



Council Report

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Date: May 5, 2026
To: Anthony Haddad, City Manager
From: Karri Stoppler, Manager of Finance
Subject: **2025 Audited Financial Statements**

Staff Recommendation

THAT Council accept the Audited Financial Statements, as co-presented by BDO Canada LLP, for the year ending December 31, 2025.

Strategic priority objective

Mission: Penticton will serve its residents, businesses and visitors through organizational excellence, partnership and the provision of effective and community focused services.

Background

Per the *Community Charter* Section 167, municipal financial statements for the year must be prepared by the financial officer and presented to Council for acceptance.

Section 171 of the *Community Charter* requires that the municipal auditor report to Council on the annual financial statements of the municipality.

The City's Financial Statements are prepared according to Public Sector Accounting Standards (PSAS) and report the actual use of City resources in the past year in comparison to the original Council approved Financial Plan. Upon consolidation, PSAS requires the City to eliminate entries for transactions including but not limited to inter-fund transactions and reserve transfers. The Financial Statements vary from the City's approved Financial Plan due to the eliminating entries, removal of debt repayments and the recording of tangible capital assets as non-financial assets, including recognition of amortization.

Financial implication

The Consolidated Surplus for the fiscal year ended December 31, 2025 is \$11,591,937, the 2024 consolidated surplus was \$16,585,432.

Overall consolidated revenues increased by 4.1% from 2024 to a total of \$168,905,786 and consolidated expenditures increased by 8.0% from 2024 to a total of \$157,313,849.

Overall the financial position of the City remains strong with net financial assets of \$71.8 million and non-financial assets of \$369 million.

Financial Analysis

Using ratios to examine trend analysis based on *Statements of Recommended Practice* as defined by the Public Sector Accounting Board, we can understand how the City is performing over a period of time, not just at a specific financial statement date, which helps provide insight into financial health.

Table 1, below, shows the **Financial Assets to Liabilities** ratio, which indicates the extent to which government requires future revenues to pay for past transactions. With a ratio now consistently greater than 1, it is evident that there are sufficient resources on hand to finance future operations and the City is in a positive position to leverage future capital spending.

