,827,922
Retirement costs incurred	-	(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>

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, 2025**

### 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 amounts 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.

	2025	2024
OK Falls Sewer DCC	\$ 107,585	\$ 276,974
Faulder Water DCC	14,185	13,654
Olalla Water DCC	7,643	7,357
Naramata Water DCC	360,813	357,369
	\$ 490,226	\$ 655,354
DCC Activity	2025	2024
Balance, beginning of the year	\$ 655,354	\$ 658,549
Return on investments	21,866	35,659
DCC's levied in the year	16,133	54,923
DCC's expenditures during the year	(203,127)	(93,777)
Balance, end of the year	\$ 490,226	\$ 655,354

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

**December 31, 2025**

**9. MFA Equipment Financing**

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

Currently the Regional District has four loan agreements under the equipment financing program which bears interest at 5.22% per annum (2024 - 5.22%) and mature in 2027 - 2030.

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

2026	\$ 239,456
2027	245,108
2028	229,576
2029	236,178
2030	<u>113,401</u>
Total	<u>\$ 1,063,719</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 2025 earnings in the sinking fund were calculated to be \$339,873 (2024 - \$313,670) 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 2026 to September 2052 with interest rates ranging from 1.53% to 4.52%. The weighted average interest rate on long-term debt was 3.63% (2024 - 3.28%) and interest expense was \$5,091,055 (2024 - \$4,302,320).

	<u>2025</u>	<u>2024</u>
Municipal Finance Authority	\$ 87,944,741	\$ 77,221,237
Less: Regional District portion	<u>16,682,592</u>	<u>17,266,860</u>
Total Municipal Portion	<u>\$ 71,262,149</u>	<u>\$ 59,954,377</u>

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

**December 31, 2025**

### 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
2026	\$ 5,434,049	\$ 4,368,643	\$ 1,065,406
2027	4,577,878	3,498,107	1,079,771
2028	4,169,136	3,220,228	948,908
2029	3,458,975	2,510,066	948,909
2030	3,132,149	2,123,372	1,008,777
Thereafter	30,139,224	24,169,861	5,969,363
Total principal payments	50,911,411	39,890,277	11,021,134
Expected actuarial adjustment	37,033,330	31,371,872	5,661,458
Total	<u>\$ 87,944,741</u>	<u>\$ 71,262,149</u>	<u>\$ 16,682,592</u>

### 11. Contingencies

The Regional District is subject to contingencies in the normal course of operations, including claims, litigation, regulatory matters, and environmental obligations. The outcome of these matters is uncertain.

A provision is recorded when it is likely that a liability has been incurred at the financial statement date and the amount can be reasonably estimated, in accordance with Public Sector Accounting Standards. Where a loss is possible but not determinable, or not likely, no provision is recorded; such matters are disclosed when material.

Management reviews contingencies regularly and updates provisions and disclosures as new information becomes available. Any resulting gains or losses are recognized in the period the outcome is known.

Management believes that any amounts not provided for will not have a material adverse effect on the Regional District's financial position or results of operations, although the ultimate outcome cannot be predicted with certainty.

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

**December 31, 2025**

**12. Tangible Capital Assets**

								2025
	Automotive Equipment	Buildings and Improvements	Machinery and Equipment	IT Infrastructure	Land and Land Improvements	Utilities Infrastructure	Work in Process	Total
Cost, beginning 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
Additions	1,651,972	1,051,730	3,448,965	160,392	10,280,724	382,146	2,685,504	19,661,433
Disposals	(209,117)	-	-	-	-	-	(167,816)	(376,933)
Impact of restructuring	-	-	-	-	468,000	5,937,300	-	6,405,300
Transfer from Work in Progress	474,244	3,214,000	407,615	-	988,917	204,572	(5,289,348)	-
Cost, end of year	12,542,626	23,318,715	16,662,562	2,154,954	49,464,788	67,098,991	6,837,274	178,079,910
Accumulated amortization, beginning of year	6,610,693	5,081,512	7,611,315	1,580,478	3,997,029	20,756,378	-	45,637,405
Amortization	688,804	661,094	993,521	156,885	500,939	1,626,115	-	4,627,358
Disposals	(63,628)	-	-	-	-	-	-	(63,628)
Accumulated amortization, end of year	7,235,869	5,742,606	8,604,836	1,737,363	4,497,968	22,382,493	-	50,201,135
Net carrying amount, end of year	\$ 5,306,757	\$ 17,576,109	\$ 8,057,726	\$ 417,591	\$ 44,966,820	\$ 44,716,498	\$ 6,837,274	\$ 127,878,775

