Township of Spallumcheen

FINANCIAL STATEMENTS

December 31, 2025

Township of Spallumcheen
December 31, 2025

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MANAGEMENT'S STATEMENT OF RESPONSIBILITY

These financial statements and accompanying schedules of the Township of Spallumcheen are the responsibility of management and have been prepared in accordance with generally accepted accounting principles for local governments as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Management is responsible for implementing and maintaining a system of internal controls that are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are regularly monitored and evaluated by management.

These financial statements have been audited by BDO Canada LLP, independent external auditors appointed by the Township of Spallumcheen. The following Independent Auditor's Report describes their responsibilities, scope of examination, and opinion on the Township of Spallumcheen's financial statements. The external auditors have full access to the Township's Council.

Signed by:
Sandra McCrea
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Sandra McCrea, CPA
Chief Financial Officer

June 25, 2026

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Township of Spallumcheen:

Opinion

We have audited the financial statements of the Township of Spallumcheen (the Township), which comprise the statement of financial position as at December 31, 2025, and the statement of operations and accumulated surplus, change 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 Township as at December 31, 2025, and its results of operations, change in net financial assets, and 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 Township 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.

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 Township'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 Township or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Township'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.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK District limited by guarantee, and forms part of the international BDO network of independent member firms.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 Township'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 Township'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 Township 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

Vernon, British Columbia
June 26, 2026

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Township of Spallumcheen

Statement of Financial Position

As at December 31	2025	2024
Financial Assets		
Cash and Cash Equivalents	**$ 15,104,060**	$ 12,254,988
Portfolio Investments (Note 2)	**9,483,233**	12,387,787
Accounts Receivable (Note 3)	**3,720,855**	4,631,598
Municipal Finance Authority Cash Deposits (Note 4)	**7,626**	7,404
	28,315,774	29,281,777
Liabilities		
Accounts Payable and Accrued Liabilities (Note 5)	**1,076,278**	3,180,364
Tax Sale Subject to Redemption	**16,915**	17,416
Deferred Revenue and Deposits (Note 6)	**10,341,586**	10,747,264
Long Term Debt (Note 7)	**380,015**	407,954
Asset Retirement Obligation (Note 8)	**1,189,008**	1,135,104
	13,003,802	15,488,102
Net Financial Assets	**15,311,972**	13,793,675
Non-Financial Assets		
Prepaid Expenses	**73,896**	-
Land Acquired Under Tax Sale	**1,205**	1,205
Tangible Capital Assets (Note 9)	**51,658,208**	51,340,337
	51,733,309	51,341,542
Accumulated Surplus (Note 10)	**$ 67,045,281**	$ 65,135,217

Contingent Liabilities and Commitments (Note 11)

Approved by:

Signed by:
Christine Fraser
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Christine Fraser
Mayor

Signed by:
Sandra McCrea
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Sandra McCrea, CPA
Chief Financial Officer

Township of Spallumcheen

Statement of Operations and Accumulated Surplus

For the year ended December 31	Budget 2025	Actual 2025	Actual 2024
Revenues			
Taxation (Note 12)	$ 7,778,918	**$ 8,167,693**	$ 7,571,810
Parcel Taxes (Note 13)	946,568	**1,196,373**	268,715
Government Transfers (Note 14)	3,729,320	**1,903,520**	3,634,832
Sale of Services (Note 15)	638,055	**453,435**	1,003,582
Portfolio Investments	113,990	**642,858**	1,288,124
Other Revenue	-	**138,124**	149,385
	13,206,851	**12,502,003**	13,916,448
Expenses			
General Government Services	1,872,729	**2,392,323**	1,673,672
Protective Services	1,177,853	**1,122,157**	936,947
Transportation Services	2,397,268	**3,856,963**	3,729,152
Public Health & Welfare Services	5,551	**5,268**	3,172
Community Development Services	708,768	**381,781**	342,758
Recreational and Cultural Services	32,526	**16,634**	15,391
Fiscal Services	21,217	**14,957**	20,089
Water Utilities	654,947	**993,080**	1,344,308
Sewer	-	**251,452**	800,102
Joint Functions	1,201,667	**1,557,325**	1,412,526
	8,072,526	**10,591,940**	10,278,117
Annual Surplus	5,134,325	**1,910,063**	3,638,331
Accumulated surplus, Beginning of	-	**65,135,216**	61,496,885
Accumulated Surplus, End of Year (Note 10)	$ -	**$ 67,045,280**	$ 65,135,216

