



**Municipal Finance  
Authority of BC**

**2023 FINANCIAL STATEMENTS AND RELATED REPORTS**

# Financial Statements and Related Reports

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# 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 2023 fiscal year and should be read in conjunction with the 2023 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 three 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, a fossil fuel free 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 40 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 as a result of default 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, 2023; **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, 2023, 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 2023 \$1,105 million was raised in long-term debt through the issuance and re-opening of a new 5.5-year debenture and a new 10.5-year debenture and the re-opening of a 20-year debenture. The performance of these issuances is measured against senior governments and large municipalities in Canada.

**February:** Issued an additional \$120 million of the 4.95% December 1, 2027 debenture with a yield of 3.784%, bringing the total outstanding to \$790 million. At the time of this re-opening, the Government of Canada 5-year benchmark was yielding 3.404% while other comparable municipal issuers were returning a yield in the range of 3.784% - 3.904%.

**June:** Issued \$115 million of a new 10.5-year debenture with a coupon of 4.050% and a yield of 4.084% dated December 3, 2023. At the time of this issue, the Government of Canada 10-year benchmark was yielding 3.294% while other comparable municipal issuers were returning a yield in the range of 4.094% - 4.204%.

**August:** Issued \$400 million of a new 5.5-year debenture with a coupon of 4.50% and a yield of 4.516% dated December 3, 2028. At the time of this issue, the Government of Canada 5-year benchmark was yielding 4.166% while other comparable municipal issuers were returning a yield in the range of 4.516% - 4.636%.

**October:** Issued an additional \$120 million of the 4.05% December 3, 2033 debenture with a yield of 4.961%, bringing the total outstanding to \$235 million. At the time of this re-opening, the Government of Canada 10-year benchmark was yielding 4.151% while other comparable municipal issuers were returning a yield in the range of 4.971% - 5.081%.

**November:** Issued an additional \$350 million of the 4.50% December 3, 2028 debenture with a yield of 4.297%, bringing the total outstanding to \$750 million. At the time of this re-opening, the Government of Canada 5-year benchmark was yielding 4.297% while other comparable municipal issuers were returning a yield in the range of 4.297% - 4.417%.

Long-term loans in 2023 decreased by \$294 million from 2022, with outstanding loans of \$5.3 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 \$4.2 billion in commercial paper issued (\$700 million of commercial paper outstanding at year-end), ranging from a term from 35-days to 340-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 4.77% and 5.63% throughout 2023. We had 451 short-term loans outstanding to local governments in BC at the end of 2023, averaging \$541,000 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 \$117 million by the end of 2023, a \$12 million increase from 2022. This was accomplished by a combination of income from operations of \$4 million, earnings on investment income of \$5 million, and short-term debt fund earnings of \$3 million. The Strategic Retention Fund and Debt Reserve Fund (\$122 million) collectively comprise total capital (\$239 million as at December 31, 2023). 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 (\$204 million) and a risk-based capital assessment (\$179 million):

	2023	2022
<b>NON-RISK BASED CAPITAL ASSESSMENT</b>		
Capital Leverage Ratio:		
Total Assets	\$10.2 billion	\$10.4 billion
Target %	2.00%	2.00%
<b>Non-Risk Based Target Level</b>	<b>\$204 million</b>	<b>\$208 million</b>
Current %	2.34%	2.16%
<b>RISK BASED CAPITAL ASSESSMENT</b>		
Part A - Capital Adequacy Ratio		
Total Risk Weighted Assets	\$1.8 billion	\$1.8 billion
Target %	9.73%	9.60%
<b>Risk-Based Target Level A (credit, operational &amp; market risk)</b>	<b>\$173 million</b>	<b>\$172 million</b>
Current %	13.42%	12.55%
Part B - Key Internal Risks:		
<b>Risk-Based Target Level B (investment return &amp; long-term debt refinancing risk)</b>	<b>\$6 million</b>	<b>\$6 million</b>
<b>Combined Risk-Based Target Level (Part A + Part B)</b>	<b>\$179 million</b>	<b>\$178 million</b>
<b>Total Capital (Strategic Retention Fund &amp; Debt Reserve Fund)</b>	<b>\$239 million</b>	<b>\$225 million</b>

The MFA currently holds \$239 million in capital which is appropriate given the riskiness of assets held.

### 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 2023, total revenue amounted to \$486 million against total expense of \$324 million for an annual profit of \$162 million.

During the year, clients were allocated \$121 million consisting of surplus payments, forgiven loan repayments, and actuarial adjustments.

### 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 (\$239 million as at December 31, 2023), ensuring access to a \$100 million bank facility, and actively participating in the commercial paper market. The MFA maintains access to three general corporate purpose facilities totalling \$350 million to backstop a \$700 million commercial paper program (\$700 million total commercial paper outstanding as of December 31, 2023). 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.

