



COVER PHOTO

Springtime in the Windermere Valley,
Southeastern British Columbia

COURTESY B.C. GOVERNMENT

Municipal Finance Authority of British Columbia

714 INTERNATIONAL HOUSE, 880 DOUGLAS STREET, VICTORIA, B.C. V8W 2B7

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Annual Statement Highlights

	<u>December 31</u>	<u>December 31</u>
	<u>1978</u>	<u>1977</u>
Total assets — combined funds	\$518,312,345	\$422,550,056
Loans to Regional Districts outstanding	450,270,090	385,899,716
Long-term debt outstanding (net of sinking funds)	481,337,178	391,970,980
Debt Reserve Fund	29,944,753	25,430,534
Investments (including sinking funds)	22,963,224	17,718,656
Number of Regional and Water Districts participating to date	29	28
Number of Municipalities participating to date	124	118

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Members and Officers — 1978

MEMBERS

Mayor J. A. Robertson <i>Alberni-Clayoquot Regional District</i>	Mayor I. E. Young <i>Greater Vancouver Regional District</i>
Director G. E. McFee <i>Bulkley-Nechako Regional District</i>	Mayor T. H. Goode <i>Greater Vancouver Regional District</i>
Director J. M. Campbell <i>Capital Regional District</i>	Mayor C. P. Jones <i>Greater Vancouver Regional District</i>
Mayor R. Marks <i>Cariboo Regional District</i>	Mayor W. M. Vogel <i>Greater Vancouver Regional District</i>
Director T. Long <i>Central Coast Regional District</i>	Director J. Banyay <i>Kitimat-Stikine Regional District</i>
Mayor H. DeJong <i>Central Fraser Valley Regional District</i>	Mayor I. Muzzin <i>Kootenay-Boundary Regional District</i>
Director A. R. Sutcliffe <i>Central Kootenay Regional District</i>	Director W. Prestie <i>Mount Waddington Regional District</i>
Alderman J. H. Stuart <i>Central Okanagan Regional District</i>	Director P. D. Smith <i>Nanaimo Regional District</i>
Director J. L. Monk <i>Columbia-Shuswap Regional District</i>	Mayor N. R. P. Duke <i>North Okanagan Regional District</i>
Director N. C. Lysne <i>Comox-Strathcona Regional District</i>	Director F. Colclough <i>Okanagan-Similkameen Regional District</i>
Director W. Cools <i>Cowichan Valley Regional District</i>	Mayor C. Lasser <i>Peace River-Liard Regional District</i>
Alderman R. W. G. Franklin <i>Dewdney-Alouette Regional District</i>	Director L. Emmonds <i>Powell River Regional District</i>
Director S. W. Wilson <i>East Kootenay Regional District</i>	Mayor P. J. Lester <i>Skeena-Queen Charlotte Regional District</i>
Director W. Kassian <i>Fraser-Cheam Regional District</i>	Director R.D. Cumming <i>Squamish-Lillooet Regional District</i>
Director A. Stauble <i>Fraser-Fort George Regional District</i>	Alderman J. Metzler <i>Sunshine Coast Regional District</i>
Mayor M. S. Evers <i>Greater Vancouver Regional District</i>	Alderman A. J. Romano <i>Thompson-Nicola Regional District</i>

BOARD OF TRUSTEES

Alderman J. H. Stuart, CHAIRMAN
Director J. M. Campbell
Mayor M. S. Evers
Mayor C. Lasser
Mayor P. J. Lester
Director P. D. Smith
Mayor W. M. Vogel

OFFICERS

CHAIRMAN:
Alderman J. H. Stuart
ACTING CHAIRMAN:
Mayor M. S. Evers
SECRETARY-TREASURER:
D. N. Wilson, F.C.I.S.

AUDITORS

PEAT, MARWICK, MITCHELL & CO.
VANCOUVER, B.C.

SOLICITORS: BOND COUNSEL

FARRIS, VAUGHAN, WILLS & MURPHY
VANCOUVER, B.C.

SOLICITORS: GENERAL COUNSEL

COX, TAYLOR, BRYANT
VICTORIA, B.C.

Chairman's Report — 1978

TO THE MEMBERS OF THE MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA



Alderman James H. Stuart
CHAIRMAN

It is a pleasure to report to you on the operations of the Municipal Finance Authority of British Columbia during 1978.

New capital funds totalling \$80.7 million Canadian were raised and reloaned to our regional districts and municipalities. A refinancing of 50 million Swiss francs was completed. Our sinking fund activities were stepped up and the Authority completed its ninth year most successfully.

