



Financial Statements

For the year ended December 31, 2024

**Regional District of Central Okanagan
Table of Contents**

Management's Responsibility for Financial Reporting	3
Independent Auditor's Report	4 - 5
Financial Statements	
Statement of Financial Position	6
Statement of Operations	7
Statement of Change in Net Financial Assets and Remeasurement Losses	8
Statement of Cash Flows	9
Summary of Significant Accounting Policies	10 - 13
Notes to Financial Statements	14 - 31
Unaudited Supplemental Financial Information	32

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Management's Responsibility for Financial Reporting

The accompanying financial statements of the Regional District of Central Okanagan are the responsibility of management and have been approved by the Chairperson on behalf of the Board.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Certain amounts used in the preparation of the financial statements are based on management's best estimates and judgements. Actual results could differ as additional information becomes available in the future. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

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

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, the financial statements and the external auditor's report.

The financial statements have been audited by external auditors BDO Canada LLP Chartered Professional Accountants in accordance with Canadian generally accepted auditing standards on behalf of the Board. The independent auditor's report expresses their opinion on these financial statements. The external auditors have full and free access to the accounting records and to the Board of the Regional District of Central Okanagan.

Chief Administrative Officer

Director of Financial Services
May 15, 2025

Independent Auditor's Report

To the Directors of the Regional District of Central Okanagan

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Regional District as at 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Regional District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unaudited Information

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information included in the annual report or the information included in the supplemental financial information to the financial statements.

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

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

In preparing the financial statements, management is responsible for assessing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Kelowna, British Columbia
May 15, 2025

**Regional District of Central Okanagan
Statement of Financial Position**

December 31	2024	2023
Financial Assets		
Cash	\$ 68,664,228	\$ 61,936,266
Portfolio Investments (Note 2)	27,309,991	21,442,859
Accounts receivable (Note 3)	5,601,231	7,310,722
Deposits - Municipal Finance Authority (Note 4)	8,492,305	8,914,676
Agreements due from members (Note 5)	93,399,909	105,588,116
	203,467,664	205,192,639
Financial Liabilities		
Accounts payable and accrued liabilities	7,603,588	7,236,094
Deferred revenue (Note 6)	885,152	443,034
Development cost charges (Note 7)	19,092,349	16,937,529
Reserve - Municipal Finance Authority (Note 4)	8,419,878	8,844,686
Long term debt (Note 8)	96,968,903	109,316,379
Equipment Financing (Note 9)	449,084	-
Asset retirement obligation (Note 10)	964,276	1,245,567
	134,383,230	144,023,289
Net Financial Assets	69,084,434	61,169,350
Non-Financial Assets		
Prepaid expenses	539,358	547,975
Tangible capital assets (Note 11)	115,755,543	116,088,258
	185,379,335	177,805,583
Accumulated remeasurement losses (Note 2)	(255,840)	(342,335)
Accumulated Surplus (Note 12)	\$ 185,635,175	\$ 178,147,918

Approved on behalf of the Board:

_____ Chair

**Regional District of Central Okanagan
Statement of Operations**

For the year ended December 31	2024		2023
	Actual	Budget (Note 17)	Actual
Revenues			
Electoral area tax requisitions	\$ 6,241,950	\$ 6,235,351	\$ 5,247,519
Electoral area parcel taxes	567,532	566,034	528,734
Members' requisitions			
General	23,828,096	23,855,916	21,846,127
Parcel taxes	370,818	377,970	377,970
Debt services	13,997,942	12,621,896	14,065,492
Federal government grants	356,005	260,904	788,427
Provincial government grants	1,650,490	1,004,625	10,436,953
Sale of services to other governments	5,096,030	5,379,540	4,855,462
Sale of services to others	3,527,874	3,683,275	3,362,474
Water and sewer fees	9,142,691	9,054,011	8,562,740
Community Works Funds revenue	969,626	-	818,058
Contributions from others	515,861	2,545,194	39,121
Contributions from sewer DCC reserve	35,720	-	35,002
Interest earned	4,372,878	-	3,805,054
Other revenue	1,405,252	1,427,530	1,307,317
	72,078,765	67,012,246	76,076,450
Expenses (Note 16)			
General government services	1,886,262	1,749,983	836,975
Protective services	13,532,658	13,248,544	14,019,645
Transportation services	61,071	72,115	53,507
Environmental health services	7,769,466	8,111,214	8,049,790
Development services	4,491,617	4,973,367	4,621,086
Recreation and cultural services	8,491,818	7,616,616	7,355,901
Fiscal services	14,993,086	13,635,803	14,877,174
Water services	1,563,798	971,066	1,617,450
Sewer services	6,801,732	5,025,911	6,163,615
Contribution to indigenous government project	5,000,000	-	-
	64,591,508	55,404,619	57,595,143
Annual Surplus	7,487,257	11,607,627	18,481,307
Accumulated surplus, beginning of the year	178,147,918	178,147,918	159,666,611
Accumulated surplus, end of year	\$ 185,635,175	\$ 189,755,545	\$ 178,147,918

