



REGIONAL
DISTRICT
NORTH
OKANAGAN

2021 FINANCIAL STATEMENTS



**REGIONAL DISTRICT OF NORTH OKANAGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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MANAGEMENT REPORT

These financial statements and accompanying schedules of the Regional District of North Okanagan are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards.

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.

The Audit Committee is responsible for reviewing the financial statements and recommending their approval to the Board of Directors. The Audit Committee meets periodically with management and the auditors to discuss internal controls, financial reporting issues, the audit report and any issues that arise during the course of the audit.

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



Stephen Bannmen, MBA
General Manager, Finance
April 20, 2022

Independent Auditor's Report

To the Directors of the Regional District of North Okanagan

Opinion

We have audited the financial statements of Regional District of North Okanagan (the Regional District), which comprise the statement of financial position as at December 31, 2021, and the statements of operations and accumulated surplus, change in net financial assets and remeasurement gains, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Regional District as at December 31, 2021, and its results of operations, change in net financial assets and remeasurement gains, 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 Regional District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Regional District's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Regional District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regional District's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Regional District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Regional District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Regional District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Vernon, British Columbia
April 20, 2022



STATEMENT OF FINANCIAL POSITION

As at December 31

2021

2020

FINANCIAL ASSETS

Cash	\$ 29,761,280	\$ 12,000,573
Portfolio investments (Note 2)	84,840,792	91,333,315
Accounts receivable (Note 3)	7,419,505	7,711,622
Loan receivable (Note 4)	6,564,953	7,090,723
Debt recoverable from municipalities (Note 10 , Schedule A)	15,414,707	17,179,129
Debt reserve fund - Municipal Finance Authority (Note 5)	1,685,681	1,730,470

145,686,918

137,045,832

FINANCIAL LIABILITIES

Accounts payable and accrued liabilities (Note 6)	5,820,461	6,474,630
Deferred revenue (Note 7)	1,972,870	1,663,153
Refundable deposits (Note 8)	598,762	741,514
Restricted revenues (Note 9)	11,598,698	12,507,530
Long term debt (Note 10 , Schedule A)	66,688,193	73,151,644
Debt reserve fund - Municipal Finance Authority (Note 5)	1,685,681	1,730,470
Landfill closure and post-closure obligation (Note 11)	12,996,984	10,868,762

101,361,649

107,137,703

NET FINANCIAL ASSETS

44,325,269

29,908,129

NON-FINANCIAL ASSETS

Prepaid expenses	104,642	74,029
Tangible capital assets (Note 12 , Schedule B)	225,010,876	220,207,514

225,115,518

220,281,543

ACCUMULATED SURPLUS

\$ 269,440,787

\$ 250,189,672

Accumulated surplus is comprised of:

Accumulated surplus (Note 13)	\$ 267,590,823	\$ 250,189,672
Accumulated remeasurement gains	1,849,964	-

\$ 269,440,787

\$ 250,189,672

Contingent liabilities (Note 15)

Stephen Banmen, MBA
General Manager, Finance



STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the years ended December 31

(Note 19)

2021

2020

Budget

Actual

Actual

REVENUE (Schedule C)

Tax revenue (Note 16)	\$ 19,409,234	\$ 19,409,275	\$ 19,305,140
Sale of services	33,798,135	37,552,934	32,987,490
Government transfers (Note 17)	7,251,630	2,657,826	5,418,034
Investment income	1,240,687	2,633,581	3,665,159
Developer contributions (Note 9)	4,027,130	1,523,467	289,507
Other revenue (Note 18)	962,109	1,242,403	1,584,861
Contributed capital assets (Note 12)	-	3,699,488	438,490
	66,688,925	68,718,974	63,688,681

EXPENSES (Schedule C)

General government services	2,410,607	2,219,601	1,748,107
Development services	2,267,626	1,905,461	2,057,138
Parks, recreation and culture	9,325,961	13,680,874	10,543,580
Transportation and transit services	1,021,685	903,417	829,795
Environmental services	7,130,636	9,122,265	8,178,559
Health, social services and housing	317,400	273,392	254,766
Sewer and septage services	75,993	71,597	108,207
Water services	15,158,904	19,454,995	18,048,642
Protective services	3,554,120	3,686,221	2,843,417
	41,262,932	51,317,823	44,612,211

Operating Surplus

25,425,993 17,401,151 19,076,470

Accumulated Surplus, Beginning of Year

250,189,672 250,189,672 231,113,202

Accumulated Surplus, End of Year

\$ 275,615,665 \$ 267,590,823 \$ 250,189,672



STATEMENT OF CHANGE IN NET FINANCIAL ASSETS AND REMEASUREMENT GAINS

For the years ended December 31

	(Note 19)	2021	2020
	Budget	Actual	Actual
Operating Surplus	\$ 25,425,993	\$ 17,401,151	\$ 19,076,470
Amortization of tangible capital assets	-	6,195,477	6,062,807
Acquisition of tangible capital assets	(39,573,081)	(11,641,759)	(12,864,393)
Contributed tangible capital assets (Note 12)	-	(3,699,488)	(438,490)
Proceeds on disposal of tangible capital assets	-	11,760	21,914
(Gain)/loss on disposal and write-down of tangible capital assets	-	1,197,924	(1,952)
Transfer of tangible capital assets to member municipalities (Note 12)	-	3,132,724	116,248
Net consumption of prepaids	-	(30,613)	3,870
Net remeasurement gains	-	1,849,964	-
Increase (Decrease) in Net Financial Assets	(14,147,088)	14,417,140	11,976,474
Net Financial Assets, Beginning of Year	29,908,129	29,908,129	17,931,655
Net Financial Assets, End of Year	\$ 15,761,041	\$ 44,325,269	\$ 29,908,129
Accumulated Remeasurement Gains, Beginning of Year		\$ -	\$ -
Change in accounting policy (Note 1)		927,381	-
Unrealized gain on investments		922,583	-
Accumulated Remeasurement Gains, End of Year (Note 2)		\$ 1,849,964	\$ -

**STATEMENT OF CASH FLOW****For the years ended December 31****2021****2020****OPERATING****Operating Surplus****\$ 17,401,151 \$ 19,076,470**

Non-cash items:

Amortization

6,195,477 6,062,807

(Gain)/loss on disposal of tangible capital assets

1,197,924 (1,952)

Contributed tangible capital assets

(3,699,488) (438,490)

Landfill closure and post-closure

2,128,222 1,506,681

Actuarial addition to sinking fund

(1,052,985) (1,843,126)

Transfer of tangible capital assets to member municipalities

3,132,724 116,248

Change in non-cash working capital:

Accounts receivable

292,118 (138,319)

Prepaid expenses

(30,613) 3,870

Accounts payable

(654,169) 155,520

Loans receivable

525,770 505,549

Deferred revenue

309,717 (273,371)

Refundable deposits

(142,752) (85,757)

Restricted revenues

(908,832) 858,740**24,694,264 25,504,870****CAPITAL**

Acquisition of tangible capital assets

(11,641,759) (12,864,393)

Proceeds from disposal of tangible capital assets

11,760 21,914**(11,629,999) (12,842,479)****INVESTING**

Net portfolio investments sold (purchased)

8,342,487 (14,138,864)**FINANCING**

Repayment of long term debt

(3,646,045) (4,168,854)**Increase (Decrease) in Cash****17,760,707 (5,645,327)****Cash, Beginning of Year****12,000,573 17,645,900****Cash, End of Year****\$ 29,761,280 \$ 12,000,573**Supplemental Cash Flow Information

Interest paid

\$ (1,957,120) \$ (2,786,430)

Interest received

\$ 1,941,678 \$ 2,179,057



The Regional District of North Okanagan ("the Regional District") was incorporated as a regional district on November 9, 1965 under the Municipal Act (replaced by the Local Government Act) of British Columbia ("BC"). The Regional District is composed of the member municipalities of the City of Armstrong, the District of Coldstream, the City of Enderby, the Village of Lumby, the Township of Spallumcheen, the City of Vernon and Electoral Areas B through F.

