



REGIONAL
DISTRICT
NORTH
OKANAGAN

2022 Financial Statements



REGIONAL DISTRICT OF NORTH OKANAGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

CONTENTS

Management Report	1
Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Operations and Accumulated Surplus	5
Statement of Change in Net Financial Assets and Remeasurement Gains (Loss)	6
Statement of Cash Flow	7
Notes to the Financial Statements	8
Schedule A - Long Term Debt	28
Schedule B - Tangible Capital Assets	29
Schedule C - Segment Disclosures	30 - 31

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 following 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.

A handwritten signature in black ink, appearing to read 'S. Banmen', is written over a horizontal line.

Stephen Banmen, MBA
General Manager, Finance
April 19, 2023



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, 2022, 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, 2022, 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 19, 2023



STATEMENT OF FINANCIAL POSITION

As at December 31

2022

2021

FINANCIAL ASSETS

Cash	\$ 11,291,947	\$ 29,761,280
Portfolio investments (Note 2)	115,102,432	84,840,792
Accounts receivable (Note 3)	7,549,729	7,419,505
Loan receivable (Note 4)	6,005,347	6,564,953
Debt recoverable from municipalities (Note 10, Schedule A)	14,706,726	15,414,707
Debt reserve fund - Municipal Finance Authority (Note 5)	1,723,188	1,685,681

156,379,369 145,686,918

FINANCIAL LIABILITIES

Accounts payable and accrued liabilities (Note 6)	9,662,575	5,820,461
Deferred revenue (Note 7)	1,847,506	1,972,870
Refundable deposits (Note 8)	717,299	598,762
Temporary debt (Note 10)	2,700,000	-
Restricted revenues (Note 9)	11,073,304	11,598,698
Long term debt (Note 10, Schedule A)	61,572,039	66,688,193
Debt reserve fund - Municipal Finance Authority (Note 5)	1,723,188	1,685,681
Asset retirement obligations (Note 11)	28,854,041	12,996,984

118,149,952 101,361,649

NET FINANCIAL ASSETS

38,229,417 44,325,269

NON-FINANCIAL ASSETS

Prepaid expenses	166,115	104,642
Tangible capital assets (Note 12, Schedule B)	236,765,730	225,010,876

236,931,845 225,115,518

ACCUMULATED SURPLUS

\$ 275,161,262 \$ 269,440,787

Accumulated surplus is comprised of:

Accumulated surplus (Note 13)	\$ 276,173,652	\$ 267,590,823
Accumulated remeasurement gains (losses)	(1,012,390)	1,849,964

\$ 275,161,262 \$ 269,440,787

Contingent liabilities (Note 15)


Stephen Banmen, MBA
General Manager, Finance



STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the years ended December 31

(Note 19)

2022

2021

Budget

Actual

Actual

REVENUE (Schedule C)

Tax revenue (Note 16)	\$ 20,233,310	\$ 20,233,308	\$ 19,409,275
Sale of services	35,458,635	36,292,828	37,552,934
Government transfers (Note 17)	9,904,674	1,759,451	2,657,826
Investment income	1,214,066	4,201,273	2,633,581
Developer contributions (Note 9)	4,451,000	2,232,418	1,523,467
Other revenue (Note 18)	660,459	1,000,361	1,242,403
Contributed capital assets (Note 12)	-	604,303	3,699,488
	71,922,144	66,323,942	68,718,974

EXPENSES (Note 21, Schedule C)

General government services	3,853,603	2,557,150	2,219,601
Development services	2,414,527	2,081,513	1,905,461
Parks, recreation and culture	11,466,554	13,278,526	13,680,874
Transportation and transit services	1,169,044	1,085,759	903,417
Environmental services	7,818,505	8,252,471	9,122,265
Health, social services and housing	218,174	218,104	273,392
Sewer and septage services	96,154	88,591	71,597
Water services	20,784,794	19,220,919	19,454,995
Protective services	4,169,213	3,381,790	3,686,221
	51,990,568	50,164,823	51,317,823

Operating Surplus

19,931,576 16,159,119 17,401,151

Accumulated Surplus, as previously reported

267,590,823 267,590,823 250,189,672

Adjustment on adoption of Asset Retirement Standard (Note 1)

(7,576,290) (7,576,290) -

Accumulated Surplus, Beginning of Year, as restated

260,014,533 260,014,533 250,189,672

Accumulated Surplus, End of Year

\$ 279,946,109 \$ 276,173,652 \$ 267,590,823


STATEMENT OF CHANGE IN NET FINANCIAL ASSETS AND REMEASUREMENT GAINS (LOSSES)
For the years ended December 31

	(Note 19)	2022	2021
	Budget	Actual	Actual
Operating Surplus	\$ 19,931,576	\$ 16,159,119	\$ 17,401,151
Amortization of tangible capital assets	6,195,000	6,621,675	6,195,477
Acquisition of tangible capital assets	(43,180,285)	(12,696,167)	(11,641,759)
Contributed tangible capital assets (Note 12)	-	(604,303)	(3,699,488)
Proceeds on disposal of tangible capital assets	-	108,665	11,760
(Gain)/loss on disposal and write-down of tangible capital assets	-	(69,091)	1,197,924
Transfer of tangible capital assets to member municipalities (Note 12)	-	2,223,276	3,132,724
Net consumption of prepaids	-	(61,475)	(30,613)
Net change in asset retirement obligations	-	(696,759)	-
Net remeasurement gains (losses)	-	(2,862,354)	1,849,964
Increase (Decrease) in Net Financial Assets	(17,053,709)	8,122,586	14,417,140
Net Financial Assets, as previously reported	44,325,269	44,325,269	29,908,129
Adjustment on adoption of Asset Retirement Standard (Note 1)	(14,218,438)	(14,218,438)	-
Net Financial Assets, Beginning of Year, as restated	30,106,831	30,106,831	29,908,129
Net Financial Assets, End of Year	\$ 13,053,122	\$ 38,229,417	\$ 44,325,269