**Regional District of Central Okanagan
Statement of Change in Net Financial Assets and Remeasurement Losses**

For the year ended December 31	2024	2023
Annual Surplus	\$ 7,487,257	\$ 18,481,307
Acquisition of tangible capital assets	(4,466,514)	(4,074,734)
Amortization of tangible capital assets	4,698,575	4,317,948
(Gain) loss on disposal of tangible capital assets	18,321	(66,218)
Proceeds from disposal of tangible capital assets	57,192	87,487
Gain on change in ARO estimate	(297,472)	-
Acquisition (reduction) of prepaid expenses	8,617	(108,099)
Net change in ARO liability	322,613	-
Net remeasurement losses	86,495	(342,335)
Increase in net financial assets	7,915,084	18,295,356
Net Financial Assets, beginning of year	61,169,350	42,873,994
Net Financial Assets, end of year	\$ 69,084,434	\$ 61,169,350
<hr/>		
Accumulated Remeasurement Loss, Beginning of Year	\$ (342,335)	\$ -
Unrealized gain (loss) on investments	86,495	(342,335)
Accumulated Remeasurement Loss, End of Year (Note 2)	\$ (255,840)	\$ (342,335)

**Regional District of Central Okanagan
Statement of Cash Flows**

For the year ended December 31	2024	2023
Operating transactions		
Annual surplus	7,487,257	18,481,307
Items not involving cash		
Amortization	\$ 4,698,575	\$ 4,317,947
Accretion expense	41,323	44,442
Actuarial addition to sinking fund	(51,116)	(45,374)
(Gain) loss on disposal of assets	18,321	(66,218)
Gain on change in ARO estimate	(297,472)	-
	4,409,631	4,250,797
Changes in non-cash items		
Accounts receivable	1,709,491	(1,210,572)
Accounts payable and accrued liabilities	367,493	1,095,809
Deferred revenue	442,118	(17,413)
Development cost charges	2,154,820	5,582,799
Prepaid expenses	8,620	(108,099)
	4,682,542	5,342,524
Capital Activities		
Purchase of tangible capital assets	(4,466,514)	(4,074,734)
Proceeds from sale of tangible capital assets	57,193	87,487
	(4,409,321)	(3,987,247)
Investing Activities		
Net portfolio investments sold (purchased)	(5,009,418)	1,000,000
Interest earned, not received	(771,218)	(666,337)
	(5,780,636)	333,663
Financing Activities		
Repayment of long-term debt	(131,841)	(110,713)
Issuance of long-term debt	470,330	-
	338,489	(110,713)
Increase in cash during year	6,727,962	24,310,331
Cash, beginning of the year	61,936,266	37,625,935
Cash, end of year	\$ 68,664,228	\$ 61,936,266

Regional District of Central Okanagan Summary of Significant Accounting Policies

Nature of Business	The Regional District of Central Okanagan (the "Regional District") provides local government services such as protective, transportation, environmental health, environmental development, parks, water, sewer, and other general government services.
Basis of Presentation	The financial statements of the Regional District are the representations of management and are prepared in accordance with Canadian Public Sector Accounting Standards
Development Cost Charges	Development Cost Charge ("DCC") levies are restricted by bylaw in their use and the revenue is deferred until the expenses are incurred. When DCC expenses are made, a corresponding amount is recorded as "Contribution from DCC reserve".
Reserve Fund Balances	The Regional District has appropriated certain funds for future capital expenses for specific projects or studies. Expenses from a reserve can only be made with approval from the Ministry or in accordance with bylaw directives.
Government Transfers	<p>Government transfers, are recognized as revenue in the financial statements 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. The transfer of revenue is initially deferred and then recognized in the statement of operations as the stipulation liabilities are settled.</p> <p>When the Regional District is deemed the transferee, the transfer expense is recognized when the recipient is authorized and has met the eligibility criteria.</p>
Use of Estimates	The preparation of financial statements in accordance with Canadian public sector accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring use of management estimates relate to the determination of employee future benefit liabilities, measurement of contributed capital assets, measurement of certain revenue items associated with performance obligations of the Regional District, provisions for litigation and claims, provisions for asset retirement obligations, collectability of accounts receivable and the useful lives of tangible capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

Regional District of Central Okanagan Summary of Significant Accounting Policies

Financial Instruments

The Regional District has elected to measure other specific financial instruments at fair value, to correspond with how they are evaluated and managed. These financial instruments includes MFA bond portfolio and guaranteed investment certificates.

Cash and equity instruments quoted in an active market are measured at fair value. All other financial instruments, are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

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

For portfolio measurements 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.

Non-Financial Assets

Non-financial assets are held for use in the provision of services and are not normally available to discharge liabilities. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the net surplus (deficit) for the year, provides the change in net debt for the year.

Regional District of Central Okanagan Summary of Significant Accounting Policies

Asset Retirement Obligations

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

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

Liabilities are recognized for statutory, contractual, or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development, or normal operation of the assets. The liability is initially recorded at fair value, which is an amount that is the best estimate of the expenditure required to retire a tangible capital asset determined using present value calculation, and the resulting costs are capitalized as part of the carrying amount of the related 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. The changes in the liability for the passage of time are recorded as accretion expense in the Statement of Operations and Accumulated Surplus and all other changes are adjusted to the tangible capital asset. 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

Tangible capital assets are recorded at 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. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Assets under construction are recorded at cost and are not amortized until the asset is complete and in use. 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. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	5 - 50 years
Buildings	10 - 75 years
Fleet	5 - 15 years
Machinery and equipment	3 - 20 years
Sewer system	10 - 80 years
Water system	10 - 100 years

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified purposes.

