Municipal Finance Authority of BC

2022 FINANCIAL STATEMENTS AND RELATED REPORTS

Financial Statements and Related Reports

REPORTS

SCHEDULES

Management Discussion and Analysis

This Management Discussion and Analysis provides commentary on the financial and operating results of the Municipal Finance Authority of British Columbia (MFA) for the 2022 fiscal year and should be read in conjunction with the 2022 audited financial statements and accompanying notes.

OVERVIEW OF BUSINESS

The MFA was established in 1970 under the *Municipal Finance Authority Act* (the "Act") to provide long-term and short-term financing for regional districts and their member municipalities, regional hospital districts, and other prescribed institutions in British Columbia (BC) (collectively, the "clients"). Also included in the client base are the Greater Vancouver Water District, Greater Vancouver Sewerage and Drainage District, Emergency Communications for Southwest British Columbia (E-Comm), Capital Region Emergency Service Telecommunications (CREST), and the South Coast British Columbia Transportation Authority (TransLink). The City of Vancouver is also a member but functions under its own charter and retains the right to issue its own securities, however they remain jointly and severally liable for debt within the region. Long-term debt requirements of local governments (5 to 30 years), excluding the City of Vancouver, must be borrowed through the MFA.

Our primary mandate is to raise long-term capital through the issuance of securities, in the name of the Municipal Finance Authority of British Columbia, for the purposes of funding our client's projects within British Columbia. This report and the financial statements describe this process in greater detail.

Short-term financing needs are met through a commercial paper program, authorized up to $700 million, and backstopped by two Canadian chartered banks. This funding supports interim financing for short-term projects, equipment loans, and funding in anticipation of long-term borrowing or qualifying future revenue receipts. Proceeds raised, that are not immediately lent to clients, are invested in short-term investments or are held as cash for liquidity purposes. Additional liquidity is provided through access to a $100 million credit facility also with a Canadian chartered bank.

Investment opportunities for clients are provided through the operation of a Pooled Investment Fund Program. These funds include high interest savings accounts, a money market fund, a government focused ultra-short bond fund, a short-term bond fund, a fossil fuel free short-term bond fund, diversified multi-asset class fund, and a mortgage fund. The funds are reported on separately and are not included in the audited financial statements or annual report.

In addition to the Act, the operations are also subject to the application of other statutes. Notable provincial legislation that integrates with the MFA is *The Local Government Act, The Community Charter, and the South Coast British Columbia Transportation Authority Act*.

GOVERNANCE

Oversight is provided by 39 representative members appointed from the each of the 28 regional districts within the Province of British Columbia. A board of ten Trustees is elected annually from the Members to exercise executive and administrative powers including policy, strategy, and business plans.

KEY PERFORMANCE DRIVERS

Reputation and History

The MFA has never defaulted on any debt obligation and accordingly has never imposed a tax levy nor made any claim on its Debt Reserve Fund.

Our continued success has resulted in lower program costs, absorption of fees, and the reduction of interest charges on loans to clients.

Borrowing Process

Through a cooperative approach with our clients and the Province of British Columbia, we adhere to the requirements of the Act and other relevant legislation regarding the borrowing process and expenditure limits.

All borrowings must be within each municipality's individual borrowing power, which stipulates that only 25% of sustainable revenue may be allocated to debt servicing costs (principal and interest). An imposed cap on the inclusion of tax revenue derived from industry lessens the reliance on this sector as a primary funding source for our clients. The purpose of this cap is to ensure that the revenue base is diversified and that local governments are not relying exclusively on one category of taxation.

Long-term borrowing requests or bylaws must be approved first at the local government level through a public consultation process and then at the regional district level. Bylaws must also receive legal approval from the Provincial Ministry through the issuance of a Certificate of Approval which ensures that the request is within financial borrowing limits. Only after these steps have been completed can a borrowing bylaw be presented for funding consideration.

The Members of the Authority review all requests for financing and, in consideration of the relevant market and economic conditions, may authorize the issue and sale of securities to fund those requests.

Management Discussion and Analysis continued

INVESTOR CONFIDENCE

Long-term financing needs are met through the placements of bullet debentures in capital markets primarily through issuance of 5 and 10-year bullet bonds. This strategy accommodates both the borrowing terms requested by our clients and the market preferences of investors. On rare occasions, amortizing, serial, and longer-dated debentures have been issued to meet specific funding requirements. Bond issuances employ an agented bookbuild process through the services of a financial consortium comprised of Canadian chartered banks and financial institutions.

Short-term funding needs have been fulfilled through a Commercial Paper Program authorized up to $700 million and supported by a dealer network of Canadian chartered banks.

Both financing programs allow for a wide distribution of our paper to investors throughout Canada and has established us as one of the premium municipal credits in the world with the highest possible credit rating attainable.

CREDIT FUNDAMENTALS

Joint & Several

Local governments, within each regional district, are jointly and severally liable for each other's long-term debt borrowings. When a municipality passes a borrowing bylaw and presents it to its regional district for the purpose of issuing securities, all municipalities within the region must vote on their acceptance of that borrowing. Approval of the bylaw binds each municipality with joint and several obligations.

In the normal course of business, debt servicing costs are collected from regional districts, which in turn requisition funds from the participating municipalities. If a municipality is unable to make payment, then the regional district incurs that deficiency and must work to recover any default from its member municipalities.

Debt Reserve Fund

The Act requires the establishment of a Debt Reserve Fund. The fund accumulates through the withholding of 1.00% of principal borrowed on each long-term loan request. If at any time the MFA does not have sufficient funds to meet payments due on its obligations, the payments must be made from the Debt Reserve Fund. Once a client has fulfilled its loan obligation, their portion of the Debt Reserve Fund is repaid. Since inception in 1970, there has been no loan defaults and accordingly the funds held in the Debt Reserve Fund has never been called upon.

Taxing Powers

Under the provisions of its Act, the MFA has unfettered access to the full property assessment base in the Province of British Columbia without requiring approval of any senior level of government. Annually a nominal tax rate is applied to all taxable property in order to maintain the levy and preserve the collection process.

If the Debt Reserve Fund is required to meet obligations as described above, and payments cannot be recovered under the terms of the loan agreements with the delinquent regional district, the Trustees may impose a tax on British Columbia taxable land and improvements to restore the fund.

If the MFA does not have sufficient funds to meet payments or sinking fund contributions, the Trustees must levy or impose rates on all taxable land and improvements in British Columbia sufficient to meet the payments.

Long-term Loan Methodology

Long-term loan agreement terms stipulate that clients will be invoiced at the regional district level for principal and interest payments. Regional districts are then responsible for the collection of funds subsequently lent to member municipalities. Administering the repayment process in this manner augments liquidity through emphasis of regional districts' debt guarantee provisions.

Loan repayments follow a sinking fund methodology in which clients pay principal amounts in equal annual installments. Funds received are invested and held as an offset against the associated source of financing, typically accomplished through bullet debenture issuances. This arrangement provides clients with budget certainty (fixed loan repayment stream) while eliminating the requirement for balloon payments at loan expiry.

Clients are compensated for loan payments, received in advance of the associated debenture maturities, with the application of an actuarial reduction (discount) applied to each principal payment. The discount is covered through earnings on investments held.

Investments are retained for debt retirement. Actuarial rates are set at the commencement of each loan and reviewed against actual investment performance. The MFA retains the right to adjust the actuarial assumptions as required. Earnings in excess of the actuarial rate are recorded as a surplus and form a component of equity at year end. If a surplus exists when the debenture matures, these funds will then be distributed to participating clients.

Management Discussion and Analysis continued

PERFORMANCE MEASUREMENT

Independent Credit Rating
Financial strength is founded on the structure of the organization itself and the conservative nature of clients. Through a combination of checks and balances over the borrowing process, joint and several obligations of regional districts and their member municipalities, a substantial Debt Reserve Fund, and the ability to levy a tax on all property in the Province, the MFA continues to maintain its high credit worthiness. Credit agencies have annually affirmed the MFA and its general obligation debenture debt as the highest investment quality available. Long-term credit ratings as at December 31, 2022; **Aaa (Moody's Investors Service), AAA (Standard & Poor's), and AAA (Fitch Ratings).**

The commercial paper program is rated with the highest credit worthiness for short-term money market instruments in Canada. Short-term credit ratings at December 31, 2022, **were P-1 high (Moody's Investors Service) and A-1+ (Standard & Poor's**). All commercial paper issued is secured by two Canadian chartered banks that provide dedicated term loan facilities.

BORROWING PROGRAMS AND LENDING

Long-term borrowing and lending program

During 2022 $1,325 million was raised in long-term debt through the issuance and re-opening of two new debentures (5-year and 10-year). The performance of these issuances is measured against senior governments and large municipalities in Canada.

April: Issued $310 million of a new 10-year debenture with a coupon of 3.30% and a yield of 3.314% dated April 8, 2032. At the time of this issue, the Government of Canada 10-year benchmark was yielding 2.514% while other comparable municipal issuers were returning a yield in the range of 3.364% - 3.464%.

June: Issued $325 million of a new 5-year debenture with a coupon of 3.35% and a yield of 3.385% dated June 1, 2027. At the time of this issue, the Government of Canada 5-year benchmark was yielding 2.860% while other comparable municipal issuers were returning a yield in the range of 3.435% - 3.535%.

September: Issued an additional $360 million of the 3.30% April 8, 2032 debenture with a yield of 4.014%, bringing the total outstanding to $670 million. At the time of this re-opening, the Government of Canada 10-year benchmark was yielding 3.184% while other comparable municipal issuers were returning a yield in the range of 4.064% - 4.164%.

November: Issued an additional $330 million of the 3.35% June 1, 2027 debenture with a yield of 3.882%, bringing the total outstanding to $655 million. At the time of this re-opening, the Government of Canada 5-year benchmark was yielding 3.387% while other comparable municipal issuers were returning a yield in the range of 3.932% - 4.032%.

Long-term loans in 2022 increased by $161 million from 2021, with outstanding loans of $5.6 billion at year-end. Of the new loans issued, financing was focussed on projects related to sewer and water infrastructure, hospital capital, protective services, roads, and parks and recreation projects.