## INTEGRATING ESG INTO EXTERNAL REPORTING

### **The Emergence and Convergence of Sustainability Standards**

Significant movement towards greater consistency and comparability of sustainability disclosures began in 2021 through the formation of the International Sustainability Standards Board (ISSB), an independent sustainability standard-setting body established through the International Financial Reporting Standards (IFRS) Foundation in 2021. In June 2023, the ISSB published two sustainability disclosure standards, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2 Climate-related Disclosures. These sustainability standards are investor-focused and risk-centered; they are intended to serve as a global baseline for sustainability disclosures upon which additional impact-based and sector-specific disclosures can be integrated to satisfy the decision-useful requirements of other key stakeholders. The sustainability standards are currently voluntary for entities in Canada, although the IFRS transition provisions recommend phased implementation of the climate-related S2 standard for the 2024 fiscal year-end and the general sustainability-related S1 standard for the 2025 fiscal year-end.

### **Voluntary Alignment with International Sustainability Standards**

The MFA values the clarity and standardization of the ISSB's sustainability disclosure standards. We will not be adopting the S2 climate standard in 2024 but will work towards evolving our ESG program and reporting to voluntarily align with the approach and priorities of the new standards.

### **Approach to Integrating Climate and Other Sustainability Factors into External Reporting**

The MFA has included sustainability or 'ESG' reporting in its annual report since 2020, and in its offering circulars since publishing the Sustainable Bond Framework in 2022. Going forward, annual disclosures will become more risk-centered to meet the emergent demands of our investors for decision-useful information on material impacts to our business from climate change as investors have placed climate-related financial risk as a priority for integrated decision-making and reporting. As non-financial data related to disclosure of climate-related and other sustainability risks is collected/generated and continuously improved upon each year, disclosures will also become more quantitative and verifiable over time.

### **Meaningful Disclosures through Intentional and Targeted Stakeholder Engagement**

Consistent with the ISSB's sustainability disclosure standards, investors are the main intended audience of our disclosures. Institutional investors will continue to be consulted regarding their clients' transactional and annual information needs for making investment decisions, measuring impact, and assessing climate risk in their portfolios. Engaging early and often with stakeholders and monitoring the disclosures of our peers is critical to ensure these disclosures keep pace with private and public sector expectations and best practices.

### **Climate First Priority**

The initial focus of MFA's ESG program and sustainability disclosures is to identify and assess financially material climate risks and establish a strategy for managing those risks related to a changing climate. Many areas of British Columbia have high exposure risk to natural hazards, and these risks and consequences are made worse by climate change. Climate change exacerbates the risk of many natural hazards by increasing the probability and frequency of their occurrence and the intensity and severity of these events when they do. The natural hazards most relevant to some or all of British Columbia include floods, wildfire, extreme cold and winter storms, extreme heat, drought and water scarcity, and earthquake and tsunamis. Climate change and natural hazards do not pose new risks so much as they are accelerants of existing ones. We are in the process of assessing the material impacts of climate change and natural hazards on the market, liquidity, operational, credit, and refinancing risk inherent to our lending and investing activities. In future years' disclosures, accompanying these assessments of material risks will be estimates of the financial impacts from the physical and transition risks of climate and other natural hazards on financial performance, financial position and cashflows and the strategies for managing these risks.

### **ESG Program Objectives**

The MFA's ESG program has three desired outcomes upon which we are developing strategic workplans, targets, and metrics:

- To manage material risk to our core business and thereby retain access to the lowest attainable cost of capital for our members.
- To reduce the negative impact of our operations on the environment and society. Albeit very small, these impacts are within the direct control of management to significantly influence and abate.
- To pursue opportunities for transformative and material impact with local governments through our core lending and investing activities. The greatest opportunity for us to reduce our climate-related financial risk and to have a positive impact on the environment and society is to support British Columbia's local governments as they implement their plans and achieve their targets for climate action, resilience, and justice.

## 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 27, 2024.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board. 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, 2023 and December 31, 2022
- 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 material accounting policy information  
*(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, 2023 and December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

## 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.



*Chartered Professional Accountants*

March 27, 2024

Victoria, British Columbia, Canada



# Statements of Financial Position

AS AT DECEMBER 31

THOUSANDS OF DOLLARS

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 604,998	\$ 567,673
Investments (Note 4)	3,950,212	3,960,421
Accrued interest and other receivables	102,498	95,120
Short-term loans to clients (Note 5)	244,135	168,029
Long-term loans to clients (Note 6)	5,302,580	5,596,484
Property and equipment (Note 7)	708	892
<b>Total Assets</b>	<b>\$ 10,205,131</b>	<b>\$ 10,388,619</b>
<b>LIABILITIES</b>		
Trade and other payables (Note 8)	\$ 45,558	\$ 45,928
Bank and short-term indebtedness (Note 9)	696,324	597,678
Lease liability	771	926
Due to clients (Note 10)	121,527	119,581
Long-term debt (Note 11)	9,321,585	9,752,530
<b>Total Liabilities</b>	<b>10,185,765</b>	<b>10,516,643</b>
<b>EQUITY</b>		
Accumulated other comprehensive income	(168,289)	(274,806)
Retained earnings	187,655	146,782
<b>Total Equity</b>	<b>19,366</b>	<b>(128,024)</b>
<b>Total Liabilities and Equity</b>	<b>\$ 10,205,131</b>	<b>\$ 10,388,619</b>