In the Spring of 1978, we were requested to raise \$37.9 million for terms ranging from 10 to 25 years. After close examination of all capital markets and the foreign exchange risks involved, an issue of \$34.1 million of debentures was privately placed in the U.S. bond market. These funds were converted at the rate of 89.9¢ U.S. to \$1.00 Canadian, realizing an exchange gain of 11.2% for borrowers in the issue. The interest rate which we secured enabled us to lend at rates ranging from 9% for ten-year funds to 9.39% for 25-year funds. In November, a further \$42.8 million was raised in Canada. \$32.8 million was raised in the public market and \$10 million was raised by

private placement with the Province of British Columbia. The public portion of this financing consisted of the issue of \$30 million of 9.95% twenty-year sinking fund debentures and \$2.8 million of 9 3/8% to 9 5/8% one to fifteen year serial debentures. The private placement with the Province of British Columbia was made up of \$6.7 million of 9.95% twenty-year sinking fund debentures and \$3.3 million of 10% twenty-five-year sinking fund debentures. These funds were reloaned at rates ranging from 9.4% for 10 years to 9.97% for twenty-five-year funds.

The Spring issue of \$34.1 million U.S. was our first private placement in the U.S. market. The issue was well managed and provided us with a number of advantages. Firstly, we were able to secure a price on the issue more quickly. Secondly, it gave us the flexibility to borrow and convert the exact number of dollars required by our members. Finally, it gave us access to lower rates at a most economical cost. The Fall Canadian issue of \$32.8 million public and \$10 million private was also successful. The public offering sold well and we continued to expand our credit in the Canadian long-term bond market. The private placement of \$10 million with the Province of British Columbia was indeed helpful. It not only provided us with funds at the market rate but also helped to reduce our overall issue costs. This is the second year in a row that the Provincial Government has supported our issues. I acknowledged their support in my last annual report. I hope that it will continue in the years to come.

After nine years of operation, the 1978 financings, which I have just described, bring our total of funds secured to \$484.7 million. In all, the Authority has completed twenty-two financings in four currencies of payment. Fourteen financings have been completed in Canadian dollars totalling \$229 million or 47 percent. Six financings have been completed in U.S. dollars totalling \$238.1 million or 49 percent. One financing was completed in Swiss francs totalling \$13 million or 3 percent, and one was completed in Deutsche marks representing \$4.6 million or 1 percent. Since the first issue in October, 1971, the Authority has grown from an unknown, untried concept to a well-known Canadian credit in the international capital markets. Our

good reputation as a long-term borrower has not been achieved easily. We have been extremely careful in the selection of capital markets and have attempted, wherever possible, to improve our image through contact with the investment community and the use of our sinking funds. In addition, there has never been a case of default of payment in the history of the Municipal Finance Authority. This, in itself, has major impact on investors and, consequently, our image as a borrower. I would like to acknowledge both the efforts of our predecessors on this Board and the fiscal responsibility of our municipal councils and regional boards which have resulted in this unblemished record. The cost of funds to a long-term borrower is related to reputation and image. We are duty bound to continue our efforts to maintain and improve that image. Such effort can only lead to more economy at the local level of government in this Province.

On November 15, 1978, the 50 million Swiss francs 6% bonds, issued by the Authority in 1972, were called for redemption. The bonds were originally issued to mature on November 15, 1987. Early call required the payment to investors of a penalty of 2%. The bonds plus penalty and the cost of the rollover were repaid by completion of a nine-year bank loan with a consortium of Swiss banks. The final maturity of the new loan matches the maturity of the original bond issue. Annual interest payable on the new loan is at a rate three-quarters of one percent above the Swiss three year domestic deposit rate. On November 15, 1978, that rate was 2½% per annum, resulting in a rate to the Authority of 3¼% per annum for the first three years of the loan. The rate is to be reset for a further three years on November 15, 1981, and again on November 15, 1984. The Authority has the right to pay off the loan on each of the renewal dates without penalty. The value of the Swiss franc has increased dramatically since the time of our original issue. On November 15, 1978, it was valued at 72.07¢ Canadian. Based upon that value, our savings in annual interest payments will amount to \$953,486. It is proposed to apply these annual savings towards the eventual repayment of principal.

In my report for 1977, I noted that a great deal of energy had been expended creating a market for new issues in Canada. I suggested that we should continue to develop a strong presence in the Canadian market. These efforts were continued during 1978. While only one issue was marketed as opposed to two issues in 1977, it was our largest to date in Canada. I mentioned earlier that the measure of success in capital markets is the cost of funds. In the Spring of 1977, our \$20 million Canadian issue was priced to yield 9.875%. At that time, securities of the Government of Canada, with similar maturities, were trading at a yield of 9.30%, a spread of 57.5 basis points or a little over ½ of 1% per annum. Last November, our twenty-year issue of sinking fund bonds was priced to yield 9.95%. Similar Government of Canada securities were then quoted at a yield of 9.47%, a spread of 48 basis points or a little less than ½ of 1% per annum. The improvement in rate spread between securities issued by the Authority and the Government of Canada was therefore 9.5 basis points. Interestingly, that improvement amounts to a savings of \$570,000 over the twenty-year life of our \$30 million sinking fund issue of last November. It is essential that we continue to develop our place in the Canadian market. As new issues are placed and more of our bonds are sold, we can look for further improvements in the cost of funds.