Accumulated Remeasurement Gains, Beginning of Year
\$ 1,849,964 **\$ -**

Realized gain on investments, reclassified to statement of operations

Unrealized gains (losses) on investments

 (821,498) -
 (2,040,856) 1,849,964

Accumulated Remeasurement Gains (Losses), End of Year (Note 2)
\$ (1,012,390) **\$ 1,849,964**



STATEMENT OF CASH FLOW

For the years ended December 31

2022

2021

OPERATING

Operating Surplus	\$ 16,159,119	\$ 17,401,151
Non-cash items:		
Amortization	6,621,675	6,195,477
(Gain)/loss on disposal of tangible capital assets	(69,091)	1,197,924
Contributed tangible capital assets	(604,303)	(3,699,488)
Asset retirement obligation expensed	60,984	2,128,222
Accretion expense	880,873	-
Actuarial addition to sinking fund	(1,026,786)	(1,052,985)
Transfer of tangible capital assets to member municipalities	2,223,276	3,132,724
Change in non-cash working capital:		
Accounts receivable	(130,224)	292,118
Prepaid expenses	(61,475)	(30,613)
Accounts payable	3,842,114	(654,169)
Loans receivable	559,606	525,770
Deferred revenue	(125,364)	309,717
Refundable deposits	118,537	(142,752)
Restricted revenues	(525,394)	(908,832)
	27,923,547	24,694,264

CAPITAL

Acquisition of tangible capital assets	(12,696,167)	(11,641,759)
Proceeds from disposal of tangible capital assets	108,665	11,760
	(12,587,502)	(11,629,999)

INVESTING

Net portfolio investments sold (purchased)	(33,123,993)	8,342,487
--	--------------	-----------

FINANCING

Repayment of long term debt	(3,381,385)	(3,646,045)
Issuance of temporary debt	2,700,000	-
	(681,385)	(3,646,045)
Increase (Decrease) in Cash	(18,469,333)	17,760,707
Cash, Beginning of Year	29,761,280	12,000,573
Cash, End of Year	\$ 11,291,947	\$ 29,761,280

Supplemental Cash Flow Information

Interest paid	\$ (1,730,159)	\$ (1,957,120)
Interest received	\$ 2,845,429	\$ 1,941,678



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 asset retirement obligations, 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 Regional 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 Regional District has designated its bond portfolio that would otherwise be classified into the amortized cost category at fair value as the Regional 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.



1. Significant Accounting Policies (Continued)

Asset Retirement Obligations

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- 1) There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- 2) The past transaction or event giving rise to the liability has occurred;
- 3) It is expected that future economic benefits will be given up; and
- 4) A reasonable estimate of the amount can be made.

The liability for closure and post-closure costs relating to landfill sites has been recognized based on estimated future expenses. An additional liability for the removal of asbestos in several of the buildings owned by the Regional District has also been recognized based on estimated future expenses. Under the prospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard. Assumptions used in subsequent calculations are revised annually.

The liability is discounted using a net present value calculation and adjusted annually for accretion expense. The recognition of a liability results in an accompanying increase to the respective tangible capital assets, which is amortized in accordance with the significant accounting policies.

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. The Regional 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.

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 the Regional District) 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.



1. Significant Accounting Policies (Continued)

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.

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, except land used for landfills
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

**1. Significant Accounting Policies (Continued)**Change in Accounting Policy

On January 1, 2022, the Regional District adopted Public Accounting Standard *PS3280 - Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has also resulted in a withdrawal of the existing *PS3270 - Solid Waste Landfill Closure and Post-Closure Liability*. The standard was adopted on the modified retroactive basis at the date of transition.

The Regional District removed the landfill closure and post-closure obligation that had been recognized on the statement of financial position and recognized an asset retirement obligation upon adoption of PS3280. The liability represents the required closure and post-closure care for the landfill sites owned by the Regional District as well as obligations related to buildings and water infrastructure that contain asbestos and must be addressed at asset retirement. As at the date of adoption of the new standard, the relevant discount rate was 2.18% per annum.

In accordance with the new standard, the Regional District recorded the following adjustments on January 1, 2022 related to its asset retirement obligations (ARO):

- The new ARO opening balance for all assets with retirement obligations was calculated as \$27,215,422. This resulted in an increase in financial liabilities of \$14,218,438 from the original landfill closure obligation of \$12,996,984 from the prior year.
- An adjustment to opening accumulated surplus of \$7,576,290 is made up of an increase of \$12,996,984 related to the reversal of the landfill closure liability, less \$20,573,274 related to accumulated amortization of the ARO recorded as tangible capital assets.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

2. Portfolio Investments

	<u>2022</u>		<u>2021</u>	
	Fair Market Value	Amortized Cost	Fair Market Value	Amortized Cost
Guaranteed investment certificates	78,632,447	78,632,447	61,774,031	61,774,031
MFA pooled investments funds	21,884,741	22,721,527	6,181,136	6,215,892
Structured notes	10,637,541	10,713,751	13,790,527	11,967,855
Bonds	3,928,608	4,027,286	3,074,960	3,013,239
Equities	19,095	19,811	20,138	19,811
	\$ 115,102,432	\$ 116,114,822	\$ 84,840,792	\$ 82,990,828

Portfolio investments are all carried at fair market value. The difference between fair market value and amortized cost of \$1,012,390 reflects the accumulated remeasurement losses at the end of the year. The effective interest method is used to calculate the amortized cost of portfolio investments above.