Township of Spallumcheen

Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2025	Actual 2025	Actual 2024
Annual Surplus	$ 5,134,325	**$ 1,910,063**	$ 3,638,331
Amortization of Tangible Capital Assets	-	**2,024,396**	1,937,952
Acquisition of Tangible Capital Assets	(5,530,387)	**(2,342,264)**	(7,076,034)
Net Consumption (Acquisition) of Prepaid Expenses	-	**(73,899)**	33,240
Increase (Decrease) in Net Assets	(396,062)	**1,518,296**	(1,466,511)
Net financial assets, beginning of year	13,793,675	**13,793,675**	15,260,186
Net financial assets, end of year	$ 13,397,613	**$ 15,311,971**	$ 13,793,675

Township of Spallumcheen

Statement of Cash Flows

For the year ended December 31	2025	2024
Operating		
Cash Receipts from Taxation	**$ 9,146,360**	$ 7,863,482
Cash Receipts from Government Transfers	**3,544,460**	1,066,300
Cash Receipts from Sale of Services	**(464,735)**	3,861,205
Cash Receipts from Other	**138,124**	183,010
Cash Payments to Suppliers and Employees	**(10,677,389)**	(7,041,344)
Interest Received	**636,136**	1,282,347
Interest Paid	**(14,957)**	(20,089)
	2,307,999	7,194,911
Capital		
Purchase of Tangible Capital Assets	**(2,342,264)**	(7,076,035)
Investing		
Investments Acquired	**-**	1,890,348
Investments Redeemed	**2,904,554**	-
	2,904,554	1,890,348
Financing		
Debt Repayment	**(21,217)**	(21,217)
Increase (decrease) in Cash and Cash Equivalents	**2,849,072**	1,988,007
Cash and Cash Equivalents, Beginning of Year	**12,254,988**	10,266,981
Cash and Cash Equivalents, End of Year	**$ 15,104,060**	$ 12,254,988

1. Significant Accounting Policies

Nature of Business

The Township of Spallumcheen (the "Township") was incorporated on July 21, 1892 under the laws of British Columbia. The Township operates under the provisions of the Local Government Act and the Community Charter. The Township provides municipal services such as public works, water, planning, fire protection services, recreational and cultural services and other general government operations.

Basis of Accounting

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Charted Professional Accountants of Canada.

Measurement Uncertainty

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

Segment Disclosures

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information. For each reported segment, revenues and expenses are recorded that are either directly attributable to the segment or are allocated to the segment on a reasonable, consistent basis. The accounting policies used for these segments are consistent with those followed in the preparation of the financial statements as described in Note . The Township has provided definitions of the segments in Note 18 as well as presented financial information in segmented format for the current and prior year in Schedule 1.

Budget Figures

The budget figures presented are compiled from the five-year financial plan adopted by bylaw prior to May 15th each year. Certain amounts have been reallocated to conform with Public Sector Accounting Standards (PSAB) presentation requirements where required (see Note 17). Any subsequent amendments to the budget bylaw are not reflected in the budget figures.

Cash

Cash includes cash on hand and demand deposits, held at financial institutions.

Deferred Revenue and Deposits

Deferred revenue and deposits includes the refundable portion of development permits and building permits, performance security deposits, prepaid property taxes, and deferred grants. Refundable deposits are recorded as a liability when received and will be refunded in the fiscal year in which the service contract expires or the performance obligations have been met. If a security deposit is drawn upon, it is recognized as revenue in the fiscal year in which the services are performed or the expenses are incurred.

Revenue Recognition

Revenue is recorded in the period in which the transactions or events that gave rise to the revenue occurred, provided that reasonable estimates of the amounts can be made. Amounts received in advance of services rendered or obligations fulfilled are recorded as deferred revenue until the services have been provided or the obligation that led to the collection of funds has been discharge

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts

The Township is required by the School Act to bill, collect and remit provincial education support levies in respect of residential and other properties on behalf of the Province, and school division special levies on behalf of school divisions. The Township has no jurisdiction or control over the school division's operations or their mill rate increases. Therefore, taxation revenues, expenses, assets and liabilities with respect to the operations of school boards are not reflected in these financial statements

Government grants and transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations and accumulated surplus as the stipulation liabilities are settled.