Related to the question of presence in the market is the operation of our sinking funds. Our investment management activities entail sinking funds designed for the repayment of debt and debt reserve funds designed as a protection for investors in the event of default. The total of all funds required to be managed has risen and will continue to rise substantially each year. From \$1 million at the end of 1971 the total has grown to \$22.9 million at the end of 1978. These investments earned interest of \$1.88 million in 1978 representing an average annual rate of return of 9.4%. The portfolio includes securities of the Government of Canada, Provincial Governments, direct or guaranteed, Chartered Banks, direct or guaranteed, Credit Unions in the Province, B.C. municipalities, and the Municipal Finance Authority itself. During 1978, a concerted effort was made to increase our holdings of

our own securities. We commenced the year with \$396,000 of our own bonds. At year-end, that total was \$4.8 million. In addition, we have also acquired a number of bonds of B.C. municipalities, originally issued prior to the creation of the Authority. These steps have been taken in a conscious effort to improve liquidity and thereby the marketability of our future issues.

The Authority's debt servicing and general operations during 1978 were successful. Principal and interest payments from regional districts and municipalities totalling \$50.4 million were processed during the year. As in previous years, all such payments were received by the due date and no municipal or regional borrower was delinquent. Our operating fund account was within the budget projection and our office operations did not undergo significant change.

Last year, I reported that discussions between the Authority and the Provincial Government concerning legislative change were continuing. These did continue, however you will be aware that at the same time a Provincially appointed committee was involved in a review of regional government. Until its findings were available, no real progress on legislative change could be made. As the concept of the Authority and our underlying credit is so related to the regional district structure, our concerns were conveyed to the committee. Since delivery of the report, the change of Provincial Cabinet responsibilities has necessitated new discussions with the Honourable W. N. Vander Zalm, Minister of Municipal Affairs. He has indicated publicly that he intends to make changes to the existing form of regional government. We are ensuring that he is aware of the implications of change to the Municipal Finance Authority. At the same time, we are repeating our request for more flexibility and the authority to offer short-term funds to our regional districts and municipalities.

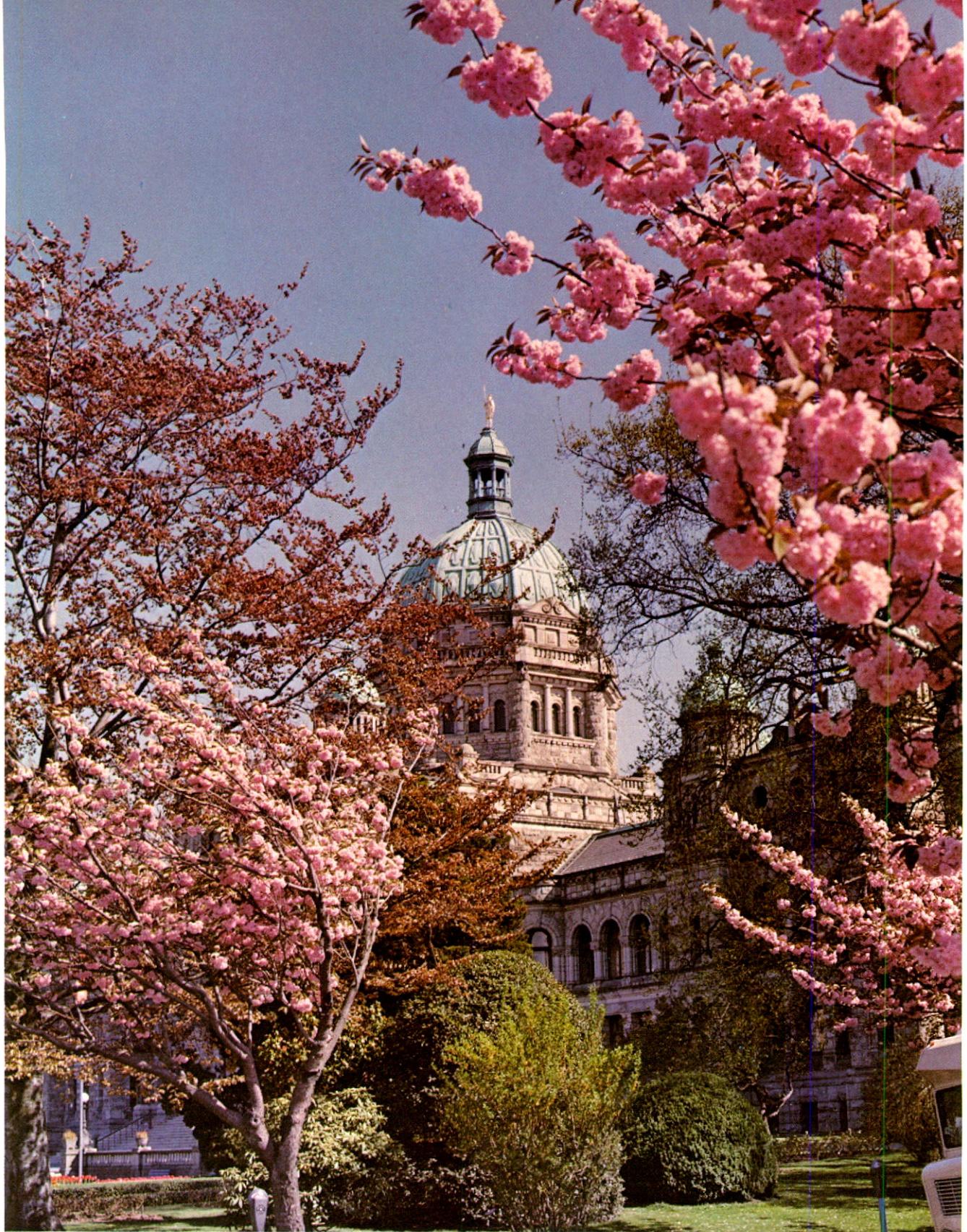
Late in 1978, the Honourable Hugh Curtis moved from the post of Minister of Municipal Affairs to that of Provincial Secretary. Most will recall that Mr. Curtis was the first Chairman of the Municipal Finance Authority during 1970 and 1971 when he was the Mayor of Saanich and Chairman of the

