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Message from the Chair

The Central Okanagan continues to be a vibrant and resilient region, shaped by the care, collaboration and commitment of the people who call it home.

That spirit of community is what the Regional District of Central Okanagan is here to support. It is the reason we plan, invest and work together across jurisdictions, not as separate communities, but as a region that shares challenges, opportunities and a deep pride in where we live.

In 2025, the Regional Board stayed focused on what matters most: helping people feel safe, supported and connected to the places that make this region home.

We continued strengthening emergency preparedness across the Central Okanagan because we know emergencies do not respect boundaries and resilience must be built before it is needed. We also kept moving forward with recovery in regional parks affected by the 2023 McDougall Creek wildfire, including work in Stephens Coyote Ridge and Rose Valley. This is careful, long-term work, restoring access and supporting ecological recovery so residents can return safely to the natural spaces that shape life in the Central Okanagan.

We also invested in spaces that bring people together and make community life more accessible. The renewed playground at Mission Creek Regional Park is one example, designed for inclusive play for children of all abilities and shaped by community input. It shows how small, thoughtful changes can make a real difference for more people.

Planning for the future also means ensuring the Central Okanagan remains a place where businesses can succeed, invest and create opportunity. In 2025, the launch of the Regional Employment Lands Inventory and interactive mapping tool marked an important step in supporting long-term economic planning across the region.



Loyal Wooldridge
Chairperson of the Regional Board



The project reflects the collaborative work of the Central Okanagan Economic Development Commission, which helps bring together partners, expertise and opportunities from across the region. In 2025, the COEDC supported business expansion, facilitated investment opportunities and advanced regional initiatives that help position the Central Okanagan for long-term economic success. Together, these efforts help create the conditions for a strong and resilient economy and support the prosperity of communities throughout the region.

All of this work is guided by the 2023 to 2026 Strategic Priorities, which reflect a simple commitment: to protect what makes this region special while doing the practical work that supports communities every day.

As we move into 2026, we are entering the final year of this strategic plan. It is a significant moment for the Board. We are committed to closing out the work we set out to do and doing it in a way that reflects the trust residents place in us.

The Central Okanagan is not defined only by what we build or how we change. It is defined by what we protect, how we show up for one another and the choices we make to strengthen community for the next generation. Thank you to the Board, staff, partners and residents who continue to shape a strong, resilient and connected region.

Loyal Wooldridge
Chairperson of the Regional Board

The region

Nestled in the heart of British Columbia's Southern Interior, the Central Okanagan is a region defined by natural beauty, diverse landscapes and dynamic communities. Bordered by mountains and enriched by orchards, vineyards and the iconic Okanagan Lake, the area spans more than 314,000 hectares.

A diversified economy, innovative businesses, a strong entrepreneurial culture and a high quality of life are key characteristics of the Central Okanagan. Together, these attributes support a region that continues to adapt and evolve while maintaining its unique identity.

This is reflected across eight unique areas: the City of Kelowna, City of West Kelowna, District of Lake Country, District of Peachland, Electoral Areas East and West, Westbank First Nation and Okanagan Indian Band.

Together, these communities form a dynamic region that blends urban amenities with rural charm, innovation with tradition and a deep respect for the natural environment.





314,000

hectares of land in the
Central Okanagan



254,605

residents live in the
Central Okanagan

*(2025 Statistics Canada
Annual Population
Estimates)*



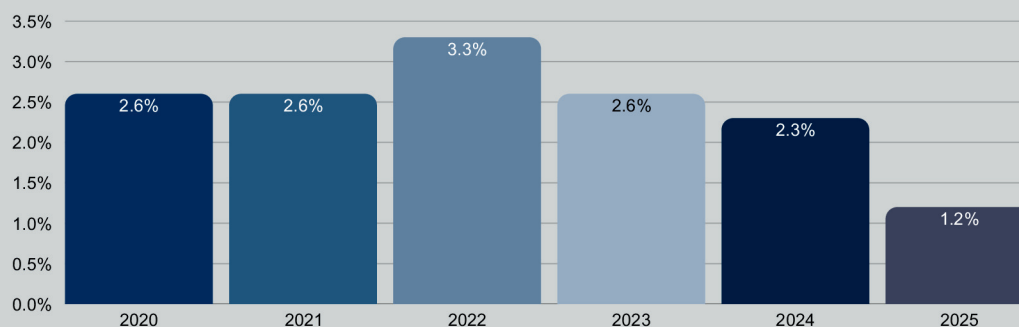
37,359

businesses in 2025 in
the Central Okanagan. A
4% increase from 2024

(COEDC Data portal)

Population growth - percentage change

(Central Okanagan Economic Development Commission (COEDC) data portal)





What we do

Established in 1967, the Regional District of Central Okanagan (RDCO) is one of 27 regional districts in British Columbia. This unique model of local government supports collaboration, efficiency and community-focused service delivery.

The RDCO provides approximately 72 services to residents, businesses and communities across the region. These services are customized based on where people live and may be regional, shared between several communities or delivered at the local level.

The RDCO brings together member municipalities and electoral areas to plan, deliver and coordinate services in a cost-effective and responsive way. For residents, this provides a single point of contact for many regional services. For communities, sharing staff, resources and infrastructure helps reduce duplication, achieve economies of scale and keep costs lower.

Services include emergency management, regional parks, recycling and waste reduction, water systems, dog control, land use planning and more.

Regional services

All property owners within the Central Okanagan contribute to funding region-wide services such as regional parks, dog control and licensing, economic development, 9-1-1 and recycling.



72

services provided to different combinations of residents in 2025

Sub-regional services

Property owners within a participating area contribute to funding sub-regional services such as mosquito control, Westside Wastewater Treatment and crime prevention.



92%

of residents satisfied with the level and quality of services

Local services

Acting as the local government for communities within the unincorporated electoral areas, the RDCO provides local services such as community parks, building inspection and bylaw enforcement, water systems and fire protection.

(Citizen Survey, 2024)



Corporate Services

Corporate Services supports the work of the Regional Board and provides essential services that keep the organization running smoothly. This includes policy and bylaw development, legal and legislative services, Freedom of Information requests, records management and human resources.

Every four years, Corporate Services manages the Local Government Elections for Directors in the Central Okanagan East and West Electoral Areas, as well as School District No. 23 Trustees. The next election will be held on October 17, 2026.

Communications and Information Services

Communications

The Communications team keeps residents informed and connected. Whether it's updates about services, emergency information or opportunities for public engagement, Communications efforts are focused on transparency and accessibility. Channels include news releases, advertising, social media and RDCO's online platforms like rdco.com and yoursay.rdco.com.

Information Services

Information Services supports the organization's digital backbone. From Geographical Information Systems (GIS) to

technical support and integration of corporate applications, this team helps all departments make the most of technology.

The Central Okanagan Economic Development Commission (COEDC)

The COEDC helps the Central Okanagan compete as a region. By coordinating economic development efforts across municipal boundaries, the COEDC brings communities together around shared opportunities, supports investment attraction, provides economic intelligence and industry connections and helps the region capitalize on opportunities that extend beyond any one community.

Development and Engineering Services

Development Services

Development Services helps shape the communities of the Central Okanagan. The team manages planning and land use, building inspections and business licensing for Electoral Areas East and West. They also lead regional planning initiatives.

Engineering Services

Engineering Services delivers a range of essential infrastructure and environmental services. These include operating the Westside Regional Wastewater Treatment Plant and sewer collection systems, managing six water systems, maintaining community transfer stations in Traders Cove and North Westside, leading solid waste and recycling efforts and overseeing the Nuisance Mosquito Control Program.

Financial Services

Financial Services manages the financial operations of both the RDCO and the Central Okanagan Regional Hospital District (CORHD). The department works with the Board, staff and the public on budgeting, reporting, procurement and financial planning. It also oversees asset management and fleet and facilities.

Protective Services

Bylaw and Enforcement

The bylaw enforcement team responds to issues such as noxious weeds, noise, smoke and zoning infractions in the electoral areas. The team also manages regional dog control and licensing. Community safety programs, including Crime Stoppers and Victim Services, support crime prevention and public safety across the region.





Fire Services

Fire Services oversees four paid-on-call fire departments in Ellison, Joe Rich, North Westside and Wilson's Landing. The department manages compliance with provincial training standards, fire investigations and inspections and works with provincial partners to support the delivery of FireSmart programming.

Central Okanagan Emergency Management

Central Okanagan Emergency Management (COEM) is a multi-jurisdictional regional program that supports residents in times of crisis. The program partners with the City of Kelowna, City of West Kelowna, District of Lake Country, District of Peachland and Westbank First Nation to coordinate

emergency preparedness, response and recovery across the Central Okanagan. The Emergency Support Services program is powered by trained volunteers who provide short-term housing and support to those displaced by emergencies.

Parks Services

Parks Services protects and manages more than 2,100 hectares of parkland from Peachland to Lake Country. The team maintains 30 Regional Parks and 20 community parks. Visitor Services staff deliver hundreds of events and programs each year to help residents and visitors connect with nature.