Regional District of Central Okanagan Summary of Significant Accounting Policies

Revenue Recognition

Taxes are recognized as revenue in the year they are levied. Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.

Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made. Contributions of capital assets are recognized when the transfer occurs.

Revenues from transactions with performance obligations are recognized as the Regional District satisfies the performance obligations, which occurs when control of the benefits associated with the promised good or services have passed to the payor.

The Regional District recognizes revenue from users of the water, sewer, solid waste disposal, building permits, and rental of Regional District properties on a straight line basis over a period of time that the relevant performance obligations are satisfied by the Regional District.

The Regional District recognizes revenue from administrative services, development permits, sale 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.

Revenue from transactions without performance obligation is recognized at the 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, fines, 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.

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2024

1. Change in Accounting Policy - PSAS 3400 Revenue

Effective January 1, 2024, the Regional District adopted the new Public Sector Accounting Handbook Standard, PS 3400 - Revenue. The standard provides guidance on the recognition, measurement, and presentation of revenue in the public sector. The standard was adopted on a prospective basis at the date of adoption. Under the prospective method the Regional District assessed the timing of revenue recognition for any transactions involving performance obligations, revenue recognition policies and the classification of revenues and estimates.

2. Portfolio Investments

	2024		2023	
	Fair Market Value	Amortized Cost	Fair Market Value	Amortized Cost
Guaranteed investment certificates	\$ 15,686,114	\$ 15,686,114	\$ 15,355,247	\$ 15,355,247
MFA Bond Investments	6,410,575	6,626,011	6,087,612	6,429,948
Bond Investments	5,213,302	5,253,706	-	-
	\$ 27,309,991	\$ 27,565,831	\$ 21,442,859	\$ 21,785,195

Portfolio investments are all carried at fair market value. The difference between fair market value and amortized cost of \$255,840 (2023 -\$342,335) reflects the accumulated remeasurement losses at the end of the year. The effective interest method is used to calculate the amortized cost of portfolio investments above.

Guaranteed investment certificates earn fixed rates of interest ranging from 4.64% to 6% (5.98% to 6% in 2023) with maturity dates ranging from August 2025 to May 2027 (July 2024 to August 2025 in 2023).

MFA pooled bond fund earn rates of return that are based on the market performance of the baskets of bonds, with no fixed rate of return.

Bond investments were purchased June 2024 and earn a rate of return of 5.23% with a maturity date of June 2030.

3. Accounts Receivable

	2024	2023
Local governments and Hospital District	\$ 2,931,909	\$ 3,296,050
Provincial government	690,092	2,686,555
Federal Government	254,707	311,196
Other	1,724,523	1,016,921
	\$ 5,601,231	\$ 7,310,722

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2024

4. Deposit / Reserve - Municipal Finance Authority

Deposits:

The MFA provides financing for regional districts and member municipalities. The MFA is required to establish a Debt Reserve Fund for each debenture issue equal to one-half the average annual instalment of principal and interest. The debt reserve fund is comprised of cash deposits equal to 1% of the principal amount borrowed and a non-interest bearing demand note for the remaining requirement. Cash deposits held by the MFA are payable with interest to the ultimate borrower when the final obligations under the respective loan agreements have been made.

If, at any time, the Regional District has insufficient funds to meet payments due on its obligations to the MFA, the payments will be made from the debt reserve fund. The demand notes are callable only if there are additional requirements to be met to maintain the level of the debt reserve fund. At December 31, 2024, \$5,697,646 (2023 - \$6,011,118) in callable demand notes were outstanding and have not been recorded in the statement of financial position.

	Demand Notes	Cash Deposits	2024		2023
Regional District	\$ 73,499	\$ 72,427	\$ 145,926	\$	143,487
Member Municipalities					
Kelowna	3,906,670	1,852,424	5,759,094		5,867,392
Peachland	271,497	157,593	429,090		423,787
Lake Country	599,188	257,519	856,707		1,145,097
West Kelowna	542,783	298,173	840,956		879,646
Okanagan Regional Library	304,009	156,522	460,532		455,267
	\$ 5,697,646	\$ 2,794,658	\$ 8,492,305	\$	8,914,676

Reserves and Demand Notes:

The Regional District issues its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds are held by the Municipal Finance Authority as a debt reserve fund and demand notes. The balances at year end are as follows:

	2024		2023
Regional District Reserves	\$ 73,499	\$	73,497
Member Municipalities Reserves and Demand Notes			
Kelowna	5,759,094		5,867,392
Peachland	429,090		423,787
Lake Country	856,707		1,145,097
West Kelowna	840,956		879,646
Okanagan Regional Library Reserves and Demand Notes	460,532		455,267
	\$ 8,419,878	\$	8,844,686

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2024

5. Agreements Due from Members

Agreements due from members become receivable on the same terms as payable to the Municipal Finance Authority (Note 8). The Regional District borrows funds upon its credit at large and shall, in the event of default, constitute an indebtedness of the member municipalities for which they are jointly and severally liable.

