

Regional District of Okanagan-Similkameen
Consolidated Financial Statements
For the year ended December 31, 2021

Regional District of Okanagan-Similkameen
TABLE OF CONTENTS
For the year ended December 31, 2021

Management's Responsibility for Financial Reporting	2
Independent Auditor's Report	3 - 5
Consolidated Financial Statements	
Consolidated Statement of Financial Position	6
Consolidated Statement of Operations and Accumulated Surplus	7
Consolidated Statement of Change in Net Financial Assets	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10 - 31
Schedule - COVID-19 Safe Restart Grant (Unaudited)	32

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Regional District of Okanagan-Similkameen are the responsibility of management and have been approved by the Chief Administrative Officer and the Board Chair on behalf of the Board of Directors.

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

Regional District of Okanagan-Similkameen maintains systems of internal accounting and administrative controls, consistent with reasonable costs. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Regional District's assets are appropriately accounted for and adequately safeguarded.

Regional District of Okanagan-Similkameen is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Board of Directors reviews the Regional District of Okanagan-Similkameen's consolidated financial statements and recommends their approval to the Chief Administrative Officer and the Board Chair. The Board meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, consolidated financial statements and external auditor's report.

The consolidated financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards. BDO Canada LLP has full and free access to the Board of Directors.

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WILLIAM GEORGE NEWELL

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Chief Administrative Officer

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Mark Pendergraft

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Board Chair

May 5, 2022



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Independent Auditor's Report

To the Board of Directors of the Regional District of Okanagan-Similkameen

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Regional District as at December 31, 2021, and its consolidated results of operations and accumulated surplus, its consolidated change in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Regional District in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements of 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.

Unaudited Information

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the supplementary schedule on Page 32 of the consolidated financial statements.

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

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

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



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



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

BDO Canada LLP

Chartered Professional Accountants

Penticton, British Columbia

May 5, 2022

Regional District of Okanagan-Similkameen Consolidated Statement of Financial Position

December 31	2021	2020
Financial assets		
Cash and cash equivalents (Note 2)	\$ 27,346,211	\$ 19,898,360
Temporary investments (Note 2)	21,811,072	23,405,273
Accounts receivable (Note 4)	5,699,222	3,938,389
Debt reserve fund (Note 5)	5,854,204	5,736,202
Long-term investments (Note 6)	826,085	147,970
Debt recoverable from member municipalities (Note 11)	47,817,439	52,248,703
Due from Town of Osoyoos	12,054	45,624
	<u>109,366,287</u>	<u>105,420,521</u>
Financial Liabilities		
Accounts payable and accrued liabilities (Note 7)	4,207,961	3,555,249
Deferred revenue (Note 8)	4,130,296	5,040,485
Landfill closure and post-closure liabilities (Note 9)	4,548,938	4,471,519
Development cost charges (Note 10)	872,999	1,080,399
MFA equipment financing	13,869	30,364
Debt reserve fund (Note 5)	5,854,204	5,736,202
Long-term debt (Note 11)	68,123,927	69,766,479
	<u>87,752,194</u>	<u>89,680,697</u>
Net financial assets	<u>21,614,093</u>	<u>15,739,824</u>
Non-financial assets		
Prepaid expenses	69,495	37,605
Tangible capital assets (Note 12)	91,090,377	86,796,983
	<u>91,159,872</u>	<u>86,834,588</u>
Accumulated surplus (Note 13)	<u>\$ 112,773,965</u>	<u>\$ 102,574,412</u>

Approved on behalf of the Board of Directors

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WILLIAM GEORGE NEWELL

Chief Administrative Officer

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DocuSigned by:

Mark Pendergraft

Board Chair

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Regional District of Okanagan-Similkameen Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	(Note 20) Budget	2021	2020
Revenues			
Property taxes and grant in lieu (Note 17)	\$ 18,054,652	\$ 18,106,114	\$ 17,764,735
Sales of goods and services	11,426,138	13,348,825	12,226,484
Government transfers	9,011,537	6,629,956	3,919,772
Interest and investment income	126,000	883,626	769,126
Development cost charges	5,000	36,146	14,156
Donations	454,108	1,107,463	488,115
Rental	203,438	168,299	176,759
Other contracts and miscellaneous	937,032	1,645,526	861,693
Total revenues for the year	40,217,905	41,925,955	36,220,840
Expenses (Note 22)			
General government	6,555,294	5,750,868	5,553,624
Protective services	5,937,020	4,356,978	3,966,141
Transportation services	596,808	563,945	430,012
Development services	2,494,662	2,254,206	2,152,894
Parks, recreation and culture	7,966,528	6,086,670	5,956,197
Environmental services	9,875,214	7,858,864	6,755,732
Bylaw enforcement	323,789	415,179	350,501
Water services	2,520,893	3,255,600	2,930,475
Sewer services	1,107,754	1,705,359	1,638,292
Economic development	328,098	271,494	261,998
Total expenses for the year	37,706,060	32,519,163	29,995,866
Excess of revenue over expenses for the year	2,511,845	9,406,792	6,224,974
Net income from business partnership (Note 6)	-	792,761	126,928
Annual surplus (Note 13)	2,511,845	10,199,553	6,351,902
Accumulated surplus, beginning of year	102,574,412	102,574,412	96,222,510
Accumulated surplus, end of year	\$105,086,257	\$112,773,965	\$102,574,412

The accompanying notes are an integral part of these consolidated financial statements.