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

	2023	2022
<b>REVENUE</b>		
Interest from loans to clients	\$ 267,858	\$ 247,044
Investment income	195,361	164,239
Amortization of premiums on long-term debt	18,612	18,253
Financial service fees	3,739	3,398
Operating levy	609	549
<b>Total Revenue</b>	<b>486,179</b>	<b>433,483</b>
<b>EXPENSE</b>		
Interest on long-term debt	274,021	259,882
Interest on bank and short-term indebtedness	31,616	10,066
Interest on lease liability	24	28
Amortization of discounts on long-term debt	8,563	5,213
Administration	4,377	3,775
Investment income (loss) due to clients (Note 10)	5,385	(2,840)
Impairment gain on investments and loans to clients	(60)	(2)
Debt management and marketing	153	153
<b>Total Expense</b>	<b>324,079</b>	<b>276,275</b>
<b>Profit for the year</b>	<b>162,100</b>	<b>157,208</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that are or may be reclassified subsequently to profit or loss		
Financial instruments at FVOCI – net change in fair value	70,784	(698,820)
Financial instruments at FVOCI – reclassified to profit or loss	35,733	(5,613)
Financial instruments at FVOCI – net remeasurement in loss allowance	-	(3)
<b>Other Comprehensive Income for the year</b>	<b>106,517</b>	<b>(704,436)</b>
<b>Total Comprehensive Income for the year</b>	<b>\$ 268,617</b>	<b>\$ (547,228)</b>

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, 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)
Profit for the year	—	162,100	162,100
Allocations to clients (Note 12)	—	(121,227)	(121,227)
Net change in fair value of FVOCI financial assets			
Financial instruments at FVOCI – net change in fair value	70,784	—	70,784
Financial instruments at FVOCI – reclassified to profit or loss	35,733	—	35,733
Financial instruments at FVOCI – net remeasurement in loss allowance	—	—	—
Balance December 31, 2023	\$ (168,289)	\$ 187,655	\$ 19,366

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**

	2023	2022
<b>OPERATING ACTIVITIES</b>		
Profit for the year	\$ 162,100	\$ 157,208
Non-cash items:		
(Gain) Loss on disposal of assets	(341)	402
Accretion of discounts on investments	(97,137)	(95,004)
Amortization of premiums and discounts on long-term debt	(10,050)	(13,040)
Investment income (loss) due to clients	5,385	(2,840)
Depreciation on property and equipment	184	212
Interest expense on lease liability	24	28
Impairment gain on investments and loans to clients	(60)	(2)
Changes in accrued interest and other receivables	(7,378)	(12,820)
Changes in trade and other payables	(370)	5,283
<b>Net cash provided by operating activities</b>	<b>52,357</b>	<b>39,427</b>
<b>INVESTING ACTIVITIES</b>		
Investments sold or matured	689,812	156,396
Investments purchased	(475,608)	(368,886)
<b>Net cash provided by (applied to) investing activities</b>	<b>214,204</b>	<b>(212,490)</b>
<b>FINANCING ACTIVITIES</b>		
New debt issued	1,101,882	1,292,314
Debt retired	(1,522,777)	(810,823)
Loan repayments from clients	536,888	495,567
New loans to clients	(439,347)	(763,917)
Bank indebtedness and commercial paper issued	4,121,944	3,682,665
Bank indebtedness and commercial paper repaid	(4,023,298)	(3,584,911)
Contributions from clients for new long-term loans	2,315	6,534
Contributions and earnings refunded to clients	(5,754)	(7,283)
Surplus payments to clients (Note 12)	(910)	(1,113)
Lease liability repaid	(179)	(179)
<b>Net cash provided (applied) by financing activities</b>	<b>(229,236)</b>	<b>308,854</b>
Increase in cash and cash equivalents	37,325	135,791
Cash and cash equivalents, beginning of the year	567,673	431,882
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 604,998</b>	<b>\$ 567,673</b>

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 IFRS Accounting Standards as issued by the International Accounting Standards Board.

The financial statements were authorized for issue by the Members of the Authority on March 27, 2024.

### (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:

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.



## Notes to the Financial Statements continued

### 3. Significant accounting policies (continued)

(d) Financial instruments: (continued)

(iii) 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.

*Financial liabilities:*

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. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Any gain or loss on derecognition is recognized in profit or loss.

(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) Impairment:

(i) Financial assets (including receivables):

The Authority recognizes loss allowances for expected credit losses (ECL) on its financial assets.

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.

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.

*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 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.

## Notes to the Financial Statements continued

### 3. Significant accounting policies (continued)

#### (f) Impairment: (continued)

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

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.

##### *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.

### 4. Investments

Investments consist of the following debt securities and maturities:

THOUSANDS OF DOLLARS						
	within 1yr	1-3yrs	3-5yrs	over 5yrs	2023	2022
Government of Canada	\$ 29,563	106,077	81,842	29,388	\$ 246,870	\$ 262,196
Provincial governments	179,040	477,824	265,188	1,990,514	2,912,566	2,914,119
Chartered banks	64,543	101,035	1,060	11,826	178,464	183,565
Credit unions	-	-	-	-	-	4,933
Local governments	2,977	22,031	24,333	562,971	612,312	595,608
	\$ 276,123	706,967	372,423	2,594,699	\$ 3,950,212	\$ 3,960,421

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

The 12-month expected credit loss for investments is \$15,998 (2022 – \$16,322), the net remeasurement gain is \$324 (2022 - \$2,607 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		
	2023	2022
Temporary financing of capital projects	138,331	85,551
Short-term capital borrowing	105,830	82,496
	244,161	168,047
Expected credit loss provision	26	18
	\$ 244,135	\$ 168,029

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 \$9,295,452 (2022 – \$4,618,459).