Regional Board 2025

The Regional Board is the governing body of the RDCO. It provides leadership on key local government matters, including financial oversight and policy direction. The Board is made up of both appointed and elected members who represent the RDCO's four member municipalities, two electoral areas and includes a non-voting representative from Westbank First Nation. Representation and voting strength are based on the population of each area. Shown below is the Regional Board as of January 2025.



Loyal Wooldridge
Chair, City of Kelowna



Blair Ireland
Vice-Chair, District of Lake Country



Wayne Carson
Director, Electoral Area West



Jordan Coble
Director, Westbank First Nation



Maxine Dehart
Director, City of Kelowna



Tom Dyas
Director, City of Kelowna



Charlie Hodge
Director, City of Kelowna



Stephen Johnston
Director, City of West Kelowna



Kevin Kraft
Director, Electoral Areas East



Gord Milsom
Director, City of West Kelowna



Luke Stack
Director, City of Kelowna



Patrick Van Minsel
Director, District of Peachland



Rick Webber
Director, City of Kelowna

Vision

The RDCO is a vibrant and resilient region, characterized by interconnected urban centres, robust rural communities and a stunning natural environment.

Member municipalities and electoral areas work together in a spirit of respect and collaboration, to address shared needs and pursue joint opportunities. The syilx / Okanagan people are true partners, helping to interpret the past, shape the present and define a common future. Citizens across the region are engaged in governance and invested in efforts taken to strengthen the broader community.

Mission

The RDCO brings together member municipalities and electoral areas to plan for the future by identifying shared needs and opportunities and by delivering cost effective services.

We build strong relationships with our member municipalities, the syilx/Okanagan people and partners. We seek opportunities to partner with others in addressing shared needs and pursuing common interests. We develop practical and innovative solutions based on evidence and analysis. We anticipate, prepare for and adapt to challenges and changing circumstances. We are open and transparent in our decision-making and actions. We recognize the broader regional community and the importance of a regional perspective in planning and service delivery.

Values

Relationships

We build strong relationships with our member municipalities, the syilx / Okanagan people and partners.

Collaboration

We seek opportunities to partner with others in addressing shared needs and pursuing common interests.

Regional perspective

We recognize the broader regional community and the importance of a regional perspective in planning and service delivery.

Transparency

We are open and transparent in our decision-making and actions.

Resiliency

We anticipate, prepare for and adapt to challenges and changing circumstances.

Good governance

We develop practical and innovative solutions based on evidence and analysis.



Strategic priorities

Strategic priorities guide the decisions and direction of the Regional Board, helping ensure RDCO programs and services reflect the needs of our diverse communities.

In August 2023, the Board adopted its 2023–2026 Strategic Priorities. This framework outlines key focus areas along with specific actions and success measures.

These priorities help guide responsible decision-making and ensure taxpayer resources are invested wisely. Each priority includes both region-wide and electoral area-specific actions, along with advocacy efforts

that support meaningful dialogue with provincial and federal partners on behalf of Central Okanagan residents.

The RDCO is committed to balancing the needs of both urban and rural communities.

The strategic priorities reflect that commitment, with a strong focus on building safe, healthy and inclusive communities while taking action to protect our environment in a time of change.



Environment and climate

(regional only)

The RDCO is committed to climate action and the environment by reducing our corporate impact, adapting to climate change and delivering innovative services that better manage greenhouse gas emissions.

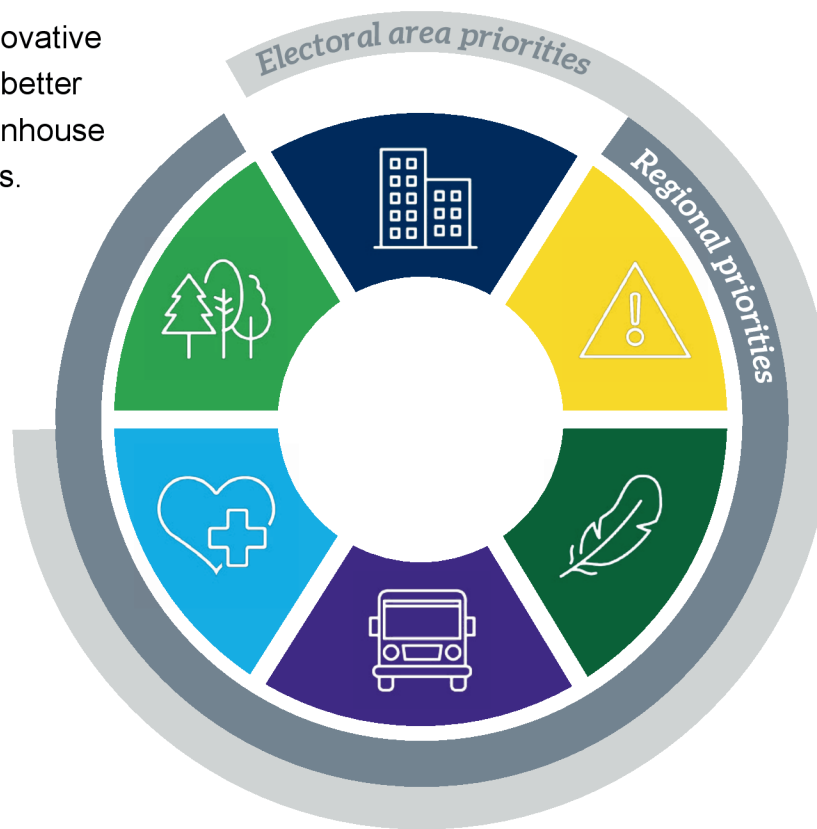
Growth and development

(electoral area only)

The Electoral Area Services Committee (EASC) identified responsible land use planning as a strategic priority to safeguard the environment and climate.

Emergency preparedness

The RDCO will build on emergency response strengths while positioning the organization to respond to growing community needs and changes in provincial legislation.



Health and wellness

The RDCO will make purposeful investments in health care for physical and mental health benefits.

Transportation

The RDCO will encourage the efficient and safe movement of people and goods within the Central Okanagan.

Truth and reconciliation

The RDCO is actively committed to reconciliation with the syilx / Okanagan people within the Central Okanagan. The RDCO strives for collaboration through a meaningful and ethical government-to-government working relationship with the syilx / Okanagan people.

Emergency preparedness

The RDCO will build on emergency response strengths while positioning the organization to respond to growing community needs and changes in provincial legislation.

As wildfire risk, extreme weather and population growth increase the complexity of emergency response, the RDCO advanced a coordinated approach to emergency preparedness across the Central Okanagan in 2025. Efforts focused on reducing wildfire risk, strengthening response capacity and supporting communities before, during and after emergencies.

Reducing wildfire risk and preparing for extreme events

Wildfire mitigation remained a priority in 2025. The RDCO secured up to \$1 million through the Union of BC Municipalities Community Resiliency Investment program to support initiatives planned for 2026 and 2027. Funding will support fuel management projects in parks and high-risk areas, along with public education and community engagement.

Grant funding was also secured to complete Hazard, Risk and Vulnerability Assessments for the Electoral Areas and Regional Parks.

These assessments meet provincial legislative requirements and help identify hazards, assess risks and guide emergency planning and mitigation across the region.

The RDCO also completed the Fire Services Review. The final report included 45 recommendations related to compliance, staffing, training and operations. All recommendations have been addressed, confirming the RDCO's commitment to safe, effective and fiscally responsible fire services.

Strengthening emergency response capacity

Investment in emergency response infrastructure and training continued in 2025. Construction progressed on the City of Kelowna's Glenmore Protective Services



\$4 M

contributed to the
Glenmore Protective
Services Campus



970

residents completed the
evacuation route
planning survey



114

FireSmart property
assessments completed
in the Electoral Areas



Campus, supported by \$4 million from the RDCO's share of the Growing Communities Fund. The facility will provide a permanent home for Central Okanagan Search and Rescue and support wilderness and urban search, high-angle rescue, swift water rescue and first aid. Co-locating emergency services will improve coordination during large-scale and multi-agency incidents.

The RDCO also secured Community Emergency Preparedness Fund grants to enhance Emergency Operations Centre capacity across the region. Funding supports upgraded equipment, improved coordination and enhanced training.

Supporting communities during emergencies

Community facilities play an important role in emergency response. In 2025, the RDCO began infrastructure upgrades at the Killiney Beach and Joe Rich community halls using \$200,000 in Disaster Resilience and

Innovation Funding. New HVAC systems and standby generators allow both facilities to operate as warming and cooling centres during power outages and extreme weather.

Grant funding was also secured to strengthen Emergency Support Services across the Central Okanagan. Investments included equipment for muster centres, expanded group lodging capacity, improvements to volunteer and records management systems and additional training for volunteers.

Community safety and partnership

Public involvement and partnerships remain central to emergency preparedness.

In 2025, residents were invited to provide input through the Regional Evacuation Route Planning Initiative. Feedback will inform evacuation planning, including route identification, traffic management and Emergency Operations Centre decision-making.