Guaranteed investment certificates earn fixed rates of interest ranging from 1.10% to 5.25% (1.08% to 3.30% in 2021) with maturity dates ranging from January 2023 to August 2027 (January 2022 to March 2026 in 2021).

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

Structured notes have guaranteed rates 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 2021) and maturities ranging from January 2023 to August 2028 (January 2022 to August 2028 in 2021). Structured notes are expected to be held to maturity.

Bonds earn rates of return ranging from 3.34% to 4.70% (3.18% to 3.61% in 2021) with maturities ranging from June 2023 to April 2032 (September 2022 to June 2023 in 2021).

Portfolio investments also include performance and security deposits of \$717,299 (\$598,762 in 2021) with specific terms of various contracts which are held and invested in the course of normal operations.

3. Accounts Receivable

	<u>2022</u>	<u>2021</u>
Government of Canada	\$ 399,705	\$ 265,182
Province of British Columbia	92,528	47,744
Local governments	5,223,707	5,085,839
Trade and other receivables, net of allowance for doubtful accounts	1,713,108	1,911,562
Accrued interest receivable	120,681	109,178
	\$ 7,549,729	\$ 7,419,505

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% (1.47% in 2021). Principal is paid annually and interest is paid semi-annually.

	<u>2022</u>	<u>2021</u>
Original amount	\$ 11,000,000	\$ 11,000,000
Principal repayments	(4,994,653)	(4,435,047)
	\$ 6,005,347	\$ 6,564,953



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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

	2022	2021
Regional District	\$ 1,220,282	\$ 1,199,173
Member municipalities	502,906	486,508
	\$ 1,723,188	\$ 1,685,681

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

	2022	2021
Regional District	\$ 2,225,257	\$ 2,235,801
Member municipalities	752,489	736,676
	\$ 2,977,746	\$ 2,972,477

6. Accounts Payable and Accrued Liabilities

	2022	2021
Trade payables	\$ 2,866,685	\$ 1,456,675
Wages and benefits	181,316	238,995
Banked time	89,673	75,866
Vacation	360,024	379,442
Employee future benefits	679,466	675,171
Holdbacks	589,100	292,988
Accrued interest payable	503,535	501,038
Local governments	4,193,645	2,003,073
Province of British Columbia	126,756	140,246
Government of Canada	72,375	56,967
	\$ 9,662,575	\$ 5,820,461

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.

	2022	2021
Accrued benefit obligation, beginning of year	\$ 675,171	\$ 682,204
Amortization of net actuarial loss	4,200	3,100
Current service cost	72,300	77,100
Interest cost	19,000	15,400
Benefits paid	(91,205)	(102,633)
Accrued benefit obligation, end of year	\$ 679,466	\$ 675,171

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, 2022. An update to the valuation is undertaken annually. The actuarial assumptions used to determine the District's accrued benefit obligation is based on a 2.5% discount rate and 4.4% wage inflation.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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.

	2021	Received	Refunded	Recognized as Revenue	2022
Building inspection surcharges	\$ 96,150	\$ 84,250	\$ (58,378)	\$ (14,172)	\$ 107,850
Deferred solid waste tipping fees	10,491	18,350	-	(17,335)	11,506
Deferred dog licenses	50,900	47,540	-	(50,900)	47,540
Future capital works	1,785,929	175,863	(9,500)	(299,149)	1,653,143
Other	29,400	-	-	(1,933)	27,467
	\$ 1,972,870	\$ 326,003	\$ (67,878)	\$ (383,489)	\$ 1,847,506

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 in the aggregate amount of \$639,468 (\$609,968 in 2021) received from developers to ensure the performance of capital works to be undertaken. The letters of credit are not reflected in the financial statements.

	2022	2021
Development and building permits	\$ 412,944	\$ 293,933
Solid waste performance security	29,845	31,661
Waterworks securities and guarantees	274,510	273,168
	\$ 717,299	\$ 598,762

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.

	2021	Contributions	Interest	Expenditures	2022
Greater Vernon Parks	\$ 7,245,150	\$ 438,397	\$ 193,107	\$ (2,223,276)	\$ 5,653,378
White Valley Parks	299,410	31,500	9,580	-	340,490
Fortune Parks	452,096	27,246	14,157	-	493,499
Greater Vernon Water	3,600,988	870,453	122,552	(9,142)	4,584,851
Silver Star Water	1,054	-	32	-	1,086
	\$ 11,598,698	\$ 1,367,596	\$ 339,428	\$ (2,232,418)	\$ 11,073,304

In accordance with Section 569 of the Local Government Act, \$24,809 in Greater Vernon Water DCC's and \$29,276 in Greater Vernon Parks DCC's were waived for eligible development as defined under Section 563(1)(a) of the Act.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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 October 2023 to October 2039, with interest rates ranging from 0.91% to 5.10%. The weighted average interest rate on long term debt was 2.18% (1.95% in 2021), and interest expense was \$1,727,091 (\$1,869,964 in 2021).