Regional District of Okanagan-Similkameen Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	(Note 20) Budget	2021	2020
Annual surplus	\$ 2,511,845	\$ 10,199,553	\$ 6,351,902
Acquisition of tangible capital assets (Note 12)	(8,232,206)	(7,486,776)	(6,269,263)
Amortization of tangible capital assets (Note 12)	-	3,146,072	2,756,226
Disposal of tangible capital assets	-	47,310	5,700
	(8,232,206)	(4,293,394)	(3,507,337)
Acquisition of prepaid expenses	-	(31,890)	(11,875)
Increase (decrease) in net financial assets	(5,720,361)	5,874,269	2,832,690
Net financial assets, beginning of year	15,739,824	15,739,824	12,907,134
Net financial assets, end of year	\$ 10,019,463	\$ 21,614,093	\$ 15,739,824

The accompanying notes are an integral part of these consolidated financial statements.

Regional District of Okanagan-Similkameen Consolidated Statement of Cash Flows

For the year ended December 31	2021	2020
Cash flows from operating activities		
Cash received from grants, other governments, and own sources	\$ 38,163,907	\$ 40,872,930
Cash paid to employees and suppliers	(27,995,393)	(30,386,823)
Interest paid	(679,458)	(651,989)
Interest received	883,626	769,126
	<u>10,372,682</u>	<u>10,603,244</u>
Cash flows from capital activities		
Purchase of tangible capital assets	(7,486,776)	(6,261,752)
Proceeds from sale of tangible capital assets	47,310	5,700
	<u>(7,439,466)</u>	<u>(6,256,052)</u>
Cash flows from financing activities		
Acquisition of long-term debt	5,438,859	-
Repayment of long-term debt	(2,666,641)	(99,568)
Decrease (increase) in due from related parties	33,570	(48,794)
	<u>2,805,788</u>	<u>(148,362)</u>
Cash flows from investing activities		
Decrease (increase) in temporary investments	1,708,847	(2,490,421)
Increase in cash for the year	7,447,851	1,708,409
Cash, beginning of year	19,898,360	18,189,951
Cash, end of year	\$ 27,346,211	\$ 19,898,360

The accompanying notes are an integral part of these consolidated financial statements.

Regional District of Okanagan-Similkameen Notes to the Consolidated Financial Statements

December 31, 2021

1. Summary of Significant Accounting Policies

Nature of Business The Regional District of Okanagan-Similkameen ("Regional District") was incorporated as a regional district in 1966 under the Municipal Act (replaced by the Local Government Act) of British Columbia. The Regional District is composed of the member municipalities of the City of Penticton, the District of Summerland, the Town of Oliver, the Town of Osoyoos, the Village of Keremeos, and the Town of Princeton, and Electoral Areas A through I.

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

The Regional District reporting entity includes the local government and all related entities that are controlled by the Regional District.

Basis of Presentation These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments, as recommended by the Public Sector Accounting Board ("PSAB").

Principles of Consolidation All governmental units are fully consolidated by the government reporting entity. Other business enterprises and partnerships which meet the definition of a government business enterprise or partnership are accounted for on the modified equity basis of accounting.

Entities that fall under the consolidated basis of accounting are fully consolidated on a line-by-line basis with inter-organizational balances and transactions eliminated. The following entities are accounted for on a consolidation basis:

Sunbowl Arena
Oliver Parks and Recreation Society

Business partnerships that are accounted for on the modified equity basis of accounting includes the cost of the Regional District's investment in the entities including the proportionate share of earnings. Under the modified equity basis of accounting inter-organizational balances are not eliminated. The following entity is accounted for on a modified equity basis:

Vermilion Forks Community Forest Corporation

Regional District of Okanagan-Similkameen Notes to the Consolidated Financial Statements

December 31, 2021

1. Summary of Significant Accounting Policies (continued)

**Cash and Cash
Equivalents**

Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less.

Temporary Investments

These investments are recorded at cost.

Retirement Benefits

The Regional District's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred.

Revenue Recognition

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Revenue received under the funding arrangements which relates to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the consolidated statement of financial position.

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized.

Rental revenue is recognized when the services are provided to tenants, and collection is reasonably assured. When rental payments are received in advance of contracted services, the Regional District records this as deferred revenue.

Charges for sewer and water usage are recorded as user fees and are recognized on an accrual basis. Connection fee revenues are recognized when the connection has been established.

All other revenue is recognized in the period in which the good or service is provided and collection is reasonably assured.

**Trusts Under
Administration**

Trusts administered by the Regional District are not included in these consolidated financial statements.

Regional District of Okanagan-Similkameen Notes to the Consolidated Financial Statements

December 31, 2021

1. Summary of Significant Accounting Policies (continued)

Government Transfers Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when the transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

When the Regional District is deemed to be the transferor, the transfer expense is recognized when the recipient is authorized and has met the eligibility criteria.