Environment and climate

The RDCO is committed to climate action and the environment by reducing our corporate impact, adapting to climate change and delivering innovative services that better manage greenhouse gas emissions.

The RDCO continued to advance climate action and environmental stewardship in a region experiencing growth, increasing climate impacts and pressure on infrastructure and natural systems. In 2025, efforts focused on practical actions to reduce waste, protect land and water, support agriculture and encourage community participation.

Reducing waste and improving recycling

Reducing waste and improving recycling performance remained priorities. In 2025, pop-up recycling depots returned to Lake Country and Peachland, providing access to recycling services for materials not accepted in curbside carts. A total of 2,570 households participated in 16 events, diverting more than 13.6 tonnes of recyclable materials from landfill and reducing contamination in curbside recycling.

Following a successful pilot, the RDCO worked with Recycle BC to expand use of AI-

powered technology on recycling trucks for 2025 and beyond. The pilot reduced contamination by 23 per cent.

Staff continue to progress the transition to Recycle BC-managed recycling, for implementation in May 2026. The program will expand accepted materials to include non-refundable glass bottles and jars and flexible plastics, improving convenience and reducing the need for depot trips.

In 2025, the Regional Board considered the future of the proposed curbside food waste collection program following a request for municipal participation. The City of Kelowna chose not to participate.



8222

tonnes of recyclables collected curbside in 2025



44,101

tonnes of yard waste diverted from the landfill in 2025



13.6

tonnes of materials collected at Peachland and Lake County popups



Without Kelowna's participation, the program was no longer financially viable. As a result, the Board removed the program from the 2023–2026 Strategic Priorities and directed staff to address food waste diversion through the next update to the Solid Waste Management Plan in 2030.

Protecting land, water and ecosystems

Environmental protections were strengthened through policy, regulation and long-term planning. Amendments to the Noxious Weed Control Bylaw were adopted in 2025, including updates related to invasive species such as Tree of Heaven. The changes support improved compliance and program effectiveness.

Amendments were also adopted to the Westside Sewer System Bylaw to align enforcement language and fine structures with provincial legislation. The changes

strengthen protections for the Westside Regional Wastewater Treatment Plant by addressing high-strength commercial and industrial discharges.

The Board also authorized a grant application to support an update to the Westside Liquid Waste Management Plan, which will guide long-term infrastructure planning and water quality protection.

Supporting agriculture and land stewardship

The RDCO completed the Regional Agricultural Strategy in 2025. The strategy sets a 10-year vision to protect farmland, strengthen food security and support innovation. Development included engagement with farmers, Indigenous partners, local governments and provincial agencies.



Growth and development

Establish and enhance electoral area policies to manage growth, guide land use decisions and address community social needs.

While growth moderated in 2025 following several years of rapid expansion, the need for thoughtful planning and regional coordination remained. The RDCO focused on addressing rural issues, strengthening long-term planning and supporting economic development across jurisdictions.

Advancing electoral planning

In response to community concerns, the Regional Board directed staff to begin public engagement and prepare draft amendments related to short-term rental accommodations in the East and West Electoral Areas.

The review will modernize bylaws, align with provincial legislation and support a balanced approach for rural communities. Staff expect amendments to be in place for the 2026 tourism season.

The Board also directed staff to develop a Soil Removal and Deposit regulatory bylaw.

The work responds to concerns about soil depositing during a period of rapid growth and potential impacts on rural areas, roads and the environment. A draft bylaw is expected in 2026.

Planning for the future

The Board reviewed the 2025 Regional Growth Strategy Annual Report, which highlighted progress on five priority projects and ongoing initiatives, including Regional Planning Labs and the Regional Citizen Survey.

Building on this momentum, the Board approved the launch of a new Regional Growth Strategy to shape development over the next 20 years.



245

building permits issued
in 2025



1439

building inspections
conducted in 2025



339

business licences
issued in 2025



The strategy will address housing, transportation, climate resilience and economic development. A consultation plan will be presented to the Board in 2026.

Supporting economic development and employment

In 2025, the RDCO launched the Regional Employment Lands Inventory and interactive mapping tool, providing local governments, investors, businesses and planners with a comprehensive picture of employment lands across the Central Okanagan. The tool improves access to regional data and helps identify available industrial and commercial lands, supporting more informed decision-making and long-term planning.

By creating a shared understanding of existing land supply and future opportunities, the project supports regional economic development efforts and helps communities plan for future employment needs.

The inventory also establishes a valuable baseline for identifying trends, opportunities and constraints, laying the groundwork for the development of the Regional Employment Lands Strategy in 2026.

Health and wellness

The RDCO will make purposeful investments in health care for physical and mental health benefits.

The RDCO supports health and wellness through access to parks, recreation and essential services. In 2025, efforts focused on accessibility, wildfire recovery and long-term community well-being.

Inclusive and accessible public spaces

The RDCO completed the renewal of the Mission Creek Regional Park playground, designed to support inclusive play for children of all abilities. The project incorporated accessible equipment, sensory-friendly features and a poured-in-place surface and was shaped by community input.

Accessibility was further supported through a pilot partnership with Kelowna Bike Rentals at Mission Creek Greenway Regional Park, offering handcycles and adaptive bikes beginning in May 2025.

In 2025, the Kalamo Regional Park Management Plan was adopted, setting a 20-

year framework for one of the region's most valued natural areas. Focused on accessibility, conservation and public safety, the plan will help protect sensitive ecosystems, improve visitor access and support safe, sustainable use for years to come.

Parks recovery and safe access to nature

Wildfire recovery continued in regional parks affected by the 2023 McDougall Creek wildfire. In Stephens Coyote Ridge Regional Park, salvage harvesting began to remove hazardous trees and support ecological recovery. Trail restoration will follow.

Phased recovery work continued in Rose Valley Regional Park, allowing portions of the park to reopen as milestones were reached.



1,536,000

people visited regional parks
this year



26,710

people took part in
regional park events
and programs in 2025



4075

students participated in
regional park education
programs in 2025





Transportation

The RDCO will encourage the safe movement of people and goods within the Central Okanagan.

Transportation plays a key role in supporting growth, access to services and regional connectivity across the Central Okanagan. In 2025, the RDCO focused on affordability, financial sustainability and continued coordination with regional partners.

Supporting sustainable transit services

The Regional Board endorsed Option 1 from BC Transit’s fare review for the Kelowna Regional Transit System. The recommended changes improve cost recovery and reflect inflationary pressures, as transit fares have not changed since 2015.

Approved by all regional transit partners, the updated fare structure resulted in an estimated \$1,838 in additional annual revenue for the RDCO and a corresponding reduction in property taxes.

Advancing regional transportation planning

The RDCO reviewed efforts to establish a

Regional Transportation Service to coordinate transportation across the region. Because the City of Kelowna chose not to participate, work on creating the service was concluded.

The RDCO remains committed to advancing regional collaboration on transportation and included \$40,000 in annual funding for regional transportation planning in the 2026–2030 Financial Plan through its Regional Planning function. This funding will support continued coordination, planning and advocacy for regional transportation solutions.

These actions reflect the RDCO’s commitment to coordinated, financially responsible transportation planning that supports the region’s long-term needs.



90%

of citizens say it is important to have a regional transportation function

(Citizen Survey, 2024)