	2024	2023
City of Kelowna	\$ 53,695,504	\$ 62,427,286
District of Lake Country	16,974,915	18,345,449
District of Peachland	9,769,313	10,203,197
City of West Kelowna	4,072,487	5,274,772
Okanagan Regional Library District	8,887,690	9,337,412
	\$ 93,399,909	\$ 105,588,116

6. Deferred Revenue

The Regional District recognizes deferred revenue for amounts received in advance for services that will be provided or obligations that will be fulfilled, in future periods. Deferred revenue includes amounts collected for alarm licenses, building permits, business licenses, dog licenses and conditional grants received from government and non-government entities. Various fees collected in advance for these services are recognized as revenue over the period in which the related service or regulatory oversight is provided. Any amounts received for multi-year licenses or permits are recognized on a performance basis over the applicable license or permit period. Conditional grants are recognized as revenue when all criteria have been met.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled.

	2024	2023
Balance, beginning of the year	\$ 443,034	\$ 460,447
Receipts		
Alarm licenses	201,972	-
Building permits	298,306	-
Business licenses	62,955	43,963
Conditional grants	220,464	399,071
Dog licenses	101,455	-
Recognized as revenue	(443,034)	(460,447)
Balance, end of the year	\$ 885,152	\$ 443,034

**Regional District of Central Okanagan
Notes to the Financial Statements**

December 31, 2024

7. Development Cost Charges

During the year, the Regional District collected and recognized as revenue, development cost charges ("DCC's") as follows:

	2024	2023
Balance, beginning of the year	\$ 16,937,529	\$ 11,354,729
Interest earned	919,575	726,634
DCC's collected in the year	1,270,965	4,891,168
DCC's recognized as revenue	(35,720)	(35,002)
Balance, end of the year	19,092,349	16,937,529

Developmental cost charges are allocated as follows:

	2024	2023
Westside Sewer Plant	13,252,111	11,777,843
East Trunk Sewer	5,840,238	5,159,686
	\$ 19,092,349	\$ 16,937,529

**Regional District of Central Okanagan
Notes to the Financial Statements**

December 31, 2024

8. Long Term Debt

Municipal Finance Authority Agreements

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.

Debentures issued mature at various dates ranging from October 2025 to October 2053 with interest rates ranging from 0.895% to 4.970%. The weighted average interest rate on long-term debt was 3.17% (2023 - 3.11%) and interest expense was \$6,446,177 (2023 - \$6,529,919).

	2024	2023
Municipal Finance Authority	\$ 96,968,903	\$ 109,316,379
Less: Regional District portion	(3,568,994)	(3,728,263)
Total Municipal Portion	\$ 93,399,909	\$ 105,588,116

Principal repayments 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	\$ 8,306,844	\$ 8,194,188	\$ 112,656
2026	7,182,889	7,081,111	101,778
2027	6,322,802	6,221,024	101,778
2028	4,382,943	4,284,487	98,456
2029	3,747,745	3,649,289	98,456
Thereafter	31,632,260	30,352,332	1,279,928
Total principal payments	61,575,483	59,782,431	1,793,052
Expected actuarial adjustment	35,393,420	33,617,478	1,775,942
Total	\$ 96,968,903	93,399,909	\$ 3,568,994

**Regional District of Central Okanagan
Notes to the Financial Statements**

December 31, 2024

9. Equipment Financing Loan - Municipal Finance Authority

Equipment financing is repayable to Municipal Finance Authority and bears interest at 4.44% per annum and matures on September 30, 2029.

The Regional District's cash payments for interest in 2024 was \$6,059.

The estimated principal payments required until maturity, on the equipment financing debt, are as follows:

2025	91,786
2026	95,365
2027	98,776
2028	102,295
2029	<u>60,862</u>
	<u>449,084</u>

10. Asset Retirement Obligations

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

a) Asbestos obligation

The Regional District owns and operates several buildings that are known or suspected to have asbestos which represents a health hazard upon remediation, that creates a legal obligation to remove it. The buildings all have an estimated useful life of 40 to 80 years from the date of completion of construction, of which various numbers of years remain. Estimated costs have been discounted to the present value using a discount rate of 4.44% (2023 – 3.7%) and inflation rate of 2.18% (2023 - 1.99%) per annum

b) Lease agreements

The Regional District entered into a lease agreement for the use of land as a regional park. The leases require that the Regional District perform retirement activities upon termination of the agreements. The lease term is 5 years. Estimated costs have been discounted to the present value using a discount rate of 4.44% per annum (2023 – 3.7%) and inflation rate of 2.18% (2023 - 1.99%) per annum

c) Septic tanks

The Regional District owns and operates septic tanks that it is legally required to remove or fill once the tanks are no longer being used. Septic tanks have estimated useful lives between 5 to 80 years from the date of completion of construction, of which various numbers of years remain. Estimated costs have been discounted to the present value using a discount rate of 4.44% per annum (2023 - 3.7%) and inflation rate of 2.18% (2023 - 1.99%) per annum