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

	Total Payment	Total Recoverable	Net Payment
2023	\$ 4,216,855	\$ 893,951	\$ 3,322,904
2024	4,230,152	893,951	3,336,201
2025	4,246,970	893,951	3,353,019
2026	3,362,237	893,951	2,468,286
2027	3,345,916	893,951	2,451,965
Thereafter	17,805,239	3,690,081	14,115,158
Total principal payments	37,207,369	8,159,836	29,047,533
Expected actuarial adjustment on sinking fund	24,364,670	6,546,890	17,817,780
Total	\$ 61,572,039	\$ 14,706,726	\$ 46,865,313

Temporary Debt

Bylaw 2938, provides for borrowing of \$3,500,000 to finance the acquisition of real property and construction of a new Vernon Search and Rescue building. In 2022, in advance of a long term debenture debt issue, the Regional District undertook temporary borrowing in the amount of \$2,700,000 to temporarily finance the construction of the facility.

Authorized but Unissued Debt

The following debt is the amount unissued at year end:

	2022	2021
Greater Vernon Multi-Purpose Cultural Facility (Bylaw 2910, 2022)	\$ 28,000,000	\$ 25,000,000
Vernon Search and Rescue Building (Bylaw 2779, 2018)	800,000	3,500,000
North Okanagan Wastewater Recovery System (Bylaw 2798, 2019)	5,200,000	5,200,000
	\$ 34,000,000	\$ 33,700,000

11. Asset Retirement Obligation

The Regional District's Asset Retirement Obligation consists of two main obligations as follows:

a) Landfill obligations

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 liability for closure of operational sites and post-closure care has been recognized under *PS3280 - Asset Retirement Obligation*. The Regional District has estimated the costs associated with these activities based on engineering studies required by the Ministry of Environment. The costs were based upon the presently known obligations that will exist at the estimated year of closure of the sites including 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. The open landfills have an estimated remaining useful life ranging from 3 to 49 years.

b) Building obligations

The Regional District owns several buildings throughout its operations that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of *PS3280 - Asset Retirement Obligations*, the Regional District recognized an obligation relating to the removal and post-removal care of the asbestos in these building as estimated at January 1, 2022. The buildings have estimated remaining useful lives ranging from 1 to 47 years.

Key variables used in estimating the District's asset retirement obligations include the cost of capital (discount rate), inflation rate and timing of future costs. In 2022, estimated expenses were calculated at the net present value (NPV) of future cash flows, discounted using the Regional District's weighted average cost of capital of 2.18% and inflated using an average inflation rate of 1.92% (BC CPI over the last 20 years).

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 \$14 million to \$141 million.

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

	Balance at December 31, 2021	(Note 1) Adjustment on adoption of PS3280	Balance at January 1, 2022	Change in Estimate	Accretion Expense	Balance at December 31, 2022
GVDDF	\$ 8,056,001	\$ 10,398,963	\$ 18,454,964	\$ (10,696)	\$ 670,192	\$ 19,114,460
ASDDF	2,607,143	360,433	2,967,576	73,445	66,296	3,107,317
LDDF	1,941,710	2,661,442	4,603,152	631,612	112,393	5,347,157
Kingfisher	16,324	-	16,324	(5,814)	104	10,614
Ashton Creek	3,053	-	3,053	(3,053)	-	-
Pottery Road	334,287	-	334,287	(2,170)	5,875	337,992
Cherryville	38,466	-	38,466	72,022	1,673	112,161
Buildings	-	797,600	797,600	2,400	24,340	824,340
	\$ 12,996,984	\$ 14,218,438	\$ 27,215,422	\$ 757,746	\$ 880,873	\$ 28,854,041



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

12. Tangible Capital Assets

	2022	2021
Land	\$ 54,852,360	\$ 47,975,196
Land improvements	11,918,329	12,318,278
Buildings	33,879,445	31,843,586
Furniture and equipment	1,262,441	1,435,734
Vehicles	2,308,551	2,320,855
Computer equipment	290,269	319,024
Leasehold improvements	1,249,988	1,150,040
Water infrastructure	127,378,090	123,781,335
Sewer infrastructure	64,609	66,497
Solid waste infrastructure	3,561,648	3,800,331
Net Book Value	\$ 236,765,730	\$ 225,010,876

Assets Under Construction

Assets under construction with a cost of \$9,148,877 (\$9,018,778 in 2021) have not been amortized. Amortization will commence when these assets are put into service. No interest was capitalized during 2022 or 2021.

Contributed Tangible Capital Assets

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

	2022	2021
Land	\$ -	\$ 2,729,371
Land improvements	125,935	-
Furniture and equipment	-	14,311
Vehicles	-	35,601
Water infrastructure	478,368	920,205
	\$ 604,303	\$ 3,699,488

Transfer of Tangible Capital Assets to Member Municipalities

The following assets were transferred at net book value to member municipalities in 2022 (\$3,132,724 in 2021).