Capital Regional District Board. Our relationship with him has always been excellent. The degree of co-operation he afforded to the Authority was very high. I look forward to continuing this good relationship with the Honourable William N. Vander Zalm, our new Minister of Municipal Affairs. Also an ex-mayor, Mr. Vander Zalm served as a member of the Authority during 1974 and 1975.

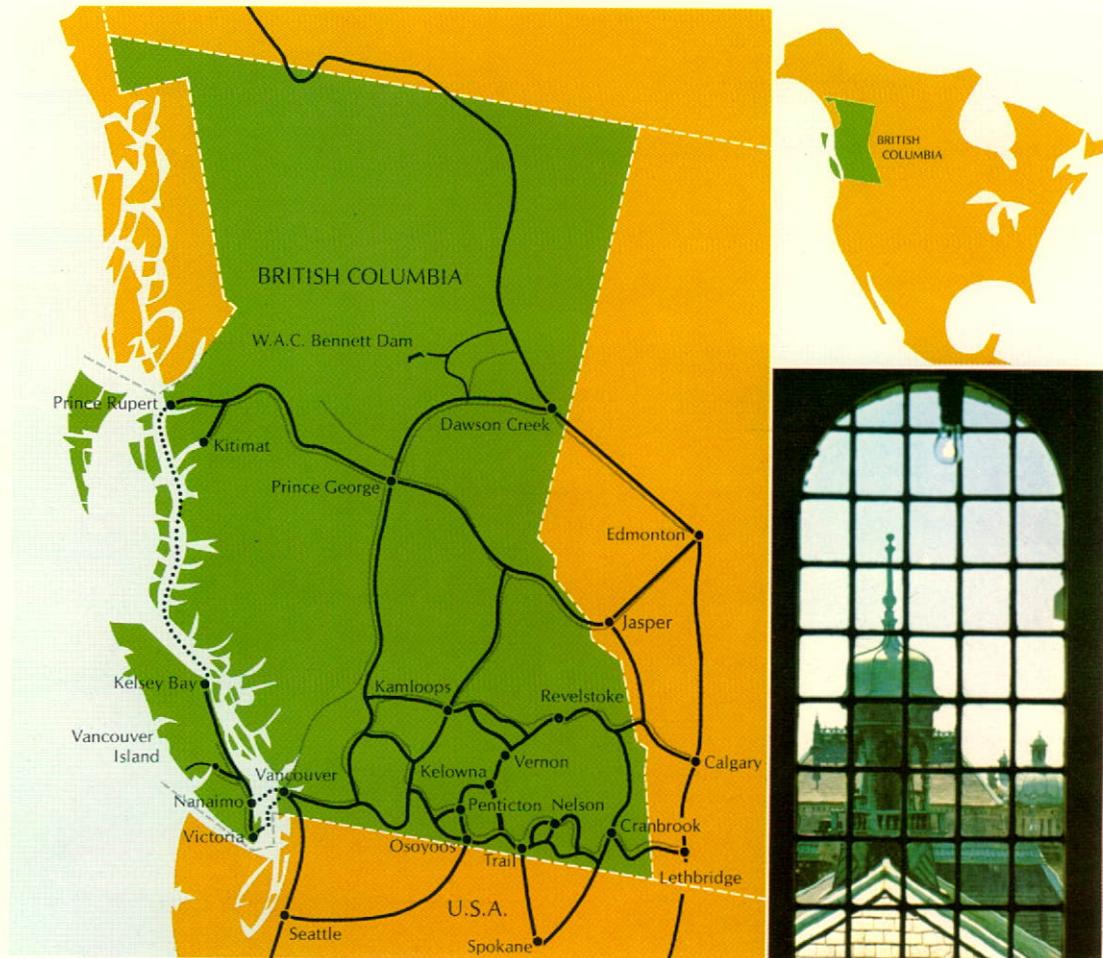
We continued to receive excellent support from two Provincial Ministries during 1978. Mr. R. W. Long, Deputy Minister of Municipal Affairs, and his staff provided excellent co-operation. There is an extremely large amount of paper work involved with financings. They have made our job much easier. Mr. G. S. Bryson, Deputy Minister of Finance, and members of his staff have also been closely associated with our activities. They, too, have been extremely co-operative. I feel a note of acknowledgement to both groups is in order. Our own staff, consisting of the Secretary-Treasurer and two other persons, has provided us with excellent service.