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

**December 31, 2025**

**12. Tangible Capital Assets (continued)**

								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	-	(86,926)	-	-	-	(1,078,598)	-	(1,165,524)
Trsf 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, 2025**

### 13. 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	Closing balance
Unrestricted surplus	\$ 79,307,674	\$(1,273,333)	\$11,665,864	\$ 89,700,205
Operating	20,888,056	(1,265,842)	-	19,622,214
	<u>100,195,730</u>	<u>(2,539,175)</u>	<u>11,665,864</u>	<u>109,322,419</u>
Community Works Gas Tax	6,468,216	245,676	-	6,713,892
Capital surplus	30,699,843	2,293,499	-	32,993,342
	<u>37,168,059</u>	<u>2,539,175</u>	<u>-</u>	<u>39,707,234</u>
	<u>\$ 137,363,789</u>	<u>\$ -</u>	<u>\$ 11,665,864</u>	<u>\$ 149,029,653</u>

### 14. 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.

### 15. 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 \$9,178,685 (2024 - \$9,259,064) 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, 2025**

### 16. Property Taxes and Grant in Lieu

	2025	2024
Property taxation revenue	\$ 26,703,032	\$ 24,936,904
Parcel tax	1,097,377	1,128,792
Grant in lieu	151,196	99,294
Collections on behalf of other agencies	(2,848,490)	(2,743,460)
Net property taxation revenue	<u>\$ 25,103,115</u>	<u>\$ 23,421,530</u>

### 17. Other Contracts and Miscellaneous

	2025	2024
Emergency/Wildfire recoveries	\$ 710,493	\$ 1,326,430
Contract fees - Sage Mesa	-	146,557
Parkland Acquisition	-	372,500
Change in ARO estimate	540,011	3,190,048
Development cost charges	203,127	93,777
Other	1,637,290	1,504,747
Total	<u>\$ 3,090,921</u>	<u>\$ 6,634,059</u>

### 18. Municipal Pension Plan

The Regional District of Okanagan-Similkameen 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 273,000 active members and approximately 133,000 retired members. Active members include approximately 47,000 contributors from local governments.

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

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

**December 31, 2025**

### 18. Municipal Pension Plan (continued)

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.

The Regional District paid \$920,562 (2024 - \$780,440) for employer contributions to the plan in fiscal 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.

### 19. Budget

The Regional District's Budget Bylaw adopted by the Board of Directors on March 6, 2025 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 6, 2025 with adjustments as follows:

	<b>2025</b>
Budget Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	49,632,778
Debt principal	1,418,556
Municipal interest	-
Admin revenue	-
Less:	
Budgeted transfers from accumulated surplus	(11,629,362)
Bank loan proceeds	(22,078,207)
<b>Budget surplus per consolidated statement of operations and accumulated surplus</b>	<b><u>\$ 17,343,765</u></b>

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

**December 31, 2025**

### 20. Restructuring Transaction

#### a) Water and Sewer Systems

In September 2025, the Regional District entered into two restructuring transactions with unrelated, privately owned water and sewer systems operating within the Okanagan-Similkameen region. The restructuring was undertaken to improve the effectiveness of system operations and to ensure the systems operate in compliance with applicable health guidelines going forward. As a result of this transaction, the Regional District assumed all assets and liabilities along with related programs and operating responsibilities of the former owner. The assets acquired from Lakeshore Waterworks Ltd. and Vintage Views Developments Ltd. have been recognized in the consolidated statement of financial position at their carrying amounts as at the date of the transaction, as summarized below.

	<b>2025</b>
Financial assets	
Cash and cash equivalent - Lakeshore Waterworks Ltd.	\$ 113,573
Non-financial assets	
Tangible capital assets - Lakeshore Waterworks Ltd.	4,394,302
Tangible capital assets - Vintage Views Developments Ltd.	2,010,998
Accumulated surplus	<b>\$ 6,518,873</b>

In the current year, \$6,518,873 has been recognized as a separate line item on the consolidated statement of operations. This amount represents the net effect of the assets and liabilities assumed as part of the restructuring transaction. No monetary compensation was exchanged other than nominal consideration of \$1. The Regional District of Okanagan-Similkameen incurred restructuring-related costs totaling \$168,885 prior to the transfer of ownership. These costs consisted primarily of contract services, professional and legal fees.