	Cost	Accumulated Amortization	Net Book Value
Land & Land Improvements	\$ 2,223,276	\$ -	\$ 2,223,276
	\$ 2,223,276	\$ -	\$ 2,223,276



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

13. Accumulated Surplus

	2022	2021
<u>Operating Reserve Funds and Surplus</u>		
General government services	3,828,846	4,008,162
Development services	3,242,890	2,607,522
Parks, recreation and culture	8,461,007	7,435,956
Transportation and transit services	1,447,150	1,347,145
Environmental services	8,285,045	7,238,362
Health, social services and housing	160,586	156,242
Sewer and septage services	2,015,850	2,081,761
Water services	28,151,575	25,912,290
Protective services	4,276,049	3,694,197
	59,868,998	54,481,637
<u>Capital Reserve Funds</u>		
GVPRD Land Acquisition	2,907,123	1,891,517
Festival of the Arts Legacy	117,132	113,677
B & C Parks Acquisition	110,317	-
Greater Vernon Cultural Reserve	758,714	487,063
Landfill Closure/Post-Closure	14,876,319	12,911,240
Greater Vernon Water Capital Works	26,875,576	24,455,543
	45,645,181	39,859,040
<u>Community Works Fund</u>		
Opening balance	5,390,481	4,919,121
Contributions	878,175	1,711,295
Interest earned	169,528	113,707
Expenditures	(505,098)	(1,353,642)
	5,933,086	5,390,481
<u>COVID-19 Restart Fund (Note 23)</u>		
Opening balance	511,433	741,000
Contributions	-	336,000
Expenditures	(205,406)	(565,567)
	306,027	511,433
<u>Equity in Tangible Capital Assets</u>		
General government services	1,317,836	1,479,137
Parks, recreation and culture	55,330,385	55,183,017
Transportation and transit services	94,672	102,561
Environmental services	(10,931,693)	(2,410,968)
Sewer and septage services	(297,652)	(417,842)
Water services	114,407,912	108,819,439
Protective services	4,498,900	4,592,888
	164,420,360	167,348,232
Total Accumulated Surplus	\$ 276,173,652	\$ 267,590,823



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 227,000 active members and approximately 118,000 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, 2021 indicated a \$3.8 billion funding surplus for basic pension benefits on a going concern basis.

The Regional District paid \$586,454 for employer contributions to the plan in fiscal 2022 (\$602,456 in 2021).

The next valuation will be at December 31, 2024 with results available in 2025.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to 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 2022 or 2021.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

16. Tax Revenue

	2022 Budget	2022 Actual	2021 Actual
Property taxes	\$ 20,012,399	\$ 20,012,399	\$ 19,202,327
Parcel taxes	220,911	220,909	206,948
	\$ 20,233,310	\$ 20,233,308	\$ 19,409,275

17. Government Transfers

	2022 Budget	2022 Actual	2021 Actual
Provincial government, transfers without stipulations	160,000	203,000	172,647
Provincial government, transfers with stipulations	7,791,221	232,507	379,626
Grants-in-lieu of taxes from federal/provincial governments	116,650	125,976	129,784
Regional and other external transfers	1,836,803	1,197,968	1,975,769
	\$ 9,904,674	\$ 1,759,451	\$ 2,657,826

18. Other Revenue

	2022 Budget	2022 Actual	2021 Actual
MFA surplus payout from retired debenture issues	\$ -	\$ 8,874	\$ 62,024
Miscellaneous developer contributions	100,200	1,933	66,679
Loan payments received	452,077	452,077	529,826
Gain on disposal of tangible capital assets	-	69,091	-
Miscellaneous	108,182	468,386	583,874
	\$ 660,459	\$ 1,000,361	\$ 1,242,403



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

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 2925 on March 16, 2022. 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	\$ 20,233,310	\$ -	\$ -	\$ -	\$ 20,233,310
Sale of services	35,458,635	-	-	-	35,458,635
Government transfers (grants)	9,904,674	-	-	-	9,904,674
Investment income	1,214,066	-	-	-	1,214,066
Developer contributions	-	-	-	4,451,000	4,451,000
Other	1,064,838	-	(404,379)	-	660,459
Transfers from accum. surplus	75,892	-	-	(75,892)	-
Transfers from reserves	23,176,944	-	-	(23,176,944)	-
Borrowing	8,765,000	-	(8,765,000)	-	-
	\$ 99,893,359	\$ -	\$ (9,169,379)	\$ (18,801,836)	\$ 71,922,144
Expenses					
General government services	\$ 4,907,583	\$ (539,035)	\$ -	\$ (514,945)	\$ 3,853,603
Development services	2,430,527	-	-	(16,000)	2,414,527
Parks, recreation and culture	28,870,576	(14,696,473)	(1,996,288)	(711,261)	11,466,554
Transportation and transit services	1,178,044	16,000	-	(25,000)	1,169,044
Environmental services	12,573,505	(3,829,134)	-	(925,866)	7,818,505
Health, social services and housing	218,174	-	-	-	218,174
Sewer and septage services	457,704	(245,000)	(116,550)	-	96,154
Water services	46,753,819	(23,671,940)	(2,190,125)	(106,960)	20,784,794
Protective services	8,698,427	(4,198,000)	(105,214)	(226,000)	4,169,213
Less: Non Cash Amortization	(6,195,000)	6,195,000	-	-	-
	\$ 99,893,359	\$ (40,968,582)	\$ (4,408,177)	\$ (2,526,032)	\$ 51,990,568



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 grouping includes 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.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

21. Expense by Object

	2022	2021
Salaries and benefits	10,008,625	9,704,399
Board remuneration	449,318	400,727
Grants and assistance	2,250,212	1,764,102
Operations and maintenance	10,017,810	9,120,221
Contracted services	12,372,645	11,946,751
Vehicle and travel	259,781	230,190
Insurance	517,744	499,675
Interest	1,727,091	1,869,964
Utilities	1,481,295	1,531,753
Landfill closure obligation	110,313	2,417,748
Amortization	6,621,675	6,195,477
Accretion	880,873	-
Government transfers	3,467,441	4,438,892
Loss on disposal	-	1,197,924
	\$ 50,164,823	\$ 51,317,823

22. Contaminated Sites

During 2022, 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.