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 operating surplus for the year, provides the change in net financial assets for the year.

Tangible Capital Assets

Tangible capital assets, including assets held under capital lease, are recorded at cost in the period in which they are acquired or constructed. Cost includes all amounts that are directly attributable to the acquisition, construction, development, or improvement of the asset. Costs of repairs and maintenance are charged to operations, and expenses that improve or extend the useful life of an existing asset are capitalized.

Contributed Assets

Contributed or donated assets are capitalized and recorded at their estimated fair value upon acquisition, with a corresponding entry to revenue in the period received.

Assets Under Construction

Assets under construction are projects that are currently under planning, development or construction that will result in a tangible capital asset at a future date. These costs are not amortized until the asset is available and ready for productive use. Interest incurred on borrowed funds used during construction is not capitalized.

Amortization

The cost of tangible capital assets, less any residual value, is amortized on a straight-line basis over their estimated useful lives as follows:

Buildings and Structures	30 to 100 Years
Engineering Structures	20 to 75 Years
Land	Not Amortized
Machinery and Equipment	5 to 75 Years
Water Utilities	50 to 75 Years
Work in Progress	Not Amortized

Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. A liability for remediation of contaminated sites is recognized when all the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Township is directly responsible or accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site. As at December 31, 2025, the Township has reported no amounts as liability for contaminated sites.

Asset Retirement Obligation

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; 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. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

Financial Instruments

Cash and equity instruments quoted in an active market are measured at fair value (hierarchy level one – quoted market prices). 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.

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

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

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

2. Cash and Portfolio Investments

Portfolio investments are held bearing interest an average rate of 2.67% with maturities ranging from

January to December 2026.

3. Accounts Receivable

	2025	2024
Federal Government	**$ 219,306**	$ 1,671,969
Provincial Government	**61,526**	71,587
Regional Government and Other	**1,573,188**	1,858,449
Trade Receivables	**1,037,439**	462,847
Taxes Receivable - Current	**345,366**	439,664
Taxes Receivable - Arrears	**353,201**	117,227
Taxes Receivable - Delinquent	**130,829**	9,855
	$ 3,720,855	$ 4,631,598

4. Municipal Finance Authority Cash Deposits

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

Debt Reserve Fund - Cash Deposits	**2025**	2024
Issue 137 - Armstrong/Spallumcheen Fire Hall	**$ 7,626**	$ 7,404

The Township is also required to execute a demand note for each borrowing in the amount of one-half of the average annual principal and interest due, less the amount held back for the debt reserve fund. As at December 31, 2025 the demand note balance was $12,408 (2024-$12,408). The demand notes payable to the MFA are only callable in the event that a local government defaults on its loan obligation. As there has never been a default in the history of the MFA, it is unlikely that the demand notes will be called; therefore, the contingent liability has not been recorded in the financial statements.

5. Accounts Payable and Accrued Liabilities

	2025	2024
Trade Payables	**$ 373,584**	$ 2,582,522
Wages and Benefits Payable	**702,694**	597,842
	$ 1,076,278	$ 3,180,364

Employee Future Benefits

The amount of vacation, banked time and sick pay accrued and included in accounts payable and accrued liabilities for the current year is based upon management's best estimate based upon past performance. The estimated total liability for employee future benefits at December 31, 2025 is approximately $595,508 ($530,616 in 2024).

6. Deferred Revenue and Deposits

	2024	Received	Recognized	**2025**
Subdivision Deposits	$ 355,955	$ -	$ -	**$ 355,955**
Prepaid Taxes	390,332	302,508	(257,561)	**435,276**
Business Licences	-	38,950	(38,950)	**-**
Cash-in-lieu Parkland	33,625	-	-	**33,625**
Grants	8,516,331	338,312	(445,357)	**8,409,286**
Development Cost Charges	805,717	82,304	24,382	**912,403**
Performance Deposits	645,304	639,992	(1,090,255)	**195,041**
	$ 10,747,264	$ 1,402,066	$ (1,807,741)	**$ 10,341,586**

In 2020, the Township received a government transfer for improvements in the dyking along Fortune Creek for flood prevention. According to stipulations in the funding agreement any unspent funding at the project term must be repaid. As of year end, $641,064 of the funding was unspent and as a result the Township has deferred the amount.