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

**December 31, 2025**

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### 20. Restructuring Transaction (continued)

Included in the consolidated statement of operations and accumulated surplus for the year ended December 31, 2025 are the following revenues and expenses related to the responsibilities transferred from Lakeshore Waterworks Ltd. as part of the restructuring transaction.

	<b>2025</b>
Revenues	
User fees	\$ 122,325
Miscellaneous revenue	113,973
	236,298
Administrative expenses	
Contract services	100,409
Education and training	350
Insurance	7,466
Materials, supplies and service	8,306
Professional fees	13,611
Operations and maintenance	108,289
Salaries and benefits	102,886
Utilities	3,405
	344,722
Annual deficit	\$ (108,424)

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

**December 31, 2025**

### 20. Restructuring Transaction (continued)

Included in the consolidated statement of operations and accumulated surplus for the year ended December 31, 2025 are the following revenues and expenses related to the responsibilities transferred from Vintage Views Developments Ltd. as part of the restructuring transaction.

	<b>2025</b>
Revenues	
User fees	\$ 39,277
Administrative expenses	
Contract services	45,959
Insurance	5,262
Materials, supplies and service	4,489
Professional fees	27,373
Operations and maintenance	49,877
Salaries and benefits	51,269
Utilities	669
	<b>184,898</b>
Annual deficit	<b>\$ (145,621)</b>

#### b) Proposed incorporation of a new municipality

Prior to year end, a referendum was held with respect to the proposed incorporation of a new municipality within Electoral Area D (Okanagan Falls), which was successful. As a result, a restructuring transaction is expected to be implemented in September 2026, which would result in the transfer of certain responsibilities, along with related assets and liabilities, from the Regional District to the new municipality.

As at the reporting date, the restructuring transaction had not occurred and, accordingly, the effects of the proposed restructuring were not reflected in the financial position or results of operations of the Regional District. No amounts have been recognized in these financial statements in respect of this matter.

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

December 31, 2025

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### 21. 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 Municipal 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.

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

December 31, 2025

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### 21. 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 will impact the fair value of the debt but will 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 in MFA pooled investment funds are subject to fair value risk (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.

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### 22. Subsequent Events

#### Skaha Estates Improvement District

On January 1, 2026, the Skaha Estates Improvement District was dissolved and ownership transferred to the Regional District of Okanagan-Similkameen. The Regional District passed a bylaw approving to borrow up to \$15,500,000 to upgrade the Skaha Estates Improvement District water system for safety and quality.

#### Sale of 101 Main Street

Just prior to year end, the Board approved the sale of the Regional District's headquarters building located at 101 Martin Street, Penticton. The decision was not publicly communicated until after the financial statement date, at which time the property was listed for sale at a list price of approximately \$4.5 million. The net book value of the land and building as at year end was approximately \$1.5 million.

The Regional District has acquired a replacement property, which is expected to be financed through the issuance of long-term debt. Proceeds from the sale of the headquarters building are expected to be used to reduce that debt. As the sale was not publicly communicated and the property was not available for sale as at the reporting date, no adjustment has been made to the financial statements.

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

**December 31, 2025**

### 23. Statement of Expenses by Object

	2025	2024
Accretion	\$ 506,842	\$ 651,971
Administration	65,221	73,489
Advertising and promotion	78,581	36,769
Agreements	896,038	735,018
Amortization	4,627,358	4,299,145
Bank charges	71,756	59,395
Bylaw	4,673	5,320
Community works expenses	1,067	99,517
Contract services	8,688,259	7,565,848
Development charges	13,730	13,948
Education and training	406,020	447,402
Environmental	184,143	191,013
Grants	2,212,377	1,780,668
Insurance	644,627	556,291
Interest on long-term debt	977,424	839,275
Information systems	71,791	5,750
Lease payments	203,235	198,060
Materials, supplies and services	1,208,316	1,195,195
Office	797,975	526,661
Professional and legal fees	201,091	214,758
Program	250,418	270,267
Rental of facilities and equipment	124,495	123,647
Repairs and maintenance	7,492,137	8,409,041
Salaries and benefits	17,378,248	15,576,549
Telephone	1,200,595	1,068,883
Travel and meetings	557,607	513,915
Vehicle	119,217	117,886
<b>Total expenses for the year</b>	<b>\$48,983,241</b>	<b>\$ 45,575,681</b>