23. COVID-19 Safe Restart Grant

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

	2022	2021
Opening balance	511,433	741,000
Contributions	-	336,000
	511,433	1,077,000
Eligible costs incurred		
Grants paid to not-for-profit organizations	(186,839)	(231,088)
Personal protective equipment and extra cleaning	-	(110,000)
Recreation revenue shortfalls (recovery)	32,582	(83,274)
Recreation service level increase	(18,006)	(21,091)
Protective service equipment	(10,298)	(81,610)
Technology upgrades	(22,845)	(38,504)
	(205,406)	(565,567)
	\$ 306,027	\$ 511,433

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



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, cash, accounts receivable and portfolio investments.

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

The maximum exposure to credit risk with respect to 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, 2022 there was a total of \$65,801 (2021 - \$101,472) in balances aged over 90 days. The majority of this balance relates to landfill accounts receivable. The Regional District does not believe that these balances are impaired; therefore, no impairment allowance has been recognized.

The maximum exposure to credit risk with respect to cash is limited to the balance held at year end. Cash balances are held between three different Schedule 1 Chartered Banks with credit ratings of AA; therefore, diversifying deposits and mitigating credit risk to an acceptably low level.

To mitigate credit risk for portfolio investments, the Regional District diversifies its holdings by security type, maturity, issuer and geography. In order to ensure adequate diversification, limits are placed on the amount invested with a single issuer, on the asset size of issuers, on the type of issuer and on the credit ratings of issuers, while ensuring that investments are 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 the 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 cash flow. The Regional District manages this risk by maintaining an adequate balance of short term and/or 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 to match anticipated cash flow requirements. The Regional District also has the ability to adopt a Revenue Anticipation Borrowing Bylaw under Section 404 of the *Local Government Act* to borrow short term to finance its operations until the anticipated revenue, such as the annual tax requisition, is received.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

	2022		
	Within 1 Year	1-5 years	> 5 years
Accounts payable and accrued liabilities	\$ 9,662,575	\$ -	\$ -
Temporary borrowing	2,700,000	-	-
Net principal payments on long term debt	4,216,855	18,426,428	14,564,087
	16,579,430	18,426,428	\$ 14,564,087



24. Financial Instrument Risk Management (Continued)

	2021		
	Within 1 Year	1-5 years	> 5 years
Accounts payable and accrued liabilities	\$ 5,820,461	\$ -	\$ -
Long term debt	4,216,855	19,119,005	17,214,506
	10,037,316	19,119,005	\$ 17,214,506

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.

The primary objectives of the Regional District's portfolio management are, in order of priority, preservation of capital, liquidity and return on investment.

Certain MFA pooled investments funds have been created specifically for long term investments, such as the Diversified Multi-asset Class Fund. These funds are constructed with appropriate diversification, risk and return characteristics for long term investments.

Interest Rate Risk

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

With respect to debt servicing costs, the risk is minimal as all of the Regional District's long term debt is at a fixed rate and is usually refinanced by the MFA at the ten year and fifteen year mark following the original debt issue. Interest rates and maturity for debt servicing is outline in Note 10 and Schedule A.

The Regional District's investments subject to interest rate risk are bonds and MFA pooled investments funds, as well as some of the structured notes, as disclosed in Note 2. The risk is caused by changes in interest rates in the bond market. As interest rates rise, the fair value of the Regional District's bonds, MFA pooled investment funds and some of its structured notes decrease. Conversely, 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, 2022 the amount of the investment portfolio exposed was \$21,096,462 (2021 - \$14,010,671).

To mitigate interest rate risk and market risk on its portfolio investments, the Regional District generally holds its bond and structured note investments to maturity and holds its MFA long term pooled investment funds for 10 years or longer in alignment with future long term obligations.

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.

**24. Financial Instrument Risk Management (Continued)**Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. Investments subject to equity risk include certain MFA pooled investment funds, structured notes and equity-linked investments as disclosed in Note 2. As at December 31, 2022 a 10% decrease in the stock markets, with all other variables held constant, would decrease the fair value of equity based investments by \$0.8 million (\$0.5 million in 2021) while a 10% increase in the stock markets would increase the fair value of equity based investments by \$1.5 million (\$0.8 million in 2021).

To mitigate equity risk, the Regional District generally holds structured notes to maturity. Investments in other equity instruments and certain MFA pooled investment funds are held for the long term and the funds invested are not required for many years in the future, reducing the risk and impact caused by short term market declines.

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 valuation of the Regional District's investments are all considered to be the highest level of reliability (Level 1) in that the fair value is determined based on quoted prices in active markets. As at December 31st, all portfolio investments were valued based on quoted prices.

