

The City of Salmon Arm
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 City of Salmon Arm are the responsibility of management and have been approved by the Chief Financial Officer and Council.

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 judgments. 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 City of Salmon Arm 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 City of Salmon Arm's assets are appropriately accounted for and adequately safeguarded.

The City of Salmon Arm's Chief Financial Officer and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and are ultimately responsible for reviewing and approving the financial statements.

The Chief Financial Officer and Council members meet 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 in accordance with Canadian generally accepted auditing standards. The independent auditor's report expresses their opinion on these financial statements. The auditors have full and free access to the accounting records and the Chief Financial Officer and Council of the The City of Salmon Arm.

Signed by:



Chief Financial Officer

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Signed by:



Mayor

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Independent Auditor's Report

To the Mayor and Council of the City of Salmon Arm

Opinion

We have audited the financial statements of the City of Salmon Arm (the "City"), which comprise the statement of financial position as at December 31, 2025, and the statements of operations, 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 City 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 City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unaudited Information

We draw attention to the fact that the supplementary information included in Schedules 1 through 3 does not form part of the financial statements. We have not audited or reviewed this supplementary information and, accordingly, we do not express an audit opinion, a review conclusion or any other form of assurance on this supplementary information.

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

Those charged with governance are responsible for overseeing the City'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 City'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 City'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 City 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

Salmon Arm, British Columbia
May 12, 2026

The City of Salmon Arm
Statement of Financial Position

As at December 31	2025	2024
Financial Assets		
Cash	\$ 3,467,128	\$ 3,964,360
Investments (Note 2)	93,873,798	90,302,839
Accounts Receivable		
Property Taxes	1,162,755	977,090
Trade	1,906,679	2,213,147
Water and Sewer Levies	489,721	616,399
Land Held for Sale	-	500,798
Inventories for Resale	75,365	98,140
M.F.A Debt Reserve (Note 3)	571,565	1,449,934
Loan Receivable (Note 4)	154,000	161,000
	<u>101,701,011</u>	<u>100,283,707</u>
Liabilities		
Accounts Payable and Accrued Liabilities	7,543,252	10,187,670
Assets Retirement Obligation (Note 5)	5,347,244	5,955,689
Deposits and Performance Bonds	1,482,869	1,801,579
Prepaid Property Taxes and Levies	3,387,337	3,380,588
Deferred Revenues (Note 6)	351,235	832,721
Deferred Development Cost Charges (Note 7)	17,417,610	16,113,359
Long Term Obligations	115,366	138,439
Long-Term Debt (Note 8)	17,177,040	19,931,587
	<u>52,821,953</u>	<u>58,341,632</u>
Net Financial Assets	<u>48,879,058</u>	<u>41,942,075</u>
Non-Financial Assets		
Tangible Capital Assets (Note 9)	251,413,206	250,344,353
Inventories of Supplies	881,339	928,997
Prepaid Expenses	296,696	33,154
	<u>252,591,241</u>	<u>251,306,504</u>
Accumulated surplus (Note 10)	<u>\$301,470,299</u>	<u>\$293,248,579</u>

Signed by:  _____ Chief Financial Officer
 Patrick Gramiak, CPA, CA

The City of Salmon Arm
Statement of Operations

For The Year Ended December 31	Budget 2025 (Note 15)	Actual 2025	Actual 2024
Revenues			
Taxation - Net (Note 11)	\$ 24,210,502	\$ 24,130,799	\$ 22,667,107
Transportation Parcel Tax (Note 11)	1,179,300	1,184,250	1,171,050
Frontage Tax (Note 11)	2,876,695	2,889,375	2,507,054
Government Transfers (Note 12)	5,203,700	3,289,392	3,793,783
Grants - Other	379,405	430,135	123,627
Sales of services	10,026,810	9,727,893	9,070,216
Licenses, Permits and Fines	938,050	801,585	946,960
Rentals, Leases and Franchises	963,105	931,982	1,004,654
Return on Investments	2,040,681	3,277,408	4,412,594
Penalties and Interest	314,000	357,510	312,784
Other Revenue	48,300	446,085	47,654
Development and Other Contributions	1,373,810	1,737,082	917,929
Loss on Disposal of Tangible Capital Assets	-	(253,840)	-
Gain on Asset Retirement Obligation Settlements	-	338,442	-
	<u>49,554,358</u>	<u>49,288,098</u>	<u>46,975,412</u>
Expenses			
General Government Services	8,205,466	6,544,992	5,957,073
Protective Services	8,225,952	7,120,130	7,672,886
Transportation Services	6,116,880	11,134,372	11,293,948
Environmental, Health and Development Services	4,363,767	3,865,434	3,754,195
Recreation and Cultural Services	5,219,185	4,825,371	4,652,794
Water and Sewer Services	5,861,861	7,576,079	7,137,097
	<u>37,993,111</u>	<u>41,066,378</u>	<u>40,467,993</u>
Annual Surplus	11,561,247	8,221,720	6,507,419
Accumulated Surplus, Beginning of Year	<u>293,248,579</u>	<u>293,248,579</u>	<u>286,741,160</u>
Accumulated Surplus, End of Year	<u>\$304,809,826</u>	<u>\$301,470,299</u>	<u>\$293,248,579</u>

The accompanying notes to the financial statements and schedules are an integral part of these financial statements.

The City of Salmon Arm
Statement of Change in Net Financial Assets

For The Year Ended December 31	Budget 2025 (Note 15)	Actual 2025	Actual 2024
Annual surplus	\$ 11,561,247	\$ 8,221,720	\$ 6,507,419
Acquisition of Tangible Capital Assets	-	(12,056,045)	(10,815,230)
Amortization of Tangible Capital Assets	-	9,946,737	9,758,926
Disposal of Tangible Capital Assets	-	1,040,455	-
	11,561,247	7,152,867	5,451,115
Acquisition of Inventories of Supplies	-	(881,339)	(928,997)
Acquisition of Prepaid Expenses	-	(296,696)	(33,152)
Usage of Inventories of Supplies	-	928,997	582,285
Usage of Prepaid Expenses	-	33,154	30,888
Net Change in Net Financial Assets	11,561,247	6,936,983	5,102,139
Net Financial Assets, Beginning of Year	41,942,075	41,942,075	36,839,936
Net Financial Assets, End of Year	\$ 53,503,322	\$ 48,879,058	\$ 41,942,075

The accompanying notes to the financial statements and schedules are an integral part of these financial statements.