At the conclusion of my second year as Chairman, I can report that my knowledge of the affairs, successes and problems of the Authority has grown considerably since my election in 1977. There are, naturally, some areas which need to be considered during the coming tenth year of the Authority. These will have to be addressed by your Board of Trustees during 1979. If that Board is as diligent and sincere about the Authority's business as the one with which I have had the pleasure of working during 1978, I am sure we will enter our second decade in extremely good shape. I wish to thank my fellow Trustees for the many hours which they have devoted to our tasks. Finally, I would like to express my thanks to the members of the Authority for the privilege of serving as Chairman in 1978.

James H. Stuart
James H. Stuart, CHAIRMAN



Springtime at the Parliament Buildings, Victoria, B.C.
COURTESY JIM RYAN PHOTOS



"The object of the authority is to provide financing of capital requirements for regional districts and for their member municipalities by the issue of its debentures, or other evidence of indebtedness, and lending the proceeds therefrom to the regional district on whose request the financing is undertaken."

Municipal Finance Authority of British Columbia Act, Statutes of British Columbia, 1970, as amended.

How the Municipal Finance Authority of British Columbia Functions

Responsibility

The Municipal Finance Authority of British Columbia was created in 1970 by the Municipal Finance Authority of British Columbia Act of the Legislative Assembly of the Province of British Columbia. The Act was amended in 1971, 1972, 1973 and 1977.

Regional districts and municipalities in British Columbia finance through the Authority all long-term capital requirements except those met by senior levels of government.

The City of Vancouver is the only municipality in the Province which retains the right to issue its own debentures to raise funds for capital projects. Taxable land and improvements within the City of Vancouver are, nevertheless, subject to rates levied by the Municipal Finance Authority.

Representation

The Province of British Columbia is divided into twenty-eight regional districts, each of which is governed by a Regional Board consisting of representatives of its member municipalities and unincorporated areas.

The members of the Municipal Finance Authority are appointed by the Regional Boards; the number of members to which a regional district is entitled is based on its population.

The executive and administrative powers and duties of the Authority are exercised by a Board of Trustees elected annually by the members and consisting of the Chairman of the Authority and six other members. The Capital Regional District and the Greater Vancouver Regional District must be represented on the Board of Trustees.

Funding

When the municipalities, through the regional districts, and the regional districts on their own behalf, wish to raise funds for their capital projects, they present their approved requests to the Municipal Finance Authority.

Taking into account market and economic conditions pertaining, the members of the Authority may authorize the issue and sale of debentures in an amount sufficient to meet the requests.

Debentures, not exceeding the amount authorized, may then be issued at such rates and pursuant to such terms and conditions and in such markets and currencies as the Trustees may determine.

Both serial and sinking fund debentures may be issued. In the case of sinking fund debentures, the Act provides for the creation, management and application of sinking funds to secure the repayment of the debentures including the redemption of debentures issued subject to redemption in advance of maturity.

A separate account is maintained for each sinking fund debenture issue and moneys at the credit of a sinking fund which cannot be immediately applied toward paying the debt or discharging the obligation may be invested or reinvested by the Trustees in:

- (a) securities of the Government of Canada or a Province of Canada, or
- (b) securities, the principal and interest of which are guaranteed by the Government of Canada or a Province of Canada, or
- (c) securities of a regional district or municipality in British Columbia maturing not later than the debentures for which the sinking fund was created, or
- (d) investments guaranteed by any Canadian chartered bank, or
- (e) deposits in, or shares or other evidences or indebtedness of, a credit union incorporated under the British Columbia Credit Unions Act, or
- (f) securities of the Municipal Finance Authority of British Columbia maturing not later than the debentures for which the sinking fund was created; however, debentures so purchased must be held to the credit of the sinking fund and cannot be resold.