25. Comparative Figures

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



SCHEDULE A - LONG TERM DEBT

For the year ended December 31, 2022

Purpose	Date of Issue	Term	Rate	Amount Borrowed	Sinking Fund	2022 Balance	Interest Paid	Principal	Actuarial	2021 Balance
Multi-Use Facility	2002	20	2.25%	\$ 135,000	\$ 135,000	\$ -	\$ 3,038	\$ 4,083	\$ 6,234	\$ 10,317
Multi-Use Facility	2003	20	2.85%	165,000	152,391	12,609	4,703	4,990	7,019	24,619
Gunter-Ellison Community Water System	2004	20	2.85%	64,000	54,451	9,549	1,824	1,936	2,501	13,985
Septage Disposal Facility	2005	20	5.10%	2,000,000	-	367,788	21,729	116,550	-	484,339
GVW Master Water Plan Capital	2005	20	5.10%	10,000,000	-	1,838,942	108,646	582,752	-	2,421,693
Lumby Fire Truck and Hall Expansion	2005	20	0.91%	204,000	163,176	40,824	1,856	8,313	4,511	53,648
GVW Master Water Plan Capital	2005	20	0.91%	3,000,000	2,399,639	600,361	27,300	122,246	66,332	788,939
Lumby Fire Truck and Hall Expansion	2006	20	1.53%	486,000	356,192	129,808	7,436	16,321	13,072	159,200
Pat Duke Memorial Arena	2007	20	2.25%	200,000	200,000	-	4,500	72,231	4,914	77,145
Kingfisher School Land Acquisition	2008	20	2.65%	175,000	107,498	67,502	4,638	5,877	3,909	77,287
GV Parks Land Acquisition	2008	20	2.65%	1,040,054	638,878	401,176	27,561	34,927	23,229	459,331
Silver Star Water - Vance Creek Reservoir	2009	30	2.25%	7,200,000	2,134,499	5,065,501	162,000	128,377	77,159	5,271,037
GVW - Duteau Water Treatment Plant	2009	20	2.25%	18,000,000	10,050,450	7,949,550	405,000	604,472	363,307	8,917,329
GV Parks Land Acquisition	2010	20	1.28%	5,646,946	2,861,382	2,785,564	72,281	207,591	89,742	3,082,898
GVW Master Water Plan Capital	2010	20	1.28%	4,000,000	2,026,852	1,973,148	51,200	147,046	63,568	2,183,763
Okanagan Regional Library	2011	20	1.47%	11,000,000	4,994,653	6,005,347	161,700	404,379	155,227	6,564,953
Greater Vernon Athletics Park	2015	20	2.20%	7,530,000	2,071,414	5,458,586	165,660	266,269	61,043	5,785,898
GVW - Claremont Utility Upgrade	2015	20	2.75%	700,000	192,562	507,438	19,250	24,753	5,674	537,866
BX-Swan Lake Fire Hall	2016	20	2.60%	1,500,000	347,431	1,152,569	39,000	53,041	9,955	1,215,566
Multi-Use Facility Expansion	2017	20	2.80%	13,156,695	2,599,542	10,557,153	368,387	489,635	61,453	11,108,242
N. Okanagan Shuswap Rail Trail	2018	20	3.15%	2,300,000	358,102	1,941,898	72,450	85,596	7,937	2,035,431
				\$ 88,502,695	\$ 31,844,112	46,865,313	\$ 1,730,159	\$ 3,381,385	\$ 1,026,786	51,273,486
Debt recoverable from municipalities						14,706,726				15,414,707
						\$ 61,572,039				\$ 66,688,193