Table 1 Financial Assets to Liabilities

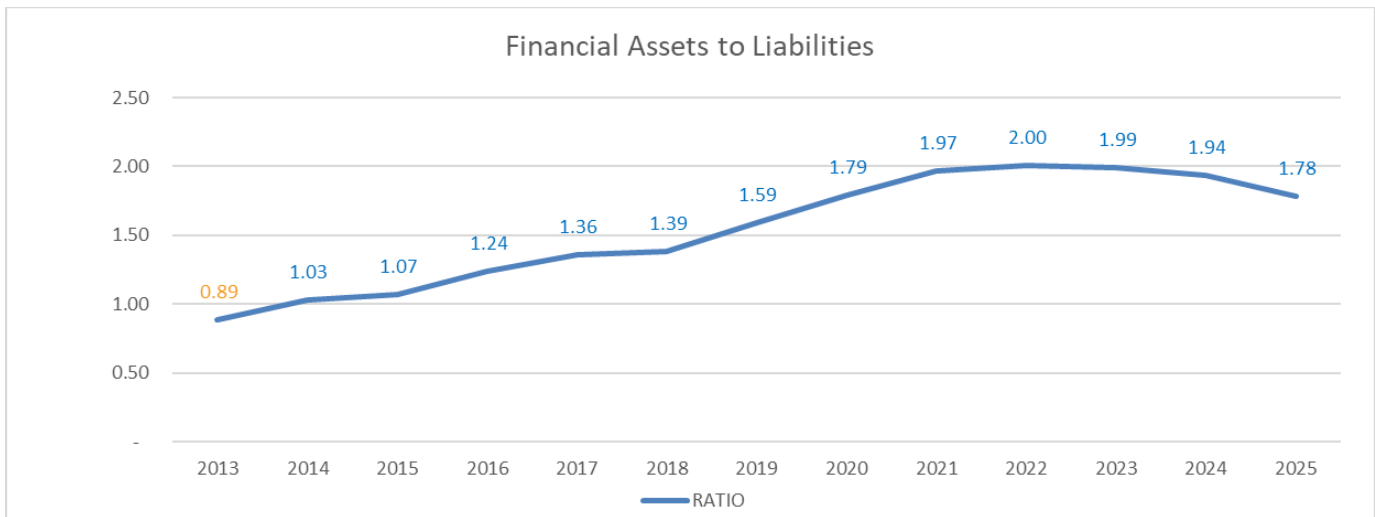
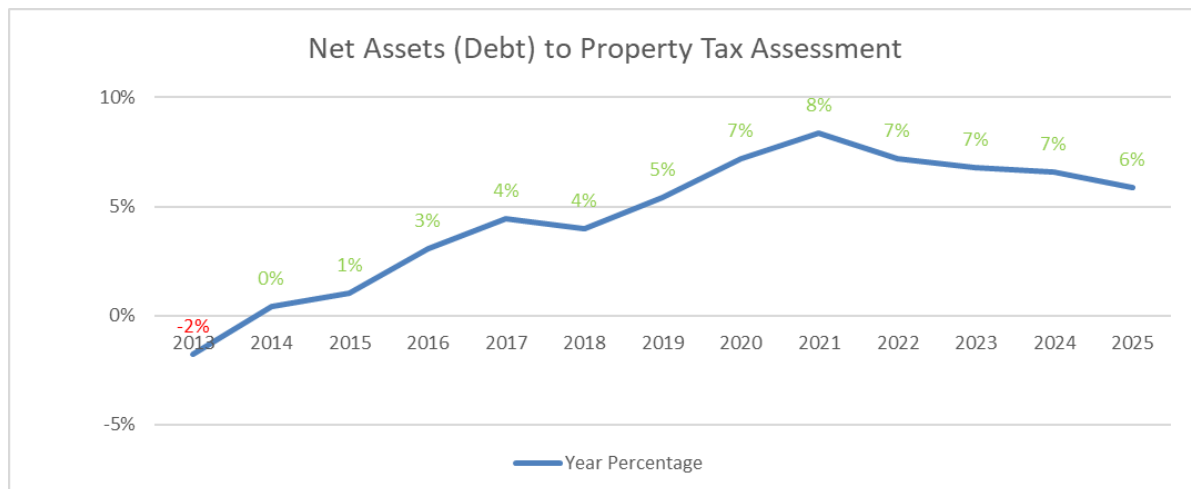


Table 2, below, shows the Net Assets to Property Tax Assessment ratio which measures municipal net assets (debt) compared to the municipal economic activity measured by assessment value upon which taxation is based. It indicates the City's continued ability to manage debt within the economy it operates.

Table 2 Net Assets (debt) to Property Tax Assessment



Some significant highlights from the statements include:

- Financial Assets
 - Decrease in cash of \$16M primarily due to the timing of investments maturing and associated reinvestments. This is largely offset by an increase in investments of \$12M.

- Financial Liabilities
 - Decrease in accounts payable and accrued liabilities of \$5.2M primarily due to completion of capital works projects from the previous year
 - Decrease in deposits of \$1.1M held as security for development work such as landscape deposits and cash-in-lieu
 - Increase in long term debt of \$12.5M reflecting new debt received for the Penticton Pressure Reducing Valve and the Ellis 4 Dam projects