Short-term borrowing and lending program

Our short-term borrowing program continues to be very active with $3.7 billion in commercial paper issued ($600 million of commercial paper outstanding at year-end), ranging from a term from 35-days to 182-days, with yields comparable to Provincial issuers. Commercial paper is benchmarked in relation to Government of Canada Treasury Bills.

This program achieves the lowest rate amongst our peers and allowed us to provide short-term financing to local governments at rates of between 0.90% and 4.77% throughout 2022. We had 446 short-term loans outstanding to local governments in BC at the end of 2022, averaging $377,000 in size.

CAPITAL ADEQUACY

Since inception, the MFA has never experienced a loan or investment default and therefore has never had to access its capital.

The Strategic Retention Fund increased to $105 million by the end of 2022, a $3 million increase from 2021. This was accomplished by a combination of income from operations of $4 million, a loss on investment income of $3 million, and short-term debt fund earnings of $2 million. The Strategic Retention Fund and Debt Reserve Fund ($120 million) collectively comprise total capital ($225 million as at December 31, 2022). MFA raises capital through operating profits earned or via the replenishment of the Debt Reserve Fund through taxation.

Management Discussion and Analysis continued

On-balance sheet risk capital targets for financial institutions is a formal requirement of financial regulatory bodies around the world. Capital is needed to absorb credit or other losses at the financial institution providing protection to investors.

The MFA has self imposed the following requirements on itself. The Capital Adequacy Model targets a capital level for the greater of a non-risk capital assessment ($208 million) and a risk-based capital assessment ($178 million):

	2022	2021
NON-RISK BASED CAPITAL ASSESSMENT		
Capital Leverage Ratio:		
Total Assets	$10.4 billion	$10.5 billion
Target %	2.00%	2.00%
Non-Risk Based Target Level	**$208 million**	**$210 million**
Current %	2.16%	2.15%
RISK BASED CAPITAL ASSESSMENT		
Part A - Capital Adequacy Ratio		
Total Risk Weighted Assets	$1.8 billion	$1.8 billion
Target %	9.60%	9.56%
Risk-Based Target Level A (credit, operational & market risk)	**$172 million**	**$173 million**
Current %	12.55%	12.47%
Part B - Key Internal Risks:		
Risk-Based Target Level B (investment return & long-term debt refinancing risk)	**$6 million**	**$7 million**
Combined Risk-Based Target Level (Part A + Part B)	**$178 million**	**$180 million**
Total Capital (Strategic Retention Fund & Debt Reserve Fund)	**$225 million**	**$225 million**

The MFA currently holds $225 million in capital which is appropriate given the riskiness of assets held.

RISK MANAGEMENT

Management is responsible for safeguarding systems, identifying risks, and recommending the appropriate policies and framework. The Board of Trustees reviews and approves the risk management policies and associated reporting procedures to enable them to monitor the adherence to these policies.

Market and Interest Rate Risk

To minimize exposure due to market volatility all borrowings are denominated in Canadian dollars and issuance of debentures are matched to the timing of funding for long-term loans. Lending rates are set on loans to cover the cash flow requirements of associated funding debentures. For clients with loan terms that extend beyond the maturity of the related debenture(s), an interest rate refinancing risk exists. At the time of refinancing, the lending rate on remaining loans will be reset in relation to the rate on the issuance of new debt.

Liquidity Risk

Liquidity risk is the risk that the MFA will not have sufficient cash to meet its obligations as they become due. This risk is managed by monitoring cash flows on a daily basis, maintaining an adequate liquid capital base ($225 million as at December 31, 2022), ensuring access to a $100 million bank facility, and actively participating in the commercial paper market. The MFA maintains access to two general corporate purpose facilities totalling $350 million to backstop a $700 million commercial paper program ($600 million total commercial paper outstanding as of December 31, 2022. These facilities can be accessed if we are unable to issue or roll commercial paper and may also be accessed for general financing purposes if required. Under the Capital Adequacy Model, the MFA targets capital to maintain a Liquidity Ratio of 1.0 times to service a full year of interest expense when the $100 million bank facility is included.

Although never undertaken in its history, the MFA can also invoke the joint and several guarantee of its clients, call outstanding demand notes, and impose a property tax on all taxable land and improvements in British Columbia.

Management Discussion and Analysis continued

Operational Risk

Operational risk is the risk associated with a breakdown in internal controls, systems or procedural failures, human errors, or malfeasance. These risks can never be fully eliminated but have been minimized by establishing appropriate policies and sound internal controls through segregation of duties, strong accountability and reporting practices with a specific focus on stringent controls over cash balances and cash movements.

Credit Risk

Credit risk is the risk of loss due to a client failing to meet its obligations or an issuer of a debt security the MFA has invested in fails to remit its interest or principal when scheduled. Prior to funding any loans, clients must demonstrate the financial capacity to service debt as regulated by the Province and must adhere to a strict borrowing process. The MFA also monitors global and provincial economic conditions, assesses regional political issues, and analyzes the submission of client's financial records. The MFA limits its exposure to credit risk associated with investments by diversifying its portfolio and restricting the investment portfolio to investment grade (BBB or higher) fixed-income securities.

Refinancing Risk

Refinancing risk is the risk related to refinancing debentures as the obligation comes due. The MFA has experienced uninterrupted access to the capital markets even during stressed scenarios. The MFA manages the risk of not being able to issue a debenture for the purpose of refinancing existing debt by retaining access to repurchase agreements with three Schedule I banks to backstop any potential risk arising from the timing of debenture refinancing. Further, a diversified funding strategy is pursued by cultivating a broad domestic and international investor base.

FINANCIAL SUMMARY

The MFA continues to produce positive financial results with profits in the Operating Fund, Long-term financing, and the Short-term financing programs. For the year ended 2022, total revenue amounted to $433 million against total expense of $276 million for an annual profit of $157 million.

During the year, clients were allocated $123 million consisting of surplus payments, forgiven loan repayments, and actuarial adjustments.

Management Report

The financial statements of the Municipal Finance Authority of British Columbia (the "Authority") are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available as at March 30, 2023.

Management has developed and maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded, and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel, and appropriate delegation of authority and segregation of responsibilities within the organization.

The financial statements have been examined by KPMG LLP, the Authority's independent external auditor. The external auditor's responsibility is to express their opinion on whether the financial statements fairly present, in all material respects, the Authority's financial position, results of operations, and cash flows in accordance with International Financial Reporting Standards. Their Independent Auditor's Report, which follows, outlines the scope of their examination and their opinion.

The Board of Trustees monitors management's responsibility for financial reporting and internal controls. The Board meets with the external auditor and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Members of the Authority. The external auditor has full and open access to the Board, with and without the presence of management.

Matthew O'Rae, MBA, CPA, CA
Chief Financial Officer
Victoria, British Columbia, Canada

Independent Auditor's Report

To the Members of the Municipal Finance Authority of British Columbia

Opinion

We have audited the financial statements of the Municipal Finance Authority of British Columbia (the Authority), which comprise:

- the statements of financial position as at December 31, 2022 and December 31, 2021
- the statements of comprehensive income for the years then ended
- the statements of changes in equity for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies
  (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Authority as at December 31, 2022 and December 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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 auditor's report.

We are independent of the Authority 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.

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditor's report thereon, included in the document entitled "Management's Discussion and Analysis".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the "Management's Discussion and Analysis" as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), 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 Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority'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 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 Authority'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 Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 report. However, future events or conditions may cause the Authority 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.
- 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.

KPMG LLP

Chartered Professional Accountants

March 30, 2023
Victoria, British Columbia, Canada

Statements of Financial Position

AS AT DECEMBER 31

THOUSANDS OF DOLLARS

	2022	2021
ASSETS		
Cash and cash equivalents	**$ 567,673**	$ 431,882
Investments (Note 4)	**3,960,421**	4,357,762
Accrued interest and other receivables	**95,120**	82,300
Short-term loans to clients (Note 5)	**168,029**	182,281
Long-term loans to clients (Note 6)	**5,596,484**	5,435,435
Property and equipment (Note 7)	**892**	1,104
Total Assets	**$ 10,388,619**	$ 10,490,764
LIABILITIES		
Trade and other payables (Note 8)	**$ 45,928**	$ 40,645
Bank and short-term indebtedness (Note 9)	**597,678**	499,923
Lease liability	**926**	1,076
Due to clients (Note 10)	**119,581**	123,171
Long-term debt (Note 11)	**9,752,530**	9,284,079
Total Liabilities	**10,516,643**	9,948,894
EQUITY		
Accumulated other comprehensive income	**(274,806)**	429,630
Retained earnings	**146,782**	112,240
Total Equity	**(128,024)**	541,870
Total Liabilities and Equity	**$ 10,388,619**	$ 10,490,764

The accompanying notes are an integral part of these financial statements

Matthew O'Rae, MBA, CPA, CA

Chief Financial Officer
Victoria, British Columbia, Canada

Statements of Comprehensive Income

FOR THE YEARS ENDED DECEMBER 31

THOUSANDS OF DOLLARS	2022	2021
REVENUE		
Interest from loans to clients	$ **247,044**	$ 230,246
Investment income	**164,239**	143,905
Amortization of premiums on long-term debt	**18,253**	21,238
Financial service fees	**3,398**	3,088
Recoveries from new issues	**-**	8
Operating levy	**549**	440
Total Revenue	**433,483**	398,925
EXPENSE		
Interest on long-term debt	**259,882**	244,773
Interest on bank and short-term indebtedness	**10,066**	974
Interest on lease liability	**28**	33
Amortization of discounts on long-term debt	**5,213**	4,783
Administration	**3,775**	3,683
Investment loss due to clients (Note 10)	**(2,840)**	(1,171)
Impairment (gain) loss on investments and loans to clients	**(2)**	24
Debt management and marketing	**153**	97
Total Expense	**276,275**	253,196
Profit for the year	**157,208**	145,729
OTHER COMPREHENSIVE INCOME		
Items that are or may be reclassified subsequently to profit or loss		
Financial instruments at FVOCI – net change in fair value	**(698,820)**	(225,988)
Financial instruments at FVOCI – reclassified to profit or loss	**(5,613)**	(37,543)
Financial instruments at FVOCI – net remeasurement in loss allowance	**(3)**	(1)
Other Comprehensive Income for the year	**(704,436)**	(263,532)
Total Comprehensive Income for the year	$ **(547,228)**	$ (117,803)