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

Landfill Closure and Post-Closure The estimated costs to close and maintain the closed solid waste landfill sites are based on estimated future expenses in current dollars, discounted, adjusted for estimated inflation, and are recognized and charged to expense as the landfill site's capacity is used.

Long-term Debt Long-term debt is recorded net of related sinking fund balances and actuarial earnings.

Regional District of Okanagan-Similkameen Notes to the Consolidated Financial Statements

December 31, 2021

1. Summary of Significant Accounting Policies (continued)

Tangible Capital Assets Tangible capital assets are not available to discharge existing liabilities and are held for use in the provision of goods and services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Tangible capital assets are valued at acquisition cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs.

Amortization is charged against tangible capital assets based on the estimated useful life of the asset as follows:

- | | |
|------------------------------|----------------------------|
| - Automotive equipment | - 5-20 years straightline |
| - Buildings and improvements | - 10-75 years straightline |
| - Machinery and equipment | - 5-20 years straightline |
| - IT infrastructure | - 3-10 years straightline |
| - Land improvements | - 5-20 years straightline |
| - Utilities infrastructure | - 10-75 years straightline |

Tangible capital assets under construction, development or that have been removed from service are not amortized until they are available to be put into service.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Regional District's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations and accumulated surplus.

Contributed tangible capital assets are recorded at their fair value on the date of contribution, except in unusual circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

Regional District of Okanagan-Similkameen Notes to the Consolidated Financial Statements

December 31, 2021

1. Summary of Significant Accounting Policies (continued)

Segmented Information The Regional District provides a wide range of services including general government, protective services, transportation services, development services, parks, recreation and culture, environmental services, bylaw enforcement, water services, and sewer services, and economic development. For management reporting purposes, the Regional District's operations and activities are organized and reported by segment.

General government services is comprised of a number of different services, including: corporate services; administration; finance; human resources; information systems; and electoral area costs. Corporate services involves staff and management working closely with the Regional District Board and community partners to coordinate the delivery of a wide range of functions and services. The finance department is responsible for the requisition of tax revenues from the Province and from member municipalities and all treasury and accounting functions. Human resources involves the administration of full-time and part-time employees, as well as the responsibility for labour relations, recruitment, training and career planning, employee health and safety and Workers Compensation regulations. Information systems includes an all-encompassing computer database and mapping system for properties in the Regional District, which is used by regional services and Regional District departments and other government agencies, as well as members of the public and businesses.

Protective services includes a number of different programs. These programs include electoral area fire protection; 911 services; crime stoppers; victims services; and crime prevention. These services are designed to provide a safe environment to the community. The Regional District is responsible for ensuring these services are provided to various jurisdictions within the unincorporated electoral areas A through I.

Transportation services includes road/street light improvements and transit services.

Development services includes regional planning, sustainability, and zoning. The department is responsible for land use planning for all unincorporated electoral areas.

Parks, recreation and culture includes the community halls, regional parks, community parks, and Okanagan Regional Library. The parks department is responsible for nine regional parks and various community and neighbourhood parks. The department is also responsible for future recreational opportunities through parkland acquisition and development.

Regional District of Okanagan-Similkameen Notes to the Consolidated Financial Statements

December 31, 2021

1. Summary of Significant Accounting Policies (continued)

Segmented Information	<p>Environmental services is responsible for refuse disposal and recycling services, including regional waste management and disposal, and various communication and educational programs.</p> <p>Bylaw enforcement services is responsible for building inspection, dog control, mosquito control, starling control, and prohibited animal control.</p> <p>Water services includes a total of eight water systems that provides water services to local service areas within the electoral areas.</p> <p>Sewer services includes the OK Falls Sewer System and the Gallagher Lake Sewer System.</p> <p>Economic development is responsible for delivering insect and weed control, sterile insect release, economic development and planning. Economic development provides assistance to businesses and entrepreneurs in the Regional District and to those interested in relocating to the region. The planning function is responsible for developing land use policies that provide guidance to elected officials, developers, the public and other decision makers. It puts land use plans and policies into action and ensures proper infrastructure and orderly development. The program also evaluates applications and provides recommendations to decision makers; assists the public with land use regulations, applications, and processes; and invites and responds to public comments.</p>
Measurement Uncertainty	<p>The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts in the financial statements and the disclosure of contingent liabilities. Significant estimates in these consolidated financial statements include the determination of the useful lives of tangible capital assets, valuation of the landfill closure and post-closure obligation, valuation of the contaminated sites obligation, and assessment of legal claims. For common consolidated financial statement items, such as accounts payable and accrued liabilities, measurement uncertainty is inherent but not assessable. These estimates and assumptions are based on management's judgment and the best information available at the time of preparation and may differ significantly from actual results. Estimates are reviewed annually to reflect new information as it becomes available.</p>

Regional District of Okanagan-Similkameen Notes to the Consolidated Financial Statements