The City of Salmon Arm
Statement of Cash Flows

For the Year Ended December 31	2025	2024
Cash Flows from Operating Activities		
Annual Surplus	\$ 8,221,720	\$ 6,507,419
Items Not Involving Cash		
Actuarial Adjustments on Long-Term Debt	(757,873)	(692,109)
Amortization Expense	9,946,737	9,758,926
Accretion Expense	226,316	150,924
Developer Contributed Tangible Capital Assets	(1,067,176)	(397,806)
Loss on Disposal of Tangible Capital Assets	253,840	-
Gain on Settlement of Asset Retirement Obligation	(338,442)	-
Changes in Non-Cash Operating Items		
Accounts Receivable	247,481	(980,829)
Accounts Payable	(1,194,484)	3,534,187
Deferred Revenues	(481,486)	33,817
Deferred Development Cost Charges	1,304,251	2,179,209
Deposits and Performance Bonds	(318,710)	(133,923)
Inventories for Resale	22,775	16,397
Inventories of Supplies	47,658	(346,712)
Loan Receivable	7,000	7,000
Long Term Liability	(23,073)	(23,073)
Prepaid Expense	(263,542)	(2,266)
Prepaid Property Taxes and Levies	6,749	(486,903)
	<u>15,839,741</u>	<u>19,124,258</u>
Cash Flows From Investing Activity		
Increase in Investments	<u>(3,570,959)</u>	<u>(6,332,984)</u>
Cash Flows From Capital Activity		
Acquisition of Tangible Capital Assets	(10,988,869)	(10,417,420)
Proceeds on Disposal of Tangible Capital Assets	995,264	-
Retirement of Asset Retirement Obligations	(502,757)	-
	<u>(10,496,362)</u>	<u>(10,417,420)</u>
Cash Flows from Financing Activities		
Issuance of Long Term Debt	-	125,000
Repayment of Long Term Debt	(2,269,652)	(1,048,421)
	<u>(2,269,652)</u>	<u>(923,421)</u>
(Decrease) Increase In Cash During Year	(497,232)	1,450,433
Cash, Beginning of Year	<u>3,964,360</u>	<u>2,513,927</u>
Cash, End of Year	<u>\$ 3,467,128</u>	<u>\$ 3,964,360</u>

The accompanying notes to the financial statements and schedules are an integral part of these financial statements.

The City of Salmon Arm
Notes to the Financial Statements

December 31, 2025

1. Summary of Significant Accounting Policies

Nature of Business	The City of Salmon Arm (the "City") is incorporated under the laws of British Columbia and is engaged in the operation of a municipality.
Basis of Presentation	The financial statements include the accounts of all funds of the City. All inter fund transactions have been eliminated. The statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).
Accrual Accounting	The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or creation of a legal obligation to pay.
Revenue Recognition	<p>Revenues from transactions with performance obligations are recognized when (at a point in time) or as (over a period of time) the City satisfies the performance obligations, which occurs when control of the benefits associated with the the promised goods or services has passed to the payor.</p> <p>The City recognizes revenue from users of the water, sewer, solid waste disposal, building permits, and rentals of City property services on a straight-line basis over the period of time that the relevant performance obligations are satisfied by the City.</p> <p>The City recognizes revenue from administrative services, development permits, sales of goods and other licenses and permits at the point in time that the City has performed the related performance obligations and control of the related benefits has passed to the payor.</p> <p>Revenue from transactions without performance obligations is recognized at realizable value when the City has 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.</p> <p>The City recognizes revenue from tax penalties and interest, parking fines, and other revenue without associated performance obligations at the realizable value at the point in time when the City is authorized to collect these revenues.</p>

Revenue Recognition

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.

Government grants and transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, eligibility criteria has been met and reasonable estimates on the amount can be made.

The accounts are maintained on an accrual basis except for temporary borrowing of the City. Grants in lieu of taxes are also recorded on a cash basis because it is not possible to estimate the amounts receivable.

Restricted Revenue

Contributions, other than government transfers, are deferred when restrictions are placed on their use by the external contributor, and are recognized as revenue when used for the purpose specified.

Financial Instruments

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 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.

Financial Instruments	<p>All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.</p> <p>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.</p>
Government Transfers	<p>When the City is the recipient, government transfers are recognized as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.</p> <p>When the City is the transferor, government transfers are recognized as an expense when they are authorized and all eligibility criteria have been met by the recipient.</p>
Development Cost Charges	<p>Development cost charges (DCC) collected to pay for capital costs due to development are recorded as deferred revenue. DCC's are recognized as revenue during the period in which the related development costs are incurred.</p>
Deferred Revenue	<p>The City 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 business licenses, recycling fees, 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.</p>
Non-Financial Assets	<p>Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.</p>

Tangible Capital Assets and Amortization

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all cost directly attributable to the acquisition or construction of the tangible capital asset, including transportation, site preparation, design, engineering, and legal fees. 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. Tangible capital assets are written down when conditions indicate that they no longer contribute to the organization's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations. Various works of art and historic assets located throughout City Hall. They are not reflected in these financial statements. 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:

Buildings	10 to 50 years
Information Technology infrastructure	3 to 10 years
Machinery and Equipment	5 to 25 years
Parks Infrastructure	10 to 100 years
Transportation infrastructure	10 to 75 years
Utility infrastructure	20 to 70 years
Vehicles	10 to 25 years

Inventories

Inventories for resale are classified as financial assets and are measured at the lower of cost and net realizable value. Inventories of supplies are classified as non-financial assets and are measured at the lower of cost and replacement cost.

Reserves

Reserves for future expenditures are non-statutory reserves which represent an appropriation of surplus for specific purposes. Transfers to reserves for future expenditures represent amounts set aside to finance future projects and accumulations for specific purposes.

Statutory reserve funds are restricted by the Community Charter and associated Municipal Bylaws. Statutory reserve funds are funded 100% by cash and investments.

Long Term Debt

Long term debt is recorded net of any sinking fund balances. Debt charges, including interest, are charged to current operations. Interest charges are accrued for the period from the date of the last interest payment to the end of the year.

Employee Future Benefits

The City participates in a multi-employer defined benefit pension plan, however, sufficient information is not available to use defined benefit accounting. Therefore, the City accounts for the plan as if it were a defined contribution plan. As such, no pension liability is included in the City's financial statements and contributions are recognized as an expense in the year to which they relate. All full-time employees are eligible to participate in the plan. Contributions are a defined amount based upon a set percentage of salary.

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 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.

Contaminated Sites

Governments are required to accrue a liability for the costs to remediate a contaminated site. Liabilities are recognized when an environmental standard exists, contamination exceeds the standard, the government has responsibility for remediation, future economic benefits will be given up and a reasonable estimate can be made.

Management has assessed its potential liabilities under the new standard including sites that are no longer in productive use and sites which the City accepts responsibility. There were no such sites that had contamination in excess of an environmental standard which required remediation at this time, therefore no liability was recognized as at December 31, 2025.

Budget Figures

The budget figures are from the Annual Budget Bylaw adopted on or before May 15 of each year. They have been reallocated to conform to PSAS financial statement presentation. Subsequent amendments have been made by Council to reflect changes in the budget as required by law.

Use of Estimates

The preparation of the financial statements 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 management's best estimates as additional information becomes available in the future. Significant estimates in these financial statements include the valuation of accounts receivable, useful life and amortization of tangible capital assets, asset retirement obligations, and contingent liabilities.

Loan Guarantees

The City has guaranteed a loan to assist the Salmon Arm Tennis Club in the financing and construction of an Indoor Tennis Facility. When it is determined that a loss is likely, a provision for loss is recorded. The provision is determined using the best estimates available and taking into consideration the principal amount outstanding, any guaranteed accrued and unpaid interest, any amounts recoverable from the borrower and from the sale of assets pledged as security, and all known circumstances. The provision for loan losses is reviewed by management on an annual basis

The City of Salmon Arm
Notes to the Financial Statements

December 31, 2025

2. Investments

	2025	2024
Guaranteed Investment Certificate	\$ -	\$ 3,000,000
MFA Pooled Investment Funds	94,336,194	87,707,072
Debenture Bonds	300,000	300,000
Less amounts held in trust (Note 16)	(762,396)	(704,233)
	\$ 93,873,798	\$ 90,302,839

Investments are carried at cost or amortized cost.