**Regional District of Central Okanagan
Notes to the Financial Statements**

December 31, 2024

10. Asset Retirement Obligations (Continued)

d) Wells

The Regional District owns and operates wells that it is legally required to be filled once the wells are no longer being used. Wells have estimated useful lives between 38 to 114 years from the date of completion of construction, of which various numbers of years remain. Estimated costs have been discounted to the present value using a discount rate of 4.4% per annum (2023 - 3.7%) and inflation rate of 2.18% (2023 - 1.99%) per annum

d) Landfill

The British Columbia Environmental and Enhancement Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Capacity of the Westside Sanitary Landfill of 1,926,340 cubic meters was reached during the 2010 fiscal year. Closure involved covering the site with topsoil and vegetation, drainage control, and installing groundwater monitoring wells. Post-closure cost activities for the landfill are expected to occur for 30 years and will involve surface and ground water monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and landfill cover maintenance. Estimated costs have been discounted to the present value using a discount rate of 4.44% per annum (2023 - 3.7%) and inflation rate of 2.18% (2023 - 1.99%) per annum

Changes in asset retirement obligations in the year are as follows:

	Asbestos obligations	Lease agreements	Septic tanks	Wells	Landfill	2024
Opening balance	208,445	132,104	111,415	11,968	781,635	1,245,567
Additions	-	-	8,718	-	-	8,718
Accretion Expense	7,712	4,888	4,510	443	23,770	41,323
Change in estimate	(21,457)	(22,976)	(18,427)	(3,668)	(264,804)	(331,332)
Closing balance	194,700	114,016	106,216	8,743	540,601	964,276

	Asbestos obligations	Lease agreements	Septic tanks	Wells	Landfill	2023
Opening balance	201,008	127,391	107,440	11,541	753,746	1,201,126
Accretion Expense	7,437	4,713	3,975	427	27,889	44,441
Closing balance	208,445	132,104	111,415	11,968	781,635	1,245,567

**Regional District of Central Okanagan
Notes to the Financial Statements**

December 31, 2024

11. Tangible Capital Assets

	2024								
	Land	Land Improvements	Buildings	Fleet	Machinery and Equipment	Sewer System	Water System	Assets Under Construction	Total
Cost, beginning of year	\$ 43,673,941	\$ 11,781,970	\$ 14,430,700	\$ 8,053,668	\$ 5,925,289	\$ 66,575,406	\$ 24,617,631	\$ 1,341,618	\$ 176,400,223
Additions	305,416	414,361	325,949	1,191,026	469,494	417,145	634,166	708,957	4,466,514
Additions due to ARO	-	-	8,718	-	-	-	-	-	8,718
Disposals	-	-	(5,000)	(149,497)	(296,063)	(100,768)	(77,941)	(46,595)	(675,864)
Change in ARO Estimate	-	(2,081)	(29,168)	-	-	-	(2,611)	-	(33,860)
Reallocation of Assets Under Construction	14,592	179,273	32,653	-	-	506,753	(25,573)	(707,698)	-
Cost, end of year	43,993,949	12,373,523	14,763,852	9,095,197	6,098,720	67,398,536	25,145,672	1,296,282	180,165,731
Accumulated amortization, beginning of year	-	5,123,340	8,808,691	5,582,383	3,154,163	29,669,603	7,973,785	-	60,311,965
Amortization	-	774,613	513,819	560,619	669,198	1,660,044	520,282	-	4,698,575
Disposals	-	-	(5,000)	(143,611)	(296,063)	(100,768)	(54,910)	-	(600,352)
Accumulated amortization, end of year	-	5,897,953	9,317,510	5,999,391	3,527,298	31,228,879	8,439,157	-	64,410,188
Net carrying amount, end of year	\$ 43,993,949	\$ 6,475,570	\$ 5,446,342	\$ 3,095,806	\$ 2,571,422	\$ 36,169,657	\$ 16,706,515	\$ 1,296,282	\$ 115,755,543

**Regional District of Central Okanagan
Notes to the Financial Statements**

December 31, 2024

11. Tangible Capital Assets (Continued)

									2023
	Land	Land Improvements	Buildings	Fleet	Machinery and Equipment	Sewer System	Water System	Assets Under Construction	Total
Cost, beginning of year	\$ 43,673,941	\$ 11,396,917	\$ 14,166,498	\$ 7,481,114	\$ 5,361,618	\$ 66,595,366	\$ 24,192,522	\$ 456,425	\$ 173,324,401
Additions	-	363,829	262,102	901,181	915,255	145,587	330,632	1,156,148	4,074,734
Disposals	-	(94,820)	-	(328,627)	(351,584)	(197,520)	(26,361)	-	(998,912)
Reallocation of Assets Under Construction	-	116,044	2,100	-	-	31,973	120,838	(270,955)	-
Cost, end of year	43,673,941	11,781,970	14,430,700	8,053,668	5,925,289	66,575,406	24,617,631	1,341,618	176,400,223
Accumulated amortization, beginning of year	-	4,491,926	8,310,102	5,475,342	2,954,029	28,236,662	7,503,600	-	56,971,661
Amortization	-	726,234	498,589	414,399	551,718	1,630,461	496,546	-	4,317,947
Disposals	-	(94,820)	-	(307,358)	(351,584)	(197,520)	(26,361)	-	(977,643)
Accumulated amortization, end of year	-	5,123,340	8,808,691	5,582,383	3,154,163	29,669,603	7,973,785	-	60,311,965
Net carrying amount, end of year	\$ 43,673,941	\$ 6,658,630	\$ 5,622,009	\$ 2,471,285	\$ 2,771,126	\$ 36,905,803	\$ 16,643,846	\$ 1,341,618	\$ 116,088,258

