



Regional Board Report

Information

To: Regional Board
From: Director of Financial Services
Date: May 15, 2025
Subject: 2024 Financial Statements

Voting Entitlement: All Directors – Weighted Corporate Vote – Majority (LGA s.210)

Purpose: To consider approval of the 2024 financial statements to comply with legislative requirements for filing financial statements by May 15th.

Executive Summary:

The Regional District of Central Okanagan's (RDCO) 2024 consolidated financial statements are submitted for the approval of the Board as required by legislation.

In the opinion of the auditors, BDO, the financial statements present fairly, in all material respects, the financial position of the RDCO, as of December 31, 2024, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Recommendation(s):

THAT the Regional District of Central Okanagan's Financial Statements, for the year ended December 31, 2024, be approved.

AND FURTHER THAT the Chair and Director of Financial Services be authorized to sign the Regional District of Central Okanagan's 2024 Financial Statements, attached to the report

Report Approved by: Tania McCabe, CPA, CA, Director of Financial Services

Approved for Agenda: Sally Ginter, Chief Administrative Officer

Strategic Plan Alignment:

- | | |
|--------------------------------------------------|--------------------------------------------------------------------------------|
| <input type="checkbox"/> Emergency preparedness | <input type="checkbox"/> Truth and reconciliation |
| <input type="checkbox"/> Health and wellness | <input type="checkbox"/> Environment and climate – Regional priority only |
| <input type="checkbox"/> Regional transportation | <input type="checkbox"/> Growth and development – Electoral Area priority only |
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Background:

The auditors have completed their audit of the financial statements for the year ended December 31, 2024. They have provided a preliminary, unqualified, audit opinion. In accordance with audit standards, the Regional Board is required to approve the financial statements before the auditors can issue their final audit report.

In accordance with Canadian Audit Standard 560, the date of BDO's audit report is required to be the same date that those charged with governance (the Board) formally approve the draft financial statements as presented. The auditors must receive the approval and perform "subsequent events" procedures up to today's date prior to releasing the final financial statements. These procedures will involve a review for financially material subsequent events that may have occurred between when the financial statements are presented for approval and audit staff completed their fieldwork, if they did so prior to the date of the report.

If the Board ever has any concerns with the audit, including fraud or financial matters, they are invited to submit their concerns to the Chair or BDO.

The audited financial statements have been prepared in accordance with Public Sector Accounting Standards (PSAS). The unaudited, supplementary financial information has been presented in the traditional fund accounting format.

Audit Opinion

The RDCO's external auditors have concluded, in their audit opinion, that the RDCO's 2024 financial statements are presented fairly, in all material respects.

Statement of Financial Position

The statement of financial position (also known as the balance sheet) summarizes the RDCO's assets and liabilities, the net of which results in accumulated surplus. Accumulated surplus includes unrestricted cash, reserve funds and the RDCO's investment in tangible capital assets.

The assets in the statement of financial position are broken down into two categories as follows:

- Financial assets - includes assets which are available to discharge existing liabilities and excludes assets that are held for use in the provision of services. Examples include cash, receivables, and investments.
- Non-financial assets - includes assets that are held for use in the provision of services and generally have useful lives that extend beyond one year. An example is tangible capital assets, such as parks, water, and sewer infrastructure, that are used to provide regional district services.

The liabilities consist of accounts payable, accrued liabilities, deferred revenue, restricted revenue (such as development cost charges (DCCs)) and long-term debt. DCCs are classified as a liability on the Statement of Financial Position, as these funds have designated uses under the Local Government Act. Note 8 of the Notes to the Financial Statements includes details of the RDCO's restricted revenues.

At the end of 2024, the RDCO had net financial assets of \$69.1 million, indicating its liabilities were less than its financial assets. Additionally, the RDCO had non-financial assets worth \$185.4 million primarily consisting of the historical cost of tangible capital assets less accumulated amortization and outstanding debt.

The RDCO's net financial and non-financial assets contributed to its overall accumulated surplus position of \$185.6 million at the end of 2024 (see Note 10 of the financial statements for details). Because most of this surplus is invested in tangible capital assets, it's important to remember it does not represent cash available for spending.

Statement of Operations

This statement (also known as the income statement) summarizes the RDCO's revenues and expenses for the year. These figures are reported on the same basis as the private sector. Total revenues amounted to \$72.1 million in 2024 while total expenses were \$64.6 million. This resulted in a surplus of \$7.5 million for the year. Adding this annual surplus to the previous year's accumulated surplus yields the ending accumulated surplus for the year. The ending accumulated surplus shown in this statement is \$185.6 million and agrees with the accumulated surplus shown on the Statement of Financial Position.

The surplus for 2024 was allocated to fund:

- Net transfers to reserves - \$8.2 million.
- Purchase of capital assets - \$4.5 million
- Repayment of principal on debt - \$132 thousand

Offset by proceeds from borrowing of \$470 thousand and amortization expense (\$4.7 million - an expense for PSAB purposes, but not included in the financial plan).