Regional districts provide a political framework and administrative framework for region-wide services and sub-regional services as well as act as the local government for electoral areas. The Board of Directors is composed of appointees from each member municipality and a director elected from each electoral area. Municipal directors serve until council decides to change the appointment. Directors from electoral areas serve for a four year term. The number of directors and the number of votes each may cast is based upon the population of the municipality or electoral area.

1. Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS).

Basis of Accounting

The Regional District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods and services and/or the creation of a legal obligation to pay.

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, valuation of the landfill closure and post-closure obligation, valuation of the contaminated sites obligation 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 1. The Regional District has provided definitions of the segments in Note 20, as well as presented financial information in segmented format for the current and prior year in Schedule C.

Budget Figures

The budget figures presented are compiled from the five-year financial plan adopted by bylaw prior to March 31st each year. Certain amounts have been reallocated to conform with PSAS presentation requirements where required (see Note 19). Subsequent amendments to the budget bylaw are not reflected in the budget figures.

Contaminated Sites

Liabilities for remediation of contaminated sites are recognized when an environmental standard exists, contamination exceeds the standard, the Regional District has responsibility for remediation of the site, future economic benefits will be given up and a reasonable estimate of the amount can be made.



1. Significant Accounting Policies (Continued)

Financial Instruments

The Regional District classifies its financial instruments as either fair value or amortized cost. The District's accounting policy for each category is as follows:

Fair Value

This category includes portfolio investments quoted in an active market. Portfolio investments include MFA pooled investment funds, guaranteed investment certificates, structured notes, bonds and equities all with a maturity of one year or more at the date of acquisition. The District has designated its bond portfolio that would otherwise be classified into the amortized cost category at fair value as the District manages and reports performance of it on a fair value basis.

Portfolio investments are initially recognized at cost and subsequently carried at fair value. Unrealized changes in fair value on unrestricted investments are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. Changes in fair value on restricted investments are recognized as deferred contributions until the restriction on its use is realized, at that time the balance is transferred to the statement of operations.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the statement of operations.

Amortized Cost

This category includes cash, accounts receivable, loan receivable, debt recoverable from municipalities, accounts payable, accrued liabilities and long term debt. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate, less any impairment losses on financial assets, except for contributions, which are initially recognized at fair value.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

Refundable Deposits

Refundable deposits consist of the refundable portion of development permits and building permits, performance security deposits, and waterworks guarantees and securities. These 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.

Landfill Closure and Post-Closure Obligation

The estimated costs to close and monitor solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to operations as the landfill site's capacity is used. The change in liability is recorded as an operational expense. These estimates are reviewed and adjusted annually.

Employee Future Benefits

The Regional District and its employees participate in the Municipal Pension Plan, a multi-employer defined benefit pension plan. Payments to the plan are expensed when paid. The Regional District also provides accumulated sick leave as a post-employment benefit. Employees are entitled to a payout of their unused sick leave balance upon satisfaction of pre-established criteria. This District's cost of the sick leave benefits are accounted for based on the actuarial valuation. Actuarial gains and losses are amortized on a straight line basis over the expected average remaining service life of the employee group.



1. Significant Accounting Policies (Continued)

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 discharged.

Tax Revenue

Tax revenue is the compulsory payment of financial resources to a government in a non-exchange transaction. Each municipality and electoral area within the Regional District is requisitioned for its portion of each service participated in. These funds are then levied by the municipalities and the province (on behalf of electoral areas) to individual taxpayers and provided to the Regional District by August 1st of each year. Tax revenue is recognized in the year levied, provided that the effective date of the tax has passed and the related bylaws have been approved by the Board.

Government Transfers

Government transfers are the transfer of monetary assets or tangible capital assets from senior levels of government that are not the result of an exchange transaction, not expected to be repaid in the future and not expected to generate a financial return to the transferor.

- Transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized.
- Transfers with eligibility criteria but no stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria are met.
- Transfers with or without eligibility criteria but with stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria are met, except to the extent that the transfer gives rise to an obligation.

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 accumulated 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 Capital Lease

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are recorded as capital leases. At inception, the capital lease is recorded at the lesser of the present value of minimum lease payments and the leased assets fair value at the beginning of the lease. All others are accounted for as operating leases and charged to expense as incurred.

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.

Intangible Assets

Intangible assets, such right-of-ways, easements, licenses of occupation, works of art and cultural or historical assets are not recorded in these financial statements.

**1. Significant Accounting Policies (Continued)**Amortization

Land used for the operation of solid waste landfills is amortized over the life of the landfill and the annual amortization expense is based on the capacity used during the year. The cost of tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Land	Not amortized*
Land improvements	15 to 20 years
Buildings	20 to 50 years
Furniture and equipment	5 to 15 years
Vehicles	
Light and medium duty	7 years
Heavy duty	10 years
Fire trucks	15 years
Computer equipment	5 to 7 years
Leasehold improvements	50 years or life of lease
Infrastructure	
Water infrastructure	12 to 50 years
Sewer infrastructure	50 years
Solid waste infrastructure	25 years or life of landfill

*Except land used for solid waste landfills.

Change in Accounting Policy

During the year, the District adopted *PS1201 Financial Statement Presentation*, *PS2601 Foreign Currency Translation*, *PS3041 Portfolio Investments* and *PS3450 Financial Instruments* which establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. These standards apply to all local governments for the fiscal years beginning on or after April 1, 2022 and is required to be adopted prospectively. Early adoption is permitted. As a result of adopting these sections, portfolio investments are now carried at fair market value as detailed in the significant accounting policy above. Unrealized gains and losses on investments for the year ended December 31, 2021 are shown on a new statement, the statement of measurement gains and losses. In addition there is a transaction adjustment for the adoption of these new standards in the amount of \$927,381 which represents the unrealized gain on the investment as at January 1, 2021. The comparative figures have not been restated from the presentation and disclosure requirements of the previous financial reporting framework adopted by the District.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

2. Portfolio Investments

	<u>2021</u>		<u>2020</u>	
	Fair Market Value	Amortized Cost	Fair Market Value	Amortized Cost
Guaranteed investment certificates	61,774,031	61,774,031	64,042,006	64,042,006
MFA pooled investments funds	6,181,136	6,215,892	13,142,296	13,109,699
Structured notes	13,790,527	11,967,855	11,925,934	11,173,208
Bonds	3,074,960	3,013,239	3,150,460	3,008,402
Equities	20,138	19,811	-	-
	\$ 84,840,792	\$ 82,990,828	\$ 92,260,696	\$ 91,333,315

Portfolio investments are all carried at fair market value. The difference between fair market value and amortized cost of \$1,849,964 reflects the accumulated remeasurement gain at the end of the year. The effective interest method is used to calculate the amortized cost of portfolio investments above.