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

### 24. Segmented Operations

2025

	General Government	Protective Services	Transportation Services	Development Services	Parks Recreation and Culture	Environmental Services	Bylaw Enforcement	Water Services	Sewer Services	Economic Development	Total
<b>Revenue</b>											
Property taxes and grant in lieu	\$5,506,715	\$ 6,283,612	\$ 958,480	\$ 1,961,815	\$ 7,398,739	\$ 1,837,959	\$ 408,873	\$ 465,126	\$ 13,652	\$ 268,144	\$25,103,115
Sales of goods and services	20,027	2,360	117,003	810,854	964,692	9,132,893	26,432	3,964,018	1,554,739	-	16,593,018
Government transfers	2,186,928	1,926,139	85,532	-	386,631	338,716	-	923,784	134,306	19,488	6,001,524
Interest and investment income	532,650	371,303	7,643	105,399	309,896	864,745	18,509	416,982	185,519	10,694	2,823,340
Donations	-	160,223	-	-	81,194	-	-	-	-	-	241,417
Rental	-	-	-	-	276,897	-	-	-	-	-	276,897
Other contracts and miscellaneous	757,784	710,493	59,900	160,838	360,459	504,255	-	350,030	187,162	-	3,090,921
Restructuring transaction	-	-	-	-	-	-	-	4,507,875	2,010,998	-	6,518,873
	<b>9,004,104</b>	<b>9,454,130</b>	<b>1,228,558</b>	<b>3,038,906</b>	<b>9,778,508</b>	<b>12,678,568</b>	<b>453,814</b>	<b>10,627,815</b>	<b>4,086,376</b>	<b>298,326</b>	<b>60,649,105</b>
<b>Expenses</b>											
Administrative	-	-	-	-	62,000	-	-	3,221	-	-	65,221
Amortization	360,998	856,535	-	1,902	1,072,894	464,891	-	1,096,297	773,841	-	4,627,358
Grants	715,631	1,027,700	-	-	18,400	396,499	-	-	-	54,147	2,212,377
Lease payments	-	-	-	-	10,286	192,949	-	-	-	-	203,235
Materials, supplies, utilities	2,303,628	1,030,562	44	266,881	1,144,110	1,143,449	18,135	882,886	476,899	100,316	7,366,910
Operations and maintenance	849,908	2,805,873	899,075	174,947	4,012,669	5,975,367	174,241	1,260,841	448,301	21,828	16,623,050
Accretion	42,857	-	-	-	-	463,985	-	-	-	-	506,842
Salaries and benefits	5,133,940	2,336,368	66,301	2,268,142	2,388,500	2,145,272	377,798	1,935,130	579,516	147,281	17,378,248
	<b>9,406,962</b>	<b>8,057,038</b>	<b>965,420</b>	<b>2,711,872</b>	<b>8,708,859</b>	<b>10,782,412</b>	<b>570,174</b>	<b>5,178,375</b>	<b>2,278,557</b>	<b>323,572</b>	<b>48,983,241</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>\$ (402,858)</b>	<b>\$ 1,397,092</b>	<b>\$ 263,138</b>	<b>\$ 327,034</b>	<b>\$ 1,069,649</b>	<b>\$ 1,896,156</b>	<b>\$ (116,360)</b>	<b>\$ 5,449,440</b>	<b>\$ 1,807,819</b>	<b>\$ (25,246)</b>	<b>\$11,665,864</b>

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

### 24. Segmented Operations (continued)

2024

	General Government	Protective Services	Transportation Services	Development Services	Parks Recreation and Culture	Environmental Services	Bylaw Enforcement	Water Services	Sewer Services	Economic Development	Total
<b>Revenue</b>											
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
	<u>12,270,135</u>	<u>8,741,687</u>	<u>846,585</u>	<u>3,173,953</u>	<u>11,670,397</u>	<u>12,849,087</u>	<u>466,718</u>	<u>5,105,803</u>	<u>1,885,362</u>	<u>350,938</u>	<u>57,360,665</u>
<b>Expenses</b>											
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
	<u>8,532,016</u>	<u>7,904,404</u>	<u>893,522</u>	<u>2,419,168</u>	<u>8,677,179</u>	<u>9,802,567</u>	<u>529,658</u>	<u>5,267,615</u>	<u>1,271,644</u>	<u>277,908</u>	<u>45,575,681</u>
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

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

**December 31, 2025**

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	<b>2025</b>
Opening balance	\$ 4,138,029
Interest allocation	74,722
Spent during the year	(963,148)
Ending balance	\$ 3,249,603

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

**December 31, 2025**

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	<u>2025</u>
Opening balance	\$ 226,067
Spent during the year	<u>(9,400)</u>
Ending balance	<u>\$ 216,667</u>