The 12-month expected credit loss for short-term loans to clients is \$25,951 (2022- \$18,384), the net remeasurement loss is \$7,566 (2022 – \$488 gain), 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 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:

<b>THOUSANDS OF DOLLARS</b>		
2024	\$	385,241
2025		358,525
2026		332,957
2027		309,727
2028		278,632
2029 – 2033		1,128,985
2034 and thereafter		952,430
		<b>3,746,497</b>
Actuarial adjustment, budgeted		1,556,444
Expected credit loss provision		361
	\$	<b>5,302,580</b>

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 \$1,556,444,023. 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 \$360,712 (2022 - \$427,955), the net remeasurement gain is \$67,449 (2022 - \$1,255 loss), with no transfer to lifetime expected credit losses (2022 - \$206).

## 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.

<b>THOUSANDS OF DOLLARS</b>		
	<b>2023</b>	2022
Property, plant and equipment owned (leasehold improvements)	\$ -	\$ 26
Right-of-use assets	<b>708</b>	866
	<b>\$ 708</b>	\$ 892

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 \$482,875 (2022 – \$456,700). 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.

The right-of-use asset balance as at December 31, 2023 is \$1,495,651, which is reflected net of accumulated depreciation of \$787,185 (2022 - \$629,748).

### 8. Trade and other payables

Trade and other payables consist of:

<b>THOUSANDS OF DOLLARS</b>		
	<b>2023</b>	2022
Interest payable – Long-term debt	\$ 43,940	\$ 45,086
Other payables	<b>1,618</b>	842
	<b>\$ 45,558</b>	\$ 45,928

### 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 three general corporate purpose facilities totaling \$350 million with total commercial paper borrowings outstanding of \$696 million. As at year end, the average interest rate on commercial paper issued was 5.05% (2022 – 4.27%).

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:

<b>THOUSANDS OF DOLLARS</b>		
2024	\$	9,447
2025		7,631
2026		13,062
2027		10,103
2028		5,698
2029 – 2033		24,251
2034 and thereafter		51,335
	\$	121,527

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

<b>THOUSANDS OF DOLLARS</b>			
		2023	2022
Cash	\$	39,415	\$ 30,109
Accrued interest receivable		105	122
Investments		82,007	89,350
	\$	121,527	\$ 119,581

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

<b>THOUSANDS OF DOLLARS</b>			
		2023	2022
Government of Canada	\$	34,696	\$ 34,221
Provincial governments		42,510	50,424
Local governments		4,801	4,705
	\$	82,007	\$ 89,350

Also integral to the Debt Reserve Fund, but not presented on the statements of financial position, are Demand Notes Receivable from clients of \$252,560,218 (2022 – \$257,474,634) 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 \$3,931,863 (2022 – \$2,588,750). Included in accumulated other comprehensive income is an unrealized mark-to-market valuation gain on the investments of \$1,453,151 (2022 – \$5,429,023 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 revenue over expenses, including valuation adjustment on investments, in the Fund was \$5,385,014 (2022 – \$2,840,273 loss) and is recorded as investment income 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):

<b>THOUSANDS OF DOLLARS</b>		
2024	\$	1,205,401
2025		1,159,940
2026		1,592,816
2027		1,451,569
2028		1,481,633
2029 – 2033		2,037,154
2034 and thereafter		380,909
		<b>9,309,422</b>
Transaction costs, net of accumulated amortization		<b>12,163</b>
	\$	<b>9,321,585</b>

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:

<b>THOUSANDS OF DOLLARS</b>			
		2023	2022
Cash surplus repayments	\$	910	\$ 1,113
Actuarial earnings recognized		120,317	121,553
	\$	<b>121,227</b>	<b>\$ 122,666</b>

Included in actuarial earnings recognized is \$49,334,680 (2022 – \$48,789,540) of accrued earnings calculated from the last principal payment dates to December 31, 2023.

### 13. Supplemental cash flow information

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

<b>THOUSANDS OF DOLLARS</b>			
		2023	2022
Interest from clients on long-term loans	\$	256,300	\$ 237,254
Interest from clients on short-term loans		9,925	3,301
Interest from investments		53,218	50,561

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

<b>THOUSANDS OF DOLLARS</b>			
		2023	2022
Interest on long-term debt	\$	275,168	\$ 254,868
Interest on short-term indebtedness		27,647	7,702

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 and Sustainability, 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 and the Bank of Canada to backstop any potential risk arising from timing of debenture refinancing.