On March 13, 2020 the Township received $9,388,124 from the Province of BC as an initial payment for the North Okanagan Wastewater Recovery Project. As of year end, $6,514,940 of this funding is unspent and as a result the Township has deferred this amount.

7. Long Term Debt

All long term debt is reported net of sinking fund balances. Sinking fund instalments 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 instalments, payments are suspended by the MFA and the Township's liability is reduced to nil. Should those funds prove to be insufficient at maturity, the resulting deficiency becomes a liability of the Township. All debt issues have a term of 20 years.

	Year	Rate	Amount Borrowed	Sinking Fund	**Balance 2025**	Balance 2024
Issue 17 - Fire	2016	2.60%	600,000	219,985	**380,015**	407,954
			$ 600,000	$ 219,985	**$ 380,015**	$ 407,954

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

	Fire	**Total**
2026	$ 28,916	**$ 28,916**
2027	29,928	**29,928**
2028	30,975	**30,975**
2029	32,059	**32,059**
2030	33,181	**33,181**
Thereafter	224,956	**224,956**
Total	$ 380,015	**$ 380,015**

8. Asset Retirement Obligation

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

a) Asbestos obligation

The Township owns and operates several buildings that are known to contain asbestos, which represents a health hazard and which various regulations require specific considerations upon asset retirement. Following the adoption of PS 3280 – Asset Retirement Obligations, the Township recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings as estimated at December 31, 2023. The buildings all have an estimated useful life of 30-100 years from the date of completion of construction, of which various numbers of years remain. Estimated costs of $1,069,978 have been discounted to the present value using a discount rate of 3.73% per annum (2024 - 4%).

b) Wells

The Township has 19 wells requiring decommissioning at the end of their useful life under the Water Sustainability Act. Following the adoption of PS 3280 – Asset Retirement Obligations, the Township recognized an obligation relating to the decommissioning of wells as estimated at December, 2023. The wells have an estimated useful life of 5-75 years, of which various numbers of years remain. Estimated costs of $190,000 have been discounted to the present value using a discount rate of 3.73% per annum (2024 - 4%).

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

Asset Retirement Obligation	Asbestos Remediation	Well Decommissioning	2025
Opening Balance	$975,387	$159,717	$1,135,104
Additions			
Accretion Expense	46,160	7,744	53,904
Closing Balance	$1,021,547	$167,461	$1,189,008

Asset Retirement Obligation	Asbestos Remediation	Well Decommissioning	2024
Opening Balance	$939,589	$154,029	$1,093,618
Additions			
Accretion Expense	35,798	5,688	41,486
Closing Balance	$975,387	159,717	$1,135,104

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

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

9. Tangible Capital Assets

	Cost				Accumulated Amortization				2025	2024
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	**Net Book Value**	Net Book Value
Land	$ 4,614,032	$ -	-	$ 4,614,032	$ -	$ -	$ -	$ -	**$ 4,614,032**	$ 4,614,032
Buildings and Structures	9,277,181	71,293	-	9,348,474	(3,688,616)	(180,204)	-	(3,868,820)	**5,479,654**	5,588,564
Engineering Structures	84,723,008	3,008,662	-	87,731,670	(64,322,687)	(1,394,093)	-	(65,716,780)	**22,014,890**	20,400,324
Machinery and Equipment	7,700,725	479,245	-	8,179,970	(4,375,901)	(244,659)	-	(4,620,560)	**3,559,410**	3,324,823
Work in Progress	2,226,255	103,895	(2,089,789)	240,361	-	-	-	-	**240,361**	2,226,255
Water Utilities	16,108,073	768,961	-	16,877,034	(921,733)	(205,440)	-	(1,127,173)	**15,749,861**	15,186,339
	$ 124,649,274	$ 4,432,055	$ (2,089,789)	$126,991,541	$ (73,308,937)	$ (2,024,396)	$ -	$ (75,333,333)	**$ 51,658,208**	$ 51,340,337