December 31, 2021

2. Cash and Temporary Investments

	2021	2020
Consists of:		
Cash	<u>\$ 27,346,211</u>	<u>\$ 19,898,360</u>
Temporary Investments		
Term deposits	-	2,031,138
Mutual funds	3,828	3,822
MFA short-term bond fund (Market value - \$21,522,073 (2020 - \$20,387,995))	21,807,244	21,370,313
	<u>21,811,072</u>	<u>23,405,273</u>
	<u>\$49,157,283</u>	<u>\$ 43,303,633</u>
Restricted Internally		
Capital Investment reserves	\$20,989,326	\$ 20,568,786
Oliver Parks & Recreation reserves	817,918	801,527
	<u>21,807,244</u>	<u>21,370,313</u>
Unrestricted	<u>27,350,039</u>	<u>21,933,320</u>
	<u>\$49,157,283</u>	<u>\$ 43,303,633</u>

3. Funds Held in Trust

The Regional District holds \$86,387 (2020 - \$194,489) in trust for South Okanagan Similkameen Conservation Program.

The Regional District also holds \$4,573 (2020 - \$4,570) in trust for Allison Lake Rate Payers Association.

Regional District of Okanagan-Similkameen Notes to the Consolidated Financial Statements

December 31, 2021

4. Accounts Receivable

	2021	2020
Trade accounts receivable	\$ 5,032,354	\$ 3,155,311
GST receivable	254,278	344,796
Due from municipalities	412,590	438,282
Net accounts receivable	\$ 5,699,222	\$ 3,938,389

5. Debt Reserve Fund - Municipal Finance Authority

The Regional District is required to issue its long-term debt through the Municipal Finance Authority ("MFA"). As a condition of borrowing, 1% of the gross debenture proceeds are withheld by the MFA as a debt reserve fund and 0.06% of the gross debenture proceeds are withheld as a debt issue expense. The debt reserve fund is invested by the MFA and interest earned and expenses incurred are reported annually to the Regional District. If at any time the MFA does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, the payments will be made from the debt reserve fund. Details of cash deposits held in the debt reserve fund are as follows:

	2021	2020
Debt Reserve Fund - Cash Deposits		
Regional District	\$ 316,609	\$ 276,552
Member Municipalities	1,654,646	1,634,378
	\$ 1,971,255	\$ 1,910,930

The Regional District is also required to execute a demand note for each borrowing in the amount of one-half of the average annual principal and interest due, less the amount held back for the debt reserve fund. The demand notes payable to the MFA are only callable in the event that a local government defaults on its loan obligation. Details of demand notes are as follows:

	2021	2020
Demand notes		
Regional District	\$ 642,649	\$ 581,490
Member Municipalities	3,240,300	3,243,782
	\$ 3,882,949	\$ 3,825,272
Cash deposits and demand notes		
Cash deposits	\$ 1,971,255	\$ 1,910,930
Demand notes	3,882,949	3,825,272
	\$ 5,854,204	\$ 5,736,202

Regional District of Okanagan-Similkameen Notes to the Consolidated Financial Statements

December 31, 2021

6. Long-term Investments

Vermilion Forks Community Forest Corporation

This is a Corporation that is established under the laws of British Columbia and is engaged in the business of acquiring a Forest License and establishing an agreement with certain area lumber producers for the removal of timber from the related Timber Supply Area. The Regional District has a 33.33% interest in the Corporation.

	2021	2020
Assets		
Current	\$ 2,567,519	\$ 444,549
Liabilities		
Current	\$ 89,235	\$ 611
Equity	2,478,284	443,938
	\$ 2,567,519	\$ 444,549
Revenue	\$ 3,216,205	\$ 720,889
Expenditures	837,921	340,106
Total income	\$ 2,378,284	\$ 380,783
Allocation	\$ 792,761	\$ 126,928

7. Accounts Payable and Accrued Liabilities

	2021	2020
Trade payables	\$ 2,682,026	\$ 2,317,099
Holdbacks	623,209	493,642
Accrued salaries and employee benefits payable	902,726	744,508
	\$ 4,207,961	\$ 3,555,249

Regional District of Okanagan-Similkameen Notes to the Consolidated Financial Statements

December 31, 2021

8. Deferred Revenue

	2021	2020
Deferred government transfers and other revenue	\$ 3,686,217	\$ 3,648,103
Deposits	160,457	1,108,955
Parkland dedication	283,622	283,427
	\$ 4,130,296	\$ 5,040,485

In a previous year, the Regional District received a government transfer for a new sewer line. According to the stipulations in the funding agreement any unspent funding at year end must be repaid. As of year end, \$2,582,250 (2020 - \$2,586,132) of the funding was unspent and as a result the Regional District has recognized it as a liability included in deferred government transfers and other revenue above.

9. Landfill Closure and Post-Closure Liabilities

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

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

Key variables used in estimating the value of the closure and post-closure obligation include the cost of capital, inflation rate, timing of closure and post-closure activities, and total capacity. In management's opinion, the assumptions used represent the most likely scenario. As the projections are made over a long period of time, the amount of the obligation is very sensitive to changes in the variables.

The Regional District has estimated the costs associated with these activities based on engineering studies required by the Ministry of Environment. Changes in the liability are a result from settling of waste or changes in fill rates, changes in regulatory requirements, inflation rates and/or interest rates.