<b>THOUSANDS OF DOLLARS</b>							
<b>December 31, 2023</b>	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	more than 5 years
<b>Non-derivative financial liabilities</b>							
Trade and other payables	\$ 45,558	\$ 45,558	45,558	-	-	-	-
Bank and short-term indebtedness	696,324	696,324	696,324	-	-	-	-
Due to clients	121,527	121,527	4,186	5,261	7,631	28,863	75,586
Long-term debt	9,321,585	10,618,589	947,977	522,072	3,195,974	3,713,383	2,239,183
	<b>\$ 10,184,994</b>	<b>\$ 11,481,998</b>	<b>1,694,045</b>	<b>527,333</b>	<b>3,203,605</b>	<b>3,742,246</b>	<b>2,314,769</b>

<b>THOUSANDS OF DOLLARS</b>							
<b>December 31, 2022</b>	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	more than 5 years
<b>Non-derivative financial liabilities</b>							
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
	<b>\$ 10,515,717</b>	<b>\$ 11,777,268</b>	<b>1,201,872</b>	<b>1,236,106</b>	<b>2,778,952</b>	<b>4,047,489</b>	<b>2,512,849</b>

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:

<b>THOUSANDS OF DOLLARS</b>	<b>2023</b>	<b>2022</b>
<b>Fixed rate instruments</b>		
Financial assets	\$ 9,355,290	\$ 9,652,025
Financial liabilities	(9,449,256)	(9,887,930)
	<b>\$ (93,966)</b>	<b>\$ (235,905)</b>
<b>Variable rate instruments</b>		
Financial assets	\$ 849,133	\$ 735,702
Financial liabilities	(735,738)	(627,787)
	<b>\$ 113,395</b>	<b>\$ 107,915</b>

*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 an inverse change in equity, at the reporting date, by \$2,178,872 (2022 – \$715,390 parallel change).

*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 \$1,106,544 (2022 – \$900,584). 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 into 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.

<b>THOUSANDS OF DOLLARS</b>				
<b>December 31, 2023</b>	Investments	Cash and cash equivalents & Loans to clients		
		Stage 1	Stage 2	Stage 3
Gross carrying amount	\$3,950,212	\$6,152,103	\$ -	\$ -
Loss allowance	16	390	-	-
Carrying amount	\$3,950,196	\$6,151,713	\$ -	\$ -

<b>THOUSANDS OF DOLLARS</b>				
<b>December 31, 2022</b>	Investments	Cash and cash equivalents & Loans to clients		
		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	\$ -

In 2023, the loss allowance for financial assets at Stage 2 was \$0 (2022 - \$206). 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 (2022 – \$98,194,100). The Authority has made related principal payments towards those contracts of \$59,169,100 (2022 – \$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).

<b>THOUSANDS OF DOLLARS</b>			
	<b>2023</b>		<b>2022</b>
<b>FVOCI financial assets</b>			
Level 1	\$	-	\$ -
Level 2		<b>3,950,212</b>	3,960,421
Level 3		-	-
	<b>\$</b>	<b>3,950,212</b>	<b>\$ 3,960,421</b>

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. 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:

<b>THOUSANDS OF DOLLARS</b>					
	2023		2022		
	Carrying amount	Fair value	Carrying amount	Fair value	
<b>Assets carried at fair value</b>					
Investments	\$ 3,950,212	\$ 3,950,212	\$ 3,960,421	\$ 3,960,421	
<b>Assets carried at amortized cost</b>					
Cash and cash equivalents	\$ 604,998	\$ 604,998	\$ 567,673	\$ 567,673	
Accrued interest and other receivables	102,498	102,498	95,120	95,120	
Short-term loans to clients	244,135	244,135	168,029	168,029	
Long-term loans to clients	5,302,580	5,155,863	5,596,484	5,300,472	
	\$ 6,254,211	\$ 6,107,494	\$ 6,427,306	\$ 6,131,294	
<b>Liabilities carried at amortized cost</b>					
Trade and other payables	\$ (45,558)	\$ (45,558)	\$ (45,928)	\$ (45,928)	
Bank and short-term indebtedness	(696,324)	(696,324)	(597,678)	(597,678)	
Due to clients	(121,527)	(121,527)	(119,581)	(119,581)	
Long-term debt	(9,321,585)	(9,072,990)	(9,752,530)	(9,287,391)	
	\$ (10,184,994)	\$ (9,936,399)	\$ (10,515,717)	\$ (10,050,578)	

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

<b>THOUSANDS OF DOLLARS</b>					
	2023		2022		
	Level 1	Level 2	Level 1	Level 2	
Accrued interest and other receivables	-	102,498	-	95,120	
Short-term loans to clients	-	244,135	-	168,029	
Long-term loans to clients	-	5,155,863	-	5,300,472	
	\$ -	\$ 5,502,496	\$ -	\$ 5,563,621	
Trade and other payables	\$ -	\$ (45,558)	\$ -	\$ (45,928)	
Bank and short-term indebtedness	(696,324)	-	(597,678)	-	
Due to clients	-	(121,527)	-	(119,581)	
Long-term debt	-	(9,072,990)	-	(9,287,391)	
	\$ (696,324)	\$ (9,240,075)	\$ (597,678)	\$ (9,452,900)	

## Notes to the Financial Statements continued

### 15. Capital management

The Authority manages its capital, defined as retained earnings, debt, investments, 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.

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.

Retained earnings and sinking funds are 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, 2023 and 2022 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, 2023 and 2022, 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, 2023 and 2022 were as follows:

<b>THOUSANDS OF DOLLARS</b>			
		<b>2023</b>	<b>2022</b>
Compensation	\$	<b>1,076</b>	\$ 1,058

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended December 31, 2023 and 2022.