MFA pooled investment funds earn rates of return that are based on the market performance of a basket of securities with no fixed rate of return. The 2025 annual rate of return was 2.88% (2024 - 4.82%).

Debenture bonds have a floating interest rate of interest per annum, with a maturity date of October 2083.

3. Municipal Finance Authority (M.F.A) Debt Reserve

The City issues the majority of its debt instruments through the Municipal Finance Authority. As a condition of these borrowings, a portion of the debenture proceeds are withheld as cash deposits by the Municipal Finance Authority as a Debt Reserve Fund. The City also executes demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the Municipal Finance Authority. These demand notes are contingent in nature.

The details of the cash deposits and demand notes at the year end are as follows:

	Demand Notes	Cash Deposits	Total
General Fund	\$ 478,581	\$ 348,777	\$ 827,358
Water Fund	358,128	199,641	557,769
Sewer Fund	35,575	23,147	58,722
	\$ 872,284	\$ 571,565	\$ 1,443,849

December 31, 2025

4. Loan Receivable

The City has entered into a loan agreement with the Salmon Arm Tennis Club to assist in the financing of an Indoor Tennis Facility at 3440 Okanagan Avenue SE, Salmon Arm, BC. The outstanding balance at December 31, 2025 was \$154,000 (2024 - \$161,000). The loan is non-interest bearing with monthly payments of \$583, and is scheduled to mature in December 2047.

5. Asset Retirement Obligations

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

a) Buildings

The City owns and operates several buildings that are known to have asbestos and lead paint which represents a health hazard upon remediation, that creates a legal obligation to remove it. The buildings all have an estimated useful life of 10 to 50 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 3.8% per annum (2024 - 2.6%). The undiscounted remediation costs is estimated to be \$2,259,533.

b) Leases

The City has entered into various lease agreements for land use for parks, IT, and transportation infrastructure. The lease terms create legal obligations for the City to remove structures upon termination of the agreements. The lease terms range from 3 to 100 years. Estimated costs have been discounted to present value using a discount rate of 3.8% per annum (2024 - 2.6%). The undiscounted remediation costs is estimated to be \$1,175,755.

c) Utility Infrastructure

The City owns underground pipes used for utility delivery that contain asbestos. There is a legal obligation to remove any portions of the pipes that are exposed. The pipes all have an estimated useful life of 20 to 70 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 3.8% per annum (2024 - 2.6%). The undiscounted remediation costs is estimated to be \$2,320,500.

d) Other Hazardous Assets

The City owns several other assets that have a legal obligation to remediate due to hazardous substances. These assets include fuel tanks and transformers containing PCBs. The assets all have an estimated useful life of 40 to 55 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 3.8% per annum (2024 - 2.6%). The undiscounted remediation costs is estimated to be \$26,884.

The City of Salmon Arm
Notes to the Financial Statements

December 31, 2025

5. Asset Retirement Obligations (continued)

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

Asset Retirement Obligation	General	Sewer	Water	2025
Opening Balance	\$ 3,679,112	\$ 1,391,179	\$ 885,398	\$ 5,955,689
Additions	6,228	-	-	6,228
Settlements	(330,318)	(4,653)	(3,261)	(338,232)
Change in Estimate	(250,126)	(154,112)	(98,519)	(502,757)
Accretion Expense	139,806	52,865	33,645	226,316
Closing Balance	<u>\$ 3,244,702</u>	<u>\$ 1,285,279</u>	<u>\$ 817,263</u>	<u>\$ 5,347,244</u>

Asset Retirement Obligation	General	Sewer	Water	2024
Opening Balance	\$ 3,585,879	\$ 1,355,925	\$ 862,961	\$ 5,804,765
Additions	-	-	-	-
Settlements	-	-	-	-
Change in Estimate	-	-	-	-
Accretion Expense	93,233	35,254	22,437	150,924
Closing Balance	<u>\$ 3,679,112</u>	<u>\$ 1,391,179</u>	<u>\$ 885,398</u>	<u>\$ 5,955,689</u>

The City of Salmon Arm
Notes to the Financial Statements

December 31, 2025

6. Deferred Revenue

Deferred revenue consists primarily of business licenses, prepaid recycling fees, and conditional grants received from government and non-government sources. Business licenses are recognized in the year in which they are valid. Recycling fees are recognized when recycling services are provided. Conditional grants are recognized as revenue when all criteria have been met.

	2024	Received	Recognized in Revenue	2025
Recycling User Fee Rebate	\$ 268,215	\$ 297,103	\$ (565,318)	\$ -
Grants	193,931	160,073	(232,453)	121,551
Other	370,575	495,516	(636,407)	229,684
Total Deferred Revenue	\$ 832,721	\$ 952,692	\$ (1,434,178)	\$ 351,235

7. Development Cost Charges

Development cost charges ("DCC's") are imposed by the City for the purposes of providing funds to pay the capital costs of providing, constructing, altering or expanding infrastructure, as well as acquiring and improving parkland. The funds are recorded as restricted revenues when received and are recognized as revenue when the related expenses are incurred.

	2024	Interest	Contribution from Developers	Transfers	2025
Drainage	\$2,522,825	\$78,708	\$132,456	\$ -	\$ 2,733,989
Parks	1,018,641	32,481	129,093	-	1,180,215
Water	4,973,703	155,768	321,812	(211,468)	5,239,815
Sewer	4,854,661	152,124	328,725	-	5,335,510
Highways	2,743,529	85,928	178,360	(79,736)	2,928,081
	\$16,113,359	\$505,009	\$1,090,446	\$ (291,204)	\$ 17,417,610

The City of Salmon Arm
Notes to the Financial Statements

December 31, 2025

8. Long Term Debt

	Bylaw	Maturity Date	Interest Rate	Balance Outstanding 2025	Balance Outstanding 2024
General Fund					
City Hall and Law Courts	3334	2034	5.950	\$ 4,556,358	\$ 4,972,868
City Hall and Law Courts	3479	2035	0.973	344,551	379,485
Blackburn Park	3569	2027	3.900	42,727	64,167
Underpass 20/21 Street	3758	2029	2.250	651,872	818,932
New Cemetery	4048	2040	2.750	710,133	748,475
Blackburn Park Improvement	4072	2035	2.750	290,793	316,679
Airport Taxiway Charlie	4289	2040	1.990	659,400	701,661
Ross Street Underpass	4500	2049	2.240	4,574,490	4,708,551
Property Acquisition	4549	2026	4.050	212,000	318,000
				<u>\$ 12,042,324</u>	<u>\$ 13,028,818</u>
Water Fund					
Water	3458	2025	1.530	\$ 23,235	\$ 72,167
Water	3551	2026	1.530	67,432	147,802
Water	3576	2028	3.790	1,639,969	2,403,846
Water	3816	2030	1.280	-	780,068
Water	3793	2041	1.470	32,227	33,840
Water	4644	2028	4.050	100,000	100,000
Water	4543	2026	4.050	2,225,000	2,225,000
				<u>\$ 4,087,863</u>	<u>\$ 5,762,723</u>
Sewer Fund					
Sewer	4051	2035	2.750	1,046,853	1,140,046
				<u>1,046,853</u>	<u>1,140,046</u>
				<u>\$ 17,177,040</u>	<u>\$ 19,931,587</u>

The gross interest paid relating to the above noted debt was \$1,430,460 (2024 - \$1,436,285).