Regional District of Okanagan-Similkameen Notes to the Consolidated Financial Statements

December 31, 2021

9. Landfill Closure and Post-Closure Liabilities (continued)

In 2017, the Regional District obtained new engineering reports for the OK Falls and Oliver Landfills, these reports included updated useful lives for these landfills. Changes in the liability for cumulative capacity used to date, and updated expected useful life of the landfill are recognized prospectively.

In 2021, estimated expenses were calculated as the present value of future cash flows associated with closure and post-closure costs, discounted using the Regional District's weighted average cost of capital of 2.86% (2020 - 2.88%) and inflated using an average inflation rate of 1.70% (30 year average of BC CPI for 2021) (2020 - 1.79%). The liability recognized is the difference between total estimated expenses for the entire closure and post-closure period less any amounts spent at the end of December of the reporting year.

	Total estimated capacity (cubic meters)	Cumulative capacity used (cubic meters)	Estimated remaining life (years)	Time for post-closure care (years)	Estimated total expenses	2021 Remaining to recognize
Campbell						
Mountain	3,214,155	1,154,813	83	30	\$ 8,166,057	\$ 5,742,345
Keremeos	25,000	25,000	0	30	854,497	-
OK Falls	100,000	59,337	9	30	938,591	381,659
Oliver	496,842	234,269	34	30	1,513,833	800,036
					\$ 11,472,978	\$ 6,924,040
						<u>\$ 4,548,938</u>

	Total estimated capacity (cubic meters)	Cumulative capacity used (cubic meters)	Estimated remaining life (years)	Time for post-closure care (years)	Estimated total expenses	2020 Remaining to recognize
Campbell						
Mountain	3,214,155	1,119,335	84	30	\$ 8,232,337	\$ 5,808,271
Keremeos	25,000	25,000	0	30	851,793	-
OK Falls	100,000	55,554	10	30	925,185	411,208
Oliver	496,842	223,123	35	30	1,517,946	836,263
					\$ 11,527,261	\$ 7,055,742
						<u>\$ 4,471,519</u>

Regional District of Okanagan-Similkameen Notes to the Consolidated Financial Statements

December 31, 2021

10. Development Cost Charges

The Regional District collects development cost charges ("DCCs") to pay for a proportionate share of infrastructure related to new growth. In accordance with the Local Government Act of BC, these funds must be deposited into a separate reserve fund. When the related costs are incurred, the DCCs are recognized as revenue.

	<u>2021</u>	<u>2020</u>
OK Falls Sewer DCC	\$ 316,032	\$ 297,362
Faulder Water DCC	12,169	7,962
Olalla Water DCC	5,824	5,820
Naramata Water DCC	189,220	132,109
Naramata Water - Lower Zone	25,341	312,955
Naramata Water - Upper Zone	<u>324,413</u>	<u>324,191</u>
	<u>\$ 872,999</u>	<u>\$ 1,080,399</u>

DCC Activity	<u>2021</u>	<u>2020</u>
Balance, beginning of the year	\$ 1,080,399	\$ 943,307
Return on investments	712	42,948
DCCs levied in the year	115,816	108,300
DCC expenditures during the year	<u>(323,928)</u>	<u>(14,156)</u>
Balance, end of the year	<u>\$ 872,999</u>	<u>\$ 1,080,399</u>

Regional District of Okanagan-Similkameen Notes to the Consolidated Financial Statements

December 31, 2021

11. Long-term Debt

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

All long-term debt is reported net of sinking fund balances. Sinking fund installments are invested by the MFA and earn income, which together with principal payments are expected to be sufficient to retire the debt issue at maturity. Where the MFA has determined that sufficient funds exist to retire a debt issue on its maturity date without further installments, payments are suspended by the MFA and the Regional District's liability is reduced to \$Nil. Should those funds prove to be insufficient at maturity, the resulting deficiency becomes a liability of the Regional District. The 2021 earnings in the sinking fund were calculated to be \$214,031 (2020 - \$145,543) and are included in interest and investment income on the consolidated statement of operations and accumulated surplus.

Debentures issued mature at various dates ranging from October 2023 to December 2047 with interest rates ranging from 1.75% to 3.30%. The weighted average interest rate on long-term debt was 2.86% (2020 - 2.88%) and interest expense was \$2,998,685 (2020 - \$3,343,225).