The accompanying notes are an integral part of these financial statements

Statements of Changes in Equity

FOR THE YEARS ENDED DECEMBER 31

THOUSANDS OF DOLLARS	Accumulated other comprehensive income*	Retained earnings	Total
Balance December 31, 2020	$ 693,162	$ 86,840	**$ 780,002**
Profit for the year	—	145,729	**145,729**
Allocations to clients (Note 12)	—	(120,329)	**(120,329)**
Net change in fair value of FVOCI financial assets			
Financial instruments at FVOCI – net change in fair value	(225,988)	—	**(225,988)**
Financial instruments at FVOCI – reclassified to profit or loss	(37,543)	—	**(37,543)**
Financial instruments at FVOCI – net remeasurement in loss allowance	(1)	—	**(1)**
Balance December 31, 2021	$ 429,630	$ 112,240	**$ 541,870**
Profit for the year	—	157,208	**157,208**
Allocations to clients (Note 12)	—	(122,666)	**(122,666)**
Net change in fair value of FVOCI financial assets			
Financial instruments at FVOCI – net change in fair value	(698,820)	—	**(698,820)**
Financial instruments at FVOCI – reclassified to profit or loss	(5,613)	—	**(5,613)**
Financial instruments at FVOCI – net remeasurement in loss allowance	(3)	—	**(3)**
Balance December 31, 2022	$ (274,806)	$ 146,782	**$ (128,024)**

The accompanying notes are an integral part of these financial statements

** Accumulated other comprehensive income represents unrealized gain (loss) on fair value through other comprehensive income investments.*

Statements of Cash Flows

FOR THE YEARS ENDED DECEMBER 31

THOUSANDS OF DOLLARS	2022	2021
OPERATING ACTIVITIES		
Profit for the year	$ 157,208	$ 145,729
Non-cash items:		
Loss on disposal of assets	402	-
Accretion of discounts on investments	(95,004)	(91,081)
Amortization of premiums and discounts on long-term debt	(13,040)	(16,455)
Investment loss due to clients	(2,840)	(1,171)
Depreciation on property and equipment	212	212
Interest expense on lease liability	28	33
Impairment (gain) loss on investments and loans to clients	(2)	24
Expected credit loss allowance on cash and cash equivalents	-	2
Changes in accrued interest and other receivables	(12,820)	(6,913)
Changes in trade and other payables	5,283	3,671
Net cash provided by operating activities	**39,427**	34,051
INVESTING ACTIVITIES		
Investments sold or matured	156,396	257,820
Investments purchased	(368,886)	(428,906)
Net cash applied to investing activities	**(212,490)**	(171,086)
FINANCING ACTIVITIES		
New debt issued	1,292,314	2,010,172
Debt retired	(810,823)	(1,244,756)
Loan repayments from clients	495,567	563,252
New loans to clients	(763,917)	(1,355,058)
Bank indebtedness and commercial paper issued	3,682,665	3,924,012
Bank indebtedness and commercial paper repaid	(3,584,911)	(4,034,015)
Contributions from clients for new long-term loans	6,534	10,845
Contributions and earnings refunded to clients	(7,283)	(6,573)
Surplus payments to clients (Note 12)	(1,113)	-
Lease liability repaid	(179)	(179)
Net cash provided (applied) by financing activities	**308,854**	(132,300)
Increase (decrease) in cash and cash equivalents	135,791	(269,335)
Cash and cash equivalents, beginning of the year	431,882	701,217
Cash and cash equivalents, end of the year	**$ 567,673**	$ 431,882

The accompanying notes are an integral part of these financial statements

Supplementary cash flow information (Note 13)

Notes to the Financial Statements

1. Reporting entity

The Municipal Finance Authority of British Columbia (the "Authority") has its head office at 3680 Uptown Boulevard, Victoria, British Columbia. It operates under the *Municipal Finance Authority Act* (the *"*Act*"*) as a central borrowing agency for the financing of capital requirements of regional districts and their member municipalities, regional hospital districts, and other special purpose municipal bodies (collectively the "clients"). The Authority issues its own securities and lends the proceeds to clients at whose request the financing is undertaken. Obligations of the Authority are not obligations of the Province of British Columbia (the "Province") and are not guaranteed, directly or indirectly, by the Province.

The Authority may annually impose rates, not exceeding prescribed amounts, on all taxable land and improvements in the Province to meet the annual operating budget. Additional rates will be levied if the Board of Trustees is of the opinion that debt repayments may not be recovered within a reasonable time under the long-term loan agreements with clients.

Under Section 149 (1) (c) of the *Income Tax Act*, the Authority is exempt from income taxes.

These financial statements reflect the capital financing and general operations of the Authority. The Authority also has established pooled investment funds which are appropriately not consolidated in the financial statements.

2. Basis of presentation

(a) Statement of compliance:
These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

The financial statements were authorized for issue by the Members of the Authority on March 30, 2023.

(b) Basis of measurement:
The financial statements have been prepared on the historical cost basis except for financial assets designated as fair value through other comprehensive income (FVOCI), including investments, which are measured at fair value.

(c) Functional and presentation currency:
These financial statements are presented in Canadian dollars, which is the Authority's functional currency. All tabular financial information presented has been rounded to the nearest thousand.

(d) Use of estimates and judgments:
The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty are the areas where assumptions and estimates have a risk of causing a material adjustment to the carrying amount of assets and liabilities. These are:

(i) Investments – in determining the valuation of FVOCI financial assets where quoted prices in active markets are not available, the Authority determines the fair value of future payments to be received utilizing appropriate discount rates based on comparable market transactions and the estimated effect of credit risk for the transaction.

(ii) The amounts recognized in the notes to the financial statements regarding estimated principal payments on loans to clients (note 6) are based on expectations of interest income earned on investments. Actual income realized will differ from the estimates, perhaps materially.

(iii) Expected credit loss on financial assets - the determination of the allowance for expected credit losses on investments and loans to clients is another source of estimation uncertainty. This requires the Authority to make complex, subjective judgments on the credit risk of its financial assets.

Notes to the Financial Statements continued

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

(a) Retained earnings:
The Authority has no authorized or issued share capital.

The Authority is required under the Act to segregate certain activities by fund.

The amount of retained earnings reallocated to clients is disclosed in the statements of changes in equity (note 12).

(b) Revenue recognition:
The annual operating tax levy is recognized as revenue in the Operating Fund when the rates have been set by the Authority in March of each year. It is collected on behalf of the Authority by the municipalities in the Province and by the Provincial Surveyor of Taxes and is payable to the Authority by August 1st each year.

Financial service fee revenue is recognized as earned and measured at the rate of 1.00% per annum of the book value of the investment holdings.

(c) Interest revenue and expense:
Interest revenue and expense for all interest-bearing financial instruments is recognized within interest revenue and interest expense in the statements of comprehensive income using the effective interest method. The effective interest method is the rate that exactly discounts the estimated future cash flow through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Authority estimates future cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

The calculation of the effective interest method includes all fees and costs paid or received between parties to the contract that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest revenue and expense presented in the statements of comprehensive income includes:

- interest on financial assets and financial liabilities measured at amortized cost, calculated on an effective interest basis
- interest on investment securities measured at FVOCI is calculated on an effective interest basis

(d) Financial instruments:
(i) Recognition and initial measurement:
Financial assets and financial liabilities are initially recognized when the Authority becomes a party to the contractual provisions of the instrument.

At initial recognition, the Authority measures a financial asset or a financial liability at its fair value plus, in the case of an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement:
Financial assets
The Authority classifies its financial assets between those to be measured subsequently at FVOCI and those to be measured at amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless the Authority changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Financial Statements continued

3. Significant accounting policies (continued)

(d) Financial instruments: (continued)

(i) Classification and subsequent measurement (continued):

Loans to clients are classified as financial assets at amortized cost which is consistent with the Authority's business model of holding loans to collect contractual cash flows that are solely for payments of principal and interest. Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses.

Investments and cash are measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Such financial assets are subsequently measured at fair value. Interest income calculated using the effective interest method and impairment are recognized in profit or loss. Other net gains and losses are recognized in Other comprehensive income (OCI). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Interest income and impairments are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities:

A financial liability is classified as FVTPL if it is held for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Any gain or loss on derecognition is also recognized in profit or loss.

The Authority classifies bank and short-term indebtedness, trade and other payables, due to clients and long-term debt as other financial liabilities measured at amortized cost.

The Authority derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. On recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in profit or loss.

(ii) Derivative financial instruments, including hedge accounting:

As part of the sinking fund investment practices, the Authority may purchase derivative or cash flow annuity contracts with institutions whereby the Authority sells a cash flow stream of principal collections from a client or group of clients to an institution for a future lump sum principal amount. The Authority will enter into these contracts to achieve fixed yields to meet actuarial requirements or to aggregate cash flows which could not be effectively invested by themselves due to the magnitude of individual transactions.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

The Authority determines whether hedge accounting can be applied when the individual derivative contracts are first established.

During the years presented, the Authority held no derivative contracts.

Notes to the Financial Statements continued

3. Significant accounting policies (continued)

(e) Investments:

The investment purchasing and trading policy of the Authority is to match the maturity of investments with the applicable obligation dates of the related debt.

Investment acquisitions and disposals are recorded as of the trade date. Although investments are typically held to maturity, all investments have been designated as FVOCI and stated at fair value. Any unrealized change in fair value is reflected in accumulated other comprehensive income and subsequently transferred to profit or loss when realized.

Fair values of investments are determined using quoted market prices where available. Where quoted market prices are not available, fair values are calculated based on discounted cash flow analysis with an incorporation of credit risk as applicable.

(f) Property and equipment:

(i) Recognition and measurement:

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within profit or loss.

(ii) Subsequent costs:

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Authority, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(iii) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

- leasehold improvements 10 years

Depreciation methods, useful lives, and residual values are reviewed at each financial year end and adjusted if appropriate.

(g) Impairment:

(i) Financial assets (including receivables):

The Authority recognizes loss allowances for expected credit losses (ECL) on its financial assets. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions.