## 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 trustee 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, 2023, 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 nineteen employees during the fiscal year, the Authority paid \$217,166 (2022 – \$170,412) for employer contributions and Authority employees paid \$190,416 (2022 – \$160,325) 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, 2023 LONG-TERM DEBT OUTSTANDING	DECEMBER 31, 2022 LONG-TERM DEBT OUTSTANDING	REFERENCES	
Issued by the Authority:								
62620DAE1	2018	April 23, 2023	2.600	410,000	-	410,000	(1)	
626209JL5	2013	September 26, 2023	3.750	485,000	-	485,000	(1)	
62620DAG6	2018	December 03, 2023	2.800	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	13,437	21,860	(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	655,000	(1)	
626209JC5	2007	December 01, 2027	4.950	790,000	790,000	670,000	(1)	
62620DAF8	2018	October 23, 2028	3.050	725,000	725,000	725,000	(1)	
62620DAS0	2023	December 3, 2028	4.500	750,000	750,000	-	(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	670,000	(1)	
62620DAR2	2023	December 3, 2033	4.050	235,000	235,000	-	(1)	
62620DAN1	2021	September 27, 2041	2.500	350,000	350,000	350,000	(1)	
62620DAC5	2017	January 19, 2042	3.505	61,250	52,779	54,777	(1)	
			<i>carried forward</i>	\$ 10,874,550	\$ 9,261,216	\$ 9,666,637		

continued on next page

## Schedule of Long-term Debt

Unaudited – for information purposes only

THOUSANDS OF DOLLARS								
ISSUE	YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT	ORIGINAL AMOUNT	DECEMBER 31, 2023 LONG-TERM DEBT OUTSTANDING	DECEMBER 31, 2022 LONG-TERM DEBT OUTSTANDING	REFERENCES	
			<i>brought forward</i>	\$ 10,874,550	\$ 9,261,216	\$ 9,666,637		
Transferred from the Province of British Columbia:								
517 & 624	1999	November 30, 2023	7.875	4,561	-	4,561	(1) (3)	
Issued through the Federation of Canadian Municipalities:								
125	2013	May 30, 2023	2.000	4,000	-	200	(1) (4)	
132	2015	June 12, 2025	2.250	7,408	1,111	1,852	(1) (4)	
134	2015	October 14, 2025	2.250	10,000	2,000	3,000	(1) (4)	
136	2015	November 30, 2025	2.250	4,629	926	1,389	(1) (4)	
144	2018	April 10, 2028	3.410	837	376	460	(1) (4)	
108	2009	November 16, 2029	2.230	1,769	544	635	(1) (4)	
128	2014	November 16, 2029	1.030	1,770	685	799	(1) (4)	
122	2012	November 01, 2032	2.000	1,999	900	1,000	(1) (4)	
123	2013	March 28, 2033	2.000	3,142	1,493	1,650	(1) (4)	
129	2014	July 31, 2034	2.000	10,000	5,500	6,000	(1) (4)	
135	2015	November 20, 2035	3.000	1,000	600	650	(1) (4)	
138	2016	September 01, 2036	2.000	10,000	6,500	7,000	(1) (4)	
148	2019	June 21, 2039	4.000	1,258	975	1,038	(1) (4)	
155	2021	June 30, 2031	3.590	20,000	16,000	17,000	(1) (4)	
				77,812	37,610	42,673		
Issued through the Canada Mortgage and Housing Corporation:								
111	2010	October 01, 2025	3.350	10,187	1,666	2,459	(1) (5)	
114	2011	March 29, 2026	3.650	15,920	3,903	5,113	(1) (5)	
115	2011	March 29, 2031	3.890	10,200	5,027	5,554	(1) (5)	
				36,307	10,596	13,126		
Debt due to bondholders				\$ 10,993,230	9,309,422	9,726,997		
Unamortized premiums and discounts:					12,163	25,533		
Long-term debt					\$ 9,321,585	\$ 9,752,530		