**Regional District of Central Okanagan
Notes to the Financial Statements**

December 31, 2024

12. Accumulated Surplus

	2024	2023
Current Funds		
General revenue fund	\$ 2,345,489	\$ 2,435,108
Capital Funds		
General capital fund	60,649,441	60,032,411
Water capital fund	13,501,097	13,235,998
Sewer capital fund	36,622,655	37,846,016
	110,773,193	111,114,425
Reserve Funds		
Feasibility reserve fund	204,225	193,708
Equipment replacement reserve fund	6,263,014	5,721,510
Park reserve fund	2,823,305	1,898,642
Capital projects reserve fund	36,402,145	29,790,042
Community works fund	3,238,260	7,006,951
Operating reserve fund	15,583,954	12,817,368
Growing communities fund	8,001,590	7,170,164
	72,516,493	64,598,385
Accumulated surplus total	\$ 185,635,175	\$ 178,147,918

Capital funds represent amounts already spent and invested in infrastructure and other non-financial assets.

Reserve funds represent funds set aside by the Board for specific purposes.

13. Credit Facility

The Regional District has a credit facility agreement with a financial institution which provides for a total maximum borrowing of \$3,000,000 (2023 - \$3,000,000). At December 31, 2024, the Regional District had drawn an amount of \$Nil on this agreement (2023 - \$Nil).

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2024

14. Employee Benefits

Retirement Benefits

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, 2023, 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.

The most recent 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 \$1,008,424 (2023 - \$884,067) 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.

Compensated Absences

Sick Leave

After ten years of employment, 50% of earned sick leave is paid out upon termination of employment as per agreements. Sick leave obligations are attributed to the period beginning the employee's date of hire and ending on the date the employee ceases employment.

The Regional District determines its discount rates by reference to its cost of borrowing in accordance with Paragraph .044 of PS 3250. Actuarial gains and losses arise from the difference between the actual expense of the plan and that expected by the actuarial assumptions or from changes in actuarial assumptions. Actuarial gains and losses arising in a specific fiscal period will be amortized over the expected average remaining service life (EARSL) of the related employee group in accordance with Paragraph .061 of PS 3250.

The sick leave benefits are adequately funded by an account reserved for employee benefits and insurance. The projected sick leave liability in 2024 is \$921,600 (2023 - \$828,900).

Vacation

Vacation is accrued as it is earned by employees for all full-time union and exempt staff.

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2024

15. Contingent Liabilities

The Regional District is the defendant in various lawsuits. In the opinion of management, the overall estimation of loss is not determinable at this time but is not expected to be material. These claims have not been provided for in the financial statements. Settlement, if any, made with respect to these actions would be expected to be accounted for as a charge to expenses in the period in which realization is known, to the extent not covered by insurance.

The Regional District is a participant in the Municipal Insurance Association of British Columbia. Should the Association pay out claims in excess of premiums received, it is possible the Regional District, along with other participants would be required to contribute towards the deficit.

16. Expense by Object

	2024	2023
Accretion	\$ 41,323	\$ 44,441
Advertising and promotion	209,113	191,847
Amortization	4,698,574	4,317,948
Contract Services	4,724,355	5,344,294
Contribution to indigenous government project	5,000,000	-
Education and training	1,467,777	1,408,215
Emergency services	2,687,212	3,636,510
Grants and other programs	394,170	333,303
Insurance, licenses and memberships	845,936	301,596
Interest on long-term debt and debt issue expense	185,464	191,798
Fiscal services for members	14,817,710	14,685,378
Leases and rentals	20,773	20,858
Office and administration	601,742	827,155
Planning and development	568,863	393,841
Professional fees	355,731	264,632
Repairs and maintenance	3,338,036	3,030,224
Supplies	1,253,841	1,231,571
Telephone and utilities	1,132,410	1,228,135
Transit services	33,173	24,054
Travel	117,714	118,513
Transfers to other agencies and governments	4,931,801	4,317,251
Wages and benefits	17,165,790	15,683,579
	\$ 64,591,508	\$ 57,595,143

**Regional District of Central Okanagan
Notes to the Financial Statements**

December 31, 2024

17. Budget

The budget data presented in these financial statements is based upon the 2024 - 2028 Financial Plan Bylaw 1525 approved by the Regional District Board on March 14, 2024.

The legislative requirements of the Financial Plan are that the cash inflows for the period must at a minimum equal cash outflows.

Budgeted Cash inflows and outflows include transfers to and from reserves and other funds, and prior year surplus/deficits carried forward, and principal repayments on debt. These transactions are not recognized as revenues and expenses in the Statement of Operations as they do not meet the inclusion requirements under public sector accounting standards.

	<u>2024</u>
Financial Plan Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	21,198,299
Principal repayments	205,743
Budgeted transfers to reserves	10,019,233
Less:	
Budgeted transfers from reserves	(18,548,198)
Proceeds from borrowing	(1,267,450)
	<u>\$ 11,607,627</u>

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2024

18. Segmented Information

The segments and the services the Regional District provide are broken down as follows:

General Government Services is comprised of a number of different services, including Board and Communications Costs, Corporate Services; Administration; Finance; Engineering; Human Resources; Information Systems; Electoral Area Costs; and Grants. Corporate Services involves staff and management working closely with the Regional 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. 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; Regional Rescue; 911 Services; Crime Stoppers; Victim Services; Crime Prevention; Bylaw Enforcement (Business Licenses, Building Inspections, Dog Control, Mosquito Control, Starling Control, and Prohibited Animal Control). These services are designed to provide a safe environment to the community. They are responsible for providing these services to the unincorporated electoral areas of Central Okanagan East and Central Okanagan West, as well as to the member municipalities of Kelowna, West Kelowna, Peachland, and Lake country within the boundaries of the Regional District.