Guaranteed investment certificates earn fixed rates of interest ranging from 1.08% to 3.30% (1.00% to 3.37% in 2020) with maturity dates ranging from January 2022 to March 2026 (January 2021 to August 2024 in 2020).

MFA pooled investment funds and equities earn interest at rates that are based on the market performance of a basket of securities, with no fixed rate of return.

Structured notes have a guaranteed rate of return of at least the principal amount invested with earnings based on equity indexes with rates ranging from floating to 3.25% (floating to 3.25% in 2020) and maturities ranging from January 2022 to August 2028 (July 2021 to February 2028 in 2020). Structured notes are expected to be held to maturity.

Bonds earn interest ranging from 3.00% to 3.45% (3.00% to 3.45% in 2020) with maturities ranging from September 2022 to June 2023.

Portfolio investments also include performance and security deposits of \$598,762 (\$741,514 in 2020) with specific terms of various contracts which are held and invested in the course of normal operations.

3. Accounts Receivable

	<u>2021</u>	<u>2020</u>
Government of Canada	\$ 265,182	\$ 376,358
Province of British Columbia	47,744	33,841
Local governments	5,085,839	5,292,012
Trade and other receivables, net of allowance for doubtful accounts	1,911,562	1,894,888
Accrued interest receivable	109,178	114,523
	\$ 7,419,505	\$ 7,711,622

4. Loan Receivable

In April 2011, the Okanagan Regional Library ("ORL") borrowed \$11 million through the Regional District towards construction of its library facility in Vernon, BC, which was completed in May 2012. Pursuant to the loan agreement, the Regional District is reimbursed by the ORL for all principal and interest payments made to the MFA in respect of the borrowing. The repayment terms are the same as member municipalities follow when borrowing funds from the MFA through the Regional District. The loan is secured by a first charge on the library facility located at 2808 - 30th Avenue, Vernon, British Columbia. The term of the loan is 20 years and the interest rate is 1.47% (4.20% in 2020). Principal is paid annually and interest is paid semi-annually.

	<u>2021</u>	<u>2020</u>
Original amount	\$ 11,000,000	\$ 11,000,000
Sinking fund	(4,435,047)	(3,909,277)
	\$ 6,564,953	\$ 7,090,723



5. Debt Reserve Fund - Municipal Finance Authority

The Regional District is required to issue its long term debt through the Municipal Finance Authority ("MFA"). As a condition of borrowing, 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 Regional District. 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

	2021	2020
Regional District	\$ 1,199,173	\$ 1,240,427
Member municipalities	486,508	490,043
	\$ 1,685,681	\$ 1,730,470

The Regional District 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. 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. Details of demand notes are as follows:

Demand Notes

	2021	2020
Regional District	\$ 2,235,801	\$ 2,343,900
Member municipalities	736,676	760,068
	\$ 2,972,477	\$ 3,103,968

6. Accounts Payable and Accrued Liabilities

	2021	2020
Trade payables	\$ 1,456,675	\$ 1,926,560
Wages and benefits	238,995	148,178
Banked time	75,866	80,616
Vacation	379,442	382,669
Employee future benefits	675,171	682,204
Holdbacks	292,988	728,798
Accrued interest payable	501,038	593,540
Local governments	2,003,073	1,801,267
Province of British Columbia	140,246	67,511
Government of Canada	56,967	63,287
	\$ 5,820,461	\$ 6,474,630

Employee Future Benefits

The Regional District provides post-employment benefits to employees through the payout of accumulated sick leave upon leaving the employment of the Regional District subject to specific eligibility requirements being met.

	2021	2020
Accrued benefit obligation, beginning of year	\$ 682,204	\$ 632,131
Amortization of net actuarial loss	3,100	5,000
Current service cost	77,100	67,500
Interest cost	15,400	18,800
Benefits paid	(102,633)	(41,227)
Accrued benefit obligation, end of year	\$ 675,171	\$ 682,204

Sick time is vested after a minimum of five years of service. A detailed actuarial valuation for these employee future benefits is used to determine the accrued benefit obligation as at December 31, 2021. An update to the valuation is undertaken annually. The actuarial assumptions used to determine the District's accrued benefit obligation is based on a 2.0% discount rate and 2.5% wage inflation.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

7. Deferred Revenue

Deferred revenue consists primarily of building inspection surcharges, various fees charged for water system capital improvements and conditional grants received from government and non-government sources. Building inspection surcharges are refundable to the applicant if all conditions of the building permit are completed within 24 months of issuance. After this time, the surcharge is recognized as revenue. Various fees charged in respect of water system capital improvements are deferred when received and recognized as revenue when the capital works have been constructed. Conditional grants are recognized as revenue when all criteria have been met.

	2020	Received	Refunded	Recognized as Revenue	2021
Building inspection surcharges	\$ 78,650	\$ 86,200	\$ (50,413)	\$ (18,287)	\$ 96,150
Deferred solid waste tipping fees	12,186	31,800	-	(33,495)	10,491
Deferred dog licenses	58,595	50,900	-	(58,595)	50,900
Future capital works	1,456,922	344,065	-	(15,058)	1,785,929
Other	56,800	1,200	-	(28,600)	29,400
	\$ 1,663,153	\$ 514,165	\$ (50,413)	\$ (154,035)	\$ 1,972,870

8. Refundable Deposits

Refundable deposits consist primarily of the refundable portion of development permits and building permits, performance security deposits and waterworks guarantees and securities. In addition to refundable deposits, the Regional District holds irrevocable letters of credit and performance bonds in the aggregate amount of \$17,559,084 (\$30,501,794 in 2020) received from developers to ensure the performance of capital works to be undertaken. The letters of credit and performance bonds are not reflected in the financial statements.

	2021	2020
Development and building permits	\$ 293,933	\$ 316,232
Solid waste performance security	31,661	33,067
Waterworks securities and guarantees	273,168	392,215
	\$ 598,762	\$ 741,514

9. Restricted Revenues

Development Cost Charges

Development Cost Charges (DCC's) are imposed by the Regional District for the purposes of providing funds to pay the capital costs of providing, constructing, altering or expanding water 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. In accordance with the Local Government Act, these funds and any interest earned on them are deposited into a separate reserve fund for each purpose, each of which is established by bylaw.

	2020	Contributions	Interest	Expenditures	2021
Greater Vernon Parks	\$ 8,417,655	\$ 178,213	\$ 172,749	\$ (1,523,467)	\$ 7,245,150
White Valley Parks	290,405	2,500	6,505	-	299,410
Fortune Parks	403,476	39,184	9,436	-	452,096
Greater Vernon Water	3,394,963	128,865	77,160	-	3,600,988
Silver Star Water	1,031	-	23	-	1,054
	\$ 12,507,530	\$ 348,762	\$ 265,873	\$ (1,523,467)	\$ 11,598,698

In accordance with Section 569 of the Local Government Act, no DCC's were waived or reduced for eligible development as defined under Section 563 of the Act.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

10. Long Term Debt

The Regional District incurs long term debt directly as well as on behalf of member municipalities. Loan agreements with the MFA provide that if at any time the payments from member municipalities are not sufficient to meet their obligations in respect of such borrowings, the resulting deficiency becomes a liability of the Regional District.