## References to Schedule of Long-term Debt

Unaudited – for information purposes only

DECEMBER 31, 2023 AND 2022

1. Non-callable prior to maturity.
2. 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.
3. Debentures issued through the Federation of Canadian Municipalities and administered by the Authority.
4. 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						
	BALANCE OUTSTANDING 2022	NEW LOANS	LOANS REPAID	BALANCE OUTSTANDING 2023	PRINCIPAL TO BE REPAID 2023	PRINCIPAL TO BE REPAID 2022
<b>REGIONAL DISTRICTS</b>					Note (a)	Note (a)
Alberni-Clayoquot	\$ 21,397	8,500	887	\$ 29,010	\$ 16,588	12,380
Bulkley-Nechako	7,595	-	597	6,998	4,541	4,934
Capital	338,347	40,374	37,793	340,928	239,230	234,513
Cariboo	36,214	-	2,931	33,283	22,825	25,043
Central Coast	-	-	-	-	-	-
Central Kootenay	52,609	-	4,068	48,541	29,021	31,341
Central Okanagan	118,510	2,000	12,256	108,254	70,205	77,773
Columbia Shuswap	47,178	-	3,563	43,615	24,037	26,262
Comox Valley	74,281	25,386	5,970	93,697	69,626	56,317
Cowichan Valley	65,186	-	4,659	60,527	41,570	44,881
East Kootenay	63,478	-	4,771	58,707	39,530	42,987
Fraser Valley	65,108	1,800	6,144	60,764	35,235	37,764
Fraser-Fort George	97,813	-	6,994	90,819	67,232	72,979
Kitimat-Stikine	23,499	-	1,746	21,753	14,496	15,840
Kootenay Boundary	35,981	3,100	2,277	36,804	22,243	21,617
Metro Vancouver (Note b)	3,088,374	102,500	281,196	2,909,678	2,136,972	2,271,338
Mount Waddington	1,521	2,300	191	3,630	2,558	906
Nanaimo	124,914	531	8,812	116,633	79,916	85,286
North Coast	30,793	30	1,705	29,118	20,157	21,190
North Okanagan	60,860	4,000	6,357	58,503	35,251	37,207
Northern Rockies	23,937	-	1,163	22,774	12,123	12,923
Okanagan-Similkameen	80,135	7,800	8,122	79,813	50,430	49,965
Peace River	68,046	5,000	8,828	64,218	42,195	43,889
qathet	29,693	10,500	938	39,255	23,983	18,833
Squamish-Lillooet	59,270	-	6,971	52,299	36,081	41,390
Strathcona	11,871	-	1,027	10,844	7,921	8,766
Sunshine Coast	14,653	10,493	3,068	22,078	13,911	9,926
Thompson-Nicola	88,139	-	10,861	77,278	52,055	60,160
<b>OTHER</b>						
CREST	14,343	-	3,425	10,918	8,925	11,609
E-COMM	34,748	-	12,428	22,320	17,898	24,905
TransLink	102,607	-	14,416	88,191	47,014	55,410
Hospital Districts	715,812	7,194	61,315	661,691	462,728	502,291
Expected Credit Losses	(428)			(361)		
	\$5,596,484	231,508	525,479	\$5,302,580	\$ 3,746,497	3,960,625

**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 \$5,302,580,000 and the Principal To Be Repaid of \$3,746,497,000 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 \$189,534,952 (2022 - \$234,323,761) 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

<b>THOUSANDS OF DOLLARS</b>						
	BALANCE OUTSTANDING 2022	NEW LOANS	LOANS REPAID	BALANCE OUTSTANDING 2023	PRINCIPAL TO BE REPAID 2023	PRINCIPAL TO BE REPAID 2022
<b>REGIONAL HOSPITAL DISTRICTS</b>						
Alberni-Clayoquot	\$ 33	-	22	\$ 11	\$ 11	26
Capital	113,973	2,919	18,424	98,468	87,732	98,904
Central Okanagan	66,510	-	6,336	60,174	36,741	40,336
Comox-Strathcona	56,942	-	8,931	48,011	39,259	47,117
Cowichan Valley	31	-	10	21	22	32
Fraser Valley	19,774	-	3,559	16,215	8,789	10,825
Fraser-Fort George	434	-	309	125	69	214
Kootenay East	-	-	-	-	-	-
Mount Waddington	317	-	51	266	220	264
Nanaimo	33,859	3,678	2,683	34,854	24,118	23,392
North Okanagan/Columbia-Shuswap	55,429	-	3,735	51,694	28,502	31,060
North West	114,285	-	4,032	110,253	75,941	79,382
Okanagan-Similkameen	63,819	-	2,247	61,572	46,831	48,959
Peace River	57,020	-	3,011	54,009	28,218	30,242
Powell River	16,750	597	1,187	16,160	10,642	10,301
Sea to Sky	3,198	-	421	2,777	1,492	1,741
Sunshine Coast	4,872	-	917	3,955	2,247	2,809
Thompson	108,566	-	5,440	103,126	71,894	76,687
	\$ 715,812	7,194	61,315	\$ 661,691	\$ 462,728	502,291