	<u>2021</u>	<u>2020</u>
Municipal Finance Authority	\$ 68,123,927	\$ 69,766,479
Less: Regional District portion	<u>20,306,488</u>	<u>17,517,776</u>
Total Municipal Portion	<u>\$ 47,817,439</u>	<u>\$ 52,248,703</u>

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

	Total Payment	Total Recoverable from member municipalities	Net Payment
2022	\$ 4,799,577	\$ 3,796,686	\$ 1,002,891
2023	4,764,534	3,761,643	1,002,891
2024	4,535,498	3,555,833	979,665
2025	4,439,146	3,459,480	979,666
2026	3,812,919	2,845,275	967,644
Thereafter	18,845,985	10,347,409	8,498,576
Total principal payments	41,197,659	27,766,326	13,431,333
Expected actuarial adjustment	26,926,268	20,051,113	6,875,155
Total	<u>\$ 68,123,927</u>	<u>\$ 47,817,439</u>	<u>\$ 20,306,488</u>

Regional District of Okanagan-Similkameen
Notes to the Consolidated Financial Statements

December 31, 2021

12. Tangible Capital Assets

								2021
	Automotive Equipment	Buildings and Improvements	Machinery and Equipment	IT Infrastructure	Land and Land Improvements	Utilities Infrastructure	Work in Process	Total
Cost, beginning of year	\$ 6,578,617	\$ 9,774,383	\$ 9,558,669	\$ 1,057,677	\$ 33,501,860	\$ 54,183,975	\$ 3,582,672	\$ 118,237,853
Additions	1,127,067	702,530	586,487	194,397	2,476,705	-	2,399,590	7,486,776
Disposals	(166,108)	-	(5,045)	(47,879)	-	-	-	(219,032)
Transfers	-	350,785	147,494	-	157,446	-	(655,725)	-
Cost, end of year	7,539,576	10,827,698	10,287,605	1,204,195	36,136,011	54,183,975	5,326,537	125,505,597
Accumulated amortization, beginning of year	5,089,461	3,784,335	5,166,812	909,708	2,369,670	14,120,884	-	31,440,870
Amortization	348,317	330,477	603,647	135,971	376,091	1,351,569	-	3,146,072
Disposals	(123,002)	-	(841)	(47,879)	-	-	-	(171,722)
Accumulated amortization, end of year	5,314,776	4,114,812	5,769,618	997,800	2,745,761	15,472,453	-	34,415,220
Net carrying amount, end of year	\$ 2,224,800	\$ 6,712,886	\$ 4,517,987	\$ 206,395	\$ 33,390,250	\$ 38,711,522	\$ 5,326,537	\$ 91,090,377

Regional District of Okanagan-Similkameen
Notes to the Consolidated Financial Statements

December 31, 2021

12. Tangible Capital Assets (continued)

								2020
	Automotive Equipment	Buildings and Improvements	Machinery and Equipment	IT Infrastructure	Land and Land Improvements	Utilities Infrastructure	Work in Process	Total
Cost, beginning of year	\$ 6,395,168	\$ 9,230,650	\$ 8,760,825	\$ 1,079,764	\$ 31,157,946	\$ 53,864,585	\$ 1,734,502	\$ 112,223,440
Additions	214,315	468,560	799,095	35,441	2,015,961	319,390	2,416,501	6,269,263
Disposals	(37,500)	-	(159,822)	(57,528)	-	-	-	(254,850)
Transfers	6,634	75,173	158,571	-	327,953	-	(568,331)	-
Cost, end of year	6,578,617	9,774,383	9,558,669	1,057,677	33,501,860	54,183,975	3,582,672	118,237,853
Accumulated amortization, beginning of year	4,848,988	3,485,541	4,868,797	887,192	2,076,100	12,767,176	-	28,933,794
Amortization	272,273	298,794	457,837	80,044	293,570	1,353,708	-	2,756,226
Disposals	(31,800)	-	(159,822)	(57,528)	-	-	-	(249,150)
Accumulated amortization, end of year	5,089,461	3,784,335	5,166,812	909,708	2,369,670	14,120,884	-	31,440,870
Net carrying amount, end of year	\$ 1,489,156	\$ 5,990,048	\$ 4,391,857	\$ 147,969	\$ 31,132,190	\$ 40,063,091	\$ 3,582,672	\$ 86,796,983

Regional District of Okanagan-Similkameen Notes to the Consolidated Financial Statements

December 31, 2021

13. Accumulated Surplus

Reserves are non-statutory reserves which represent an appropriation of surplus for specific purposes and are comprised of the following:

	Opening balance	Transfers to (from)	Surplus (deficit)	Closing balance
Unrestricted surplus	\$ 66,053,005	\$(4,339,225)	\$10,199,553	\$ 71,913,333
Operating	5,722,133	1,384,766		7,106,899
	<u>71,775,138</u>	<u>(2,954,459)</u>	<u>10,199,553</u>	<u>79,020,232</u>
Community Works Gas Tax	5,548,127	1,440,345	-	6,988,472
Capital surplus	25,251,147	1,514,114	-	26,765,261
	<u>30,799,274</u>	<u>2,954,459</u>	<u>-</u>	<u>33,753,733</u>
	<u>\$ 102,574,412</u>	<u>\$ -</u>	<u>\$ 10,199,553</u>	<u>\$ 112,773,965</u>

14. Municipal Insurance Association - Liability Insurance

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

Regional District of Okanagan-Similkameen Notes to the Consolidated Financial Statements

December 31, 2021

15. Letters of Credit and Performance Bonds

In addition to the performance deposits reflected in the consolidated statement of financial position, the Regional District is holding irrevocable letters of credit and performance bonds in the amount of \$716,224 (2020 - \$1,125,030) which were received from depositors to ensure their performance of works to be undertaken within the Regional District. These amounts are not reflected in the consolidated financial statements but are available to satisfy liabilities arising from non-performance by the depositors.