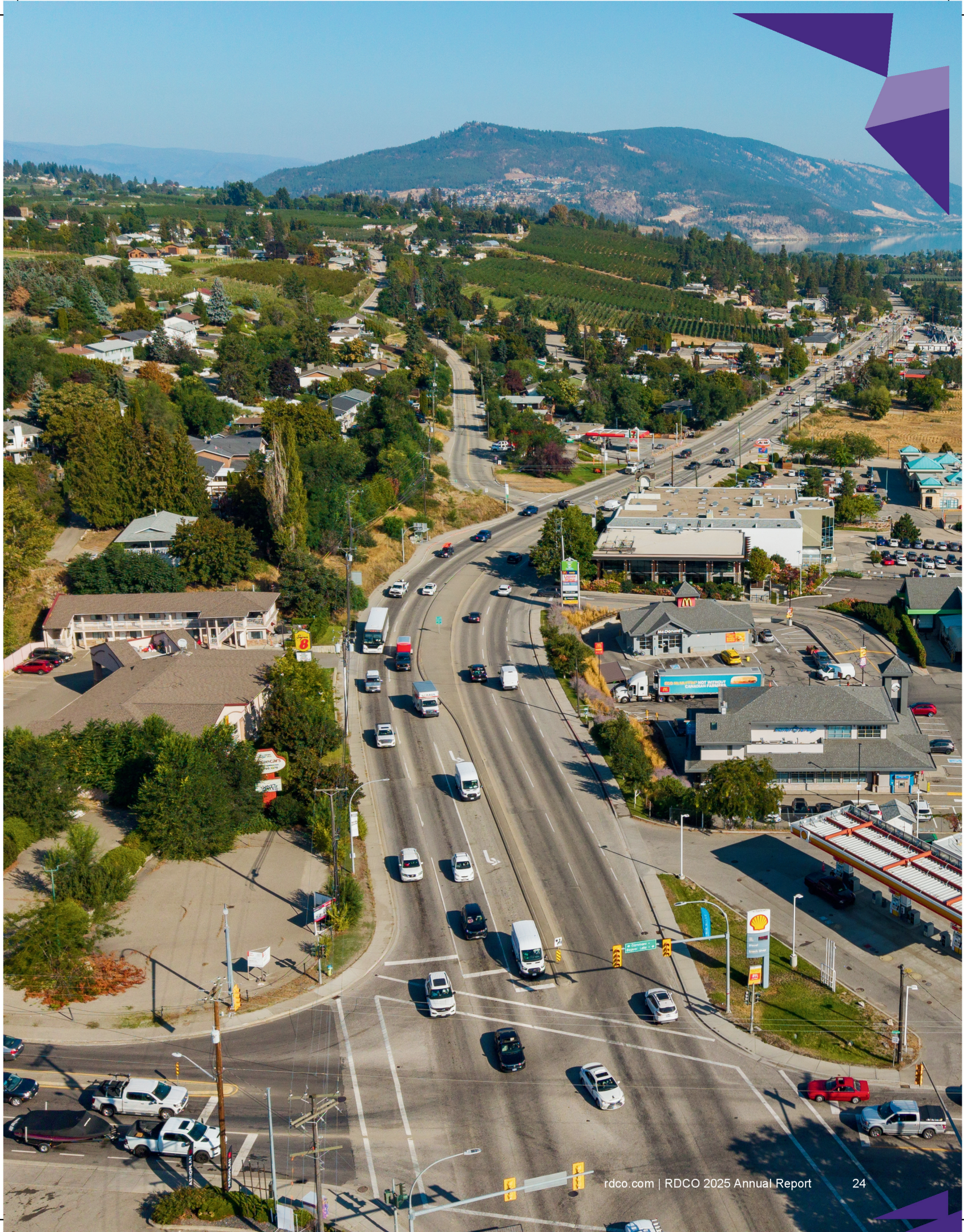
6.4 M

Annual boardings for Kelowna Regional Transit System in 2024



\$40,000

in annual funding for regional transportation planning





Truth and reconciliation

The RDCO is actively committed to reconciliation with the syilx / Okanagan people within the Central Okanagan. The RDCO strives for collaboration through a meaningful and ethical government-to-government working relationship with the syilx / Okanagan people.

The RDCO continued to advance reconciliation through long-term, relationship-based work with Westbank First Nation (WFN) and other Indigenous communities, with a focus on inclusive governance, shared decision-making and respectful service delivery. In 2025, this work included progress on regional governance, updated service agreements and cultural safety initiatives within emergency management.

Advancing inclusive regional governance

In 2025, the RDCO and WFN completed the Inclusive Regional Governance Final Report. Developed through years of collaboration, the report outlines options and decision-making pathways for WFN to become a full voting member of the Regional District Board. The report has been submitted to the Province for consideration.

Strengthening intergovernmental collaboration

The RDCO also finalized an updated local

services agreement with Westbank First Nation for the 2025–2027 term. Following a joint review by both governments, the agreement supports clear, fair and coordinated delivery of local services. The updated agreement was presented to Westbank First Nation Chief and Council in January 2025.

Indigenous engagement and cultural safety in emergency management

The RDCO also advanced reconciliation through Indigenous engagement and cultural safety initiatives within the Regional Emergency Program. In October, the Weaving Connections event brought together



ntitiyx

spring salmon in
nsyilxcən



sʔatq^wɬp

ponderosa pine in
nsyilxcən



pqíqin

bald eagle in
nsyilxcən



program staff and Indigenous leaders to strengthen relationships and collaboration with local Indigenous communities.

In 2024, staff were offered training opportunities including Cultivating Safe Spaces, Working Effectively with Indigenous Peoples and Indigenous Consultation and Engagement, along with community and museum tours with Westbank First Nation.

Work also began on a cultural safety module for Emergency Operations Centre staff focused on syilx Okanagan Nation culture, values and protocols to support informed and culturally appropriate emergency response.

To strengthen ongoing collaboration, the Regional Emergency Program also launched the Indigenous Engagement and Consultation project with syilx Okanagan communities. The project is creating an Indigenous-led engagement and communication framework, incorporating traditional knowledge and cultural protocols into emergency management, building long-term relationships and supporting legislative requirements under the Emergency and Disaster Management Act.



Financial statements

For the year ended December 31, 2025

In accordance with Section 376 of the Local Government Act and Section 167 of the Community Charter, the Audited Financial Statements were presented and approved by the Regional Board on May 14, 2026. The format and presentation of these financial statements are in accordance with Generally Accepted Accounting Principles (GAAP) for local government as recommended by the Public Sector Accounting Board (PSAB) standards (PSAS) of the Chartered Professional Accountants of Canada and have been applied on a basis that is consistent with that of the preceding year.

The Financial Statements are prepared using the accounting standards and reporting model prescribed by PSAS which requires the elimination of Transfers to/from Reserves, and allocations between functions. The use of assets is recorded through amortization expense and capital expenditures are capitalized, not expensed in the year. The Financial Statements combine General, Water, Sewer, Capital, and Reserve Funds and eliminate internal transactions.

The Financial Statements are comprised of the following:

- Statement of Financial Position
- Statement of Operations and Accumulated Surplus
- Statement of Changes in Net Financial Assets
- Statement of Cashflow
- Notes to the Financial Statements

The RDCO is in a Net Asset position. This means that the district has sufficient financial assets (\$233.8 M) to settle existing liabilities (\$156.1 M). As the RDCO's total assets exceed total liabilities, the RDCO is in an accumulated surplus position, having net positive resources that will be used to provide future services. The RDCO's annual surplus was \$9.9 M. The RDCO generated approximately \$12.1 M in cash from operations and those funds were used to acquire \$5.9 M in tangible capital assets, repay \$0.2 M in financing. The remaining \$8.3 M was transferred to reserves for future capital project funding.

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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.

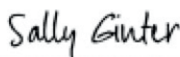
The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Certain amounts used in the preparation of the financial statements are based on management's best estimates and judgements. Actual results could differ as additional information 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.

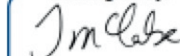
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Chief Administrative Officer

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Director of Financial Services

May 14, 2026

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, 2025, and the statements of operations, remeasurement gains and losses, and changes in net financial assets, 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, 2025, 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.

Other Matter - Restated Comparative Figures

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which explains that certain comparative information for the year ended December 31, 2024 has been restated.

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.

BDO Canada LLP

Chartered Professional Accountants
Kelowna, British Columbia
May 14, 2026

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

December 31	2025	(Restated) 2024
Financial Assets		
Cash	\$ 80,731,987	\$ 68,664,228
Portfolio Investments (Note 2)	27,718,146	27,309,991
Accounts receivable (Note 3)	6,740,405	6,718,093
Deposits - Municipal Finance Authority (Note 4)	2,917,697	2,794,658
Agreements due from members (Note 5)	115,693,536	92,365,445
	<u>233,801,771</u>	<u>197,852,415</u>
Financial Liabilities		
Accounts payable and accrued liabilities	10,893,122	8,720,450
Deferred revenue (Note 6)	1,245,500	885,152
Development cost charges (Note 7)	20,714,359	19,092,349
Reserve - Municipal Finance Authority (Note 4)	2,846,783	2,722,231
Long term debt (Note 8)	119,097,785	95,934,439
Equipment Financing (Note 9)	356,360	449,084
Asset retirement obligation (Note 10)	941,633	964,276
	<u>156,095,542</u>	<u>128,767,981</u>
Net Financial Assets	<u>77,706,229</u>	<u>69,084,434</u>
Non-Financial Assets		
Prepaid expenses	532,204	539,358
Tangible capital assets (Note 11)	117,129,460	115,755,543
	<u>195,367,893</u>	<u>185,379,335</u>
Accumulated remeasurement losses (Note 2)	<u>(197,711)</u>	<u>(255,840)</u>
Accumulated Surplus (Note 12)	<u>\$ 195,565,604</u>	<u>\$ 185,635,175</u>

Approved on behalf of the Board:

 Chair

Regional District of Central Okanagan
Statement of Operations

For the year ended December 31	2025		(Restated) 2024
	Actual	Budget (Note 17)	Actual
Revenues			
Electoral area tax requisitions	\$ 6,957,653	\$ 6,958,194	\$ 6,241,950
Electoral area parcel taxes	589,451	590,443	567,532
Members' requisitions			
General	25,507,864	25,509,300	23,828,096
Parcel taxes	374,499	374,499	370,818
Debt services	14,708,105	13,316,602	15,934,573
Federal government grants	143,247	307,197	356,005
Provincial government grants	1,248,512	13,481,771	1,639,890
Sale of services to other governments	4,445,212	4,755,917	4,276,262
Sale of services to others	3,797,562	3,725,515	3,538,474
Water and sewer fees	9,663,330	9,501,261	9,142,691
Community Works Funds revenue	969,626	-	969,626
Contributions from others	650,062	1,442,149	515,861
Contributions from sewer DCC reserve	-	-	35,720
Interest earned	3,691,951	-	4,372,878
Other revenue	1,541,955	1,359,082	1,405,252
	74,289,029	81,321,930	73,195,628
Expenses (Note 16)			
General government services	2,234,516	1,695,202	1,886,262
Protective services	15,517,746	15,440,632	13,532,658
Transportation services	56,499	78,761	61,071
Environmental health services	8,262,252	8,237,055	7,769,466
Development services	4,972,442	5,692,960	4,491,617
Recreation and cultural services	9,178,637	8,653,676	8,491,818
Fiscal services	14,890,927	13,526,264	16,109,949
Water services	1,792,613	1,329,011	1,563,798
Sewer services	7,452,968	5,569,886	6,801,732
Contribution to Indigenous government project	-	-	5,000,000
	64,358,600	60,223,447	65,708,371
Annual Surplus	9,930,429	21,098,483	7,487,257
Accumulated surplus, beginning of the year	185,635,175	185,635,175	178,147,918
Accumulated surplus, end of year	\$ 195,565,604	\$ 206,733,658	\$ 185,635,175

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

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

For the year ended December 31	2025	(Restated) 2024
Annual Surplus	\$ 9,930,429	\$ 7,487,257
Acquisition of tangible capital assets	(5,873,278)	(4,466,514)
Amortization of tangible capital assets	4,493,713	4,698,575
(Gain) loss on disposal of tangible capital assets	(93,271)	18,321
Proceeds from disposal of tangible capital assets	94,234	57,192
Gain on change in ARO estimate	(61,056)	(297,472)
Acquisition (reduction) of prepaid expenses	7,152	8,617
Net change in ARO liability	65,743	322,613
Net remeasurement losses	58,129	86,495
Increase in net financial assets	8,621,795	7,915,084
Net Financial Assets, beginning of year	69,084,434	61,169,350
Net Financial Assets, end of year	\$ 77,706,229	\$ 69,084,434
Accumulated Remeasurement Loss, Beginning of Year	\$ (255,840)	\$ (342,335)
Unrealized gain on investments	58,129	86,495
Accumulated Remeasurement Loss, End of Year (Note 2)	\$ (197,711)	\$ (255,840)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

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

For the year ended December 31	2025	(Restated) 2024
Operating transactions		
Annual surplus	9,930,429	7,487,257
Items not involving cash		
Amortization	\$ 4,493,713	\$ 4,698,575
Accretion expense	43,097	41,323
Actuarial addition to sinking fund	(56,524)	(51,116)
(Gain) loss on disposal of assets	(93,271)	18,321
Gain on change in ARO estimate	(61,056)	(297,472)
	<u>4,325,959</u>	<u>4,409,631</u>
Changes in non-cash items		
Accounts receivable	(22,312)	592,628
Accounts payable and accrued liabilities	2,172,671	1,484,356
Deferred revenue	360,348	442,118
Development cost charges	1,622,012	2,154,820
Prepaid expenses	7,152	8,620
	<u>4,139,871</u>	<u>4,682,542</u>
Capital Activities		
Purchase of tangible capital assets	(5,873,278)	(4,466,514)
Proceeds from sale of tangible capital assets	94,234	57,193
	<u>(5,779,044)</u>	<u>(4,409,321)</u>
Investing Activities		
Net portfolio investments sold (purchased)	417,616	(5,009,418)
Interest earned, not received	(767,642)	(771,218)
	<u>(350,026)</u>	<u>(5,780,636)</u>
Financing Activities		
Repayment of long-term debt	(203,467)	(131,841)
Issuance of long-term debt	-	470,330
Cash reserve income received	4,037	-
	<u>(199,430)</u>	<u>338,489</u>
Increase in cash during year	<u>12,067,759</u>	<u>6,727,962</u>
Cash, beginning of the year	<u>68,664,228</u>	<u>61,936,266</u>
Cash, end of year	<u>\$ 80,731,987</u>	<u>\$ 68,664,228</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

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	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. When the Regional District is deemed the transferee, the transfer expense is recognized when the recipient is authorized and has met the eligibility criteria.
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, 2025

1. Change in Accounting Policy - Demand Notes / Accrued interest and actuarial - Municipal Finance Authority

Demand Notes:

In prior years, the Regional District recorded MFA demand notes on the Statement of Financial Position. From management's current year assessment of accounting standards, the decision to include demand notes on the Statement of Financial Position was revisited and it was determined that the demand notes should be excluded. Accordingly, the comparative year has been restated to remove these balances.

Accrued interest expense:

In prior years, the Regional District had not recorded accrued interest expense on the Statement of Operations. From management's current year assessment of accounting standards, the decision to include accrued interest expense on the Statement of Operations was revisited and it was determined that the accrued interest expense should be included. Accordingly, the comparative year has been restated to include these balances.

Accrued actuarial adjustments:

In prior years, the Regional District had not recorded accrued actuarial adjustments on the Statement of Financial Position. From management's current year assessment of accounting standards, the decision to include accrued actuarial adjustments on the Statement of Financial Position was revisited and it was determined that the accrued actuarial adjustments should be included. Accordingly, the comparative year has been restated to include these balances.

	Opening balance, as previous stated	Adjustment recorded	Ending balance, as restated
Deposits - Municipal Finance Authority (Note 4)	\$ 8,492,305	\$ (5,697,647)	\$ 2,794,658
Reserves - Municipal Finance Authority (Note 4)	(8,419,878)	5,697,647	(2,722,231)
Accounts receivable (Note 3)	5,601,231	1,116,862	6,718,093
Agreements due from members (Note 5)	93,399,909	(1,034,464)	92,365,445
Accounts payable and accrued liabilities	(7,603,588)	(1,116,862)	(8,720,450)
Long term debt (Note 8)	(96,968,903)	1,034,464	(95,934,439)
Members' requisitions - Debt services	(13,997,942)	(1,936,631)	(15,934,573)
Sale of services to other governments	(5,096,030)	819,768	(4,276,262)
Fiscal Services	14,993,086	1,116,863	16,109,949

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2025

2. Portfolio Investments

	2025		2024	
	Fair Market Value	Amortized Cost	Fair Market Value	Amortized Cost
Guaranteed investment certificates	\$ 15,820,269	\$ 15,820,268	\$ 15,686,114	\$ 15,686,114
MFA Bond Investments	6,662,727	6,841,882	6,410,575	6,626,011
Bond Investments	5,235,150	5,253,706	5,213,302	5,253,706
	<u>\$ 27,718,146</u>	<u>\$ 27,915,856</u>	<u>\$ 27,309,991</u>	<u>\$ 27,565,831</u>

Portfolio investments are all carried at fair market value. The difference between fair market value and amortized cost of \$197,711 (2024 -\$255,840) 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 3.26% to 5.25% (4.64% to 6% in 2024) with maturity dates ranging from August 2026 to September 2028 (August 2025 to May 2027 in 2024).

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

	2025	(Restated) 2024
Local governments and Hospital District	\$ 3,474,314	\$ 2,931,909
Provincial government	785,679	690,092
Federal Government	343,971	254,707
Other	<u>2,136,441</u>	<u>2,841,386</u>
	<u>\$ 6,740,405</u>	<u>\$ 6,718,094</u>

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2025

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. 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.

	2025	(Restated) 2024
Regional District	\$ 70,913	\$ 72,427
Member Municipalities		
Kelowna	1,673,982	1,852,424
Peachland	162,312	157,593
Lake Country	265,230	257,519
West Kelowna	558,873	298,173
Okanagan Regional Library	186,387	156,522
	<u>\$ 2,917,697</u>	<u>\$ 2,794,658</u>

Demand Notes:

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, 2025, \$5,747,736 (2024 - \$5,697,646) in callable demand notes were outstanding and have not been recorded in the Statement of Financial Position.

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2025

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.

		(Restated)
	2025	2024
City of Kelowna	\$ 44,264,926	\$ 52,992,132
District of Lake Country	15,927,470	16,927,092
District of Peachland	9,293,615	9,745,384
City of West Kelowna	35,272,833	3,833,331
Okanagan Regional Library District	10,897,797	8,867,506
Falcon Ridge Residents	36,895	-
	<u>\$ 115,693,536</u>	<u>\$ 92,365,445</u>

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.