All long term debt is reported net of sinking fund balances. Sinking fund 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 Regional District's liability is reduced to nil. Should those funds prove to be insufficient at maturity, the resulting deficiency becomes a liability of the Regional District.

Debentures issued mature at various dates ranging from December 2022 to October 2039, with interest rates ranging from 0.91% to 5.10%. The weighted average interest rate on long term debt was 1.95% (2.46% in 2020), and interest expense was \$1,869,964 (\$2,685,630 in 2020).

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

	Total Payment	Total Recoverable	Net Payment
2022	\$ 4,148,969	\$ 833,098	\$ 3,315,871
2023	4,160,230	830,610	3,329,620
2024	4,173,527	830,610	3,342,917
2025	4,190,345	830,610	3,359,735
2026	3,305,612	830,610	2,475,002
Thereafter	20,503,797	3,929,955	16,573,842
Total principal payments	40,482,480	8,085,493	32,396,987
Expected actuarial adjustment on sinking fund	26,205,713	7,329,214	18,876,499
Total	\$ 66,688,193	\$ 15,414,707	\$ 51,273,486

Authorized but Unissued Debt

The following debt is the amount unissued at year end:

	2021	2020
Greater Vernon Multi-Purpose Cultural Facility (Bylaw 2786, 2018)	\$ 25,000,000	\$ 25,000,000
Vernon Search and Rescue Building (Bylaw 2779, 2018)	3,500,000	3,500,000
North Okanagan Wastewater Recovery System (Bylaw 2798, 2019)	5,200,000	5,200,000
	\$ 33,700,000	\$ 33,700,000



11. Landfill Closure and Post-Closure Obligation

The Regional District has three active and four closed landfills within its boundaries and is responsible for the costs of their closure and post-closure activities. The costs related to these activities are provided for over the estimated remaining life of active landfill sites based on usage.

Closure activities include covering, grading and surface water management. Post-closure activities include leachate and environmental monitoring, maintenance and reporting. Post-closure activities are expected to occur for approximately 30 years for open landfills and 25 years for closed landfills.

Key variables used in estimating the value of the closure and post-closure obligation include the cost of capital, inflation rate, timing of closure and post-closure activities and total capacity. In management's opinion, the assumptions used represent the most likely scenario. As the projections are made over a long period of time, the amount of the obligation is very sensitive to changes in the variables, and could range from approximately \$4 million to \$27 million (\$4 million to \$19 million in 2020).

The Regional District has estimated the costs associated with these activities based on engineering studies required by the Ministry of Environment. These studies were updated in 2017 and resulted in changes in the liability as a result of settling of waste, changes in fill rates and changes in regulatory requirements. Changes in the liability as a result of cumulative capacity used are recognized prospectively. In 2021, estimated expenses were calculated as the net present value (NPV) of future cash flows associated with closure and post-closure costs, discounted using the Regional District's weighted average cost of capital of 1.95% (2.46% in 2020) and inflated using an average inflation rate of 1.68% (1.62% in 2020) (annual average BC CPI over the last 20 years). The annual provision is reported as an expense and the accumulated liability is reported on the Statement of Financial Position.

	Total Estimated Capacity (m3)	Cumulative Capacity Used (m3)	Estimated Remaining Life (years)	Years for Post- closure Care	Estimated Future Closure Costs (NPV)	2021 Liability for Closure	Future Closure Liability
Greater Vernon	4,322,857	1,887,023	38	30	\$ 18,454,964	\$ 8,056,001	\$ 10,398,963
Armstrong/Spall	820,360	720,722	6	30	2,967,576	2,607,143	360,433
Lumby	414,313	174,766	50	30	4,603,152	1,941,710	2,661,442
Kingfisher	22,000	22,000	-	7	16,324	16,324	-
Ashton Creek	25,000	25,000	-	1	3,053	3,053	-
Pottery Road	800,000	800,000	-	19	334,287	334,287	-
Cherryville	20,587	20,587	-	12	38,466	38,466	-
					\$ 26,417,822	\$ 12,996,984	\$ 13,420,838
Less: expenses previously recognized						10,868,762	
2021 increase in the liability for landfill closure						\$ 2,128,222	

	Total Estimated Capacity (m3)	Cumulative Capacity Used (m3)	Estimated Remaining Life (years)	Years for Post- closure Care	Estimated Future Closure Costs (NPV)	2020 Liability for Closure	Future Closure Liability
Greater Vernon	4,322,857	1,838,884	39	30	\$ 15,157,405	\$ 6,447,753	\$ 8,709,652
Armstrong/Spall	820,360	697,111	7	30	3,062,370	2,602,286	460,084
Lumby	414,313	170,956	51	30	3,502,806	1,445,350	2,057,456
Kingfisher	22,000	22,000	-	8	17,597	17,597	-
Ashton Creek	25,000	25,000	-	2	5,658	5,658	-
Pottery Road	800,000	800,000	-	20	307,698	307,698	-
Cherryville	20,587	20,587	-	13	42,420	42,420	-
					\$ 22,095,954	\$ 10,868,762	\$ 11,227,192
Less: expenses previously recognized						9,362,081	
2020 increase in the liability for landfill closure						\$ 1,506,681	



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

12. Tangible Capital Assets

	2021	2020
Land	\$ 47,975,196	\$ 45,905,660
Land improvements	12,318,278	12,196,088
Buildings	31,843,586	32,264,571
Furniture and equipment	1,435,734	1,332,496
Vehicles	2,320,855	2,326,915
Computer equipment	319,024	358,658
Leasehold improvements	1,150,040	925,804
Water infrastructure	123,781,335	120,840,944
Sewer infrastructure	66,497	68,385
Solid waste infrastructure	3,800,331	3,987,993
Net Book Value	\$ 225,010,876	\$ 220,207,514

Assets Under Construction

Assets under construction with a cost of \$9,018,776 (\$8,112,220 in 2020) have not been amortized. Amortization will commence when these assets are put into service. No interest was capitalized during 2021 or 2020.

Contributed Tangible Capital Assets

Contributed tangible capital assets were recorded at fair market value during the year as follows:

	2021	2020
Land	\$ 2,729,371	\$ -
Land improvements	-	91,500
Building	-	98,526
Furniture and equipment	14,311	-
Vehicles	35,601	-
Water infrastructure	920,205	248,464
	\$ 3,699,488	\$ 438,490

Vehicle and equipment received during the year for which a fair market value could not be reasonably estimate were recorded at a nominal value and have been excluded from the amounts above.

Transfer of Tangible Capital Assets to Member Municipalities

The following assets were transferred at net book value to member municipalities in 2021.