The Authority measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL; financial assets determined to have low credit risk at the reporting date, and financial assets to clients for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition. Financial assets that satisfy these criteria are considered to be in Stage 1. If credit risk has increased significantly since initial recognition but the investment or loan is not credit-impaired, the financial asset would move into Stage 2. Once the financial asset is determined to be credit impaired, it is considered to have moved into Stage 3.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Authority is exposed to credit risk.

Notes to the Financial Statements continued

3. Significant accounting policies (continued)

(g) Impairment (continued)

(i) Financial assets (including receivables) (continued)

Measurement of ECLs:

ECLs are a probability-weighted estimate of credit losses. ECLs are a function of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment to reflect factors not captured in ECL models.

The PD represents the likelihood that a financial asset will not be repaid and will go into default in either a 12-month horizon for low-risk grade or lifetime horizon for identified increased in credit risk. The PD for each individual financial asset is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions.

EAD is modelled on historic data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts to be drawn at the time of default.

LGD is the amount that may not be recovered in the event of default and is modelled based on historic data and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Authority in accordance with the contract and the cash flows that the Authority expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Authority assesses whether financial assets carried at amortized cost and investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that the financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the issuer or the borrower
- Breach of contract, such as a default or past due event
- Likelihood of bankruptcy, receivership or other financial reorganization
- The disappearance of an active market for that financial asset because of financial difficulties

The Authority assumes that the credit risk on a loan to clients has increased significantly if a principal or interest payment is past due in a calendar year or the client's internal credit rating drops below an acceptable level based on various financial, economic, governance, and institutional factors. Loans to clients are considered credit-impaired when the borrower is unlikely to pay its credit obligations to the Authority in full or a principal or interest payment is between 180 and 365 days past due. A loan is in default when a principal or interest payment is 366 days past due.

The Authority generally requires all investments held within its portfolios to have investment grade credit ratings from a recognized rating agency of BBB or higher. Credit risk on an investment is assumed to have increased significantly in credit risk if the credit rating drops below BBB. A similar approach is taken for Cash and cash equivalents, where if the financial institution that holds the deposits drops below BBB, a significant increase in risk is assumed to have occurred. Investments are considered to be credit-impaired if an obliger is in default or is facing other material adverse change to its credit risk profile. For investments, a default is deemed to have occurred when the obliger fails to pay all or substantially all of its obligations as they come due, including any interest and principal payments.

Presentation of allowance for ECL in the statement of financial position:

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and charged to profit or loss. For investments at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

Write-off:

The gross carrying amount of a financial asset is written off (either partially or in full) to profit or loss to the extent that there is no realistic prospect of recovery. This is generally the case when the Authority determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities to comply with the Authority's procedures for recovery of amounts due.

Notes to the Financial Statements continued

3. **Significant accounting policies (continued)**

(g) Impairment (continued)

(ii) Non-financial assets:

The carrying amounts of the Authority's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of a non-financial asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized when the carrying amount of a non-financial asset exceeds its estimated recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Employee future benefits:

The Authority and its employees make contributions to the Municipal Pension Plan. These contributions are expensed as incurred.

(i) Leases:

At the inception of a contract, the Authority assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Authority assesses whether:

- the supplier has a substantive right;
- the Authority has the right to obtain substantially all of the economic benefits from use of the asset throughout the period; and
- the Authority has the right to direct the use of the asset. The Authority has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

For contracts that contain a lease, the Authority recognizes a right-of-use asset, presented in property and equipment in the statement of financial position, and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Authority's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in the Authority's estimate of the amount expected to be payable under a residual value guarantee, when there is a change in future lease payments arising from a change in a rate used to determine those payments, or if the Authority changes its assessment of whether it will exercise a purchase, extension or termination option.

Short-term leases and leases of low-value assets

The Authority has elected not to recognize right-of-use assets and lease liabilities for short-term leases of equipment that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Authority recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements continued

3. Significant accounting policies (continued)

(j) Interest rate benchmark reform – phase 2:

The Authority has adopted *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16)* effective January 1, 2021. In August 2020, the IASB issued amendments to these standards to address ongoing IBOR and other interest rate benchmark reform. These amendments focus on accounting and disclosure matters that will arise once an existing benchmark is replaced with an alternative benchmark rate. The Authority currently has no exposure to IBOR on its financial instruments, therefore there was no impact on the financial statements upon adoption of this policy.

4. Investments

Investments consist of the following debt securities and maturities:

THOUSANDS OF DOLLARS	*within 1yr*	*1-3yrs*	*3-5yrs*	*over 5yrs*	**2022**	2021
Government of Canada	*$ 19,748*	*106,117*	*66,408*	*69,923*	**$ 262,196**	$ 115,552
Provincial governments	*168,924*	*423,484*	*347,433*	*1,974,278*	**2,914,119**	3,274,513
Chartered banks	*11,011*	*134,692*	*26,131*	*11,731*	**183,565**	211,774
Credit unions	*4,933*	-	-	-	**4,933**	5,151
Local governments	*5,707*	*13,253*	*29,754*	*546,894*	**595,608**	750,772
	$ 210,323	*677,546*	*469,726*	*2,602,826*	**$ 3,960,421**	$ 4,357,762

Investments in Government of Canada, Provincial governments, and chartered banks may be direct or guaranteed.

The 12-month expected credit loss for investments is $16,322 (2021 – $18,929), the net remeasurement gain is $2,607 (2021 - $603 gain), with no transfer to lifetime expected credit losses.

5. Short-term loans to clients

Short-term loans represent loans of 1 to 5 years and are provided for under Section 11 of the Act. The Authority offers a revolving credit facility for clients under two programs:

Equipment Financing Program: *short-term funding of capital assets.*

Short-term Financing Program*: tax revenue anticipation, interim funding requirements and bridge financing of capital projects.*

Short-term loans to clients represent loans receivable for the following purposes:

THOUSANDS OF DOLLARS	**2022**	2021
Tax revenue anticipation	**$ -**	$ 160
Temporary financing of capital projects	**85,551**	105,679
Short-term capital borrowing	**82,496**	76,461
	168,047	182,300
Expected credit loss provision	**18**	19
	$ 168,029	$ 182,281

Short-term loans are charged interest based on the weighted average cost of commercial paper plus 0.50% and carry a maximum term of 5 years.

The amounts due within one year are $4,618,459 (2021 – $10,938,474).

The 12-month expected credit loss for short-term loans to clients is $18,384 (2021- $18,872), the net remeasurement gain is $488 (2021 – $3,538 loss), with no transfer to lifetime expected credit losses.

Notes to the Financial Statements continued

6. Long-term loans to clients

Long-term loans are initially measured at fair value and subsequently reflected at amortized cost using the effective interest method. Lending rates on loans are fixed for borrowing terms commencing with the initial period of the loan. The Authority conducts an annual evaluation of loan impairment to determine if an impairment write-down is necessary. No impairments have been taken in the current or previous years. A reduction in the carrying value of a loan may be recovered by an offsetting transfer from the Debt Reserve Fund and ultimately through a levy on taxable land and improvements if it is believed that payments under loan agreements may not be recovered within a reasonable time.

The aggregate principal payments recoverable from clients in each of the next five years and aggregated to maturity (excluding principal payments forgiven as outlined in note 12) are as follows:

THOUSANDS OF DOLLARS		
2023	$	**388,862**
2024		**373,586**
2025		**347,223**
2026		**321,655**
2027		**298,426**
2028 – 2032		**1,157,409**
2033 and thereafter		**1,073,464**
		3,960,625
Actuarial adjustment, budgeted		**1,636,287**
Expected credit loss provision		**428**
	$	**5,596,484**

These scheduled principal payments require management to estimate an expected earnings rate on investments on commencement (rates currently range from 1.75% to 5.00%), therefore included in loans to clients are budgeted non-cash actuarial adjustments of $1,636,286,531. This actuarial adjustment represents the estimated interest income on the investment portfolio for principal payments collected from clients and invested by the Authority until the related debt is retired. As principal payments are received annually, the associated actuarial adjustments are credited to the loan balance outstanding.

When the Authority, under Section 14 of the Act, has determined that the value of the assets in the sinking fund, together with the anticipated earnings for that fund, is greater than the value that will be required to repay the debt or discharge the obligation and has declared that there is an anticipated surplus in the fund of a specified amount, the scheduled future payments of both principal and interest from clients under the related loan agreements are forgiven.

The 12-month expected credit loss for long-term loans to clients is $427,955 (2021 - $426,305), the net remeasurement loss is $1,255 (2021 - $22,069 loss), with a $206 transfer to lifetime expected credit losses (2021 - $395).

Notes to the Financial Statements continued

7. Property and equipment

Property and equipment consists of a right-of-use asset related to a leased facility out of which the Authority operates, and the net book value of the leasehold improvements on that facility.

THOUSANDS OF DOLLARS	**2022**	2021
Property, plant and equipment owned (leasehold improvements)	**$ 26**	$ 81
Right-of-use assets	**866**	1,023
	$ 892	$ 1,104

The Authority entered into a 10-year lease agreement commencing June 1, 2013 and has incurred leasehold improvements of $482,875 which is reflected net of accumulated depreciation of the building of $456,700 (2021 – $402,100).

The right-of-use asset balance as at December 31, 2022 is $1,495,651, which is reflected net of accumulated depreciation of $629,748 (2021 - $472,311).

The facility lease contains an extension option exercisable by the Authority up to one year before the end of the non-cancellable contract period. In 2022, the Authority exercised the option to extend the lease to June 30, 2028.

8. Trade and other payables

Trade and other payables consist of:

THOUSANDS OF DOLLARS	**2022**	2021
Interest payable – Long-term debt	**$ 45,086**	$ 40,072
Other payables	**842**	573
	$ 45,928	$ 40,645

9. Bank and short-term indebtedness

The Authority has a commercial paper program which enables it to issue commercial paper up to a maximum aggregate principal amount of $700 million through the issuance of short-term notes in the name of the Authority of up to 365 days in duration. The program requires a term facility from one or more Canadian chartered banks for at least 50% of the issued and outstanding commercial paper. At year end, the Authority had authorized access to two general corporate purpose facilities totaling $350 million with total commercial paper borrowings outstanding of $598 million. As at year end, the average interest rate on commercial paper issued was 4.27% (2021 – 0.22%).