10. Accumulated Surplus

	2025	2024
Operating Fund		
Operating	**$ 6,303,365**	$ 5,573,088
Roads	**665,583**	665,583
General Government Reserve	**98,973**	98,973
Future Policing Reserve	**335,654**	329,653
Snow Removal Accumulated Deficit	**(161,421)**	(161,840)
Fire Training Centre	**10,281**	10,281
Sewer Operating Reserve	**338,693**	192,208
Stepping Stones Accumulated Surplus	**361,812**	455,961
Pleasant Valley Accumulated Surplus	**201,117**	196,611
Hankey Accumulated Surplus	**74,693**	74,013
Highland Operating Accumulative Surplus	**69,231**	59,407
Larkin Operating Accumulative Surplus	**583,384**	445,785
Stardel Operating Accumulative Surplus	**4,700**	3,036
Lansdowne Operating Reserve	**84,545**	53,690
Round Prairie Accumulated Surplus	**21,965**	20,774
Eagle Rock Accumulated Deficit	**(202,453)**	(211,523)
Silver Star Operating Accumulated Surplus	**743,320**	740,197
	$ 9,533,442	$ 8,545,897
Statutory Reserve Fund		
External Equipment Reserve	**317,340**	293,880
Capital Infrastructure Reserve	**1,440,457**	1,344,385
Internal Equipment Reserve	**1,768**	1,701
Joint Fire Department Reserve	**339,501**	338,293
Joint Cemetery Reserve	**119,277**	119,277
Joint Parks & Rec Reserve	**122,396**	121,900
Park Sales Land Reserve	**117,388**	113,776
Water Source Development Reserve	**45,000**	45,000
Reserve for Grant Independence	**248,279**	248,279
	2,751,406	2,626,491
Community Works Fund	**3,549,575**	3,226,064
Growing Communities Fund	**898,000**	898,000
Capital Fund		
General Capital Fund	**39,052,701**	39,151,467
Water Capital Fund	**11,260,157**	10,687,298
	50,312,858	49,838,765
	$ 67,045,281	$ 65,135,217

10. Accumulated Surplus (Continued)

	2025	2024
Capital Fund, Beginning of Year	**$ 49,838,765**	$ 44,673,689
Amortization of Tangible Capital Assets	**(1,896,110)**	(1,937,952)
Acquisition of Tangible Capital Assets	**2,342,264**	7,076,034
Principal Payment	**21,217**	21,217
Actuarial Adjustment	**6,722**	5,777
Capital Fund, End of Year	**$ 50,312,858**	$ 49,838,765

	2025	2024
Community Works Fund, Beginning of Year	**$ 3,226,063**	$ 3,547,754
Grants Received	**305,060**	305,060
Interest Income	**90,077**	123,297
Project Expenditures	**(71,625)**	(750,047)
Community Works Fund, End of Year	**$ 3,549,575**	$ 3,226,064

	2025	2024
Statutory Reserve Fund, Beginning of Year	**$ 2,626,491**	$ 2,880,243
Interest Income	**124,915**	174,767
Expenditures	**-**	(428,519)
Statutory Reserve Fund, End of Year	**$ 2,751,406**	$ 2,626,491

11. Contingent Liabilities

Regional District of North Okanagan

The Township is a member of the North Okanagan Regional District and is liable for its proportion of any operating deficits or long-term debt related to functions in which it participates.

Municipal Insurance Association of BC

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

Municipal Pension Plan

The Township and its employees contribute to the Municipal Pension Plan ("the Plan"), a jointly trusteed 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 provided are based on a formula. As at December 31, 2024, the Plan has about 273,000 active members and 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 actuarial valuation for the Municipal Pension Plan, as at December 31, 2024, indicated a $2,675 million funding surplus for basic pension benefits on a going concern basis.

The Township paid $149,338 ($148,756 in 2024) for employer contributions to the plan in the fiscal year.

The next valuation will be as at December 31, 2027.

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 the individual employers participating in the plan.

12. Taxation

	2025 Budget	**2025 Actual**	2024 Actual
Taxation			
General Municipal Purposes	$ 7,626,296	**$ 8,014,485**	$ 7,324,548
1% Utility Taxes	152,622	**152,622**	148,866
Collections on behalf of other Governments			
School District	-	**3,371,244**	3,229,222
Regional District	-	**415,095**	385,457
Regional Hospital District	-	**495,188**	482,931
Municipal Finance Authority	-	**424**	423
BC Assessment Authority	-	**85,612**	82,890
Okanagan Regional Library	-	**253,061**	243,541
Improvement Districts	-	**554,036**	537,800
	7,778,918	**13,341,767**	12,435,678
Collections on behalf of other Governments			
School District	-	**(3,370,656)**	(3,150,546)
Regional District	-	**(415,095)**	(379,249)
Regional Hospital District	-	**(495,188)**	(474,384)
Municipal Finance Authority	-	**(427)**	(416)
B.C. Assessment Authority	-	**(85,612)**	(81,552)
Okanagan Regional Library	-	**(253,061)**	(239,921)
Improvement Districts	-	**(554,036)**	(537,800)
	-	**(5,174,075)**	(4,863,868)
	$ 7,778,918	**$ 8,167,692**	$ 7,571,810