	Cost	Accumulated Amortization	Net Book Value
Land	\$ 3,063,705	\$ -	\$ 3,063,705
Buildings	181,614	(112,595)	69,019
	\$ 3,245,319	\$ (112,595)	\$ 3,132,724



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

13. Accumulated Surplus

	2021	2020
<u>Operating Reserve Funds and Surplus</u>		
General government services	4,008,162	3,653,600
Development services	2,607,522	1,803,855
Parks, recreation and culture	7,435,956	7,166,613
Transportation and transit services	1,347,145	1,154,925
Environmental services	7,238,362	5,609,659
Health, social services and housing	156,242	188,699
Sewer and septage services	2,081,761	2,148,153
Water services	25,912,290	22,334,281
Protective services	3,694,197	3,790,608
	54,481,637	47,850,393
<u>Capital Reserve Funds</u>		
GVPRD Land Acquisition	1,891,517	911,520
Festival of the Arts Legacy	113,677	112,423
Greater Vernon Cultural Reserve	487,063	384,266
Landfill Closure/Post-Closure	(42,872)	967,744
Greater Vernon Water Capital Works	24,455,543	22,977,483
	26,904,928	25,353,436
<u>Community Works Fund</u>		
Opening balance	4,919,121	4,773,268
Contributions	1,711,295	836,639
Interest earned	113,707	124,247
Expenditures	(1,353,642)	(815,033)
	5,390,481	4,919,121
<u>COVID-19 Restart Fund (Note 22)</u>		
Opening balance	741,000	-
Contributions	336,000	741,000
Expenditures	(565,567)	-
	511,433	741,000
<u>Equity in Tangible Capital Assets</u>		
General government services	1,479,137	1,548,006
Parks, recreation and culture	55,183,017	54,395,050
Transportation and transit services	102,561	110,450
Environmental services	10,543,144	10,889,641
Sewer and septage services	(417,842)	(529,606)
Water services	108,819,439	101,632,844
Protective services	4,592,888	3,279,337
	180,302,344	171,325,722
Total Accumulated Surplus	\$ 267,590,823	\$ 250,189,672



14. Contractual Obligations

The Regional District has entered into various agreements and contracts for services with periods ranging from one to forty years.

15. Contingent Liabilities

Legal Claims

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

Municipal Insurance Association - Liability Insurance

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

Municipal Pension Plan

The Regional District and its employees contribute to the Municipal Pension Plan ("the plan"), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of the assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. The plan has about 220,000 active members and approximately 112,000 retired members. Active members include approximately 42,000 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 unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2018 indicated a \$2.9 billion funding surplus for basic pension benefits on a going concern basis.

The Regional District paid \$602,456 for employer contributions to the plan in fiscal 2021 (\$608,131 in 2020).

The next valuation will be at December 31, 2021 with results available in 2022.

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.

Credit Facilities

The Regional District has a credit facility in the amount of \$3 million with an interest rate equal to the Bank of Montreal's prime rate. No amounts were drawn against this credit facility during 2021 or 2020.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

16. Tax Revenue

	2021 Budget	2021 Actual	2020 Actual
Property taxes	\$ 19,202,327	\$ 19,202,327	\$ 19,095,453
Parcel taxes	206,907	206,948	209,687
	\$ 19,409,234	\$ 19,409,275	\$ 19,305,140

17. Government Transfers

	2021 Budget	2021 Actual	2020 Actual
Provincial government, transfers without stipulations	183,000	172,647	183,439
Provincial government, transfers with stipulations	5,290,665	379,626	886,333
Grants-in-lieu of taxes from federal/provincial governments	112,200	129,784	128,709
Regional and other external transfers	1,665,765	1,975,769	4,219,553
	\$ 7,251,630	\$ 2,657,826	\$ 5,418,034

18. Other Revenue

	2021 Budget	2021 Actual	2020 Actual
MFA surplus payout from retired debenture issues	\$ -	\$ 62,024	\$ 456,617
Miscellaneous developer contributions	63,200	66,679	9,400
Loan payments received	752,377	529,826	752,377
Gain on disposal of tangible capital assets	-	-	19,828
Miscellaneous	146,532	583,874	346,639
	\$ 962,109	\$ 1,242,403	\$ 1,584,861



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

19. Budget Reconciliation

The unaudited budget figures presented in these financial statements are compiled from the five-year financial plan approved by the Board of Directors in Bylaw 2887 on March 17, 2021. The Regional District's annual budget is prepared on a cash basis. In order to facilitate comparison to actual results, the budget has been presented in the financial statements on an accrual basis by removing inter-service revenues, debt transactions related to borrowing, principal and actuarial adjustment, loans receivable, capital expenditures and transfers to/from surplus and reserves.

The following is a reconciliation of the approved budget to the budget figures used in these financial statements for presentation purposes:

	Approved Budget	Capital & Amortization	Debt Adjustments	Transfers & Other	Presented Budget
Revenue					
Tax revenue	\$ 19,409,234	\$ -	\$ -	\$ -	\$ 19,409,234
Sale of services	33,798,135	-	-	-	33,798,135
Government transfers (grants)	7,251,630	-	-	-	7,251,630
Investment income	1,240,687	-	-	-	1,240,687
Developer contributions	-	-	-	4,027,130	4,027,130
Other	1,331,509	-	(369,400)	-	962,109
Transfers from accum. surplus	67,946	-	-	(67,946)	-
Transfers from reserves	23,072,877	-	-	(23,072,877)	-
Borrowing	5,265,000	-	(5,265,000)	-	-
	\$ 91,437,018	\$ -	\$ (5,634,400)	\$ (19,113,693)	\$ 66,688,925
Expenses					
General government services	\$ 3,479,856	\$ (192,000)	\$ -	\$ (877,249)	\$ 2,410,607
Development services	2,267,626	-	-	-	2,267,626
Parks, recreation and culture	25,127,047	(12,303,701)	(2,346,902)	(1,150,483)	9,325,961
Transportation and transit services	1,046,685	-	-	(25,000)	1,021,685
Environmental services	9,805,812	(1,853,271)	-	(821,905)	7,130,636
Health, social services and housing	317,400	-	-	-	317,400
Sewer and septage services	349,145	(140,000)	(113,652)	(19,500)	75,993
Water services	40,386,106	(21,921,804)	(2,129,259)	(1,176,139)	15,158,904
Protective services	8,657,341	(4,629,000)	(109,221)	(365,000)	3,554,120
	\$ 91,437,018	\$ (41,039,776)	\$ (4,699,034)	\$ (4,435,276)	\$ 41,262,932



20. Segment Disclosures

The Regional District is a diversified local government that functions as a partnership of the municipalities and electoral areas within its boundaries. The Regional District provides a number of specific and agreed upon services directly to the public and to its member municipalities, such as planning and development, building inspection and bylaw enforcement, parks, recreation and culture, solid waste management and recycling, water treatment and fire protection. For management reporting purposes, individual services are grouped into the following departments:

General government services

This department is responsible for the overall direction and monitoring of regional initiatives. This includes administration, legislative and corporate services, human resource management, financial services, information services and communications.

Development services

This department is responsible for building inspection and planning services, development services including regional planning and economic development, sustainability and zoning. The department is responsible for planning and building inspection for all electoral areas and for some municipalities through contract.

Parks, recreation and culture

This department is responsible for the management and provision of parks, trails, recreational programs and cultural facilities within the Regional District.

Transportation and transit services

This department is responsible for the regional transit and custom transit services through cooperation with neighbouring jurisdictions.