## Five-Year Review Unaudited – for information purposes only

THOUSANDS OF DOLLARS	2023	2022	2021	2020	2019
<b>ASSETS</b>					
Cash and cash equivalents	\$ 604,998	\$ 567,673	\$ 431,882	\$ 701,217	\$ 737,334
Investments	3,950,212	3,960,421	4,357,762	4,359,127	3,621,942
Accrued interest and other receivables	102,498	95,120	82,300	75,387	83,679
Short-term loans to clients	244,135	168,029	182,281	143,185	221,965
Long-term loans to clients	5,302,580	5,596,484	5,435,435	4,803,080	4,691,610
Property and equipment	708	892	1,104	1,316	1,528
<b>Total Assets</b>	<b>\$ 10,205,131</b>	<b>\$ 10,388,619</b>	<b>\$ 10,490,764</b>	<b>\$ 10,083,312</b>	<b>\$ 9,358,058</b>
<b>LIABILITIES</b>					
Trade and other payables	\$ 45,558	\$ 45,928	\$ 40,645	\$ 36,974	\$ 36,186
Bank and short-term indebtedness	696,324	597,678	499,923	609,926	564,278
Lease liability	771	926	1,076	1,222	1,363
Due to clients	121,527	119,581	123,171	120,070	110,947
Derivative contracts	-	-	-	-	-
Long-term debt	9,321,585	9,752,530	9,284,079	8,535,118	8,153,217
<b>Total Liabilities</b>	<b>10,185,765</b>	<b>10,516,643</b>	<b>9,948,894</b>	<b>9,303,310</b>	<b>8,865,991</b>
Equity	19,366	(128,024)	541,870	780,002	492,067
<b>Total Liabilities and Equity</b>	<b>\$ 10,205,131</b>	<b>\$ 10,388,619</b>	<b>\$ 10,490,764</b>	<b>\$ 10,083,312</b>	<b>\$ 9,358,058</b>
<b>REVENUE</b>					
Interest from loans to clients	\$ 267,858	\$ 247,044	\$ 230,246	\$ 231,749	\$ 244,136
Investment income	195,361	164,239	143,905	141,398	141,113
Amortization of premiums on long-term debt	10,049	13,040	16,455	16,498	16,533
Financial service fees	3,739	3,398	3,088	2,631	2,308
Recoveries from new issues	-	-	8	-	8
Operating levy	609	549	440	438	435
<b>Total Revenue</b>	<b>477,616</b>	<b>428,270</b>	<b>394,142</b>	<b>392,714</b>	<b>404,533</b>
<b>EXPENSE</b>					
Interest on long-term debt	274,021	259,882	244,773	247,376	253,662
Interest on bank and short-term indebtedness	31,616	10,066	974	3,871	10,842
Interest on lease liability	24	28	33	38	42
Administration	4,377	3,775	3,683	3,623	3,390
Investment income (loss) due to clients	5,385	(2,840)	(1,171)	6,336	4,710
Impairment (gain) loss on investments and loans to clients	(60)	(2)	24	(66)	(109)
Debt management and marketing	153	153	97	56	122
Loss from change in fair value of derivative contracts	-	-	-	-	-
<b>Total Expense</b>	<b>315,516</b>	<b>271,062</b>	<b>248,413</b>	<b>261,234</b>	<b>272,659</b>
Profit for the year	162,100	157,208	145,729	131,480	131,874
Equity, beginning of the year	(128,024)	541,870	780,002	492,067	290,194
Adjustment on initial application of IFRS 9	-	-	-	-	-
Allocations to clients	(121,227)	(122,666)	(120,329)	(115,158)	(109,802)
Unrealized gains (losses) from change in fair value of FVOCI investments	106,517	(704,433)	(263,531)	271,612	179,805
Net remeasurement on loss allowance	-	(3)	(1)	1	(4)
<b>Equity, end of the year</b>	<b>\$ 19,366</b>	<b>\$ (128,024)</b>	<b>\$ 541,870</b>	<b>\$ 780,002</b>	<b>\$ 492,067</b>

## Bond Issues Unaudited – for information purposes only

CANADIAN DOLLAR BONDS ISSUED IN CANADA

CUSIP/ ISSUE	DESCRIPTION	DATED	AUTHORIZED \$(000)	OUTSTANDING DECEMBER 31, 2023 \$(000)	INTEREST
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	13,437	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
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	790,000	790,000	Semi-annual June 01 December 01

## Bond Issues Unaudited – for information purposes only

CANADIAN DOLLAR BONDS ISSUED IN CANADA

CUSIP / ISSUE	DESCRIPTION	DATED	AUTHORIZED \$(000)	OUTSTANDING DECEMBER 31, 2023 \$(000)	INTEREST
62620DAF8	3.050% Debentures due October 23, 2028	April 23, 2018	725,000	725,000	Semi-annual April 23 October 23
62620DAS0	4.500% Debentures Due December 3, 2028	August 29, 2023	750,000	750,000	Semi-annual June 03 December 03
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
62620DAR2	4.050% Debentures Due December 3, 2033	June 05, 2023	235,000	235,000	Semi-annual June 03 December 03
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	52,779	Semi-annual January 19 July 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.

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

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## 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

### FINANCE & ACCOUNTING

<b>Matthew O’Rae</b>	Chief Financial Officer
<b>Cindy Wong</b>	Controller
<b>Connor Neuman</b>	Portfolio Manager
<b>Taryn Castles</b>	Accountant
<b>Ian Stewart</b>	Treasury Payments Specialist
<b>Dylan Luscombe</b>	Financial Analyst

### BUSINESS SERVICES & CLIENT SUPPORT

<b>Shelley Hahn</b>	Chief Services Officer
<b>Lauren Kerr</b>	Credit & Compliance Officer
<b>Kyle Derrick</b>	Credit & Economic Analyst
<b>Nicole Gervais</b>	Manager, Client Services
<b>Ryan Shore</b>	Associate, Client Services

### TECHNOLOGY & STAKEHOLDER RELATIONS

<b>Renata Hale</b>	Director, Technology & Strategy
<b>Steven Barley</b>	Manager of Information Technology
<b>Michael Hayes</b>	Senior Software Developer
<b>Marina Scott</b>	Software Developer
<b>Teague Lander</b>	Software Developer
<b>Selina Pieczonka</b>	Stakeholder Engagement Coordinator

### SUSTAINABILITY & ESG

**Allison Ashcroft** Director of Sustainability



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