13. Parcel Taxes

	2025 Budget	**2025 Actual**	2024 Actual
Stepping Stones	207,001	**171,274**	13,674
Pleasant Valley	33,242	**41,922**	13,320
Hankey	11,709	**10,379**	5,835
Highland Park	35,317	**46,722**	10,327
Larkin	177,442	**209,139**	81,371
Eagle Rock	189,109	**370,476**	18,031
Stardel	9,075	**12,196**	5,223
Lansdowne	91,534	**116,034**	50,201
Round Prairie	13,473	**13,196**	5,611
Silver Star	178,666	**205,035**	65,122
	$ 946,568	**$ 1,196,373**	$ 268,715

14. Government Transfers

	2025 Budget	**2025 Actual**	2024 Actual
Federal	$ 1,597,045	**641,832**	$ 2,347,111
Provincial	1,806,146	**956,618**	982,661
Regional and Other	326,129	**305,070**	305,060
	$ 3,729,320	**$ 1,903,520**	$ 3,634,832

15. Sale of Services

	2025 Budget	**2025 Actual**	2024 Actual
Administrative	$ 331,794	**$ 196,149**	$ 111,726
Animal Control	655	**698**	702
Building Permits	157,662	**185,927**	195,431
Business Licenses	39,750	**28,850**	29,730
Protective Services	-	**7,638**	650
Public Works	-	**32,976**	55,744
Water User Fees	97,157	**1,197**	609,599
Zoning and Development	11,037	**-**	-
	$ 638,055	**$ 453,435**	$ 1,003,582

16. Expenses by Object

	2025 Actual	2024 Actual
Amortization	**$ 2,024,396**	$ 1,937,952
Contracted Services	**3,226,009**	3,850,839
Insurance	**68,174**	142,632
Interest and Bank Charges	**483,909**	(289,495)
Materials and Supplies	**2,066,275**	1,927,389
Other	**312,139**	514,870
Professional Fees	**261,651**	280,614
Salaries and Benefits	**2,079,154**	1,853,487
Travel and Conferences	**70,238**	59,829
	$ 10,591,945	$ 10,278,117

17. Financial Plan

The Financial Plan anticipated use of surpluses accumulated in previous years to balance against current year expenditures in excess of current year revenue. The following shows how these amount were combined.

	2025
Add Back:	
Capital Expenditures	**$ 5,530,387**
Debt Principal Payment	**21,217**
Less:	
Budgeted Transfers from Accumulated Surplus	**(417,279)**
Adjusted Annual Surplus	**$ 5,134,325**

18. Segment Disclosures

The Township of Spallumcheen is a local government that provides a range of services to its citizens. For management reporting purposes, the Township's operations are reported in the following departments:

General Government Services

This department includes legislative, administration, and finance functions. Legislative sets bylaws and policies for the governance of the Township in accordance with the Community Charter. Administration coordinates the operation of the Township in accordance with policies set by Council, and is responsible for human resources, organizational changes, strategic planning, Information Systems, GIS and records management. Finance provides financial reporting, investment of excess funds, advice and guidance to Council and Administration, financial planning and budgeting, fee collection, and payroll administration.

Protective Services

This department includes bylaw enforcement, emergency planning, fire protection, and animal control. Bylaw Enforcement ensures that the Township's bylaws are enforced in accordance with council policy. Emergency Planning ensures that disaster plans are in place for the safety of the Township's residents. The Fire Department provides fire suppression service, fire prevention programs, and training and education. Animal Control provides dog licences and controls the animal population.

Transportation Services

This department delivers municipal Public Works services related to the planning, development and maintenance of roads and street lighting.

Environmental Health Services

This department provides recycling services and West Nile Virus surveillance.

Public Health and Welfare Services

This department provides cemetery services.

Community Development Services

This department provides town planning, community development, and parks and riverbank planning, ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and bylaws for the protection of occupants, and facilitates economic development by providing approval of all land development plans, application and enforcement of zoning bylaws, and processing of building permit applications.