Environmental services

This department is responsible for regional solid waste management at its landfills and transfer stations and inter-regional partnerships with the Okanagan Basin Water Board and Sterile Insect Release Program.

Health, social services and housing

This department is responsible for the provision of services such as the Victims' Services Program and grants to social service organizations.

Sewer and septage services

This department is responsible for the operation of the wastewater facility as well as short and long term planning in order to accommodate population growth and ensure efficient and reliable service.

Water services

This department is responsible for the safe and efficient supply and distribution of water to residential, commercial, industrial, institutional and agricultural customers in the Regional District through its six water systems.

Protective services

This department protects the citizens of the Regional District through the provision of a variety of services, including Fire Protection, 9-1-1 Emergency Telephone, Fire Dispatch, Search and Rescue, Animal Control, Emergency Management and the Safe Communities program.



21. Contaminated Sites

During 2021, the Regional District evaluated all sites for which an environmental standard exists and for which it is directly responsible and has concluded that no contamination exists that exceeds an environmental standard. Accordingly, no amount has been accrued in the financial statements as a liability for contaminated sites.

22. COVID-19 Safe Restart Grant

Funding received from the COVID-19 Safe Restart Grant has been allocated to the following regional and local services:

	2021
General Government (010)	\$ 97,000
Information Services (015)	58,000
Electoral Area Administration (021)	641,862
Electoral Area B & C Local Parks (061)	5,600
Greater Vernon Recreation and Programming (063)	56,300
White Valley Parks, Recreation and Culture (070)	24,191
Fortune Parks and Recreation (090)	32,938
BX-Swan Lake Fire Department (241)	62,923
Lumby and District Fire Department (243)	2,500
Silver Star Fire Department (245)	10,200
Solid Waste Management (350)	63,700
Safe Communities (442)	21,786
Total funds received	\$ 1,077,000

COVID-19 Safe Restart Grant funds have been spent as follows:

	2021	2020
Opening balance	741,000	-
Contributions	336,000	741,000
	1,077,000	741,000
Eligible costs incurred		
Grants paid to not-for-profit organizations	(231,088)	-
Personal protective equipment and extra cleaning	(110,000)	-
Recreation revenue shortfalls	(83,274)	-
Recreation service level increase	(21,091)	-
Protective service equipment	(81,610)	-
Technology upgrades	(38,504)	-
	(565,567)	-
	\$ 511,433	\$ 741,000

This information has been provided in accordance with Section 377 of the Local Government Act.

23. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.



24. Financial Instrument Risk Management

Credit Risk

Credit risk is the risk that the Regional District will incur financial losses if a debtor fails to make payments when due. The Regional District is exposed to credit risk on its loan receivable, debt recoverable from municipalities, accounts receivable and portfolio investments.

Maximum exposure to credit risk in respect of the loan receivable and debt recoverable from municipalities is outlined in Note 4 and Note 5. Credit risk on loan receivable and debt recoverable is managed primarily by the policies put in place by the Municipal Finance Authority ("MFA"). The District has made formal payment arrangements with customers and have received all scheduled payments during the year. The District does not believe these balances are impaired, therefore, no impairment allowance has been recognized.

The maximum exposure to credit risk in respect of accounts receivable is limited to the carrying amount of trade and other receivables as disclosed in Note 3, which is managed by credit policies such as limiting the amount of credit extended and obtaining security deposits where appropriate. As at December 31, 2021 there was a total of \$101,472 in balances aged over 90 days. The majority of this balance relates to reimbursements due from the Provincial Emergency Program for wildfire expense recovery and landfill customer accounts. The District does not believe that these balances are impaired, therefore no impairment allowance has been recognized.

To mitigate credit risk for portfolio investments, the District diversifies its holdings, ensuring that they are with stable financial institutions and made in accordance with Section 183 of the Community Charter. The maximum exposure to credit risk on portfolio investments is outlined in Note 2.

There have been no significant changes from previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity Risk

Liquidity risk is the risk that the Regional District will encounter difficulty in meeting obligations associated with its accounts payable and long term debt. The Regional District manages this risk by holding a sufficient amount of funds in highly liquid investments, maintaining a credit facility with its primary banking institution, closely monitoring cash flows and staggering the maturity dates of its investment portfolio.

Accounts payable liquidity risk exposure consists of balances outlined in Note 6 and are all payable within 6 months. Long term debt maturities are outlined in Schedule A and expected payments over the next five years are outlined in Note 10.

There have been no significant changes from previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate because of changes in market prices. Market risk is composed of currency risk, interest rate risk and equity risk.

Interest Rate Risk

Interest rate risk is the risk that the Regional District's debt servicing costs and the value of certain investments will fluctuate due to changes in interest rates.

In respect of debt servicing costs, the risk is minimal as all of the Regional District's long term debt is fixed rate and is usually refinanced every ten to fifteen years as that is when most of the underlying debentures issued by the MFA mature. Interest rates and maturity for debt servicing is outline in Note 10 and Schedule A.

Investments subject to interest rate risk include certain structured notes and bonds as disclosed in Note 2. As at December 31, 2021 a 1% decrease in interest rates, with all other variables held constant, would decrease interest earned on structured notes by \$21,200 and bonds by \$29,200. A 1% increase in interest rates, with all other variables held constant, would increase interest earned on structured notes by \$42,000 and bonds by \$30,800. Interest rates and maturities on portfolio investments are outlined in Note 2.



24. Financial Instrument Risk Management (Continued)

There have been no significant changes from previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to changes in foreign exchange rates. The Regional District is not exposed to any significant currency risk, as it does not hold any financial instruments in a foreign currency as at the year end.

There have been no significant changes from previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. Investments subject to other price risk include certain MFA pooled investment funds, structured notes and equity investments as disclosed in Note 2. As at December 31, 2021 a 10% decrease in the stock markets, with all other variables held constant, would decrease the fair value of equity based investments by \$1.2 million while a 10% increase in the stock markets would increase the fair value of equity based investments by \$1.4 million.

There have been no significant changes from previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Fair Value of Financial Instruments

Canadian public sector accounting standards define the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The financial instruments measured at fair value held within each portfolio investment are classified according to a hierarchy which includes three levels, reflecting the reliability of the inputs involved in the fair value determination. The different levels are defined as follows:

Level 1

Quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie prices) or indirectly (ie derived from prices).

Level 3

Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The District's investments are all considered to be Level 1 financial instruments for which the fair value is determined based on quoted prices in active markets. Changes in fair valuation methods or in the availability of market observable inputs may result in a transfer between levels. During the year there was no transfer of securities between the different levels.