Protection for Investors

In British Columbia, the combined credit of all the regional districts and their member municipalities — which together have essentially all the taxable land and improvements in the Province — stands behind the Authority's obligations.

In addition, the Authority has established a debt reserve fund into which all borrowers from the proceeds of debenture issues having a term to final maturity of over five years must contribute an amount equal to one-half the average annual instalment of principal and interest for repayment of each issue; such amount is payable to the Authority at the time of issue either in full or in an amount equal to one percent of the principal amount borrowed with the balance secured by a non-interest bearing demand note of the regional district issued to the Authority.

If, at any time, the Authority lacks sufficient funds to meet principal, interest or sinking fund payments due on its obligations, it must utilize the debt reserve fund, all or any part of which is available to satisfy the Authority's obligations, regardless of the sources of the moneys in the fund. In the event that payments are made from the debt reserve fund, the Authority will recover such payments from the regional districts involved in order to restore the debt reserve fund. If the Trustees are of the opinion that payments made from the debt reserve fund will not be recovered within a reasonable period, they may levy upon all taxable land and improvements in the Province, a tax sufficient to restore the fund to its required amount. It is mandatory for the Trustees to levy such a tax when the balance in the debt reserve fund is less than fifty percent of the required amount. The Trustees' power to impose taxes does not require the permission or approval of any other governmental authority. Pending the receipt of such taxes, the Authority may borrow an equivalent amount to meet its obligations to debenture holders. In the event that the Authority is unable to borrow the necessary amount, the Province of British Columbia assures that the debt reserve fund will be maintained at the required level.

Moneys in the debt reserve fund may be invested or reinvested by the Trustees in:

- (a) securities of the Government of Canada or a Province of Canada, or
- (b) securities, the principal and interest of which is guaranteed by the Government of Canada or a Province of Canada, or
- (c) deposits in, or investments guaranteed by a Canadian chartered bank, or
- (d) deposits in, or shares or other evidences of indebtedness of, a credit union incorporated under the British Columbia Credit Unions Act.

Such investments must mature or be callable within five years and at least twenty-five percent of the fund must be callable within ninety days.

Moneys in the debt reserve fund are repaid to the regional districts when the final instalment of their loan has been repaid or applied to the final instalment.

Additional Protection for Investors

Regional districts and their member municipalities raising money through the Municipal Finance Authority must obtain the same provincial approvals as would be required if they were issuing their own debentures. In this way, all the safeguards imposed by the Provincial Legislature on the incurring of indebtedness by local governments are retained. Such safeguards include the requirement that the Inspector of Municipalities approve the debt and user charges, if any, and other taxes to service the debt. In addition, sewer and water projects require the issuance of a certificate of self-liquidation by the Inspector of Municipalities.

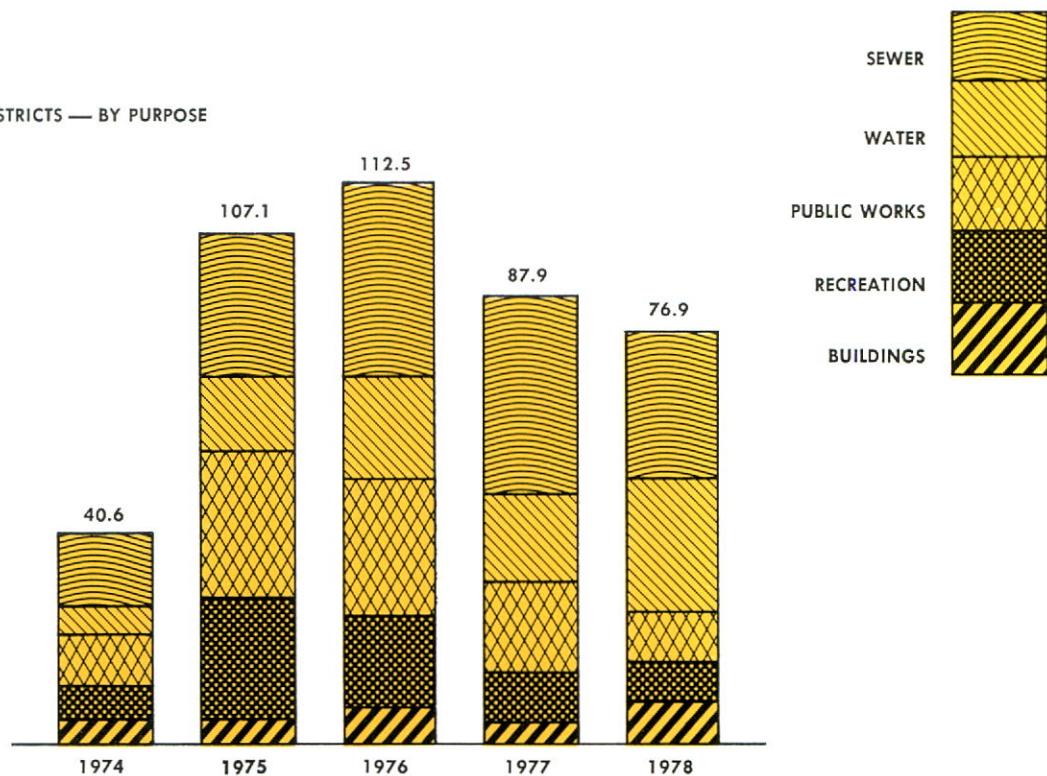
Limitations on the borrowing power of a regional district for each function may be set out in its Letters Patent. The total indebtedness which a municipality may contract is limited to a percentage of the assessed value for general municipal purposes of the taxable land and improvements within the municipality and the value of the utility systems and other municipal enterprises in respect of which the municipality possesses a subsisting certificate of self-liquidation granted by the Inspector of Municipalities.