The City of Salmon Arm
Notes to the Financial Statements

December 31, 2025

8. Long Term Debt (Continued)

Future principle requirements, not including sinking fund additions, on existing debt:

	General Fund	Water Fund	Sewer Fund	Total
2026	\$ 440,633	\$ 399,193	\$ 63,650	\$ 903,476
2027	440,633	345,966	63,650	850,249
2028	428,779	345,965	63,650	838,394
2029	428,779	43,730	63,650	536,159
2030	344,824	43,730	63,650	452,204
2031 and thereafter	3,443,259	1,079,494	318,250	4,841,003
	5,526,907	2,258,078	636,500	8,421,485
Actuarial Adjustment	6,389,578	1,949,179	416,798	8,755,555
Total Long Term Debt	\$ 11,916,485	\$ 4,207,257	\$ 1,053,298	\$ 17,177,040

The City of Salmon Arm
Notes to the Financial Statements

December 31, 2025

9. Tangible Capital Assets

For the Year Ended December 31	Land	Buildings	Machinery and Equipment	Vehicles	Information Technology Infrastructure	Parks Infrastructure	Utility Infrastructure	Transportation Infrastructure	Work In Progress	2025 Total
Cost, Beginning of Year	\$40,060,338	\$ 81,766,456	\$14,518,590	\$ 6,712,725	\$ 2,539,768	\$ 13,156,569	\$ 83,314,440	\$ 171,613,731	\$ 4,775,876	\$ 418,458,493
Additions	251,000	23,650	2,525,548	262,948	183,316	333,829	2,270,230	1,007,758	5,197,766	12,056,045
Work In Progress Completed	-	100,853	-	-	1,696	122,596	108,887	59,920	(393,952)	-
Disposals	(315,000)	(913,917)	(49,724)	(94,456)	-	-	(1,305)	(5,779)	-	(1,380,181)
Assets Held for Resale	-	-	-	-	-	-	-	-	-	-
Balance, End of Year	<u>39,996,338</u>	<u>80,977,042</u>	<u>16,994,414</u>	<u>6,881,217</u>	<u>2,724,780</u>	<u>13,612,994</u>	<u>85,692,252</u>	<u>172,675,630</u>	<u>9,579,690</u>	<u>429,134,357</u>
Accumulated Amortization										
Balance, Beginning of Year	-	32,943,426	6,498,667	4,055,501	1,891,842	7,439,671	33,489,574	81,795,459	-	168,114,140
Amortization	-	1,709,526	936,708	323,609	157,300	352,492	1,434,275	5,032,827	-	9,946,737
Disposals	-	(202,901)	(40,312)	(94,456)	-	-	(901)	(1,156)	-	(339,726)
Balance, End of Year	-	<u>34,450,051</u>	<u>7,395,063</u>	<u>4,284,654</u>	<u>2,049,142</u>	<u>7,792,163</u>	<u>34,922,948</u>	<u>86,827,130</u>	-	<u>177,721,151</u>
Net Book Value, End of Year	<u>39,996,338</u>	<u>46,526,991</u>	<u>9,599,351</u>	<u>2,596,563</u>	<u>675,638</u>	<u>5,820,831</u>	<u>50,769,304</u>	<u>85,848,500</u>	<u>9,579,690</u>	<u>251,413,206</u>

For the Year Ended December 31	Land	Buildings	Machinery and Equipment	Vehicles	Information Technology Infrastructure	Parks Infrastructure	Utility Infrastructure	Transportation Infrastructure	Work In Progress	2024 Total
Cost, Beginning of Year	\$40,561,136	\$ 78,413,411	\$13,806,442	\$ 6,096,691	\$ 2,271,887	\$ 13,136,759	\$ 81,248,765	\$ 166,885,410	\$ 5,763,548	\$ 408,184,049
Additions	-	67,294	645,307	644,049	244,812	19,810	315,049	2,331,550	6,547,359	10,815,230
Assets Held for Resale	(500,798)	-	-	-	-	-	-	-	-	(500,798)
Work In Progress Completed	-	3,285,751	78,814	-	23,069	-	1,750,626	2,396,771	(7,535,031)	-
Disposals	-	-	(11,973)	(28,015)	-	-	-	-	-	(39,988)
Balance, End of Year	<u>40,060,338</u>	<u>81,766,456</u>	<u>14,518,590</u>	<u>6,712,725</u>	<u>2,539,768</u>	<u>13,156,569</u>	<u>83,314,440</u>	<u>171,613,731</u>	<u>4,775,876</u>	<u>418,458,493</u>
Accumulated Amortization										
Balance, Beginning of Year	-	31,220,036	5,694,369	3,751,600	1,762,813	7,088,161	32,080,527	76,797,696	-	158,395,202
Amortization	-	1,723,390	816,271	331,916	129,029	351,510	1,409,047	4,997,763	-	9,758,926
Disposals	-	-	(11,973)	(28,015)	-	-	-	-	-	(39,988)
Balance, End of Year	-	<u>32,943,426</u>	<u>6,498,667</u>	<u>4,055,501</u>	<u>1,891,842</u>	<u>7,439,671</u>	<u>33,489,574</u>	<u>81,795,459</u>	-	<u>168,114,140</u>
Net Book Value, End of Year	<u>40,060,338</u>	<u>48,823,030</u>	<u>8,019,923</u>	<u>2,657,224</u>	<u>647,926</u>	<u>5,716,898</u>	<u>49,824,866</u>	<u>89,818,272</u>	<u>4,775,876</u>	<u>250,344,353</u>

Tangible capital assets that were contributed by developers for various infrastructure projects were \$1,067,176 (2024 - \$397,806).

The City of Salmon Arm
Notes to the Financial Statements

December 31, 2025

10. Accumulated Surplus

	2025	2024
Surplus		
Invested in Tangible Capital Assets	\$ 228,888,912	\$ 224,957,870
Accumulated General Surplus	42,761,949	38,728,095
Accumulated Water Surplus	4,052,843	3,311,741
Accumulated Sewer Surplus	5,161,616	3,945,096
	280,865,320	270,942,802
Unexpended Capital		
General Operating	1,000,212	1,205,109
Water Operating	1,117,697	1,332,941
Sewer Operating	539,413	1,659,800
	2,657,322	4,197,850
Statutory Reserves		
Cemetery Columbarium	85,629	83,081
Cemetery Development	169,747	164,696
Community Centre Major Maintenance	1,457,692	1,360,238
Emergency Apparatus	1,014,352	758,009
Equipment Replacement	2,563,460	2,689,707
Fire Department Building and Equipment	265,801	193,535
General Capital	2,248,811	1,337,978
Growing Communities Fund	4,022,569	4,740,352
Landfill Site Repurchase	264,490	256,621
Parks Development	605,302	587,292
Police Vehicle Replacement	237,464	276,043
Sewer Major Maintenance	3,012,401	3,899,919
Water Major Maintenance	1,999,939	1,760,456
	17,947,657	18,107,927
	\$ 301,470,299	\$ 293,248,579

The City of Salmon Arm
Notes to the Financial Statements

December 31, 2025

11. Taxation

Taxation revenue comprises the following amounts raised less transfers to other governments:

	2025	2024
Taxes Collected:		
Property Taxes	\$ 39,240,788	\$ 37,381,370
Transportation Parcel Tax	1,184,250	1,171,050
Frontage Tax - Water	1,689,544	1,502,432
Frontage Tax - Sewer	1,199,830	1,004,622
1% Utility Tax	351,649	354,553
	43,666,061	41,414,027
Collections for Other Governments		
Province of BC (School Taxes)	11,109,752	10,698,214
BC Assessment Authority	270,437	259,371
Regional Hospital District	1,642,308	1,615,296
Columbia Shuswap Regional District	1,316,813	1,428,982
Okanagan Regional Library	891,890	845,344
Municipal Finance Authority	1,428	1,408
Downtown Improvement Area	229,009	220,201
	15,461,637	15,068,816
Net Taxes Available for Municipal Purposes	\$ 28,204,424	\$ 26,345,211
As presented for financial statement purposes:		
Taxation - Net	\$ 24,130,799	\$ 22,667,107
Transportation parcel tax	1,184,250	1,171,050
Frontage tax	2,889,375	2,507,054
	\$ 28,204,424	\$ 26,345,211

The City of Salmon Arm
Notes to the Financial Statements

December 31, 2025

12. Government Transfers

	Budget 2025	Actual 2025	Actual 2024
General Fund - Grants in Lieu of Taxes			
Federal Government	\$ 18,600	\$ 18,400	\$ 18,598
Province of British Columbia	30,000	39,464	29,763
Provincial Government Agencies	171,000	192,621	170,180
	<u>\$ 219,600</u>	<u>\$ 250,485</u>	<u>\$ 218,541</u>
General Fund - Operating Grants			
Federal Government and Province of British Columbia			
Arterial Street Lighting	\$ 3,100	\$ 3,076	\$ 3,076
Municipal Regional District Tax	300,000	385,841	379,063
Small Communities Protection	135,000	146,000	172,500
Traffic Fine Revenue Sharing	155,000	136,000	155,000
Destination BC	15,000	19,044	21,456
Indegenous Engagement	-	82,000	-
BC Active Transportation Planning	-	102,750	-
CRI FireSmart Community Funding	200,000	235,913	62,128
Canada Summer Jobs	-	-	9,682
Local Government Climate Action	145,000	-	-
Public Safety Canada - BSCF	197,000	201,922	303,326
UBCM Disaster Risk Reduction	150,000	149,665	-
UBCM Complete Communities	-	-	147,836
Local Government Housing Initiative	-	-	241,158
Next Generation 911 Grant	-	891	445
Community Emergency Preparedness Fund	-	34,843	27,940
Plan H Grant - Anti-Racism Strategy	-	24,240	5,760
	<u>\$ 1,300,100</u>	<u>\$ 1,522,185</u>	<u>\$ 1,529,370</u>
General Fund - Capital Grants			
Federal Government and Province of British Columbia			
Community Works Fund	\$ 835,000	\$ 948,226	\$ 948,226
BC Active Transportation Infrastructure	480,000	212,342	411,000
BC Rural Dividend	-	-	100,000
Canada Community Revitalization Fund	-	-	68,491
Clean BC Communities	309,000	299,975	36,787
Local Government Climate Action Plan	60,000	56,179	430,960
Adams Lake Indian Band	-	-	50,408
	<u>\$ 1,684,000</u>	<u>\$ 1,516,722</u>	<u>\$ 2,045,872</u>
Total Operating Grants	\$ 1,519,700	\$ 1,772,670	\$ 1,747,911
Total Capital Grants	1,684,000	1,516,722	2,045,872
Total Grants	<u>\$ 3,203,700</u>	<u>\$ 3,289,392</u>	<u>\$ 3,793,783</u>
Total Federal Grants	\$ 1,050,600	\$ 1,168,548	\$ 1,348,323
Total Provincial Grants	2,153,100	2,120,844	2,445,460
Total Grants	<u>\$ 3,203,700</u>	<u>\$ 3,289,392</u>	<u>\$ 3,793,783</u>

December 31, 2025

13. Contingent Liabilities and Commitments

Pension Liabilities

The City of Salmon Arm 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 provided are based on a formula. As at December 31, 2025, the plan has about 286,000 active members and approximately 138,000 retired members. Active members include approximately 49,000 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 City of Salmon Arm paid \$766,619 (2024 - \$729,579) for employer contributions while employees contributed \$702,776 (2024 - \$657,028) to the plan in fiscal 2025.

The next valuation will be as at December 31, 2027, with results available in 2028.

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.

Columbia Shuswap Regional District

Columbia Shuswap Regional District (the "Regional District") debt is, under the provisions of the Local Government Act, a joint and several liability of the Regional District and each member municipality within the Regional District, including the City of Salmon Arm. The loan agreements with the Regional District and the Municipal Finance Authority provide that, if at any time the scheduled payments provided for in the agreements are not sufficient to meet the Authority's obligations with respect to such borrowing, the resulting deficiency becomes a liability of the member municipalities.

December 31, 2025

13. Contingencies Liabilities and Commitments - (continued)

Contractual Obligation

The City has entered into a contract with the Shuswap Recreation Society to manage the Recreation and Shaw Centres and is contingently liable for deficits incurred when expenses exceed revenues. The City provides an annual provision for the operation and maintenance of these facilities.

Other

The City is the defendant in various lawsuits. In the opinion of management, the overall estimation of loss is not determinable. These claims have not been provided for in the consolidated financial statements. Settlement, if any, made with respect to these actions, would be expected to be accounted for as a charge to expenditures in the period in which realization is known.

Guarantor Agreement

The City has entered into an agreement to act as a loan guarantor to assist the Salmon Arm Tennis Club in the financing of an Indoor Tennis Facility at 3440 Okanagan Avenue SE, Salmon Arm, BC. The outstanding balance at December 31, 2025 was \$671,576 (2024 - \$690,991). The loan bears interest at 5.99% (2024 - 4.47%) repayable in monthly installments of \$4,936. The loan has a term of 25 years and is secured by the assets of the Tennis Club and an indemnity agreement from the City.

The City of Salmon Arm
Notes to the Financial Statements

December 31, 2025

14. Commitments

The City has entered into various agreements and contracts for services for periods ranging from one to five years.

15. Budget

The City of Salmon Arm 2025 to 2029 Financial Plan Bylaw No. 4716 (Financial Plan Bylaw) was adopted by Council on May 5, 2025. The Financial Plan Bylaw was prepared utilizing a budget method consistent with Local Governments while the actual operating results have been prepared in accordance with the requirements of PSAS. The Financial Plan Bylaw was prepared on a modified accrual basis while the actual operating results utilizing PSAS requirements were prepared on a full accrual basis. The Financial Plan Bylaw projected the use of Reserve Fund transfers and prior year surpluses to balance the Financial Plan. PSAS requires that the actual operating results capitalize all tangible capital expenditures and that an amortization expense for tangible capital assets be included. The Financial Plan Bylaw expenses all tangible capital expenditures as opposed to including an amortization expense. As a result, the Financial Plan Bylaw figures presented in the Statements of Operations and Change in Net Financial Debt represent the Financial Plan Bylaw adopted by Council on May 5, 2025 with adjustments as follows:

Financial Plan Bylaw	\$	-
Add:		
Capital Grants		1,684,000
Capital Expenditures		47,607,080
Debt Repayment		1,756,300
Transfer to Reserve Accounts		4,132,295
Transfer to Reserve Funds		1,260,450
Transfer from DCC Reserve Funds		782,000
Other Development Contributions		591,810
Less:		
Transfer from Prior Year Surplus		(542,515)
Transfer from Reserve Accounts		(3,444,357)
Transfer to Capital Reserves Accounts		(42,265,816)
Budget Surplus as per Statement of Operations	<u>\$</u>	<u>11,561,247</u>

December 31, 2025

16. Trust Funds

Trust funds are not included in the City's Financial Statements. The City administers a Cemetery Maintenance Fund for the perpetual care and maintenance of the City owned and operated cemeteries. As at December 31, 2025, the Trust Fund balance is \$656,823 (2024 - \$601,957). The City holds investments on behalf of the Fire Training Centre. As at December 31, 2025, the Fire Training Centre investment balance is \$105,573 (2024 - \$102,276).