	2025	2024
Balance, beginning of the year	\$ 885,152	\$ 443,034
Receipts		
Alarm licenses	90,378	201,972
Building permits	233,715	298,306
Business licenses	86,618	62,955
Conditional grants	387,157	220,464
Dog licenses	111,240	101,455
Recognized as revenue	<u>(548,760)</u>	<u>(443,034)</u>
Balance, end of the year	<u>\$ 1,245,500</u>	<u>\$ 885,152</u>

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2025

7. Development Cost Charges

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

	2025	2024
Balance, beginning of the year	\$ 19,092,349	\$ 16,937,529
Interest earned	769,354	919,575
DCC's collected in the year	852,656	1,270,965
DCC's recognized as revenue	-	(35,720)
Balance, end of the year	<u>20,714,359</u>	<u>19,092,349</u>

Developmental cost charges are allocated as follows:

	2025	2024
Westside Sewer Plant	14,450,501	13,252,111
East Trunk Sewer	6,263,858	5,840,238
	<u>\$ 20,714,359</u>	<u>\$ 19,092,349</u>

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2025

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 March 2026 to October 2055 with interest rates ranging from 0.895% to 4.970%. The weighted average interest rate on long-term debt was 3.51% (2024 - 3.17%) and interest expense was \$7,799,372 (2024 - \$7,583,069).

		(Restated)
	2025	2024
Municipal Finance Authority	\$ 119,097,785	\$ 95,934,439
Less: Regional District portion	(3,404,249)	(3,568,994)
Total Municipal Portion	<u>\$ 115,693,536</u>	<u>\$ 92,365,445</u>

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
2026	\$ 8,064,739	\$ 7,962,961	\$ 101,778
2027	7,204,652	7,102,874	101,778
2028	5,264,793	5,166,337	98,456
2029	4,629,596	4,531,140	98,456
2030	4,311,485	4,213,029	98,456
Thereafter	46,051,766	44,870,295	1,181,471
Total principal payments	75,527,031	73,846,636	1,680,395
Expected actuarial adjustment	43,570,754	41,846,900	1,723,854
Total	<u>\$ 119,097,785</u>	<u>115,693,536</u>	<u>\$ 3,404,249</u>

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2025

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 2025 was \$13,681 (2024 \$6,059).

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

2026	97,608
2027	100,406
2028	103,262
2029	55,084
	356,360

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 4.76% (2024 – 4.44%) and inflation rate of 2.17% (2024 - 2.18%) 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 4.76% per annum (2024 – 4.44%) and inflation rate of 2.17% (2024 - 2.18%) 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 4.76% per annum (2024 - 4.44%) and inflation rate of 2.17% (2024 - 2.18%) per annum.

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2025

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 4.76% per annum (2024 - 4.44%) and inflation rate of 2.17% (2024 - 2.18%) 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 4.76% per annum (2024 - 4.44%) and inflation rate of 2.17% (2024 - 2.18%) per annum.

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

	Asbestos obligations	Lease agreements	Septic tanks	Wells	Landfill	2025
Opening balance	\$ 194,700	114,016	106,216	8,743	540,601	964,276
Additions	-	-	5,942	-	-	5,942
Accretion Expense	8,646	5,062	4,770	388	24,231	43,097
Change in estimate	(5,625)	(1,979)	(8,366)	(1,385)	(54,327)	(71,682)
Closing balance	\$ 197,721	117,099	108,562	7,746	510,505	941,633

	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

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2025

11. Tangible Capital Assets

	2025									
	Land	Land Improvements	Buildings	Fleet	Machinery and Equipment	Sewer System	Water System	Assets Under Construction	Total	
Cost, beginning 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	
Additions	-	1,443,240	1,622,779	1,651,762	110,683	487,379	3,339	554,096	5,873,278	
Additions due to ARO	-	-	5,942	-	-	-	-	-	5,942	
Disposals	-	-	-	(328,543)	-	-	-	-	(328,543)	
Change in ARO Estimate	-	(512)	(9,709)	-	-	-	(406)	-	(10,627)	
Reallocation of Assets	-	-	-	-	-	-	-	-	-	
Under Construction	-	52,069	216,447	111,796	-	-	-	(380,312)	-	
Cost, end of year	43,993,949	13,868,320	16,599,311	10,530,212	6,209,403	67,885,915	25,148,605	1,470,066	185,705,781	
Accumulated amortization, beginning of year	-	5,897,953	9,317,510	5,999,391	3,527,298	31,228,879	8,439,157	-	64,410,188	
Amortization	-	799,925	575,150	651,948	278,946	1,683,845	503,899	-	4,493,713	
Disposals	-	-	-	(327,580)	-	-	-	-	(327,580)	
Accumulated amortization, end of year	-	6,697,878	9,892,660	6,323,759	3,806,244	32,912,724	8,943,056	-	68,576,321	
Net carrying amount, end of year	\$ 43,993,949	\$ 7,170,442	\$ 6,706,651	\$ 4,206,453	\$ 2,403,159	\$ 34,973,191	\$ 16,205,549	\$ 1,470,066	\$ 117,129,460	

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2025

11. Tangible Capital Assets (Continued)

	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, 2025

12. Accumulated Surplus

	2025	2024
Current Funds		
General revenue fund	\$ 1,618,277	\$ 2,345,490
Capital Funds		
General capital fund	63,399,968	60,649,440
Water capital fund	13,274,290	13,501,097
Sewer capital fund	35,752,963	36,622,655
	<u>112,427,221</u>	<u>110,773,192</u>
Reserve Funds		
Feasibility reserve fund	212,453	204,225
Equipment replacement reserve fund	7,150,790	6,263,014
Park reserve fund	3,685,201	2,823,305
Capital projects reserve fund	41,037,516	36,402,145
Community works fund	3,893,418	3,238,260
Operating reserve fund	17,962,041	15,583,954
Growing communities fund	7,578,687	8,001,590
	<u>81,520,106</u>	<u>72,516,493</u>
Accumulated surplus total	<u>\$ 195,565,604</u>	<u>\$ 185,635,175</u>

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 (2024 - \$3,000,000). At December 31, 2025, the Regional District had drawn an amount of \$Nil on this agreement (2024 - \$Nil).

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2025

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, 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.

The most recent 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 \$1,134,848 (2024 - \$1,008,424) 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.

Compensated Absences

Sick Leave

The Regional District has provided for vesting sick leave benefits during the year. Eligible employees, after 10 years of service, are entitled to receive 50% of their accumulated sick leave credit on termination or retirement. Sick leave payouts made during the year were \$86,229 (2024 - \$118,414).

The sick leave benefits are adequately funded by an account reserved for employee benefits and insurance. The projected sick leave liability in 2025 is \$932,500 (2024 - \$921,600).

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, 2025

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

	2025	(Restated) 2024
Accretion	\$ 43,097	\$ 41,323
Advertising and promotion	163,930	209,113
Amortization	4,493,713	4,698,575
Contract Services	5,106,007	4,724,355
Contribution to indigenous government project	-	5,000,000
Education and training	1,921,508	1,467,777
Emergency services	2,868,213	2,687,212
Grants and other programs	348,383	394,170
Insurance, licenses and memberships	1,516,283	845,936
Interest on long-term debt and debt issue expense	207,117	185,464
Fiscal services for members	14,708,105	15,934,575
Leases and rentals	27,367	20,773
Office and administration	650,836	601,742
Planning and development	327,153	568,863
Professional fees	256,146	355,731
Repairs and maintenance	5,394,883	3,338,035
Supplies	1,515,216	1,253,841
Telephone and utilities	1,254,850	1,132,410
Transit services	30,901	33,173
Travel	124,067	117,714
Transfers to other agencies and governments	4,666,718	4,931,801
Wages and benefits	18,734,107	17,165,788
	\$ 64,358,600	\$ 65,708,371

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2025

17. Budget

The budget data presented in these financial statements is based upon the 2025 - 2029 Financial Plan Bylaw 1563 approved by the Regional District Board on March 20, 2025.

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>2025</u>
Financial Plan Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	34,215,482
Principal repayments	225,240
Budgeted transfers to reserves	10,351,687
Deficit from prior year	4,301
Less:	
Budgeted transfers from reserves	(22,983,677)
Proceeds from borrowing	<u>(714,550)</u>
	<u>\$ 21,098,483</u>

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2025

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, Stalking 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 19 community and neighbourhood parks making up over 2,100 hectares of 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, 2025

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 2025 Actual
Revenues											
General taxes	\$ 1,118,588	\$11,972,937	\$ 69,615	\$ 3,076,044	\$ 4,828,906	\$12,092,157	\$14,708,105	\$ 271,220	\$ -	\$ -	\$ 48,137,572
Utility Charges	-	-	-	-	-	-	-	2,154,906	7,508,424	-	9,663,330
Government grants - Federal	100,000	-	-	-	43,247	-	-	-	-	-	143,247
Government grants - Provincial	-	793,637	-	-	430,818	24,057	-	-	-	-	1,248,512
Sales of services	369,205	1,581,533	38,849	5,563,258	227,009	462,920	-	-	-	-	8,242,774
Other revenue	4,031,178	1,769,447	40	102,046	100,000	613,799	54,003	15,051	168,030	-	6,853,594
	5,618,971	16,117,554	108,504	8,741,348	5,629,980	13,192,933	14,762,108	2,441,177	7,676,454	-	74,289,029
Expenses											
Goods and services (net)	(4,092,320)	10,339,476	55,428	7,187,292	3,290,598	4,259,187	14,890,927	929,057	4,271,135	-	41,130,780
Wages and benefits	5,928,692	4,643,663	1,071	1,017,379	1,675,746	3,656,023	-	340,021	1,471,512	-	18,734,107
Capital Amortization	1,836,372	14,983,139	56,499	8,204,671	4,966,344	7,915,210	14,890,927	1,269,078	5,742,647	-	59,864,887
	398,144	534,607	-	57,581	6,098	1,263,427	-	523,535	1,710,321	-	4,493,713
	2,234,516	15,517,746	56,499	8,262,252	4,972,442	9,178,637	14,890,927	1,792,613	7,452,968	-	64,358,600
Excess (deficiency) in revenues over expenses	\$ 3,384,455	\$ 599,808	\$ 52,005	\$ 479,096	\$ 657,538	\$ 4,014,296	\$ (128,819)	\$ 648,564	\$ 223,486	\$ -	\$ 9,930,429