SCHEDULE A - LONG TERM DEBT

For the year ended December 31, 2021

Purpose	Date of Issue	Term	Rate	Amount Borrowed	Sinking Fund	2021 Balance	Interest Paid	Principal	Actuarial	2020 Balance
Silver Star Village Knoll Pipeline	2001	20	1.75%	\$ 165,000	\$ 165,000	\$ -	\$ 1,444	\$ 4,990	\$ 7,619	\$ 12,609
Community Theatre	2001	20	1.75%	500,000	500,000	-	4,375	15,121	23,090	38,211
Community Theatre	2001	20	1.75%	1,000,000	1,000,000	-	8,750	30,243	46,179	76,421
Silver Star Fire Truck	2001	20	1.75%	100,000	100,000	-	1,750	3,024	4,618	7,642
Community Theatre	2001	20	1.75%	470,000	470,000	-	8,225	14,214	21,704	35,918
Multi-Use Facility	2002	20	2.25%	135,000	124,683	10,317	3,038	4,083	5,743	20,142
Multi-Use Facility	2002	20	1.75%	200,000	200,000	-	1,750	21,333	8,508	29,841
Multi-Use Facility	2003	20	2.85%	165,000	140,381	24,619	4,702	4,990	6,447	36,056
Gunter-Ellison Community Water System	2004	20	2.85%	64,000	50,015	13,985	1,824	1,936	2,289	18,210
Septage Disposal Facility	2005	20	5.10%	2,000,000	1,515,661	484,339	27,599	113,652	-	597,991
GVW Master Water Plan Capital	2005	20	5.10%	10,000,000	7,578,307	2,421,693	137,997	568,261	-	2,989,954
Lumby Fire Truck and Hall Expansion	2005	20	0.91%	204,000	150,352	53,648	1,856	8,313	4,137	66,098
GVW Master Water Plan Capital	2005	20	0.91%	3,000,000	2,211,061	788,939	27,300	122,246	60,839	972,024
GV Parks Land Acquisition	2006	20	1.53%	813,000	813,000	-	14,228	293,619	19,976	313,595
Lumby Fire Truck and Hall Expansion	2006	20	1.53%	486,000	326,800	159,200	8,505	16,320	11,942	187,463
Pat Duke Memorial Arena	2007	20	2.25%	200,000	122,855	77,145	4,500	6,716	4,467	88,328
Kingfisher School Land Acquisition	2008	20	2.65%	175,000	97,713	77,287	4,638	5,877	3,532	86,696
GV Parks Land Acquisition	2008	20	2.65%	1,040,054	580,723	459,331	27,561	34,927	20,992	515,250
Silver Star Water - Vance Creek Reservoir	2009	30	2.25%	7,200,000	1,928,963	5,271,037	162,000	128,377	69,253	5,468,667
GVW - Duteau Water Treatment Plant	2009	20	2.25%	18,000,000	9,082,671	8,917,329	405,000	604,472	326,085	9,847,885
GV Parks Land Acquisition	2010	20	1.28%	5,646,946	2,564,048	3,082,898	72,281	207,591	79,687	3,370,176
GVW Master Water Plan Capital	2010	20	1.28%	4,000,000	1,816,237	2,183,763	51,200	147,047	56,446	2,387,256
Okanagan Regional Library	2011	20	1.47%	11,000,000	4,435,047	6,564,953	311,850	369,399	156,371	7,090,723
Greater Vernon Athletics Park	2015	20	2.20%	7,530,000	1,744,102	5,785,898	165,660	266,269	49,975	6,102,142
GVW - Claremont Utility Upgrade	2015	20	2.75%	700,000	162,134	537,866	19,250	24,753	4,646	567,264
BX-Swan Lake Fire Hall	2016	20	2.60%	1,500,000	284,434	1,215,566	39,000	53,042	7,825	1,276,433
Multi-Use Facility Expansion	2017	20	2.80%	13,156,695	2,048,453	11,108,242	368,387	489,636	45,403	11,643,280
N. Okanagan Shuswap Rail Trail	2018	20	3.10%	2,300,000	264,569	2,035,431	72,450	85,596	5,212	2,126,240
				\$ 91,750,695	\$ 40,477,209	51,273,486	\$ 1,957,120	\$ 3,646,047	\$ 1,052,985	55,972,515
Debt recoverable from municipalities						15,414,707				17,179,129
						\$ 66,688,193				\$ 73,151,644



SCHEDULE B - TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2021

	Cost				Accumulated Amortization				2021	2020
	Opening Balance	Acquisitions	Disposals	Closing Balance	Opening Balance	Amortization	Disposals	Closing Balance	Net Book Value	Net Book Value
Capital Assets										
Land	\$ 47,938,860	\$ 5,171,340	\$ (3,063,705)	\$ 50,046,495	\$ (2,042,411)	\$ (38,102)	\$ -	\$ (2,080,513)	\$ 47,965,982	\$ 45,896,449
Land improvements	9,781,287	556,841	(142,434)	10,195,694	(2,475,530)	(547,192)	85,959	(2,936,763)	7,258,931	7,305,757
Buildings	21,665,114	304,546	230,751	22,200,411	(3,492,264)	(456,398)	(237,545)	(4,186,207)	18,014,204	18,172,850
Furniture and equipment	3,861,900	522,581	(1,123,481)	3,261,000	(2,529,404)	(191,568)	906,878	(1,814,094)	1,446,906	1,332,496
Vehicles	5,289,380	128,563	(74,255)	5,343,688	(2,962,464)	(324,742)	47,702	(3,239,504)	2,104,184	2,326,916
Computer equipment	1,006,215	87,225	(143,411)	950,029	(647,559)	(141,626)	143,411	(645,774)	304,255	358,656
Leasehold improvements	985,009	184,410	-	1,169,419	(59,206)	(21,544)	-	(80,750)	1,088,669	925,803
Water infrastructure	166,830,898	6,643,078	(2,531,035)	170,942,941	(53,591,123)	(3,467,144)	1,696,183	(55,362,084)	115,580,857	113,239,775
Sewer infrastructure	94,390	-	-	94,390	(26,005)	(1,888)	-	(27,893)	66,497	68,385
Solid waste infrastructure	5,932,771	121,295	-	6,054,066	(2,110,220)	(242,163)	-	(2,352,383)	3,701,683	3,822,551
	263,385,824	13,719,879	(6,847,570)	270,258,133	(69,936,186)	(5,432,367)	2,642,588	(72,725,965)	197,532,168	193,449,638
Assets Under Capital Lease										
Land	9,212	-	-	9,212	-	-	-	-	9,212	9,212
Land improvements	6,900,119	322,727	-	7,222,846	(2,070,898)	(343,431)	-	(2,414,329)	4,808,517	4,829,221
Buildings	22,949,904	392,084	(503,425)	22,838,563	(9,142,681)	(419,679)	365,998	(9,196,362)	13,642,201	13,807,223
	29,859,235	714,811	(503,425)	30,070,621	(11,213,579)	(763,110)	365,998	(11,610,691)	18,459,930	18,645,656
Assets Under Construction										
Land improvements	61,110	250,829	(61,109)	250,830	-	-	-	-	250,830	61,110
Buildings	284,498	178,440	(275,757)	187,181	-	-	-	-	187,181	284,498
Furniture and equipment	-	500	-	500	-	-	-	-	500	-
Vehicles	-	205,000	-	205,000	-	-	-	-	205,000	-
Computer equipment	-	14,766	-	14,766	-	-	-	-	14,766	-
Leasehold improvements	-	61,370	-	61,370	-	-	-	-	61,370	-
Water infrastructure	7,601,170	4,709,354	(4,110,041)	8,200,483	-	-	-	-	8,200,483	7,601,170
Solid waste infrastructure	165,442	54,501	(121,295)	98,648	-	-	-	-	98,648	165,442
	8,112,220	5,474,760	(4,568,202)	9,018,778	-	-	-	-	9,018,778	8,112,220
	\$ 301,357,279	\$ 19,909,450	\$ (11,919,197)	\$ 309,347,532	\$ (81,149,765)	\$ (6,195,477)	\$ 3,008,586	\$ (84,336,656)	\$ 225,010,876	\$ 220,207,514