17. Comparative Figures

Certain comparative figures have been updated to conform to current year presentation.

18. Financial Instrument Risk

The City is exposed to credit risk, liquidity risk, and interest rate risk from its financial instruments. This note describes the City'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 City is exposed to credit risk through its cash, accounts receivable, and investments.

The City manages its credit risk by holding cash at federally regulated chartered banks with cash accounts insured up to \$100,000. The City 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. Accounts receivable arise primarily as a result of trade, taxes and utilities receivable. Based on this knowledge, credit risk of cash and accounts receivable are assessed as low.

The City manages exposure to credit risk for portfolio investments by ensuring adequate diversification and by maintaining its investments in the Municipal Finance Authority (MFA) which meets the investment requirements of Section 183 of the *Community Charter* of the Province of BC. As a result, the City has reduced exposure to market or value risk. The maximum exposure to credit risk on portfolio investments is outlined in Note 2.

Liquidity risk

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

December 31, 2025

18. Financial Instrument Risk (Continued)

The City manages this risk by maintaining highly liquid investments, staggering maturity dates of investments, and by closely monitoring cash flow activities. Also to help manage the risk, the City has in place a planning, budgeting and forecasting process to help determine the funds required to support the normal operating requirements. The City's five-year financial plan is approved by the Mayor and Council, which includes operational activities and capital investments. The City 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 or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The City is exposed to interest rate risk through its long-term debt and investments.

The City 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 five or ten 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 notes 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 \$94,336,194 (2024 - \$87,707,072) per Note 2. To mitigate interest rate risk and market risk on its investments, the City holds its MFA long term pooled investment funds for 10 years or longer.

19. Segment Reporting

The City of Salmon Arm is a municipal government that provides a range of services to its citizens. The City is governed by an elected Council comprised of a Mayor and six (6) Councilors whose authority is set out in the Community Charter and Local Government Act. For management reporting purposes, the City's operations and activities are organized and reported by Fund. The General Fund has been further segmented for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

City services are provided by departments and their activities are reported in these funds. Certain departments have been separately disclosed in the segmented information, along with the services they provide, as follows:

December 31, 2025

19. Segment Reporting (Continued)

General Government Services

General Government Services includes Legislative Services, Information Services, Customer Service, Financial Services and Human Resources. Legislative Services is responsible for the statutory obligations under the Community Charter and Local Government Act and provides the legal and administrative support to City Council. It is responsible for recording resolutions, decisions and minutes of Council to allow the direction and policies of Council to be carried out. Legislative Services manages the City's property and liability insurance portfolio, freedom of information inquiries, municipal elections and referendums, the corporate document management system, City Policy Manual and completion of the City's Annual Report and Civic Calendar. The role of the Information Services is to provide reliable, stable and current technology systems to all City departments. Information Services maintains all servers, workstations, firewalls, printers, digital cameras, scanners, telephones, cellular phones, pagers, security systems, Geographic Information Systems (GIS) and the corporate website. Customer Service recognizes the importance of its customers and endeavours to provide quality services in a timely and efficient manner to reflect the growing and changing needs of our citizens. Customer Service representatives provide information and service in building inspection, cash payments, taxation, transit, pet and business licensing, etc. Financial Services provides financial expertise, information, guidance and advice on day-to-day operational matters to internal and external customers. Financial Services develops financial policies and procedures which assist Council and guide staff in shaping the direction of the City.

Financial Services provides accurate and full disclosure on the financial affairs of the City as set out in the Community Charter and Local Government Act. This information includes annual municipal reporting forms, operational and capital budgets, setting of annual property tax and water and sewer rates, annual financial statements, long term financial plan, investments, public bodies report, etc. Long term growth management strategies such as the Long Term Financial Plan, Five (5) Year Capital Plan, and the Long Term Equipment and Infrastructure Replacement Plans are developed and implemented to better plan for our community. Human Resources is responsible for all issues surrounding the employees of the City of Salmon Arm. It represents the City in union negotiations and is key in setting human resource policies and procedures. Human Resources encourages and coordinates staff development, training and recognition programs to better and more efficiently deliver services to the community and plays a major role in recruiting, transferring, promoting and retaining the best people for the job.

December 31, 2025

19. Segment Reporting (Continued)

Protective Services

Protective Services includes Fire Prevention and Suppression, Police Protection, Bylaw Enforcement, Building Inspection, Business Licensing and Animal Control Services. The City provides community-based fire prevention and suppression services and responds to a geographical area of 183 square kilometres. It provides fire protection services to approximately 6,631 properties (residential, commercial, etc.) and inspection services to approximately 1,050 buildings. Fire Prevention and Suppression encompasses a Rescue Team designed, pursuant to WorkSafe BC, to provide rescue services to municipal employees who work in areas where identifiable hazards are present and manages the City Safety Program. The Police Department strives to provide a quality service to the community which includes calls for service, proactive enforcement and interaction with the community to gain insight into community concerns so that policing priorities may be set. Salmon Arm is policed by the Royal Canadian Mounted Police. Bylaw Enforcement encompasses all matters relating to the enforcement of City bylaws, and for the maintenance and accuracy of all files on matters relating to court actions on behalf of the City of Salmon Arm. Building Inspection addresses residential, commercial, institutional and industrial building construction within the City. The focus is to provide the public and the building industry with high quality service such that the structural integrity of the buildings constructed conform to the requirements of the BC Building Code and zoning, building and servicing bylaws and are safe for their intended purpose. Business Licensing is responsible for reviewing and issuing business licenses within the City. Business applications and premises are inspected to ensure that they are safe for the public and that they meet zoning bylaw requirements. Animal Control enforces the Animal Control regulations within the City and the issuance of dog licenses.

Transportation Services

This function is comprised of engineering, public works (transit, roadway systems, bridge repair, storm drainage, sidewalks, boulevards, street lighting, airport, downtown parking, etc.) utilities, parks, municipal facilities, marina/wharf, garage, vehicle and equipment fleet and cemeteries and provides a broad spectrum of services to the community. These services are provided in a participative fashion between City Council, the public, management and employees in a safe, effective, efficient and financially responsible manner. Transportation Services is responsible for the maintenance of over 225 kilometres (excluding the Trans Canada Highway and Highway 97B) of roadway, 80 kilometres of sidewalk, as well as, 130 kilometres of storm sewer complete with retention ponds and currently operates a +/- 167 unit municipal fleet of major vehicles and equipment.