Statement of Changes in Net Financial Assets and Remeasurement Gains

This statement adjusts the annual surplus for non-financial asset transactions to determine the increase in net financial assets for the year. This increase is added to the beginning balance of net financial assets to arrive at the year-end balance. The RDCO's net financial assets at the end of 2024 were \$69.1 million, matching the figure in the Statement of Financial Position.

Statement of Cash Flows

This statement summarizes the sources and uses of cash over the year, categorized into operating, capital, and financing activities. The closing cash position reflects the change in cash and cash equivalents and corresponds to the balance presented on the Statement of Financial Position. At the end of 2024, the RDCO's cash and cash equivalents balance was \$68.7 million. The growth reflects the RDCO's strategic, long-term financial planning efforts focused on building reserves for future infrastructure replacement.

Notes to the Financial Statements

The Notes to the Financial Statements explain significant accounting policies and the details of certain amounts shown in the Statement of Financial Position and in the Statement of Operations. The notes that correspond to specific line items in the Statement of Financial Position and in the Statement of Operations, are cross-referenced on those statements. Some key notes are:

Note 1 – Change in Accounting Policy – PSAS 3400 Revenue

This note provides information regarding the adoption of new PSAB standard 3400. This standard provides guidance on the recognition, measurement, and presentation of revenue in the public sector. For the RDCO this meant assessing the timing of each revenue stream to determine when performance

is completed and recognizing revenue at that point in time. The key revenue streams this applied to are identified in *Note 6 – Deferred Revenue*. The standard was adopted on a prospective basis. Because of this, comparative amounts for 2023 have not been changed.

Note 6 – Deferred Revenue

This note reflects the application of PSAS 3400 with the inclusion of the deferral of new revenue types. The key revenue streams for which the timing of revenue recognition has changes are Dog Licenses, Alarm Licenses and Building Permits. These revenue streams that are now recognized when performance obligations are met, rather than on receipt of payment.

Note 7 – Development Cost Charges

This note shows the Development Cost Charges the RDCO has collected during the year, as well as what was spent on eligible projects and the amount held at the end of the year. These funds are collected in accordance with bylaws established for that purpose. At the end of 2024, the RDCO held \$19.1 million in funding for projects with an estimated total cost of \$43.7 million.

Note 8 – Long Term Debt

This note reflects the principal amount of long-term debt owing as well as the annual debt servicing requirements for the next five years. The RDCO had \$97.0 million of external long-term debt outstanding at the end of 2024. Much of this amount (\$93.4 million) is on behalf of the four partner municipalities (Kelowna, Peachland, Lake Country, and West Kelowna) and the Okanagan Regional Library. The remainder (\$3.6 million) relates to the Regional District's services.

Note 10 – Asset Retirement Obligations

This note provides details of the obligation types and the RDCO's asset retirement obligations, by obligation type, with comparative amounts. As at December 31, 2024, the estimated obligation is \$1.0 million.

Note 11 – Tangible Capital Asset

This note reflects the historical cost of tangible capital assets and the change in the balance of these assets, from additions, disposals, and amortization expense. In 2024, the RDCO acquired \$4.5 million in capital assets, and recorded amortization of \$4.7 million. At the end of 2024, the RDCO had \$180.2 million (historical cost) in tangible capital assets with accumulated amortization of \$64.4 million, for a net book value of tangible capital assets of about \$115.8 million. This note also shows the comparative 2023 tangible capital asset numbers.

Note 12 – Accumulated Surplus

This note details the composition of accumulated surplus which includes the general, water and sewer services surpluses (Current Funds), the investment in tangible capital assets for the general, water and sewer services (Capital Funds) as well as reserves that the RDCO holds for specific purposes (Reserve Funds). The total accumulated surplus shown in the schedule is \$185.6 million. This corresponds with the accumulated surplus shown on the Statement of Financial Position. Most of this (\$110.8 million) is invested in tangible capital assets (net book value of \$115.8 million less outstanding long-term debt of \$3.6 million and unrealized actuarial gains of \$1.4 million).

Note 17 – Budget

This note provides a reconciliation of the budgeted accumulated surplus per the 2024-2025 Financial Plan to the budgeted surplus per the Statement of Operations. The difference is those items treated as revenues and expenses for the purposes of preparing the financial plan (prepared in accordance with Provincial legislation) that are not considered revenues and expenses when preparing the Statement of Operations in accordance with PSAB.

Note 18 – Segmented Disclosure:

This note shows revenues and expenses for the year broken down into departmental/functional areas. The net revenues and expenses for all the departmental/functional areas balance to the Statement of Operations and the annual surplus. Descriptions of the services/functions included in each segment are in Note 17.

Considerations:Organizational/External:

Once approved, the Financial Statements will be submitted to the province and posted on the RDCO website

Financial:

Financial considerations are outlined in this report and auditor presentation.

Legal/Statutory Authority:

Section 167 of the *Community Charter*

Considerations not applicable:

- Alternate Recommendation

Attachment(s): 1. RDCO - 2024 - Financial Statements
 2. RDCO - 2024 – BDO Final Report to the Board of Directors
 3. 2024 Financial Statements Presentation