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2025

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	(Restated) Total 2024 Actual
Revenues											
General taxes	\$ 1,071,938	\$10,644,413	\$	66,249	\$ 2,898,637	\$ 4,447,575	\$11,616,702	\$ 15,934,574	\$ 262,882	\$ -	\$46,942,970
Utility Charges	-	-	-	-	-	-	-	-	-	-	9,142,691
Government grants - Federal	188,753	-	-	-	121,439	45,813	-	-	-	-	356,005
Government grants - Provincial	517,142	780,728	-	-	342,020	-	-	-	-	-	1,639,890
Sales of services	344,266	1,437,966	31,798	5,480,673	124,970	395,063	-	-	-	-	7,814,736
Other revenue	4,494,640	1,958,464	45	313,578	45,000	721,598	(421,656)	151,224	36,443	-	7,299,336
	6,616,739	14,821,571	98,092	8,692,888	5,081,004	12,779,176	15,512,918	2,454,055	7,139,185	-	73,195,628
Expenses											
Goods and services (net)	(4,111,866)	8,690,938	59,908	6,727,326	2,962,260	3,861,472	16,109,949	752,101	3,791,920	5,000,000	43,844,008
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
Capital Amortization											
	1,389,696	12,813,141	61,071	7,697,844	4,483,712	7,302,721	16,109,949	1,037,412	5,114,250	5,000,000	61,009,796
	496,566	719,517	-	71,622	7,905	1,189,097	-	526,386	1,687,482	-	4,698,575
	1,886,262	13,532,658	61,071	7,769,466	4,491,617	8,491,818	16,109,949	1,563,798	6,801,732	5,000,000	65,708,371
Excess (deficiency) in revenues over expenses	\$ 4,730,477	\$ 1,288,913	\$ 37,021	\$ 923,422	\$ 589,387	\$ 4,287,358	\$ (597,031)	\$ 890,257	\$ 337,453	\$ (5,000,000)	\$ 7,487,257

Regional District of Central Okanagan Notes to the Financial Statements

December 31, 2025

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, 2025

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, 2025, the amount of the investment portfolio exposed was \$ 6,662,727 (2024 - \$6,410,575) 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	2025
Cash	\$ -	\$ 80,731,987	\$ 80,731,987
Accounts receivable	-	6,740,405	6,740,405
Guaranteed investment certificates	15,820,269	15,820,268	15,355,247
Bond investments	6,662,727	6,841,882	6,662,727
Accounts payable and accrued liabilities	-	10,893,122	10,893,122
Long-term debt	-	115,693,536	115,693,536

	Fair value	Cost	(Restated) 2024
Cash	\$ -	\$ 68,664,228	\$ 68,664,228
Accounts receivable	-	6,718,093	6,718,093
Guaranteed investment certificates	15,686,114	15,686,114	15,355,247
MFA pooled investment funds	6,410,575	6,626,011	6,410,575
Accounts payable and accrued liabilities	-	8,720,450	8,720,450
Long-term debt	-	92,365,445	92,365,445

Central Okanagan Regional Hospital District (CORHD)

In 2025, the Central Okanagan Regional Hospital District (CORHD) continued its commitment to strengthening health care infrastructure and supporting the evolving needs of a growing and aging population. Through prudent financial planning and continued collaboration with Interior Health, the Board advanced investments that will improve care capacity, modernize facilities and enhance access to essential services across the region.

At its inaugural annual meeting, the Board unanimously acclaimed Tom Dyas as Chair and Blair Ireland as Acting Vice-Chair. The Board also reviewed Interior Health's 2025–2026 capital funding request and, in March, adopted the 2025–2029 Financial Plan Bylaw. The plan includes \$40.3 million in capital funding for 2025, an increase of \$7.8

million over the previous year, with \$25.7 million allocated to new projects. Major investments in 2025 included \$1.6 million for heating plant replacement in the Strathcona building at KGH and \$1.3 million for mechanical and electrical upgrades in the Dr. Walter Anderson building at KGH.

Each year, ratepayers within the Hospital District contribute up to 40% of approved capital and equipment costs. In 2025, the average household contribution was \$19.81 per \$100,000 of assessed property value, a 3.2% increase over 2024.

Through these investments and strengthened coordination with Interior Health, CORHD continued to build a resilient health care system that supports residents today and into the future.





CORHD Financial statements

For the year ended December 31, 2025

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Management's Responsibility for Financial Reporting

The accompanying financial statements of the Central Okanagan Regional Hospital District have been approved by the Board. The preparation of these financial statements are the responsibility of management.

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. Management has reviewed these financial statements and has taken responsibility for them.

The Central Okanagan Regional Hospital District 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 Central Okanagan Regional Hospital District's assets are appropriately accounted for and adequately safeguarded.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

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 consolidated financial statements and the external auditor's report.

The financial statements have been audited by 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 auditors have full and free access to the accounting records and to the Board of the Central Okanagan Regional Hospital District.



Chief Administration Officer



Director of Financial Services

May 14, 2026



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BDO Canada LLP
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V1Y 0B5

Independent Auditor's Report

To the Directors of Central Okanagan Regional Hospital District

Opinion

We have audited the financial statements of the Central Okanagan Regional Hospital District (the "District"), which comprise the statement of financial position as at December 31, 2025, and the statements of operations, change in net assets (debt) and accumulated surplus (deficit) 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 Hospital District as at December 31, 2025, and its results of operations, its change in net assets (debt) 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 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.

Emphasis of Matter - Restated Comparative Information

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which explains that certain comparative information for the year ended December 31, 2025 has been restated.

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 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 District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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 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 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 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.

BDO Canada LLP

Chartered Professional Accountants
Kelowna, British Columbia
May 14, 2026

Central Okanagan Regional Hospital District Statement of Financial Position

December 31

2025 Restated
2024

Financial Assets

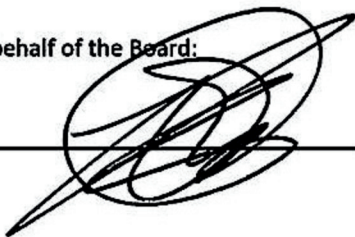
Cash (Note 2)	\$ 25,647,126	\$ 24,236,025
Portfolio Investments (Note 3)	21,688,064	20,670,075
Deposits - Municipal Finance Authority (Note 1)	1,768,251	1,716,841
Accrued Receivables	1,505,899	-
	50,609,340	46,622,941

Financial Liabilities

Accounts payable and accrued liabilities	1,331,374	4,211,718
Long Term Debt (Note 4)	46,776,247	53,607,057
	48,107,621	57,818,775

Net assets (debt) and Accumulated surplus (deficit) (Note 5)	\$ 2,501,720	\$ (11,195,834)
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Approved on behalf of the Board:



Chairperson

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Central Okanagan Regional Hospital District Statement of Financial Operations and Change in Net Assets (Debt)

For the year ended December 31	2025	2025	Restated 2024
	Actual	Budget (Note 6)	Actual
Revenues			
Requisition on Member Municipalities			
City of Kelowna	\$ 16,450,600	\$ 16,432,464	\$ 15,611,771
City of West Kelowna	3,551,257	3,548,111	3,360,417
District of Lake Country	1,505,899	1,521,645	1,481,592
District of Peachland	573,686	573,414	549,097
Electoral Areas	748,556	754,364	739,978
	22,829,998	22,829,998	21,742,855
Actuarial earnings	2,411,395	2,300,641	2,189,697
Interest income	1,888,334	1,220,831	2,301,131
	27,129,727	26,351,470	26,233,683
Expenses			
Administration	49,963	52,000	49,018
Capital funding expenditure	10,217,080	40,253,832	15,263,160
Long term debt issue expense and interest	3,153,223	2,546,904	2,435,259
Professional fees	11,907	11,845	11,000
	13,432,173	42,864,581	17,758,437
Annual surplus (deficit)	13,697,554	(16,513,111)	8,475,246
Net debt and accumulated deficit, beginning of the year	(11,195,834)	(11,195,834)	(20,130,975)
Adjustment on MFA Debt (Note 1)	-	-	459,895
Net debt and accumulated surplus (deficit), beginning of the year as restated	\$ (11,195,834)	\$ (11,195,834)	\$ (19,671,080)
Net assets (debt) and accumulated Surplus (deficit), end of year	\$ 2,501,720	\$ (27,708,945)	\$ (11,195,834)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Central Okanagan Regional Hospital District