16. Line of Credit

The Regional District has a revolving line of credit for up to \$2,000,000 with an interest rate of prime plus 0.00% per annum, that is due on demand and unsecured. At December 31, 2021 and December 31, 2020, the line of credit was unutilised.

17. Property Taxes and Grant in Lieu

	2021	2020
Property taxation revenue	\$ 19,458,568	\$ 19,066,119
Parcel tax	1,002,035	1,030,641
Grant in lieu	99,362	120,611
Collections on behalf of other agencies	(2,453,851)	(2,452,636)
Net property taxation revenue	\$ 18,106,114	\$ 17,764,735

Regional District of Okanagan-Similkameen Notes to the Consolidated Financial Statements

December 31, 2021

18. Municipal Pension Plan

The Regional District and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2020, the plan has about 220,000 active members and approximately 112,000 retired members. Active members include approximately 42,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The Regional District paid \$522,972 (2020 - \$522,972) for employer contributions to the plan in fiscal 2021.

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

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

19. Global Pandemic

The impact of COVID-19 in Canada and on the global economy has increased significantly. As the impacts of COVID-19 continue, there could be further impact on the Regional District, its residents, employees, suppliers and other third party business associates that could impact the timing and amounts realized on the Regional District's assets and future ability to deliver services and projects. At this time, the full impact of COVID-19 on the Regional District is not known.

Regional District of Okanagan-Similkameen Notes to the Consolidated Financial Statements

December 31, 2021

20. Budget

The Regional District's Budget Bylaw adopted by the Board of Directors on March 18, 2021 was not prepared on a basis consistent with that used to report actual results (PSAB). The budget was prepared on a modified accrual basis while PSAB require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the consolidated statements of operations and change in net financial assets represent the Budget adopted by the Board of Directors on March 18, 2021 with adjustments as follows:

	2021
Budget Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	8,232,206
Debt principal	4,788,400
Municipal interest	2,403,113
Admin revenue	(263,236)
Less:	
Budgeted transfers from accumulated surplus	(6,193,838)
Bank loan proceeds	(6,454,800)
Budget surplus per consolidated statement of operations and accumulated surplus	\$ 2,511,845

21. Comparative Figures

Certain comparative figures have been reclassified to conform to the current years presentation.

Regional District of Okanagan-Similkameen Notes to the Consolidated Financial Statements

December 31, 2021

22. Statement of Expenses by Object

	2021	2020
Administration	\$ 16,244	\$ 24,107
Advertising and promotion	135,401	106,879
Agreements	313,431	213,720
Amortization	3,146,072	2,756,225
Bank charges	58,037	43,154
Bylaw	4,534	2,318
Contract services	7,201,387	7,124,435
Development charges	140	707
Donations	8,151	3,418
Education and training	246,423	147,153
Environmental	155,337	131,401
Gas tax expenses	100,874	147,345
Grants	802,101	785,023
Insurance	464,849	437,882
Interest on long-term debt	679,250	651,989
Information systems	10,285	-
Landfill closure (recovery)	77,419	(636,757)
Loan and lease payments	111,213	111,301
Materials, supplies and services	1,154,269	1,135,971
Office	304,203	422,552
Professional fees	127,606	325,204
Program	150,282	254,802
Rental of facilities and equipment	130,913	118,403
Repairs and maintenance	4,418,715	4,060,080
Salaries and benefits	11,440,216	10,557,274
Telephone	871,527	789,805
Travel and meetings	302,417	250,403
Vehicle	87,867	31,072
Total expenses for the year	\$ 32,519,163	\$ 29,995,866

Regional District of Okanagan-Similkameen
Notes to the Consolidated Financial Statements
Schedule of Segmented Operations