The Authority has an agreement under which a chartered bank (the "bank") provides a revolving credit facility of up to $100 million. Under that agreement, the Authority may borrow at a daily floating rate based on the prime rate or at negotiated rates for fixed terms up to one year in length. Floating-rate borrowings are subject to repayment within 30 days following demand by the bank while fixed-term borrowings are repayable at maturity. During the year, the Authority did not borrow against this revolving credit facility nor hold any associated floating or fixed term debt at the beginning of the year or at year end.

Notes to the Financial Statements continued

10. Due to clients

At the commencement of each long-term loan, the Act requires that each regional district deposit with the Authority: (a) an amount equal to one-half the average annual installment of principal and interest in respect of its own borrowing, and (b) an amount equal to one-half the average annual installment of principal and interest as set out in the borrowing agreements entered into with its member municipalities. Amounts are payable either in full or in an amount equal to 1.00% of the total principal amount borrowed, with the balance secured by a non-interest-bearing demand note.

The Act requires the Authority to place these deposits into a Debt Reserve Fund whose primary purpose is to provide security for debenture payments to bondholders. If, at any time, the Authority does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, the payments or sinking fund contributions must be made from the Debt Reserve Fund. Once the regional districts or member municipalities have made the final payment under their respective loan agreements, then these deposits are repaid to clients.

Scheduled payments to clients in each of the next five years and to the maturity of all loans are as follows:

THOUSANDS OF DOLLARS		
2023	$	**5,194**
2024		**9,041**
2025		**7,303**
2026		**12,501**
2027		**9,668**
2028 – 2032		**22,307**
2033 and thereafter		**53,567**
	$	**119,581**

The balance held in the Debt Reserve Fund, to be applied to pay amounts Due to clients, is as follows:

THOUSANDS OF DOLLARS				
		2022		2021
Cash	**$**	**30,109**	$	42,039
Accrued interest receivable		**122**		67
Investments		**89,350**		81,065
	$	**119,581**	$	123,171

Investments of the Debt Reserve Fund consist of the following securities:

THOUSANDS OF DOLLARS				
		2022		2021
Government of Canada	**$**	**34,221**	$	17,447
Provincial governments		**50,424**		58,469
Chartered banks		**-**		-
Local governments		**4,705**		5,149
	$	**89,350**	$	81,065

Also integral to the Debt Reserve Fund, but not presented on the statements of financial position, are Demand Notes Receivable from clients of $257,474,634 (2021 – $248,786,245) which are entered into upon commencement of a loan and are callable on demand to meet Authority obligations. Once clients have made the final payment under their respective loan agreements, the demand notes will be extinguished. For financial statement presentation, these demand notes receivable have been classified against Due to clients, reflecting their contingent nature. Throughout the history of the organization, the Authority has never called upon any demand note.

If the Board of Trustees of the Authority is of the opinion that the payments made from the Debt Reserve Fund may not be recovered under the terms of the loan agreements within a reasonable time, they may levy or impose upon substantially all taxable land and improvements in the Province of British Columbia, rates sufficient to maintain the Debt Reserve Fund at a level not exceeding the amount which would have been in the Fund had no such payments been made. Further, the Board of Trustees must impose such rates when the balance in the Fund is less than 50% of the amount that would have been in the Fund had no such payments been made.

During the year, the Debt Reserve Fund recognized total revenue of $2,588,750 (2021 – $2,106,326) and incurred no expenses during the year (2021 – $81,900). Included in accumulated other comprehensive income is an unrealized mark-to-market valuation loss on the investments of $5,429,023 (2021 – $3,195,674 loss). The Authority's practice is to hold investments until maturity to minimize the impact of fluctuations of market pricing on investment values. The excess of expenses over revenue, including valuation adjustment on investments, in the Fund was $2,840,273 (2021 – $1,171,248 loss) and is recorded as investment loss due to clients.

Notes to the Financial Statements continued

11. Long-term debt

The aggregate long-term debt maturities in each of the next five years and aggregated to maturity are as follows (including provision for early calls by the Authority and redemptions at the option of the bondholder):

THOUSANDS OF DOLLARS		
2023	$	**1,523,575**
2024		**1,204,401**
2025		**1,159,940**
2026		**1,592,816**
2027		**1,331,569**
2028 – 2032		**2,529,766**
2033 and thereafter		**384,930**
		9,726,997
Transaction costs, net of accumulated amortization		**25,533**
	$	**9,752,530**

Client bylaw terms (up to 30 years) may not coincide with the Authority's debenture terms (typically 5 or 10 years), and therefore many borrowing requests may require some level of refinancing. Refinancing is dependent on a number of considerations such as maturity date of related long-term loans, investment holdings, estimated future investment income, and estimated future interest rates.

12. Allocations to clients

Allocations to clients comprise the total of surpluses earned (earnings in excess of debenture interest cost) by the investments relating to specific debenture issues that have matured and were distributed back to clients for whom the financing was undertaken. Accruals of investment income due to clients and allocations of net profit to clients, which apply to the Debt Reserve Fund, are shown separately.

During the year, the following amounts were allocated:

THOUSANDS OF DOLLARS				
		2022		2021
Cash surplus repayments	$	**1,113**	$	-
Actuarial earnings recognized		**121,553**		120,329
	$	**122,666**	$	120,329

Included in actuarial earnings recognized is $48,789,540 (2021 – $47,756,741) of accrued earnings calculated from the last principal payment dates to December 31, 2022.

13. Supplemental cash flow information

During the year, the Authority received the following cash payments:

THOUSANDS OF DOLLARS				
		2022		2021
Interest from clients on long-term loans	$	**237,254**	$	226,794
Interest from clients on short-term loans		**3,301**		1,967
Interest from investments		**50,561**		44,423

During the year, the Authority made the following cash payments:

THOUSANDS OF DOLLARS				
		2022		2021
Interest on long-term debt	$	**254,868**	$	241,161
Interest on short-term indebtedness		**7,702**		997

The amounts shown on the statements of comprehensive income are recorded on an accrual basis and may differ from the information presented above on a cash basis.

Notes to the Financial Statements continued

14. Financial instruments

(a) Risk management:

Management is responsible for safeguarding systems, identifying risks, and recommending the appropriate policies and framework. The Board of Trustees reviews and approves the risk management policies and associated reporting procedures to enable them to monitor the adherence to these policies. The Authority has additional controls in place through the establishment of the Business, Credit, and Investment Committees to assist in managing key credit, investment, and financial risks.

The Authority has a restrictive investment policy as defined in the Act which limits investments to fixed income securities of the Government of Canada and its agencies, Provinces in Canada, local governments in Canada, Canadian chartered banks, and Canadian saving institutions. No equity investments are permitted.

All long-term loans to clients are approved according to Provincial legal and financial requirements and each loan request must be reviewed by the Members of the Authority prior to funding. One percent of each borrowing request must be deposited as a refundable cash contribution and held in the Debt Reserve Fund as security against possible loan default. Furthermore, the Authority has the power to levy a province-wide property tax to meet operational requirements.

(b) Liquidity risk:

Liquidity risk is the risk that a portfolio may not be able to settle or meet its obligation on time or at a reasonable price.

Each long-term loan request is funded at the time the Authority raises monies in capital markets and the cash flow on debt repayment is matched to the cash flow on loan collections. The Authority monitors cash resources daily and continually reviews future cash flow requirements to ensure obligations are met.

The Authority utilizes a commercial paper facility with an authorized limit of $700 million, has access to bank demand facilities of $100 million, and maintains a Debt Reserve Fund which is available to ensure timely payment of its obligations. Term facilities of $350 million are also maintained to backstop the commercial paper program but may be accessed for general corporate purposes if required. Further, the Authority retains access to repurchase agreements with three Schedule I banks to backstop any potential risk arising from timing of debenture refinancing.

THOUSANDS OF DOLLARS							
December 31, 2022	Carrying amount	Contractual cash flows	*6 months or less*	*6-12 months*	*1-2 years*	*2-5 years*	*more than 5 years*
Non-derivative financial liabilities							
Trade and other payables	**$ 45,928**	$ 45,928	*45,928*	-	-	-	-
Bank and short-term indebtedness	**597,678**	597,678	*597,678*	-	-	-	-
Due to clients	**119,581**	119,581	*2,719*	*2,475*	*9,041*	*29,472*	*75,874*
Long-term debt	**9,752,530**	11,014,081	*555,547*	*1,233,631*	*2,769,911*	*4,018,017*	*2,436,975*
	$ 10,515,717	$ 11,777,268	*1,201,872*	*1,236,106*	*2,778,952*	*4,047,489*	*2,512,849*

THOUSANDS OF DOLLARS							
December 31, 2021	Carrying amount	Contractual cash flows	*6 months or less*	*6-12 months*	*1-2 years*	*2-5 years*	*more than 5 years*
Non-derivative financial liabilities							
Trade and other payables	**$ 40,645**	$ 40,645	*40,645*	-	-	-	-
Bank and short-term indebtedness	**499,923**	499,923	*499,923*	-	-	-	-
Due to clients	**123,171**	123,171	*4,453*	*2,829*	*5,319*	*29,538*	*81,032*
Long-term debt	**9,284,079**	10,434,334	*426,009*	*628,031*	*3,120,914*	*3,778,779*	*2,480,601*
	$ 9,947,818	$ 11,098,073	*971,030*	*630,860*	*3,126,233*	*3,808,317*	*2,561,633*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to the Financial Statements continued

14. Financial instruments (continued)

(c) Interest rate risk:
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

Although investments are purchased with the intention to hold to maturity, they are designated as FVOCI. Changes in the fair value of investments have parallel changes in value in equity. Investment trading will only occur if the transaction is within the investing policy and enhances the overall position of the portfolio. Trading is not done on speculation of interest rate changes and investments are not liquidated in response to declines in market prices.

The Authority sets the lending rates on long-term loans at similar levels to the yield realized on debenture issuances such that the cash flow obligations on debentures and loans financed are matched. Any changes in interest rates during the period in which loans and the related debentures are outstanding will have no impact on profit.