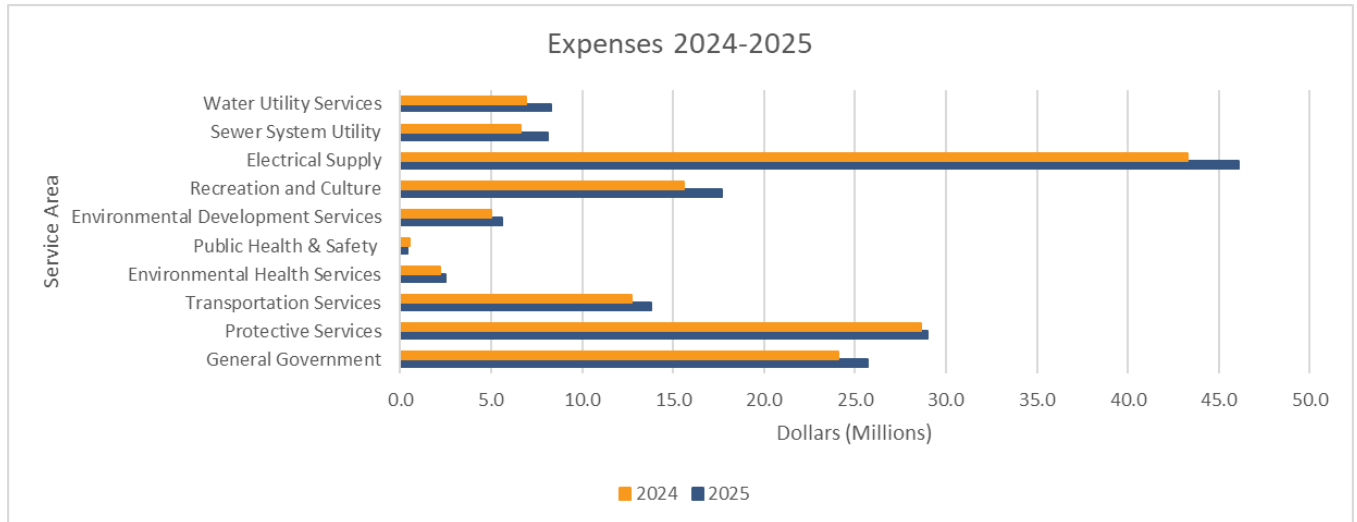
- Non-Financial Assets
 - Increase in Tangible Capital Assets of \$19.4M reflecting the City's significant capital investment during 2025
 - Increase in inventory of \$1.5M reflecting increasing costs of goods, especially in electrical inventory

- Revenues
 - Increase in taxation revenues \$4.2M, for budgeted taxation increase as well as realized non market change
 - Increase in Water, Sewer, Storm and Electric user fees of \$5.1M which can be attributed to increases in rates
 - A reduction in grant revenue of \$4.6M due to the completion of the Ellis 4 Dam which was partially offset by grant funds received for the Power Street daycare
 - Recognition of a contributed asset of \$1.5M for the park at the Ridge

- Expenses:
 - Increase in General Government services of \$1.6M primarily due an increase in amortization expenses and under threshold expenditures in capital projects being more than the prior year
 - Increase in Transportation services of \$0.9M primarily due to under threshold expenditures in capital projects being more than the prior year
 - Increase in Recreation and Culture of \$2.1M due to increased operational costs at the SOEC related to additional games in the WHL and collective agreement increases
 - Increase in Electrical of \$2.8M primarily due to increases in electricity costs and under threshold expenditures in capital projects being more than the prior year
 - Increase in Sewer of \$1.4M primarily due to increases in collective agreements, utilities and under threshold expenditures in capital projects being more than the prior year
 - Increase in Water of \$1.4M primarily due to increases in collective agreements, interest and under threshold expenditures in capital projects being more than the prior year

Table 3 shows expenses by service area with comparative data from 2024.

Table 3 Expenses by Service Area 2024-2025



- Reserves:
 - Overall decrease in reserves of \$0.6M
 - Decrease in Own Reserves of \$6.1M
 - Use of reserves for capital and operating projects
 - Deficits in individual funds including Electric, General and Sewer
 - Increase in Statutory Reserves of \$7.6M
 - Largely related to asset management investments
 - Decrease in DCC Reserves of \$0.9M
 - Capital carryforwards from 2025 will require utilization of \$41M of reserves in subsequent years when projects are completed

Attachments

Attachment A – 2025 Final Communication to the Mayor and Members of Council

Attachment B - 2025 Draft Financial Statements

Respectfully submitted,

Karri Stoppler
 Manager of Finance

Concurrence

General Manager Corporate Services	City Manager
<i>AMC</i>	AH