Recreational and Cultural Services

This department provides parks maintenance, recreation programs, and cultural programs.

Joint Functions

This department provide parks and recreation, fire, and cemetery services shared with the City of Armstrong.

Water Supply

This department provides water to specified areas in the Township.

The accounting policies used for these segments are consistent with those followed in preparation of the financial statements as disclosed in Note . For additional information see Schedule 1 - Segment Disclosures.

19. Trust Funds

The Township has excluded the following trust funds and associated cash from the Statement of Financial Position and related interest earnings and transaction from the Statement of Operations and Accumulated Surplus:

a) Cemetery Trust Fund

The Township operates and maintains the Armstrong Spallumcheen Cemetery. As required under Provincial legislation, a portion of the plot sales and marker installation fees must be retained for the future maintenance of the cemetery.

	2025	2024
Balance, beginning of year	**240,141**	215,912
Interest income	**13,222**	16,545
Care fund contributions	**5,072**	7,684
Balance, end of year	**258,435**	240,141

20. Liability for Contaminated Site

As part of the amalgamation of the Eagle Rock Waterworks District that occured on January 1, 2023, the Township took on a liability for contaminated site. During 2022, the Waterworks District identified a contamination in one of its wells. Under the Drinking Water Protection Act and Regulations, the Interior Health Authority has directed the District that the well cannot be used for the supply of drinking water until the contamination is remediated. The estimated cost of the remediation of the well is $75,000. There is a risk that the actual cost of remediation could exceed this estimate. The District has not yet confirmed the source of the contamination and therefore is uncertain whether a portion of this liability may be mitigated by a claim against a third party. No potential recovery has been recorded to offset the liability.

21. Comparative Figures

Certain comparative amounts presented in the financial statements have been restated to conform to current year's presentation.

22. Joint Functions

The Township participates in the following shared services with the City of Armstrong:

Fire Protection

58.66% of operating revenues and expenses (the rate is calculated from the proportion of taxable property assessments on improvements only), and 60% of all capital costs.

Cemetery

50% of operating revenues, expenses and capital costs.

Parks & Recreation

49.92% of operating revenues and expenses (rate is calculated from the proportion of population based on the most recent Federal census) and 50% of all capital costs.

The Township's proportionate share of revenues, expenses, assets and liabilities are recognized as follows in the financial statements:

2025	Fire Protection	Cemetery	Parks & Recreation
Revenue	$ 45,000	$ 81,486	$ 833,534
Expense	1,070,629	114,714	2,191,651
Due to/from City of Armstrong	9,638	(16,613)	-
Due to/from Parks & Recreation Commission	-	-	1,495
Tangible Capital Assets	2,262,766	128,472	4,471,880

2024	Fire Protection	Cemetery	Parks & Recreation
Revenue	$ 55,572	$ 52,866	$ 409,720
Expense	561,573	62,276	1,041,565
Due to/from City of Armstrong	(45,708)	(27,618)	-
Due to/from Parks & Recreation Commission	-	-	15,766
Tangible Capital Assets	2,204,489	130,036	4,527,293

23. Financial Instruments

Financial Instrument Risk Management

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

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

Credit risk

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

The Township manages it credit risk with respect to cash and portfolio investments by maintaining its investments with reputable financial institutions. The maximum exposure to credit risk at the financial statement date is the carrying value of its cash and accounts receivable as outlined in Note 3. Accounts receivable arise primarily as a result of utilities, and grants receivable. Based on this knowledge, credit risk of cash and accounts receivable are assessed as low.

The Municipality 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 Municipality has reduced exposure to market or value risk.

Liquidity risk

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

The Township manages this risk by the ability to increase tax rates per bylaw in order to increase cash. Also to help manage the risk, the Municipality has in place a planning, budgeting and forecasting process to help determine the funds required to support the normal operating requirements. The Townhship's five-year financial plan is approved by the Mayor and Council, which includes operational activities and capital investments. The Township measures its exposure to liquidity risk based on extensive budgeting.

Interest rate risk

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

The Township 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 following the date of the original debt issuance. See Note 7 for interest rates and maturity dates for long-term debt.