SCHEDULE B - TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2022

	Cost					Accumulated Amortization				2022	2021
	Opening Balance	Acquisitions	Disposals	Adjustment relating to ARO's (Note 1)	Closing Balance	Opening Balance	Amortization	Disposals	Closing Balance	Net Book Value	Net Book Value
Capital Assets											
Land	\$ 50,046,497	\$ 2,930,282	\$ (2,262,850)	\$ 6,574,824	\$ 57,288,753	\$ (2,080,513)	\$ (365,092)	\$ -	\$ (2,445,605)	\$ 54,843,148	\$ 47,965,982
Land improvements	10,195,693	288,882	(17,876)	-	10,466,699	(2,936,764)	(570,105)	22,439	(3,484,430)	6,982,269	7,258,931
Buildings	22,200,410	1,300	325,346	37,039	22,564,095	(4,186,206)	(452,123)	(292,229)	(4,930,558)	17,633,537	18,014,204
Furniture and equipment	3,261,000	15,785	(166,179)	-	3,110,606	(1,825,766)	(194,605)	166,179	(1,854,192)	1,256,414	1,435,234
Vehicles	5,343,688	433,558	-	-	5,777,246	(3,227,832)	(279,171)	-	(3,507,003)	2,270,243	2,115,856
Computer equipment	950,028	111,775	(59,378)	-	1,002,425	(645,775)	(125,760)	59,378	(712,157)	290,268	304,255
Leasehold improvements	1,169,419	84,015	-	-	1,253,434	(80,749)	(24,229)	-	(104,978)	1,148,456	1,088,669
Water infrastructure	170,942,940	9,772,296	-	7,031	180,722,267	(55,362,085)	(3,610,323)	-	(58,972,408)	121,749,859	115,580,857
Sewer infrastructure	94,389	-	-	-	94,389	(27,892)	(1,888)	-	(29,780)	64,609	66,497
Solid waste infrastructure	6,054,066	104,211	-	-	6,158,277	(2,352,383)	(244,247)	-	(2,596,630)	3,561,647	3,701,683
	270,258,130	13,742,104	(2,180,937)	6,618,894	288,438,191	(72,725,965)	(5,867,543)	(44,233)	(78,637,741)	209,800,450	197,532,168
Assets Under Capital Lease											
Land	9,212	-	-	-	9,212	-	-	-	-	9,212	9,212
Land improvements	7,222,846	-	-	-	7,222,846	(2,414,329)	(351,168)	-	(2,765,497)	4,457,349	4,808,517
Buildings	22,838,563	125,031	(331,478)	23,255	22,655,371	(9,196,362)	(402,965)	293,798	(9,305,529)	13,349,842	13,642,201
	30,070,621	125,031	(331,478)	23,255	29,887,429	(11,610,691)	(754,133)	293,798	(12,071,026)	17,816,403	18,459,930
Assets Under Construction											
Land improvements	250,830	415,777	(187,896)	-	478,711	-	-	-	-	478,711	250,830
Buildings	187,181	2,717,627	(8,741)	-	2,896,067	-	-	-	-	2,896,067	187,181
Furniture and equipment	500	5,527	-	-	6,027	-	-	-	-	6,027	500
Vehicles	205,000	38,309	(205,000)	-	38,309	-	-	-	-	38,309	205,000
Computer equipment	14,766	-	(14,766)	-	-	-	-	-	-	-	14,766
Leasehold improvements	61,370	101,532	(61,370)	-	101,532	-	-	-	-	101,532	61,370
Water infrastructure	8,200,483	3,374,725	(5,946,977)	-	5,628,231	-	-	-	-	5,628,231	8,200,483
Solid waste infrastructure	98,648	-	(98,648)	-	-	-	-	-	-	-	98,648
	9,018,778	6,653,497	(6,523,398)	-	9,148,877	-	-	-	-	9,148,877	9,018,778
	\$ 309,347,529	\$ 20,520,632	\$ (9,035,813)	\$ 6,642,149	\$ 327,474,497	\$ (84,336,656)	\$ (6,621,676)	\$ 249,565	\$ (90,708,767)	\$ 236,765,730	\$ 225,010,876



SCHEDULE C - SEGMENT DISCLOSURES - CURRENT YEAR

For the year ended December 31, 2022

	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	\$ 1,349,938	\$ 1,156,138	\$ 11,860,291	\$ 778,391	\$ 1,653,247	\$ 215,818	\$ -	\$ 44,003	\$ 3,175,482	\$ 20,233,308
Sale of services	84,035	1,412,940	267,980	310,419	7,276,944	-	75,491	26,246,272	618,747	36,292,828
Government transfers	1,232,469	22,791	314,367	47,786	28,159	1,312	-	75,679	36,888	1,759,451
Investment income	289,081	87,530	753,757	41,279	649,600	4,742	61,346	2,155,561	158,377	4,201,273
Developer contributions	-	-	2,223,276	-	-	-	-	9,142	-	2,232,418
Other	10,443	4,187	503,401	-	1,714	-	505	467,604	12,507	1,000,361
Contributed capital assets	-	-	125,935	-	-	-	-	478,368	-	604,303
	<u>2,965,966</u>	<u>2,683,586</u>	<u>16,049,007</u>	<u>1,177,875</u>	<u>9,609,664</u>	<u>221,872</u>	<u>137,342</u>	<u>29,476,629</u>	<u>4,002,001</u>	<u>66,323,942</u>
Expenses										
Operating										
Salaries and benefits (net)	3,026,472	1,411,086	641,346	39,226	1,391,685	(31)	13,700	2,785,341	1,149,116	10,457,941
Goods and services (net)	(642,827)	670,427	11,015,209	1,038,644	6,092,618	218,135	73,003	12,732,891	1,887,106	33,085,206
	<u>2,383,645</u>	<u>2,081,513</u>	<u>11,656,555</u>	<u>1,077,870</u>	<u>7,484,303</u>	<u>218,104</u>	<u>86,703</u>	<u>15,518,232</u>	<u>3,036,222</u>	<u>43,543,147</u>
Capital										
Amortization	173,505	-	1,621,971	7,889	768,168	-	1,888	3,702,687	345,568	6,621,676
	<u>2,557,150</u>	<u>2,081,513</u>	<u>13,278,526</u>	<u>1,085,759</u>	<u>8,252,471</u>	<u>218,104</u>	<u>88,591</u>	<u>19,220,919</u>	<u>3,381,790</u>	<u>50,164,823</u>
Net surplus (deficit)	\$ 408,816	\$ 602,073	\$ 2,770,481	\$ 92,116	\$ 1,357,193	\$ 3,768	\$ 48,751	\$ 10,255,710	\$ 620,211	\$ 16,159,119



SCHEDULE C - SEGMENT DISCLOSURES - PRIOR YEAR

For the year ended December 30, 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										
Operating										
Salaries and benefits (net)	2,613,888	1,337,270	611,990	40,313	1,246,971	202,656	13,500	2,677,613	1,360,924	10,105,125
Goods and services (net)	(589,692)	568,191	11,338,610	855,215	7,433,961	70,736	56,209	12,213,176	1,872,891	33,819,297
	2,024,196	1,905,461	11,950,600	895,528	8,680,932	273,392	69,709	14,890,789	3,233,815	43,924,422
Capital										
Amortization	195,405	-	1,598,597	7,889	441,333	-	1,888	3,560,126	390,239	6,195,477
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