Transportation Services includes Transportation Demand Management, Road/Street Light Improvements and Transit Services.

Environmental Health Services includes a number of different services, including: Effluent Disposal; Solid Waste Management Services (Recycling, Collection, Transfer Stations, Management); Okanagan Basin Water Board; Air Quality Monitoring; Noise Abatement; Untidy Premises. The mandate of these programs is to coordinate delivery of the many day-to-day services required for community living.

Environmental Development Services includes the delivery of Insect & 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; assist the public with land use regulations, applications, and processes; and invites and responds to public comments.

Recreational/Cultural Service includes the Community Halls, Regional Parks, Community Parks, and Okanagan Regional Library. The Parks department is responsible for 30 Regional Parks and more than a dozen community and neighbourhood parks making up over 1,900 hectares or parkland. The department is also responsible for future recreational opportunities through parkland acquisition on development.

Fiscal Services includes MFA debt servicing costs for 2 electoral areas and 4 member municipalities.

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

Sewer Services includes the Westside Wastewater Treatment Plant, the Ellison Sewer System and a number of Lift Stations/Collector Systems which service residents of West Kelowna, Peachland and Westbank First Nation.

Contributions to indigenous government projects: comprised of funding provided to local indigenous governments through the Community Works Fund program.

**Regional District of Central Okanagan
Notes to the Financial Statements**

December 31, 2024

18. Segmented Information (continued)

The segments and the services the Regional District provide are broken down as follows:

	General Government Services	Protective Services	Transportation Services	Environmental Health Services	Environmental Development Services	Recreation/ Cultural Services	Fiscal Services	Water Services	Sewer Services	Contributions to indigenous government projects	Total 2024 Actual
Revenues											
General taxes	\$ 1,071,938	\$10,644,413	\$ 66,249	\$ 2,898,637	\$ 4,447,575	\$11,616,702	\$13,997,942	\$ 262,882	\$ -	\$ -	\$ 45,006,338
Utility Charges	-	-	-	-	-	-	-	2,039,949	7,102,742	-	9,142,691
Government grants - Federal	188,753	-	-	-	121,439	45,813	-	-	-	-	356,005
Government grants - Provincial	517,142	780,728	-	-	352,620	-	-	-	-	-	1,650,490
Sales of services	344,266	1,437,966	31,798	5,480,673	124,970	1,204,231	-	-	-	-	8,623,904
Other revenue	4,494,641	1,958,464	45	313,578	45,000	721,598	(421,656)	151,224	36,443	-	7,299,337
	6,616,740	14,821,571	98,092	8,692,888	5,091,604	13,588,344	13,576,286	2,454,055	7,139,185	-	72,078,765
Expenses											
Goods and services (net)	(4,111,866)	8,690,939	59,908	6,727,326	2,962,260	3,861,472	14,993,086	752,101	3,791,920	5,000,000	42,727,146
Wages and benefits	5,501,562	4,122,203	1,163	970,518	1,521,452	3,441,249	-	285,311	1,322,330	-	17,165,788
	1,389,696	12,813,142	61,071	7,697,844	4,483,712	7,302,721	14,993,086	1,037,412	5,114,250	5,000,000	59,892,934
Capital											
Amortization	496,566	719,516	-	71,622	7,905	1,189,097	-	526,386	1,687,482	-	4,698,574
	1,886,262	13,532,658	61,071	7,769,466	4,491,617	8,491,818	14,993,086	1,563,798	6,801,732	5,000,000	64,591,508
Excess (deficiency) in revenues over expenses	\$ 4,730,478	\$ 1,288,913	\$ 37,021	\$ 923,422	\$ 599,987	\$ 5,096,526	\$ (1,416,800)	\$ 890,257	\$ 337,453	\$ (5,000,000)	\$ 7,487,257