Township of Spallumcheen

Schedule 1 - Segment Disclosures - Current Year

For the year ended December 31, 2025

	General Government	Protective Services	Transportation Services	Community Development	Sewer Services	Joint Functions	Other Services*	Water Supply	**2025 Total**
Revenues									
Taxation	$ 8,167,693	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ 8,167,693**
Parcel Taxes	-	-	-	-	-	-	-	1,196,373	**1,196,373**
Government Transfers	1,518,795	24,551	-	-	197,047	-	119,489	43,638	**1,903,520**
Sale of Services	224,996	8,336	32,976	185,927	-	-	-	1,200	**453,435**
Portfolio Investments	508,445	-	-	-	-	-	90,655	43,758	**642,858**
Other Revenue	138,124	-	-	-	-	-	-	-	**138,124**
	10,558,053	32,887	32,976	185,927	197,047	-	210,144	1,284,969	**12,502,003**
Expenses									
Amortization	25,196	-	1,567,786	-	-	226,639	-	204,775	**2,024,396**
Contracted Services	35,310	911,604	266,811	181,867	251,452	1,330,686	11,483	236,796	**3,226,009**
Insurance	31,633	68	36,473	-	-	-	-	-	**68,174**
Interest and Bank Charges	468,952	-	-	-	-	-	14,957	-	**483,909**
Materials and Supplies	37,765	262	1,622,421	11,785	-	-	7,574	386,464	**2,066,271**
Other	137,803	58,451	43,083	27,301	-	-	207	45,294	**312,139**
Professional Fees	234,074	-	9,098	17,818	-	-	-	661	**261,651**
Salaries and Benefits	1,365,076	151,772	308,279	133,801	-	-	2,635	117,591	**2,079,154**
Travel and Conferences	56,514	-	3,012	9,209	-	-	-	1,503	**70,238**
	2,392,323	1,122,157	3,856,963	381,781	251,452	1,557,325	36,856	993,084	**10,591,941**
	$ 8,165,730	$ (1,089,270)	$ (3,823,987)	$ (195,854)	$ (54,405)	$ (1,557,325)	$ 173,288	$ 291,885	**$ 1,910,059**

*Environmental Health Services, Public Health & Welfare Services, Recreational and Cultural Services, Fiscal Services

Township of Spallumcheen

Schedule 1 - Segment Disclosures - Prior Year

For the year ended December 30, 2024

	General Government	Protective Services	Transportation Services	Community Development	Sewer	Joint Functions	Other Services*	Water Supply	2024 Total
Revenues									
Taxation	$ 7,571,810	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ 7,571,810**
Parcel Taxes	2,712,898	-	-	-	-	-	-	268,715	**2,981,613**
Government Transfers	-	29,500	-	-	583,691	-	273,419	35,324	**921,934**
Sale of Services	141,455	1,352	55,744	195,431	-	-	-	609,599	**1,003,581**
Portfolio Investments	851,121	-	-	-	-	-	362,897	74,107	**1,288,125**
Other Revenue	149,385	-	-	-	-	-	-	-	**149,385**
	11,426,669	30,852	55,744	195,431	583,691	-	636,316	987,745	**13,916,448**
Expenses									
Amortization	20,439	-	1,541,432	-	-	199,243	-	176,838	**1,937,952**
Contracted Services	53,906	771,481	245,994	67,754	800,102	1,213,283	12,910	685,409	**3,850,839**
Insurance	112,813	200	29,619	-	-	-	-	-	**142,632**
Interest and Bank Charges	(309,584)	-	-	-	-	-	20,089	-	**(289,495)**
Materials and Supplies	23,539	2,547	1,569,182	15,321	-	-	4,131	312,669	**1,927,389**
Other	239,087	114,651	34,996	84,462	-	-	163	41,511	**514,870**
Professional Fees	253,739	-	16,117	10,758	-	-	-	-	**280,614**
Salaries and Benefits	1,223,626	48,068	290,292	163,704	-	-	1,360	126,437	**1,853,487**
Travel and Conferences	56,106	-	1,520	759	-	-	-	1,444	**59,829**
	1,673,671	936,947	3,729,152	342,758	800,102	1,412,526	38,653	1,344,308	**10,278,117**
	$ 9,752,998	$ (906,095)	$ (3,673,408)	$ (147,327)	$ (216,411)	$ (1,412,526)	$ 597,663	$ (356,563)	**$ 3,638,331**

*Environmental Health Services, Public Health & Welfare Services, Recreational and Cultural Services, Fiscal Services