At the reporting date the interest rate profile of the Authority`s interest-bearing financial instruments was:

THOUSANDS OF DOLLARS	**2022**	2021
Fixed rate instruments		
Financial assets	**$ 9,652,025**	$ 9,875,497
Financial liabilities	**(9,887,930)**	(9,405,856)
	$ (235,905)	$ 469,641
Variable rate instruments		
Financial assets	**$ 735,702**	$ 614,163
Financial liabilities	**(627,787)**	(541,962)
	$ 107,915	$ 72,201

Fair value sensitivity analysis for fixed rate instruments

The Authority does not account for any fixed rate financial assets and liabilities at fair value through profit or loss therefore a change in interest rates at the reporting date would not affect profit or loss.

A 100 basis point change in interest rates would have a parallel change in equity, at the reporting date, by $715,390 (2021 – $4,864,608).

Cash flow sensitivity analysis for variable rate instruments

A 100 basis point change in interest rates at the reporting date would have an inverse change on profit or loss by $900,584 (2021 – $1,344,659). This analysis assumes that all other variables remain constant.

Notes to the Financial Statements continued

14. Financial instruments (continued)

(d) Credit risk:
Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its obligation or commitment.

The Authority limits its exposure to credit risk associated with investments by restricting the investment portfolio to investment grade (BBB or higher from a recognized rating agency) fixed income-securities with the preservation of capital as the highest priority. On a quarterly basis, all available credit ratings on investment holdings are reviewed by the Authority's Investment Committee and any change in ratings discussed.

The Authority's cash and cash equivalents are held solely with reputable financial institutions. For transactions that engage financial institutions as counterparties, the Authority will only enter in agreements with Schedule I or Schedule II banks with a credit rating of single A or better.

Credit risk on loans to clients is reduced by ensuring that all clients must first comply with provincially imposed financial criteria which define borrowing limits and assess the ability to service new and existing debt. Within each regional district, each member municipality has joint and several obligations for all long-term loans undertaken. The general credit strength of each individual municipality supports the credit worthiness of the Authority.

The Authority uses an internal credit rating model which looks at various financial and economic factors as well as the governance and institutional framework that clients work within. The Authority's Credit Committee regularly monitors global and provincial economic conditions, analyzes the submission of financial records, and assesses regional political issues to determine if there has been a significant increase in risk and to determine an overall internal credit rating.

The following table represents an analysis of the credit quality of financial instruments at amortized cost and FVOCI. It indicates whether assets measured at amortized cost or FVOCI were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired. The table also details the carrying amount of financial assets, which represents the Authority's maximum exposure to credit risk at the report date.

THOUSANDS OF DOLLARS				
December 31, 2022	Investments	Cash and cash equivalents & Loans to clients		
	Stage 1	Stage 1	Stage 2	Stage 3
Gross carrying amount	$3,960,421	$6,332,615	$ 20	$ -
Loss allowance	16	449	-	-
Carrying amount	$3,960,405	$6,332,166	$ 20	$ -

THOUSANDS OF DOLLARS				
December 31, 2021	Investments	Cash and cash equivalents & Loans to clients		
	Stage 1	Stage 1	Stage 2	Stage 3
Gross carrying amount	$4,357,762	$6,050,006	$ 41	$ -
Loss allowance	19	449	-	-
Carrying amount	$4,357,743	$6,049,557	$ 41	$ -

In 2022, the loss allowance for financial assets at Stage 2 was $206 (2021 - $395). There were no transfers between stages during the year.

Notes to the Financial Statements continued

14. Financial instruments (continued)

(e) Other price risk and currency risk:
Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices.

All long-term loans and long-term debt are recorded at amortized cost using the effective interest method. Clients that pay out loan obligations prior to maturity must cover all cash flow requirements to that maturity date.

The Authority is not subject to currency risk. The functional currency is the Canadian dollar and all transactions are denominated in Canadian dollars.

(f) Structured accrual note:
The Authority has entered into financial agreements to economically hedge investment yields with third-party financial institutions whereby the Authority will make periodic payments in exchange for certain future cash receipts. At year end, the future payments under these contracts due to the Authority are $98,194,100 (2021 – $98,194,100). The Authority has made related principal payments towards those contracts of $59,169,100 (2021 – $59,169,100). There are no remaining contractual payments towards the contract.

(g) Fair value:
Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. The fair value of a financial instrument on initial recognition is the value of the consideration given or received. Subsequent to initial recognition, financial assets measured at fair value that are quoted in active markets are based on mid prices. For certain investments and derivative contracts where an active market does not exist, fair values are determined using valuation techniques that refer to observable market data, including discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

The table below analyzes financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observables for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

THOUSANDS OF DOLLARS	**2022**	2021
FVOCI financial assets		
Level 1	**$ -**	$ -
Level 2	**3,960,421**	4,357,762
Level 3	**-**	-
	$ 3,960,421	$ 4,357,762

Level 2 and 3 financial instruments are measured using either a market approach valuation technique using third party pricing information without adjustment, or an income approach valuation technique where the cash flows the Authority expects to receive at maturity are discounted. The significant unobservable inputs for level 2 instruments are third party pricing information and the discount rate, and management's assumptions on expected maturity dates and discount rate for level 3 instruments. If the discount rate was higher (lower), the estimated fair value would decrease (increase). There were no transfers between levels during the year.

Notes to the Financial Statements continued

14. Financial instruments (continued)

(g) Fair value (continued):
Fair values versus carrying amounts:

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

THOUSANDS OF DOLLARS	2022		2021 (recast)	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value				
Investments	**$ 3,960,421**	**$ 3,960,421**	$ 4,357,762	$ 4,357,762
Assets carried at amortized cost				
Cash and cash equivalents	**$ 567,673**	**$ 567,673**	$ 431,882	$ 431,882
Accrued interest and other receivables	**95,120**	**95,120**	82,300	82,300
Short-term loans to clients	**168,029**	**168,029**	182,281	182,281
Long-term loans to clients	**5,596,484**	**5,300,472**	5,435,435	5,783,518
	$ 6,427,306	**$ 6,131,294**	$ 6,131,898	$ 6,479,981
Liabilities carried at amortized cost				
Trade and other payables	**$ (45,928)**	**$ (45,928)**	$ (40,645)	$ (40,645)
Bank and short-term indebtedness	**(597,678)**	**(597,678)**	(499,923)	(499,923)
Due to clients	**(119,581)**	**(119,581)**	(123,171)	(123,171)
Long-term debt	**(9,752,530)**	**(9,287,391)**	(9,284,079)	(9,652,668)
	$ (10,515,717)	**$ (10,050,578)**	$ (9,947,818)	$ (10,316,407)

The table below classifies the fair value of financial instruments not carried at fair value, by valuation method.

THOUSANDS OF DOLLARS	2022		2021 (recast)	
	Level 1	Level 2	Level 1	Level 2
Accrued interest and other receivables	**-**	**95,120**	-	82,300
Short-term loans to clients	**-**	**168,029**	-	182,281
Long-term loans to clients	**-**	**5,300,472**	-	5,783,518
	$ -	**$ 5,563,621**	$ -	$ 6,048,099
Trade and other payables	**$ -**	**$ (45,928)**	$ -	$ (40,645)
Bank and short-term indebtedness	**(597,678)**	**-**	(499,923)	-
Due to clients	**-**	**(119,581)**	-	(123,171)
Long-term debt	**-**	**(9,287,391)**	-	(9,652,668)
	$ (597,678)	**$ (9,452,900)**	$ (499,923)	$ (9,816,484)

The 2021 comparatives for the fair value of Long-term loans to clients has been recast by $264,581,000 to reflect amended values.

Notes to the Financial Statements continued

15. Capital management

The Authority manages its capital, defined as equity, long-term debt and the Debt Reserve Fund, with an objective to safeguard the ability to continue as a going concern, and to preserve investor, creditor, and market confidence while maintaining uninterrupted access to capital markets and bank loan facilities.

The Authority monitors its debt servicing costs and matches those obligations to cash flows arising from the lending of funds with the goal of providing clients with low-cost financing.

The Authority manages its equity by monitoring the excess or deficiency of earnings to budget associated with each long-term loan. At commencement of a loan, the Authority sets a budgeted earnings target (actuarial level) for the expected return on the investment of annual loan repayments. The Authority monitors investment performance and retains the right to adjust actuarial levels as market conditions warrant. Where a deficiency to budget exists, or is projected, the Authority may reduce actuarial levels prospectively thereby increasing annual principal repayment requirements of clients. At the expiry of a loan and the repayment of the associated debenture, any earnings on investments in excess of these budgeted actuarial levels accumulated in retained earnings are to be paid to clients.

Mark to market changes in derivative contracts result in a temporary gain or loss recognized by the Authority in retained earnings until such time as the associated debenture is refinanced, at which time any resulting gains or losses are realized from client loans.

Retained earnings is monitored to assess sufficiency of capital for operations, debt obligation extinguishment and additional distributions to clients as approved by the Authority.

The bank has imposed certain covenants in connection with the short-term loan facilities. As at December 31, 2022 and 2021 the Authority was in compliance with these covenants.

There were no changes to the approach to capital management during the year.

16. Industry segment

The Authority operates in one segment, being the central borrowing agency for the financing of capital requirements of regional districts, regional hospital districts, and municipalities in British Columbia. As at December 31, 2022 and 2021, the Authority has no assets or operations outside of British Columbia.

17. Related party transactions

Compensation of key management personnel and trustees, including executive management, during the years ended December 31, 2022 and 2021 were as follows:

THOUSANDS OF DOLLARS				
		2022		2021
Compensation	**$**	**1,058**	$	949

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended December 31, 2022 and 2021.

Notes to the Financial Statements continued

18. Employee future benefit obligations

The Authority and its employees contribute to the Municipal Pension Plan (Plan), a jointly trusteed pension plan. A board of trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2021, 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 the adequacy of Plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation of the entire Plan on December 31, 2021 indicated a surplus of $3,761 million for basic pension benefits. The next valuation will be as at December 31, 2024, with results available in 2025. Employers participating in the plan record their pension expense at 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. In relation to its seventeen employees during the fiscal year, the Authority paid $170,412 (2021 – $193,128) for employer contributions and Authority employees paid $160,325 (2021 – $172,399) to the Plan. Employer contributions are expected to be consistent in future years with minor increases for inflation and Plan deficits.