2021

	General Government	Protective Services	Transportation Services	Development Services	Parks Recreation and Culture	Environmental Services	Bylaw Enforcement	Water Services	Sewer Services	Economic Development	Total
Revenue											
Property taxes and grant in lieu	\$ 3,975,048	\$ 4,183,766	\$ 473,949	\$ 1,565,207	\$ 5,319,886	\$ 1,490,353	\$ 319,124	\$ 437,267	\$ 15,600	\$ 325,914	\$ 18,106,114
Sales of goods and services	115,492	-	58,873	1,192,798	414,491	7,946,941	35,735	2,363,615	1,220,880	-	13,348,825
Government transfers	2,769,508	864,131	21,830	215,086	1,105,613	119,822	-	123,742	1,395,224	15,000	6,629,956
Interest and investment income	630,109	72,330	61	500	38,424	31,422	21	67,822	42,910	27	883,626
Donations	101	77,366	-	-	1,028,396	1,600	-	-	-	-	1,107,463
Rental	-	-	-	-	168,299	-	-	-	-	-	168,299
Other contracts and miscellaneous	37,603	296,185	-	27,452	395,559	221,847	41,719	556,863	104,444	-	1,681,672
	7,527,861	5,493,778	554,713	3,001,043	8,470,668	9,811,985	396,599	3,549,309	2,779,058	340,941	41,925,955
Expenses											
Administrative	(3,002)	880	-	642	12,832	4,892	-	-	-	-	16,244
Amortization	242,602	546,872	-	5,896	711,905	209,615	-	865,643	563,539	-	3,146,072
Grants	153,360	168,164	-	159,242	29,219	245,115	-	-	-	47,000	802,100
Lease payments	-	-	-	-	8,870	102,343	-	-	-	-	111,213
Materials, supplies, utilities	995,727	681,842	807	234,396	918,370	888,307	18,217	607,077	392,127	93,795	4,830,665
Operations and maintenance	389,323	1,610,456	522,467	224,167	2,844,181	5,042,156	180,897	868,993	388,571	24,023	12,095,234
Landfill closure	-	-	-	-	-	77,419	-	-	-	-	77,419
Salaries and benefits	3,972,858	1,348,764	40,671	1,629,863	1,561,293	1,289,017	216,065	913,887	361,122	106,676	11,440,216
	5,750,868	4,356,978	563,945	2,254,206	6,086,670	7,858,864	415,179	3,255,600	1,705,359	271,494	32,519,163
Excess (deficiency) of revenue over expenses for the year	\$ 1,776,993	\$ 1,136,800	\$ (9,232)	\$ 746,837	\$ 2,383,998	\$ 1,953,121	\$ (18,580)	\$ 293,709	\$ 1,073,699	\$ 69,447	\$ 9,406,792

Regional District of Okanagan-Similkameen
Notes to the Consolidated Financial Statements
Schedule of Segmented Operations

2020

	General Government	Protective Services	Transportation Services	Development Services	Parks Recreation and Culture	Environmental Services	Bylaw Enforcement	Water Services	Sewer Services	Economic Development	Total
Revenue											
Property taxes and grant in lieu	\$ 3,728,097	\$ 4,164,261	\$ 582,214	\$ 1,416,714	\$ 5,320,860	\$ 1,585,937	\$ 179,011	\$ 435,592	\$ 44,631	\$ 307,418	\$ 17,764,735
Sales of goods and services	168,464	290	53,888	655,857	363,740	7,657,920	70,324	2,119,993	1,136,008	-	12,226,484
Government transfers	2,210,081	568,074	31,621	138,354	320,281	327,769	-	10,000	312,834	758	3,919,772
Interest and investment income	(439,057)	191,128	606	34,883	140,055	561,413	12,536	224,194	42,708	660	769,126
Donations	-	61,548	-	-	426,567	-	-	-	-	-	488,115
Rental	-	-	-	-	176,759	-	-	-	-	-	176,759
Other contracts and miscellaneous	(136,541)	143,628	-	49,169	222,168	107,778	-	473,745	15,902	-	875,849
	<u>5,531,044</u>	<u>5,128,929</u>	<u>668,329</u>	<u>2,294,977</u>	<u>6,970,430</u>	<u>10,240,817</u>	<u>261,871</u>	<u>3,263,524</u>	<u>1,552,083</u>	<u>308,836</u>	<u>36,220,840</u>
Expenses											
Administrative	(14)	1,986	75	642	17,312	4,106	-	-	-	-	24,107
Amortization	161,387	480,829	-	7,999	560,352	183,481	-	799,780	562,398	-	2,756,226
Grants	221,079	282,493	-	68,354	24,097	142,593	-	-	-	46,407	785,023
Lease payments	-	-	-	-	8,958	102,343	-	-	-	-	111,301
Materials, supplies, utilities	1,100,536	577,198	1,134	243,033	782,714	1,052,563	19,659	532,012	367,041	109,358	4,785,248
Operations and maintenance	445,650	1,496,736	387,885	295,888	3,182,466	4,658,705	146,207	637,575	348,253	14,077	11,613,442
Landfill closure (recovery)	-	-	-	-	-	(636,757)	-	-	-	-	(636,757)
Salaries and benefits	3,624,986	1,126,899	40,918	1,536,978	1,380,298	1,248,698	184,635	961,108	360,600	92,156	10,557,276
	<u>5,553,624</u>	<u>3,966,141</u>	<u>430,012</u>	<u>2,152,894</u>	<u>5,956,197</u>	<u>6,755,732</u>	<u>350,501</u>	<u>2,930,475</u>	<u>1,638,292</u>	<u>261,998</u>	<u>29,995,866</u>
Excess (deficiency) of revenue over expenses for the year	\$ (22,580)	\$ 1,162,788	\$ 238,317	\$ 142,083	\$ 1,014,233	\$ 3,485,085	\$ (88,630)	\$ 333,049	\$ (86,209)	\$ 46,838	\$ 6,224,974

Regional District of Okanagan-Similkameen
Schedule - COVID-19 Safe Restart Grant (Unaudited)

December 31, 2021

	<u>2021</u>	<u>2020</u>
Balance, beginning of the year	\$ 773,000	\$ -
COVID-19 Safe Restart Grant received	404,000	773,000
COVID-19 Safe Restart expenditures during the year	<u>(535,163)</u>	<u>-</u>
Balance, end of the year	<u>\$ 641,837</u>	<u>\$ 773,000</u>