Environmental, Health and Development Services

Development Services, Community Development Services and Public Health and Welfare Services. Development Services provides community planning, subdivision and development application facilitation. Taking into account various Council approved policies, bylaws, and procedures, it provides Council with professional advice on land use planning issues and is the coordinating department for the processing and approval of development applications to meet the community's objectives. It also provides advice to other City departments, community and business groups, developers, property owners, and citizens. It is responsible for the creation and recommendation of bylaws, policies and procedures to maintain the community's quality of life. Community Development Services provides services regarding environmental concerns, heritage matters, etc. Public Health and Welfare Services provides cemetery services to the citizens of the City.

December 31, 2025

19. Segment Reporting (Continued)

Recreational and Cultural Services

Recreational and Leisure Services (Multi-Use Facility, Auditorium and Pool), and Park and Wharf Services. Recreational and Leisure Services' mandate is to provide diverse family and adult oriented recreational activities with a view of promoting active living and quality of life in the community. The City strives to maximize the productivity of resources, to provide good cost recovery of the taxpayers' dollars and provide affordable recreational opportunities for the citizens of Salmon Arm. The Multi-Use Facility promotes community events and concerts, in addition to, hockey, ringette, speed skating, and figure skating. The Recreation Centre provides a wide range of services from pool and facility rentals, racquetball and squash, weight training, programming, etc. to promote the health and wellness of our citizens. Recreational programming such as scuba diving, summer French and music lessons, canoeing, babysitter courses, and summer soccer camps are all components of this function. The Parks and Wharf Services is proud to promote community pride in parks through the use and enjoyment of our many green spaces and natural amenities through carefully managed maintenance and improvement of park facilities. It projects a positive impression for citizens and visitors by ensuring that facilities, parks and playing fields are safe, clean and well-maintained while at the same time protecting the environment for future generations.

The City maintains five hundred seventy one (292) hectares of park land; this includes developed, natural, and passive parks, marinas, wharves, beaches, walking trails, lawn bowling, horseshoes and playing fields. Parks receive ongoing maintenance such as turf management, hanging flower baskets, downtown flower planters, irrigation systems, general park maintenance (bathrooms, garbage control), parkland design and construction, special events and sports field construction. The City works closely with community groups to achieve localized objectives such as neighbourhood parks where the efforts and contributions of local business owners, property owners, volunteers and the City come together to enhance and build new parks.

Utilities

The Utilities function, through a schedule of systematic new improvements, upgrades and replacements, strives to maintain and improve the efficient delivery and the high quality of water and sanitary sewer services to the community. It plays an integral role in maintaining the health, safety and well-being of the community. The Water and Sewer Utilities are self-liquidating funds which must provide for their own revenues through fees, taxes and other charges to support the expenditures required to operate and maintain infrastructure into the future.

December 31, 2025

19. Segment Reporting (Continued)

Water Utility Services

This Utility function provides for the delivery of safe drinking water to the citizens of Salmon Arm. The municipal water system consists of two main raw water sources, chlorine treatment systems for the water sources and an extensive water pumping, distribution and storage system. The City's water supply is by way of three (3) sources: East Canoe Creek at Metford Dam, Shuswap Lake at Canoe Beach and a minor water supply from Rumball Creek for irrigation at the Mt. Ida Cemetery. Treatment of the water sources (except Rumball Creek) is by primary disinfection with chlorine. The distribution system includes approximately 205 km of watermain varying in diameter from 100mm to 600mm. The City waterworks system provides quality water through a gravity and pump system. The primary water sources are from Shuswap Lake - 93% and the Metford Dam - 7%. The waterworks system is relatively complex and is comprised of ten (10) zones, eight hundred seventy three (873) hydrants, eight (8) pumping stations, fourteen (14) reservoirs, and one (1) dam with a total storage capacity of 34,148 cubic metres and over 6,451 connections. The treatment process utilizes chlorination for the purposes of disinfection. The water supply consistently meets the Canadian Drinking Water Guidelines, BC Drinking Water Protection Act and the Safe Drinking Water Regulations.

Sewer Utility Services

The City provides effective collection and treatment of waste water to meet the guidelines set by the Ministry of Environment to protect the public and the environment. It operates both the treatment plant and seven (7) lift stations safely and at optimum efficiency. The sanitary sewer system has approximately 130 kilometres of mainline and 5,508 service connections.

The City of Salmon Arm
Notes to the Financial Statements

December 31, 2025

19. Segmented Reporting (Continued)

For the Year Ended December 31	General Government Services	Protective Services	Transportation Services	Environmental, Health, and Development Services	Recreation and Cultural Services	Sewer Utility Services	Water Utility Services	2025 Total
Revenue								
Taxation - Net	\$ 24,130,799	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,130,799
Transportation Parcel Tax	-	-	1,184,250	-	-	-	-	1,184,250
Frontage Tax	-	-	-	-	-	1,199,830	1,689,545	2,889,375
Grants	2,136,026	372,804	374,347	106,240	299,975	-	-	3,289,392
Grants - Other	257,480	-	81,805	2,250	88,600	-	-	430,135
Sales of Services	87,788	96,400	1,018,687	1,540,610	3,843	2,922,283	4,058,282	9,727,893
Licenses, Permits and Fines	23,534	689,400	-	88,651	-	-	-	801,585
Rentals, Leases and Franchises	789,025	32,812	35,525	-	45,670	24,000	4,950	931,982
Return on Investments	2,159,058	42,567	178,416	24,971	75,683	274,188	522,525	3,277,408
Penalties and Interest	299,947	-	-	-	-	24,770	32,793	357,510
Other Revenue	3,000	320	19,063	237,684	186,018	-	-	446,085
Developer and Other Contributions	23,279	-	861,502	-	355,423	74,544	422,334	1,737,082
Gains on Disposal of Tangible Capital Assets	170,600	-	(424,440)	-	-	-	-	(253,840)
Gain on Disposal on ARO Settlement	-	-	338,442	-	-	-	-	338,442
Total Revenue	30,080,536	1,234,303	3,667,597	2,000,406	1,055,212	4,519,615	6,730,429	49,288,098
Expenses								
Wages and Benefits	2,848,051	2,120,904	2,265,128	1,184,329	2,886,731	999,454	1,249,617	13,554,214
Insurance	275,653	45,619	105,637	146	74,960	56,243	67,564	625,822
Community Grants	308,381	-	-	-	-	-	-	308,381
Professional and Legal Fees	123,459	-	-	55,643	-	-	-	179,102
Utilities and Property Taxes	64,186	69,286	211,624	869	39,443	275,431	375,407	1,036,246
Repairs and Maintenance	-	111,282	578,719	47,398	725,345	92,327	169,351	1,724,422
Contracts	612,125	4,085,030	1,139,159	2,130,949	(46,743)	294,102	304,967	8,519,589
Operating Expenses	502,827	440,412	562,066	417,346	614,642	433,798	464,612	3,435,703
Collections for Other Governments	14,644	-	-	-	-	-	-	14,644
Amortization	1,049,737	247,597	6,014,228	-	460,869	949,089	1,225,218	9,946,738
Interest and Debt Issue Expenses	656,034	-	244,428	28,754	33,595	50,743	481,646	1,495,200
Accretion Expenses	89,895	-	13,383	-	36,529	52,865	33,645	226,317
Total Expenses	6,544,992	7,120,130	11,134,372	3,865,434	4,825,371	3,204,052	4,372,027	41,066,378
Net Surplus (Deficit)	\$ 23,535,544	\$ (5,885,827)	\$ (7,466,775)	\$ (1,865,028)	\$ (3,770,159)	\$ 1,315,563	\$ 2,358,402	\$ 8,221,720