Schedule of Long-term Debt

Unaudited – for information purposes only

THOUSANDS OF DOLLARS							
CUSIP / ISSUE	YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT	ORIGINAL AMOUNT	DECEMBER 31, 2022 LONG-TERM DEBT OUTSTANDING	DECEMBER 31, 2021 LONG-TERM DEBT OUTSTANDING	REFERENCES
Issued by the Authority:							
626209JK7	2012	June 01, 2022	3.350	290,000	-	290,000	(1)
62620DAD3	2017	December 01, 2022	2.150	500,000	-	500,000	(1)
62620DAE1	2018	April 23, 2023	2.600	410,000	**410,000**	410,000	(1)
626209JL5	2013	September 26, 2023	3.750	485,000	**485,000**	485,000	(1)
62620DAG6	2018	December 03, 2023	2.800	605,000	**605,000**	605,000	(1)
62620DAJ0	2019	June 03, 2024	2.150	800,000	**800,000**	800,000	(1)
626209JP6	2014	October 14, 2024	2.950	335,000	**335,000**	335,000	(1)
626209HG8	2004	December 02, 2024	5.350	50,000	**50,000**	50,000	(1)
626209HV5	2005	April 06, 2025	4.978	118,300	**21,860**	29,879	(1)
62620DAK7	2020	June 01, 2025	1.100	615,000	**615,000**	615,000	(1)
626209AD2	2015	October 02, 2025	2.650	530,000	**530,000**	530,000	(1)
626209HX1	2005	April 02, 2026	4.600	50,000	**50,000**	50,000	(1)
626209JR2	2016	April 19, 2026	2.500	1,060,000	**1,060,000**	1,060,000	(1)
62620DAM3	2021	June 30, 2026	1.350	475,000	**475,000**	475,000	(1)
62620DAQ4	2022	June 01, 2027	3.350	655,000	**655,000**	-	(1)
626209JC5	2007	December 01, 2027	4.950	670,000	**670,000**	670,000	(1)
62620DAF8	2018	October 23, 2028	3.050	725,000	**725,000**	725,000	(1)
62620DAH4	2019	October 09, 2029	2.550	405,000	**405,000**	405,000	(1)
62620DAL5	2021	April 15, 2031	2.300	700,000	**700,000**	700,000	(1)
62620DAP6	2022	April 08, 2032	3.300	670,000	**670,000**	-	(1)
62620DAN1	2021	September 27, 2041	2.500	350,000	**350,000**	350,000	(1)
62620DAC5	2017	January 19, 2042	3.505	61,250	**54,777**	56,708	(1)
			carried forward	$ 10,559,550	**$ 9,666,637**	$ 9,141,587	

continued on next page

Schedule of Long-term Debt

Unaudited – for information purposes only

ISSUE	YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT	ORIGINAL AMOUNT	DECEMBER 31, 2022 LONG-TERM DEBT OUTSTANDING	DECEMBER 31, 2021 LONG-TERM DEBT OUTSTANDING	REFERENCES
THOUSANDS OF DOLLARS							
			brought forward	$ 10,559,550	**$ 9,666,637**	$ 9,141,587	
Transferred from the Province of British Columbia:							
517 & 624	1999	November 30, 2023	7.875	4,561	**4,561**	4,561	(1) (3)
Issued through the Federation of Canadian Municipalities:							
119	2012	June 26, 2022	1.750	3,374	-	169	(1) (4)
120	2012	June 29, 2022	0.300	2,000	-	2,000	(1) (4)
125	2013	May 30, 2023	2.000	4,000	**200**	600	(1) (4)
132	2015	June 12, 2025	2.250	7,408	**1,852**	2,593	(1) (4)
134	2015	October 14, 2025	2.250	10,000	**3,000**	4,000	(1) (4)
136	2015	November 30, 2025	2.250	4,629	**1,389**	1,852	(1) (4)
144	2018	April 10, 2028	3.410	837	**460**	544	(1) (4)
108	2009	November 16, 2029	2.230	1,769	**635**	726	(1) (4)
128	2014	November 16, 2029	1.030	1,770	**799**	913	(1) (4)
122	2012	November 01, 2032	2.000	1,999	**1,000**	1,099	(1) (4)
123	2013	March 28, 2033	2.000	3,142	**1,650**	1,806	(1) (4)
129	2014	July 31, 2034	2.000	10,000	**6,000**	6,500	(1) (4)
135	2015	November 20, 2035	3.000	1,000	**650**	700	(1) (4)
138	2016	September 01, 2036	2.000	10,000	**7,000**	7,500	(1) (4)
148	2019	June 21, 2039	4.000	1,258	**1,038**	1,101	(1) (4)
155	2021	June 30, 2031	3.590	20,000	**17,000**	19,000	(1) (4)
				83,186	**42,673**	51,103	
Issued through the Canada Mortgage and Housing Corporation:							
111	2010	October 01, 2025	3.350	10,187	**2,459**	3,226	(1) (5)
114	2011	March 29, 2026	3.650	15,920	**5,113**	6,281	(1) (5)
115	2011	March 29, 2031	3.890	10,200	**5,554**	6,062	(1) (5)
				36,307	**13,126**	15,569	
Debt due to bondholders				$ 10,683,604	**9,726,997**	9,212,820	
Unamortized premiums and discounts:					**25,533**	71,259	
Long-term debt					**$ 9,752,530**	$ 9,284,079	

References to Schedule of Long-term Debt

DECEMBER 31, 2022 AND 2021

1. Non-callable prior to maturity.
2. Community Bond.
3. Debenture issues, relating to the Regional Hospital Districts, transferred from the Province of British Columbia to the Authority under a defeasance agreement dated March 31, 1999. The debt outstanding remains in the name of the Province.
4. Debentures issued through the Federation of Canadian Municipalities and administered by the Authority.
5. Debentures issued through the Canada Mortgage and Housing Corporation and administered by the Authority.

Schedule of Long-term Loans to Clients

Unaudited – for information purposes only

THOUSANDS OF DOLLARS (except per capita)	BALANCE OUTSTANDING 2021	NEW LOANS	LOANS REPAID	BALANCE OUTSTANDING 2022	PRINCIPAL TO BE REPAID 2022	PRINCIPAL TO BE REPAID 2021
REGIONAL DISTRICTS					Note (a)	Note (a)
Alberni-Clayoquot	$ 22,255	-	858	**$ 21,397**	**$ 12,380**	13,031
Bulkley-Nechako	8,211	-	616	**7,595**	**4,934**	5,380
Capital	358,727	16,270	36,650	**338,347**	**234,513**	248,821
Cariboo	39,198	-	2,984	**36,214**	**25,043**	27,209
Central Coast	24	-	24	**-**	**-**	8
Central Kootenay	55,116	1,500	4,007	**52,609**	**31,341**	32,564
Central Okanagan	99,339	30,690	11,519	**118,510**	**77,773**	62,336
Columbia Shuswap	50,712	-	3,534	**47,178**	**26,262**	28,326
Comox Valley	80,297	-	6,016	**74,281**	**56,317**	60,707
Cowichan Valley	47,185	22,000	3,999	**65,186**	**44,881**	31,949
East Kootenay	62,099	6,013	4,634	**63,478**	**42,987**	41,618
Fraser Valley	57,907	12,670	5,469	**65,108**	**37,764**	30,824
Fraser-Fort George	66,322	37,076	5,585	**97,813**	**72,979**	47,400
Kitimat-Stikine	25,189	-	1,690	**23,499**	**15,840**	17,181
Kootenay Boundary	37,487	766	2,272	**35,981**	**21,617**	22,637
Metro Vancouver (Note b)	2,889,259	452,970	253,855	**3,088,374**	**2,271,338**	2,114,241
Mount Waddington	1,706	-	185	**1,521**	**906**	1,030
Nanaimo	125,162	8,175	8,423	**124,914**	**85,286**	85,324
North Coast	32,447	-	1,654	**30,793**	**21,190**	22,497
North Okanagan	66,039	700	5,879	**60,860**	**37,207**	40,482
Northern Rockies	25,055	-	1,118	**23,937**	**12,923**	13,519
Okanagan-Similkameen	67,301	20,345	7,511	**80,135**	**49,965**	41,315
Peace River	64,951	11,766	8,671	**68,046**	**43,889**	38,999
qathet	24,744	5,753	804	**29,693**	**18,833**	16,077
Squamish-Lillooet	54,363	11,707	6,800	**59,270**	**41,390**	37,901
Strathcona	12,878	-	1,007	**11,871**	**8,766**	9,610
Sunshine Coast	18,183	-	3,530	**14,653**	**9,926**	12,405
Thompson-Nicola	95,711	3,300	10,872	**88,139**	**60,160**	65,331
OTHER						
CREST	17,698	-	3,355	**14,343**	**11,609**	14,293
E-COMM	47,614	-	12,866	**34,748**	**24,905**	32,397
TransLink	116,475	-	13,868	**102,607**	**55,410**	63,805
Hospital Districts	766,208	11,742	62,138	**715,812**	**502,291**	538,718
Expected Credit Losses	(427)			**(428)**		
	$5,435,435	653,443	492,393	**$5,596,484**	**$ 3,960,625**	3,817,935

Note a: *The Authority finances client borrowing requests through the issuance of bullet debentures. Clients discharge their loan obligations with annual principal repayments which are invested until the maturity date of the associated financing. The Authority budgets to earn a specified return on these investments and annually credits the clients' loan balances with this amount. The difference between the Principal Outstanding of $5,596,484,000 and the Principal To Be Repaid of $3,960,625,000 represents expected future earnings by the Authority.*

Note b: *Included in the Metro Vancouver loan balance outstanding are borrowings of the region's transportation authority (TransLink) in the amount of $234,323,761 (2021 - $281,222,679) which are in the name of and administered through the Metro Vancouver Regional District. Direct borrowings of TransLink are shown under OTHER loan balances. Both loans portfolios are joint and several obligations of the underlying municipalities within the Metro Vancouver Regional District.*