Statement of Cash Flows

For the year ended December 31	2025	Restated 2024
Cash provided by (used in)		
Operating activities		
Cash from tax requisitions	\$ 22,829,998	\$ 21,742,855
Cash from MFA actuarial additions	2,411,395	2,189,697
Cash paid to supplies and for grants	(17,818,396)	(15,862,594)
Interest grants and other income received	870,324	1,681,473
	<u>8,293,321</u>	<u>9,751,431</u>
Investing activities		
Change in MFA cash reserves	(51,410)	(57,773)
Net portfolio investments purchased	-	(15,000,000)
	<u>(51,410)</u>	<u>(15,057,773)</u>
Financing activities		
Repayment of MFA long term debt	(6,830,810)	(7,109,963)
	<u>(6,830,810)</u>	<u>(7,109,963)</u>
Change in cash during the year	<u>1,411,101</u>	<u>(12,416,305)</u>
Cash, beginning of the year	<u>24,236,025</u>	<u>36,652,330</u>
Cash, end of year	<u>\$ 25,647,126</u>	<u>\$ 24,236,025</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Central Okanagan Regional Hospital District Summary of Significant Accounting Policies

Nature of Business	The Central Okanagan Regional Hospital District ("The District") is responsible for granting aid for the establishment, acquisition, reconstruction, enlargement, operation and maintenance of hospitals and hospital facilities in accordance with the Hospital District Act. The District typically funds 40% share of projects and major equipment purchases to the Interior Health Authority for projects with the Region.
Basis of Presentation	The financial statements of the District are the representations of management and are prepared in accordance with Canadian generally accepted accounting policies for local government entities using guidelines issued by the Public Sector Accounting Board ("PSAB").
Portfolio Investments	Portfolio investments consist of deposits held at financial institutions.
Revenue Recognition	Taxation revenues are recognized at the time of the property tax acquisitions for the fiscal year they become receivable. Interest income is recognized as it is earned.
Government Transfers	Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

Central Okanagan Regional Hospital District Summary of Significant Accounting Policies

Financial Instruments

Cash and equity instruments quoted in an active market are measured at fair value. The District has elected to measure financial instruments at fair value, to correspond with how they are evaluated and managed. These financial instruments include guaranteed investment certificates. 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.

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Central Okanagan Regional Hospital District Summary of Significant Accounting Policies

1. Change in Accounting Policy - MFA Demand Notes

The Municipal Finance Authority (MFA) administers the debenture debt of the Regional Hospital District. As a condition of borrowing, a portion of the debt proceeds is withheld as a debt reserve fund (referred to as Investment Funds - Municipal Finance Authority on the Statement of Financial Position). At December 31, 2025, the cash balance in the debt reserve fund was \$1,768,251 (2024 - \$1,716,841). Further, the Regional Hospital District is required to provide security in the form of a demand note. The demand notes which total \$3,072,458 (2024 - \$3,072,458), are a contingent liability that is not recorded in the financial statements. Upon maturity of a debt, the demand note is cancelled and the debt reserve funds are released to the Regional Hospital District.

In prior years, the Regional Hospital District recorded MFA demand notes on the Statement of Financial Position. From management's current year assessment of accounting standards, the decision to include demand notes on the Statement of Financial Position was revisited and it was determined that the demand notes should be excluded. In addition, accrued interest payable and accrued actuarial adjustments have been included in this reassessment. The impact of those changes has been recorded as follows:

	Opening Balance, as Previously Stated	Adjustment Recorded	Ending Balance, as Restated
MFA - Deposit & Demand Notes	3,072,458	(3,072,458)	-
Reserve - MFA	(3,072,458)	3,072,458	-
Accrued Interest Payable	-	(582,137)	(582,137)
Long Term Debt	(54,702,408)	1,095,351	(53,607,057)
Opening Accumulated Surplus (Deficit)	(20,130,975)	459,895	(19,671,080)
Actuarial Adjustments on MFA Debt	(2,098,022)	(91,675)	(2,189,697)
Interest on Long Term Debt	\$ 2,396,904	\$ 38,355	\$ 2,435,259

2. Cash

Cash is held in a financial institution earning interest at a rate of 3.40% (2024 - 5.28%) per annum. Included in cash, a portion has been specifically set aside for internally and externally restricted reserves.

3. Portfolio Investments

Guaranteed investment certificates earning a fixed rate ranging from 4.08% to 6.05% (2024 - 4.08% - 6.05%) per annum with maturity dates ranging from March, 2026 to August, 2029. Portfolio investments are all carried at fair market value. There was no difference between fair market value and amortized cost in 2025.

**Central Okanagan Regional Hospital District
Summary of Significant Accounting Policies**

4. Long Term Debt

Borrowing Bylaw	MFA Debt Issue	Maturity Date	Rate	Original Debt Amount	2025 Net Debt	2024 Net Debt
112	110	2030	1.28%	\$ 43,699,187	\$ 13,402,570	\$ 16,018,965
112	117	2031	1.47%	38,826,220	14,662,655	16,869,411
113	117	2031	1.47%	8,638,211	3,262,206	3,753,173
113	126	2033	3.91%	10,071,396	4,921,109	5,456,288
113	127	2034	4.52%	13,500,000	7,212,672	7,917,110
113	133	2035	2.75%	5,700,000	3,315,035	3,592,110
				120,435,014	46,776,247	53,607,057

Future principal repayments on existing long-term debt:

2026	6,955,258
2027	7,198,692
2028	7,450,646
2029	7,711,419
2030	7,981,318
Thereafter and expected actuarial	<u>9,478,914</u>
	46,776,247

5. Accumulated Surplus (Deficit)

The accumulated surplus (deficit) consists of individual funds as follows:

	2025	Restated 2024
Reserves for future expenditures	\$ 47,509,716	\$ 40,694,382
Net long term debt to be recovered from future requisitions	<u>(45,007,996)</u>	<u>(51,890,216)</u>
	\$ 2,501,720	\$ (11,195,834)

Central Okanagan Regional Hospital District Summary of Significant Accounting Policies

6. Budget information

The budget data presented in these financial statements is based upon the 2025 - 2029 Financial Plan Bylaw, approved by the District Board on March 20, 2025. The legislative requirement of the Financial Plan are that the cash inflows for the period must at a minimum equal cash outflows.

Budgeted cash inflows include transfers from prior year surplus carried forward. These transactions are not recognized as revenues in the District's statement of operations as they do not meet the inclusion requirements under PSAB.

PSAB requires that budget amounts be presented in the financial statements on the same basis of accounting for actual amounts. The reconciliation below shows the difference between the operating budgets per the approved Financial Plan and the budget figures reported in these statements.

	<u>2025</u>
Surplus - statement of operations	\$(16,513,111)
Adjust for budgeted items not included in statement of operations:	
Interest Earned on Reserves	(1,220,831)
Principal debt reduction from actuarial earnings	(2,300,641)
Principal portion of debt payments	(4,419,415)
Transfer from accumulated surplus reserve	35,187,501
Transfer to accumulated surplus reserve	<u>(11,033,332)</u>
	<u>(299,829)</u>

7. Approved and Unexpended Capital Expenditures

The following table outlines the capital costs for bylaw approved projects from 2026-2030 and the projects that are planned for the same period:

Approved Capital Projects	Approved Bylaw Amount: Typically 40% District Share	Funded in Prior Years	Unexpended Funding
Committed Costs	\$ 139,836,960	\$ 43,346,624	\$ 96,490,336

Central Okanagan Regional Hospital District Summary of Significant Accounting Policies

8. Financial Instruments

The District is exposed to credit risk, liquidity risk, and interest rate risk from its financial instruments. This note describes the 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 for the other party by failing to discharge an obligation. The District is exposed to credit risk through its cash, portfolio investments and investment fund with Municipal Finance Authority.

The District manages its credit risk by holding its cash and investments held at federally regulated chartered banks with cash accounts insured up to \$100,000. The maximum exposure to credit risk at the financial statement date is the carrying value of its cash as outlined in Note 1. Based on this knowledge, credit risk of cash accounts are assessed as low.

The District manages exposures to credit risk for portfolio investments and investment funds 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 District has reduced its exposure to market or value risk.

Liquidity risk

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

The District manages its liquidity risk by staggering maturity dates of investment portfolio for cash flow needs 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 district has a planning, budgeting, and forecasting process in place to help determine the funds required to support the normal operating requirements. The District's five-year financial plan is approved by the Board of Directors, which includes operational activities and capital investments. The District measures its exposure to liquidity risk based on the results of cash forecasting and expected outflows and extensive budgeting.

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 market interest rates. The District is exposed to interest rate risk through its long-term debt and the value of its portfolio investments.

The 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 5 for interest rates and maturity dates for long-term debt.