The City of Salmon Arm
Notes to the Financial Statements

December 31, 2025

19. Segmented Reporting (Continued)

For the Year Ended December 31	General Government Services	Protective Services	Transportation Services	Environmental, Health, and Development Services	Recreation and Cultural Services	Sewer Utility Services	Water Utility Services	2024 Total
Revenue								
Taxation - Net	\$ 22,667,107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,667,107
Transportation Parcel Tax	-	-	1,171,050	-	-	-	-	1,171,050
Frontage Tax	-	-	-	-	-	1,004,622	1,502,432	2,507,054
Grants	2,900,688	217,572	414,076	5,760	255,685	-	-	3,793,781
Grants - Other	-	-	60,777	2,250	60,600	-	-	123,627
Sales of Services	68,385	173,197	1,165,823	1,192,842	6,829	2,716,923	3,746,217	9,070,216
Licenses, Permits and Fines	79,995	749,488	-	117,478	-	-	-	946,961
Rentals, Leases and Franchises	834,280	54,756	35,009	-	44,459	24,000	12,150	1,004,654
Return on Investments	2,999,739	69,358	198,720	32,244	87,778	411,797	612,956	4,412,592
Penalties and Interest	270,908	-	-	-	-	18,193	23,683	312,784
Other Revenue	4,628	1,140	30,692	-	11,198	-	-	47,658
Developer and Other Contributions	37,950	-	355,757	-	154,700	-	369,521	917,928
Gains (loss) on Disposal of Tangible Capital Assets	-	-	-	-	-	-	-	-
Loss on Disposal on ARO Settlement	-	-	-	-	-	-	-	-
Total Revenue	29,863,680	1,265,511	3,431,904	1,350,574	621,249	4,175,535	6,266,959	46,975,412
Expenses								
Wages and Benefits	2,373,191	1,981,546	2,115,621	1,049,803	2,553,436	954,712	1,185,010	12,213,319
Insurance	273,902	46,450	93,840	133	67,717	52,877	42,140	577,059
Community Grants	257,384	-	-	-	-	-	-	257,384
Professional and Legal Fees	99,707	-	-	15,531	-	-	-	115,238
Utilities and Property Taxes	62,630	70,994	201,230	910	35,183	268,598	384,682	1,024,227
Repairs and Maintenance	-	109,699	819,160	20,845	639,457	89,780	162,533	1,841,474
Contracts	578,315	4,932,234	1,059,614	2,065,919	449,156	174,397	299,810	9,559,445
Operating Expenses	464,970	289,240	849,707	573,004	409,428	484,119	356,099	3,426,567
Collections for Other Governments	13,696	-	-	-	-	-	-	13,696
Amortization	1,063,559	242,723	5,944,055	-	440,808	907,236	1,160,547	9,758,928
Interest and Debt Issue Expenses	709,770	-	201,796	28,050	33,250	49,500	507,366	1,529,732
Accretion Expenses	59,949	-	8,925	-	24,359	35,254	22,437	150,924
Total Expenses	5,957,073	7,672,886	11,293,948	3,754,195	4,652,794	3,016,473	4,120,624	40,467,993
Net Surplus (Deficit)	\$ 23,906,607	\$ (6,407,375)	\$ (7,862,044)	\$ (2,403,621)	\$ (4,031,545)	\$ 1,159,062	\$ 2,146,335	\$ 6,507,419

The City of Salmon Arm
Schedule 1 - COVID-19 Safe Restart Grant
(Unaudited)

For the Year Ended December 31

In response to COVID-19, the Province of British Columbia provided COVID-19 Safe Restart Grants to support local governments with increased operating costs, lower revenues and fiscal pressures related to COVID-19. The City received \$3,598,000 in 2020.

The COVID-19 Safe Restart Grant is unconditional and has been accounted for as an unrestricted government transfer; recognized as revenue in the year received. The following schedule outlines how the City has utilized the grant funding.

	2025	2024
Interest Income	\$ 19,635	\$ 35,924
Revenue Shortfalls:		
General Government Services	-	-
Protective Services	-	-
Recreation and Cultural Services	-	-
Transportation Services	-	(45,000)
Expenditures:		
Community Grants	-	-
Recreation and Cultural Services	-	(51,040)
Transportation Services	(480)	(45,000)
Net (Deficit)	19,155	(105,116)
Balance, Beginning of Year	640,288	745,404
Balance, End of Year	\$ 659,443	\$ 640,288

The City of Salmon Arm
Schedule 2 - Growing Communities Fund
(Unaudited)

For the Year Ended December 31

The Province of British Columbia distributed conditional Growing Community Funds (GCF) grants to communities at the end of March 2023 to help local governments build community infrastructure and amenities to meet the demands of population growth. The GCF provided a one-time total of \$1 billion in grants to all 161 municipalities and 27 regional districts in British Columbia. The City received \$6,089,000 in 2023.

The GCF Grant has been accounted for as an unrestricted government transfer; recognized in the year received. The grant has been placed to the credit of a dedicated reserve fund. The following schedule outlines how the City has utilized the grant funding.

	2025	2024
Interest Income	\$ 145,367	\$ 266,163
Expenditures:		
Municipal or Regional Capital Projects	(13,767)	-
Storm Water Management	(42,069)	-
Local Road Improvements and Upgrades	(98,718)	(807,367)
Sidewalks, Curbing, and Lighting	-	(241,128)
Active Transportation Amenities	(102,750)	-
Parks - Additions, Maintenance, and Upgrades	(305,871)	-
Recreation Amenities	(299,975)	-
Net Deficit	(717,783)	(782,332)
Balance, Beginning of Year	4,740,352	5,522,684
Balance, End of Year	\$ 4,022,569	\$ 4,740,352

The City of Salmon Arm
Schedule 3 - Local Government Housing Initiative
(Unaudited)

For the Year Ended December 31

The Government of British Columbia has provided \$51 million in grant-based funding to help facilitate implementation and support local governments to meet new legislative requirements of Housing Statutes (Residential Development) Amendment Act (Bill 44), Housing Statutes (Transit-Oriented Areas) Amendment Act (Bill 47) and Housing and Municipal Affairs Statutes Amendment Act (Bill 25) and to adopt new authorities under Housing Statutes (Development Financing) Amendment Act (Bill 46) and Housing Statutes Amendment Act (Bill 16).

A total of \$51 million has been distributed to 160 municipalities, 27 regional districts and the Islands Trust. The grant amounts are based on a formula with two components: a flat funding amount and a per-capita amount. For municipalities, the flat amount is \$150,000 and the per-capita amount is \$4.39. The LGHI Grant has been accounted for as an unrestricted government transfer; recognized in the 2024 year received. The following schedule outlines how the City has utilized the grant funding:

	<u>2025</u>	<u>2024</u>
Funding received	\$ -	\$ 241,158
Expenditures:		
Contracted services	6,609	61,622
Salaries	-	7,266
Total expenditures	<u>6,609</u>	<u>68,888</u>
Balance, Beginning of Year	172,270	241,158
Balance, End of Year	<u>\$ 165,661</u>	<u>\$ 172,270</u>