Schedule of Long-term Loans to Regional Hospital Districts

Unaudited – for information purposes only

THOUSANDS OF DOLLARS (except per capita)	BALANCE OUTSTANDING 2021	NEW LOANS	LOANS REPAID	BALANCE OUTSTANDING 2022	PRINCIPAL TO BE REPAID 2022	PRINCIPAL TO BE REPAID 2021
REGIONAL HOSPITAL DISTRICTS						
Alberni-Clayoquot	$ 95	-	62	**$ 33**	**$ 26**	55
Capital	128,320	5,060	19,407	**113,973**	**98,904**	107,828
Central Okanagan	72,635	-	6,125	**66,510**	**40,336**	44,681
Comox-Strathcona	65,613	-	8,671	**56,942**	**47,117**	54,975
Cowichan Valley	117	-	86	**31**	**32**	74
Fraser Valley	23,188	-	3,414	**19,774**	**10,825**	12,571
Fraser-Fort George	1,400	-	966	**434**	**214**	669
Kootenay East	-	-	-	**-**	**-**	-
Mount Waddington	479	-	162	**317**	**264**	377
Nanaimo	31,099	5,167	2,407	**33,859**	**23,392**	21,124
North Okanagan/Columbia-Shuswap	59,189	-	3,760	**55,429**	**31,060**	33,684
North West	118,539	-	4,254	**114,285**	**79,382**	82,996
Okanagan-Similkameen	66,022	-	2,203	**63,819**	**48,959**	51,088
Peace River	60,068	-	3,048	**57,020**	**30,242**	32,350
Powell River	16,252	1,515	1,017	**16,750**	**10,301**	9,761
Sea to Sky	3,603	-	405	**3,198**	**1,741**	1,990
Sunshine Coast	5,741	-	869	**4,872**	**2,809**	3,015
Thompson	113,848	-	5,282	**108,566**	**76,687**	81,480
	$ 766,208	11,742	62,138	**$ 715,812**	**$ 502,291**	538,718

Five-Year Review Unaudited – for information purposes only

THOUSANDS OF DOLLARS	2022	2021	2020	2019	2018
ASSETS					
Cash and cash equivalents	$ 567,673	$ 431,882	$ 701,217	$ 737,334	$ 592,367
Investments	3,960,421	4,357,762	4,359,127	3,621,942	3,600,171
Accrued interest and other receivables	95,120	82,300	75,387	83,679	78,841
Short-term loans to clients	168,029	182,281	143,185	221,965	257,601
Long-term loans to clients	5,596,484	5,435,435	4,803,080	4,691,610	4,714,743
Property and equipment	892	1,104	1,316	1,528	245
Total Assets	$ 10,388,619	$ 10,490,764	$ 10,083,312	$ 9,358,058	$ 9,243,968
LIABILITIES					
Trade and other payables	$ 45,928	$ 40,645	$ 36,974	$ 36,186	$ 36,470
Bank and short-term indebtedness	597,678	499,923	609,926	564,278	674,165
Lease liability	926	1,076	1,222	1,363	-
Due to clients	119,581	123,171	120,070	110,947	107,486
Derivative contracts	-	-	-	-	-
Long-term debt	9,752,530	9,284,079	8,535,118	8,153,217	8,135,653
Total Liabilities	10,516,643	9,948,894	9,303,310	8,865,991	8,953,774
Equity	(128,024)	541,870	780,002	492,067	290,194
Total Liabilities and Equity	$ 10,388,619	$ 10,490,764	$ 10,083,312	$ 9,358,058	$ 9,243,968
REVENUE					
Interest from loans to clients	$ 247,044	$ 230,246	$ 231,749	$ 244,136	$ 252,990
Investment income	164,239	143,905	141,398	141,113	139,771
Amortization of premiums on long-term debt	13,040	16,455	16,498	16,533	16,748
Financial service fees	3,398	3,088	2,631	2,308	2,252
Recoveries from new issues	-	8	-	8	8
Operating levy	549	440	438	435	412
Total Revenue	428,270	394,142	392,714	404,533	412,181
EXPENSE					
Interest on long-term debt	259,882	244,773	247,376	253,662	263,946
Interest on bank and short-term indebtedness	10,066	974	3,871	10,842	10,308
Interest on lease liability	28	33	38	42	-
Administration	3,775	3,683	3,623	3,390	3,182
Investment (loss) income due to clients	(2,840)	(1,171)	6,336	4,710	2,597
Impairment (gain) loss on investments and loans to clients	(2)	24	(66)	(109)	285
Debt management and marketing	153	97	56	122	112
Loss from change in fair value of derivative contracts	-	-	-	-	29
Total Expense	271,062	248,413	261,234	272,659	280,459
Profit for the year	157,208	145,729	131,480	131,874	131,722
Equity, beginning of the year	541,870	780,002	492,067	290,194	349,946
Adjustment on initial application of IFRS 9	-	-	-	-	(306)
Allocations to clients	(122,666)	(120,329)	(115,158)	(109,802)	(117,409)
Unrealized (losses) gains from change in fair value of FVOCI investments	(704,433)	(263,531)	271,612	179,805	(73,755)
Net remeasurement on loss allowance	(3)	(1)	1	(4)	(4)
Equity, end of the year	$ (128,024)	$ 541,870	$ 780,002	$ 492,067	$ 290,194

Bond Issues Unaudited – for information purposes only

CANADIAN DOLLAR BONDS ISSUED IN CANADA

CUSIP/ ISSUE	DESCRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 2022 $(000)	INTEREST
CANADIAN DOLLAR BONDS ISSUED IN CANADA					
62620DAE1	2.600% Debentures due April 23, 2023	April 23, 2018	410,000	410,000	Semi-annual April 23 October 23
626209JL5	3.750% Debentures due September 26, 2023	September 26, 2013	485,000	485,000	Semi-annual March 26 September 26
62620DAG6	2.800% Debentures due December 03, 2023	December 03, 2018	605,000	605,000	Semi-annual June 03 December 03
62620DAJ0	2.150% Debentures due June 03, 2024	June 03, 2019	800,000	800,000	Semi-annual June 03 December 03
626209JP6	2.950% Debentures due October 14, 2024	October 14, 2014	335,000	335,000	Semi-annual April 14 October 14
626209HG8	5.350% Debentures due December 02, 2024	October 25, 2004	50,000	50,000	Semi-annual June 02 December 02
626209HV5	4.978% Amortizing Debentures due April 06, 2025	April 06, 2005	118,300	21,860	Semi-annual April 06 October 06
62620DAK7	1.100% Debentures due June 01, 2025	June 01, 2020	615,000	615,000	Semi-annual June 01 December 01
626209AD2	2.650% Debentures due October 02, 2025	October 02, 2015	530,000	530,000	Semi-annual April 02 October 02
626209HX1	4.600% Debentures due April 02, 2026	October 13, 2005	50,000	50,000	Semi-annual April 02 October 02
626209JR2	2.500% Debentures due April 19, 2026	April 19, 2016	1,060,000	1,060,000	Semi-annual April 19 October 19

Bond Issues: All fully registered in denominations of $1,000 and multiples thereof, non-callable, non-retractable, non-extendable, and without sinking fund provisions.

Bond Issues Unaudited – for information purposes only

CANADIAN DOLLAR BONDS ISSUED IN CANADA

CUSIP / ISSUE	DESCRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 2022 $(000)	INTEREST
62620DAM3	1.350% Debentures due June 30, 2026	May 28, 2021	475,000	475,000	Semi-annual June 30 December 30
62620DAQ4	3.350% Debentures Due June 1, 2027	June 01, 2022	655,000	655,000	Semi-annual June 01 December 01
626209JC5	4.950% Debentures due December 01, 2027	November 01, 2007	670,000	670,000	Semi-annual June 01 December 01
62620DAF8	3.050% Debentures due October 23, 2028	April 23, 2018	725,000	725,000	Semi-annual April 23 October 23
62620DAH4	2.550% Debentures Due October 09, 2029	April 09, 2019	405,000	405,000	Semi-annual April 09 October 09
62620DAL5	2.300% Debentures Due April 15, 2031	April 15, 2021	700,000	700,000	Semi-annual April 15 October 15
62620DAP6	3.300% Debentures Due April 08, 2032	April 08, 2022	670,000	670,000	Semi-annual April 08 October 08
62620DAN1	2.500% Debentures Due September 27, 2041	September 27, 2021	350,000	350,000	Semi-annual March 27 September 27
62620DAC5	3.505% Amortizing Debentures due January 19, 2042	January 19, 2017	61,250	54,777	Semi-annual January 19 July 19

Registrar and Transfer Agent: BNY Trust Company of Canada
320 Bay Street, Toronto Ontario, Canada M5H 4A6
520 -1130 West Pender Street, Vancouver, British Columbia, Canada V6E 4A4

Contact Information

Municipal Finance Authority of British Columbia

#217–3680 Uptown Boulevard
Victoria, BC V8Z 0B9
Canada

T 250.383.1181
E mfa@mfa.bc.ca
www.mfa.bc.ca

Hours of Operation

8:00 am – 4:00 pm
Monday through Friday

Auditors

KPMG LLP
Victoria, BC

Bond Counsel

Lawson Lundell LLP
Vancouver, BC

MFA Staff

PETER URBANC	Chief Executive Officer

Business Services & Client Support

SHELLEY HAHN	Chief Services Officer
LAUREN KERR	Credit & Compliance Office
KYLE DERRICK	Credit & Economic Analyst
NICOLE GERVAIS	Manager, Client Services
RYAN SHORE	Associate, Client Services

Finance & Accounting

MATTHEW O'RAE	Chief Financial Officer
CINDY WONG	Controller
CONNOR NEUMAN	Portfolio Manager
TARYN CASTLES	Treasury Payments Specialist

Technology & Stakeholder Relations

RENATA HALE	Director, Technology & Strategy
SELINA PIECZONKA	Stakeholder Engagement Coordinator
STEVEN BARLEY	Manager of Information Technology
MICHAEL HAYES	Senior Programmer/Analyst
MARINA SCOTT	Programmer/Analyst
TEAGUE LANDER	Programmer/Analyst

Sustainability & ESG

ALLISON ASHCROFT	Director of Sustainability

Municipal Finance
Authority of BC

217–3680 Uptown Boulevard Victoria, BC V8Z 0B9 T 250.383.1181 www.mfa.bc.ca