SCHEDULE C - SEGMENT DISCLOSURES AND EXPENSES BY OBJECT - CURRENT YEAR

For the year ended December 31, 2021

	General government services	Development services	Parks, recreation and culture	Transportation and transit services	Environmental services	Health, social services and housing	Sewer and sewage services	Water services	Protective services	Total
Revenues										
Tax revenue	\$ 1,325,710	\$ 1,138,472	\$ 11,461,671	\$ 756,821	\$ 1,634,135	\$ 209,096	\$ -	\$ 44,003	\$ 2,839,367	\$ 19,409,275
Sale of services	83,408	1,459,491	248,335	241,177	7,496,968	-	65,202	26,388,140	1,570,213	37,552,934
Government transfers	2,246,194	19,213	171,211	62,114	29,923	27,959	4,679	-	96,533	2,657,826
Investment income	196,317	48,608	687,881	27,494	167,415	3,804	46,653	1,340,034	115,375	2,633,581
Developer contributions	-	-	1,523,467	-	-	-	-	-	-	1,523,467
Other	30,245	2,307	321,170	143	1,714	75	435	512,852	373,462	1,242,403
Contributed capital assets	-	-	576,771	-	-	-	-	3,072,805	49,912	3,699,488
	3,881,874	2,668,091	14,990,506	1,087,749	9,330,155	240,934	116,969	31,357,834	5,044,862	68,718,974
Expenses										
Administrative overhead	172,009	307,986	182,029	31,578	291,596	11,357	8,544	1,108,530	193,814	2,307,443
Administrative recovery	(2,307,443)	-	-	-	-	-	-	-	-	(2,307,443)
Salaries and benefits	2,273,737	1,332,121	589,061	40,313	1,246,971	202,656	13,500	2,645,115	1,360,924	9,704,398
Board remuneration	340,151	5,149	22,929	-	-	-	-	32,498	-	400,727
Grants and assistance	243,353	69,000	1,228,134	-	163,415	24,200	-	-	36,000	1,764,102
Operations and maintenance	1,144,983	77,813	748,026	7,758	1,040,660	1,417	1,409	5,495,995	602,160	9,120,221
Contracted services	46,323	49,104	3,343,644	770,457	3,403,492	31,742	18,676	3,519,747	763,566	11,946,751
Vehicle and travel	12,160	35,585	16,180	-	28,213	106	178	44,443	93,325	230,190
Insurance	13,219	23,075	173,139	3,225	50,833	600	704	185,413	49,468	499,676
Interest	-	-	994,027	-	-	-	26,234	798,949	50,754	1,869,964
Utilities	85,704	5,628	214,539	42,197	38,004	1,314	464	1,060,099	83,804	1,531,753
Landfill closure obligation	-	-	-	-	2,417,748	-	-	-	-	2,417,748
Amortization	195,405	-	1,598,597	7,889	441,333	-	1,888	3,560,126	390,239	6,195,477
Government transfers	-	-	4,438,892	-	-	-	-	-	-	4,438,892
Loss on disposal	-	-	131,677	-	-	-	-	1,004,080	62,167	1,197,924
	2,219,601	1,905,461	13,680,874	903,417	9,122,265	273,392	71,597	19,454,995	3,686,221	51,317,823
Net surplus (deficit)	\$ 1,662,273	\$ 762,630	\$ 1,309,632	\$ 184,332	\$ 207,890	\$ (32,458)	\$ 45,372	\$ 11,902,839	\$ 1,358,641	\$ 17,401,151

SCHEDULE C - SEGMENT DISCLOSURES AND EXPENSES BY OBJECT - PRIOR YEAR
For the year ended December 30, 2020

	General government services	Development services	Parks, recreation and culture	Transportation and transit services	Environmental services	Health, social services and housing	Sewer and sewage services	Water services	Protective services	Total
Revenues										
Tax revenue	\$ 1,320,337	\$ 1,110,839	\$ 11,640,130	\$ 751,900	\$ 1,461,624	\$ 201,345	\$ -	\$ 44,003	\$ 2,774,962	\$ 19,305,140
Sale of services	14,560	1,152,135	210,503	242,957	6,671,759	-	61,291	24,378,910	255,375	32,987,490
Government transfers	1,774,592	133,432	3,027,173	81,585	12,434	108,495	4,679	145,207	130,437	5,418,034
Investment income	214,527	41,282	1,513,599	26,055	299,400	4,079	67,718	1,384,406	114,093	3,665,159
Developer contributions	-	-	289,507	-	-	-	-	-	-	289,507
Other	11,557	2,269	1,127,444	-	4,854	75	7,403	408,357	22,902	1,584,861
Contributed capital assets	-	-	190,026	-	-	-	-	248,464	-	438,490
	3,335,573	2,439,957	17,998,382	1,102,497	8,450,071	313,994	141,091	26,609,347	3,297,769	63,688,681
Expenses										
Administrative overhead	165,003	314,468	169,296	30,961	288,043	11,133	11,436	1,086,796	175,656	2,252,792
Administrative recovery	(2,252,792)	-	-	-	-	-	-	-	-	(2,252,792)
Salaries and benefits	2,337,649	1,387,819	451,688	37,784	1,220,258	189,561	15,461	2,651,742	727,895	9,019,857
Board remuneration	341,825	6,147	22,540	-	-	-	-	32,672	-	403,184
Grants and assistance	30,046	131,802	1,117,280	-	45,913	19,700	-	-	36,000	1,380,741
Operations and maintenance	692,097	118,262	1,009,729	5,660	1,063,491	4,175	21,055	5,231,644	368,512	8,514,625
Contracted services	103,891	39,813	2,890,364	704,502	3,212,507	27,331	19,743	3,435,809	873,656	11,307,616
Vehicle and travel	17,153	33,731	9,792	-	26,090	478	-	43,682	74,002	204,928
Insurance	13,585	20,103	145,056	2,850	43,842	500	(58)	160,214	46,431	432,523
Interest	-	-	1,669,646	-	-	-	38,198	925,252	52,534	2,685,630
Utilities	85,611	4,993	196,916	40,149	44,022	1,888	484	965,593	66,693	1,406,349
Landfill closure obligation	-	-	-	-	1,811,296	-	-	-	-	1,811,296
Amortization	198,218	-	1,584,049	7,889	423,097	-	1,888	3,425,628	422,038	6,062,807
Government transfers	-	-	1,275,169	-	-	-	-	89,610	-	1,364,779
Loss on disposal	15,821	-	2,055	-	-	-	-	-	-	17,876
	1,748,107	2,057,138	10,543,580	829,795	8,178,559	254,766	108,207	18,048,642	2,843,417	44,612,211
Net surplus (deficit)	\$ 1,587,466	\$ 382,819	\$ 7,454,802	\$ 272,702	\$ 271,512	\$ 59,228	\$ 32,884	\$ 8,560,705	\$ 454,352	\$ 19,076,470