**Regional District of Central Okanagan
Notes to the Financial Statements**

December 31, 2024

18. Segmented Information (continued)

	General Government Services	Protective Services	Transportation Services	Environmental Health Services	Environmental Development Services	Recreation/ Cultural Services	Fiscal Services	Water Services	Sewer Services	Contributions to indigenous government projects	Total 2023 Actual
Revenues											
General taxes	\$ 961,208	\$ 8,933,378	\$ 63,923	\$ 2,840,830	\$ 4,232,018	\$10,741,851	\$14,065,492	\$ 227,141	\$ -	\$ -	\$42,065,841
Utility Charges	-	-	-	-	-	-	-	1,951,938	6,610,802	-	8,562,740
Government grants - Federal	145,728	-	-	-	331,350	261,349	-	-	50,000	-	788,427
Government grants - Provincial	7,170,164	2,802,849	-	-	448,373	568	-	-	15,000	-	10,436,954
Sales of services	352,999	1,423,116	45,821	5,270,975	108,479	1,016,546	-	-	-	-	8,217,936
Other revenue	4,002,130	1,667,818	39	10,660	111,028	101,202	43,264	29,651	38,760	-	6,004,552
	12,632,229	14,827,161	109,783	8,122,465	5,231,248	12,121,516	14,108,756	2,208,730	6,714,562	-	76,076,450
Expenses											
Goods and services (net)	(4,501,382)	9,262,601	52,750	7,201,665	3,230,199	3,274,849	14,877,174	837,458	3,358,302	-	37,593,616
Wages and benefits	4,953,127	4,127,767	757	779,194	1,385,892	3,008,293	-	279,111	1,149,439	-	15,683,580
	451,745	13,390,368	53,507	7,980,859	4,616,091	6,283,142	14,877,174	1,116,569	4,507,741	-	53,277,196
Capital											
Amortization	385,230	629,277	-	68,931	4,995	1,072,759	-	500,881	1,655,874	-	4,317,947
	836,975	14,019,645	53,507	8,049,790	4,621,086	7,355,901	14,877,174	1,617,450	6,163,615	-	57,595,143
Excess (deficiency) in revenues over expenses	\$11,795,254	\$ 807,516	\$ 56,276	\$ 72,675	\$ 610,162	\$ 4,765,615	\$ (768,418)	\$ 591,280	\$ 550,947	\$ -	\$18,481,307

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2024

19. Financial Instruments

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.

Credit risk

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

The Regional District manages its credit risk by holding cash at federally regulated chartered banks with cash accounts insured up to \$100,000. The Regional District measures its exposure to credit risk based on how long amounts have been outstanding and historical experience regarding collections. The maximum exposure to credit risk at the financial statement date is the carrying value of its cash and accounts receivable as outlined in Notes 2 and 3. Accounts receivable are with residents for services such as utilities, other local governments, and grants receivable from the provincial and federal government. 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 not be able to meet its financial obligations as they become due. 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, highly liquid investments, holds a credit facility with its primary banking institution, staggers maturity dates of its investment portfolio for cash flow needs and monitors 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 Central Okanagan Notes to the Financial Statements

December 31, 2024

19. Financial instruments (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Regional District is exposed to interest rate risk through its 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 8 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 decrease and, as interest rates fall, the fair value of these investments increase.

As a result of diversification by security type, only a portion of the overall investment portfolio is exposed to interest rate risk. As at December 31, 2024, the amount of the investment portfolio exposed was \$ 6,410,575 (2023 - \$6,087,612) per Note 2.

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.

Financial instrument classification

The carrying value of the Regional District's financial instruments is provided in the following table.

	Fair value	Cost	2024
Cash	\$ -	\$ 68,664,228	\$ 68,664,228
Accounts receivable	-	5,601,231	5,601,231
Guaranteed investment certificates	15,686,114	15,686,114	15,355,247
Bond investments	6,410,575	6,626,011	6,410,575
Accounts payable and accrued liabilities	-	7,603,588	7,603,588
Long-term debt	-	97,417,987	97,417,987
	Fair value	Cost	2023
Cash	\$ -	\$ 61,936,266	\$ 61,936,266
Accounts receivable	-	7,310,722	7,310,722
Guaranteed investment certificates	15,355,247	15,355,247	15,355,247
MFA pooled investment funds	6,087,612	6,429,948	6,087,612
Accounts payable and accrued liabilities	-	7,236,094	7,236,094
Long-term debt	-	109,316,379	109,316,379

Schedule 1
Regional District of Central Okanagan
Growing Communities Fund
(Unaudited)

December 31, 2024

The Growing Communities Fund was a one-time, conditional grant created by the Province of BC in March 2023 with the principal objective of increasing the local housing supply through investments in community infrastructure and amenities. The funding is for one-off costs to build required infrastructure and amenities and is intended to accelerate the delivery of capital projects. The funding may be used for public water supply, affordable housing; childcare facilities, wastewater, stormwater, and solid waste management, active transportation, natural hazard mitigation, parks and recreation related amenities. Funds are accounted for as an unconditional grant and have been recognized as revenue and transferred to capital reserves to be used in future years.

	2024	2023
Opening balance of unspent funds	\$ 7,170,164	\$ -
Add: Amount received during the year	475,518	7,170,164
Interest earned	389,284	-
Less: Amount spent on projects	(33,376)	-
Closing balance of unspent growing communities fund	\$ 8,001,590	\$ 7,170,164

Schedule 2
Regional District of Central Okanagan
Local Government Housing Initiatives
(Unaudited)

December 31, 2024

Local Government Housing Initiative (LGHI) funds are provided by the Provincial Government under the Local Government Housing Initiative. The use of the funding is established by a funding agreement between the Regional District and the Province of BC. LGHI funding will be used to support local government planning capacity to adopt local government housing initiative requirements for small-scale multi unit housing, pro-active planning and transit orientated development areas, as well as adopt development finance tools. Funds are accounted for as an unconditional grant and have been recognized as revenue and transferred to operating reserves to be used in future years.

	2024
Opening balance of unspent funds	\$ -
Add: Amount received during the year	198,749
Interest earned	-
Less: Amount spent on projects	(45,780)
Closing balance of unspent community works funds	<u>\$ 152,969</u>