Graphic Analyses of Long-Term Financing

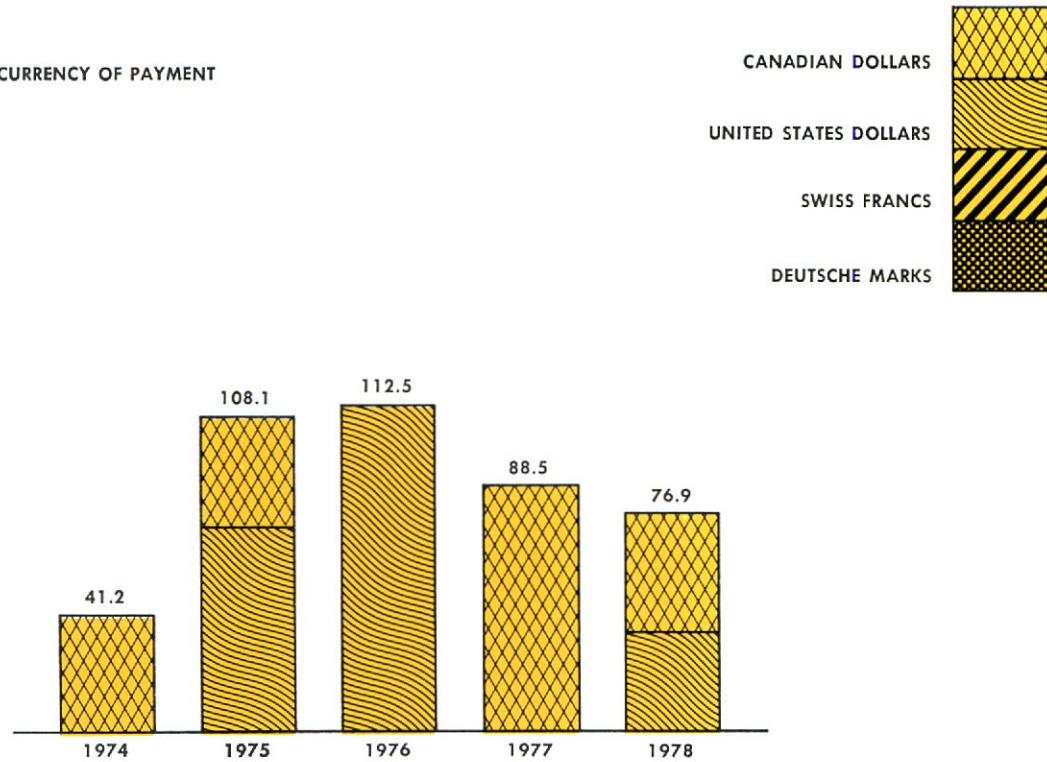
DECEMBER 31, 1978

MILLIONS OF DOLLARS

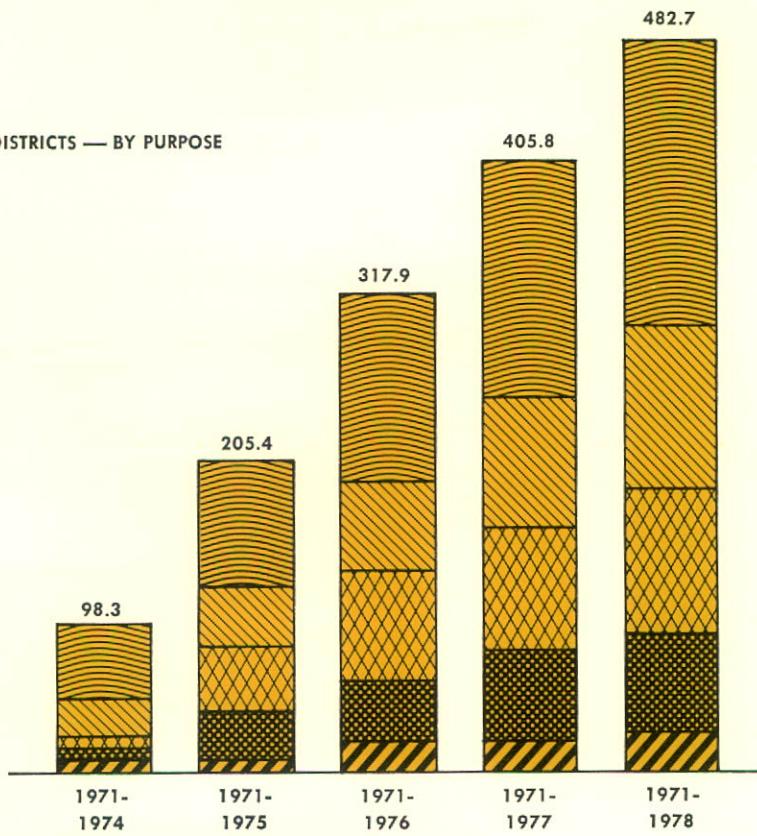
NEW LOANS TO REGIONAL DISTRICTS — BY PURPOSE



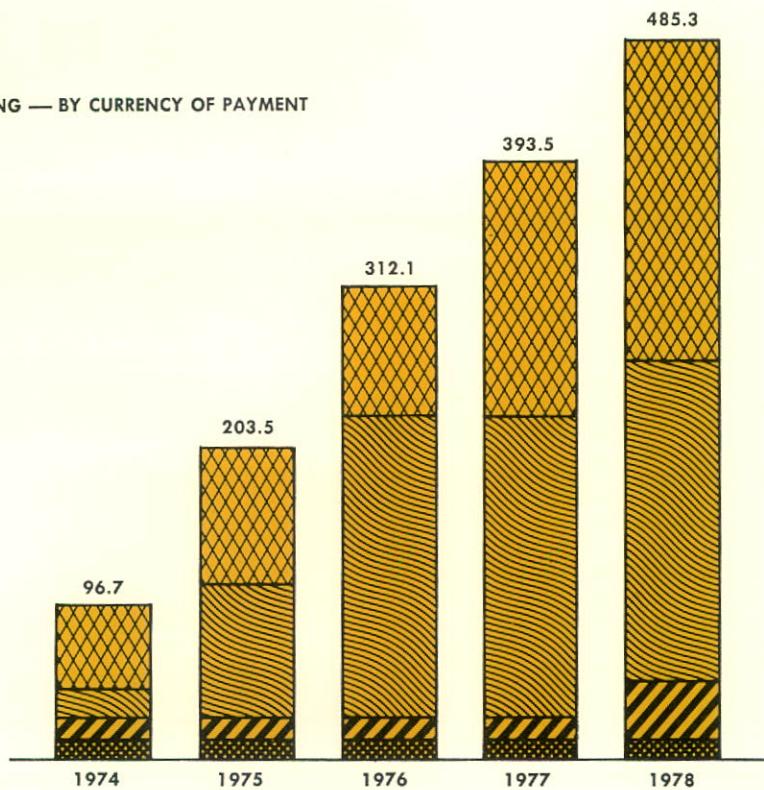
NEW LONG-TERM DEBT — BY CURRENCY OF PAYMENT



TOTAL LOANS TO REGIONAL DISTRICTS — BY PURPOSE



LONG-TERM DEBT OUTSTANDING — BY CURRENCY OF PAYMENT



Schedule of Loans to Regional Districts

OUTSTANDING AT DECEMBER 31, 1978

	1978			1978
	Principal Outstanding Dec. 31, 1977	New Loans Issued	Principal Repaid	Principal Outstanding Dec. 31, 1978
REGIONAL DISTRICTS:				
Alberni-Clayoquot	\$ 2,723,732	242,000	138,620	2,827,112
Bulkley-Nechako	4,285,650	2,254,753	150,683	6,389,720
Capital	33,350,826	6,499,358	1,443,394	38,406,790
Cariboo	5,135,611	1,850,750	154,479	6,831,882
Central Coast	—	—	—	—
Central Fraser Valley	21,135,363	2,827,615	452,499	23,510,479
Central Kootenay	6,626,349	303,426	202,313	6,727,462
Central Okanagan	6,949,882	2,926,626	207,082	9,669,426
Columbia-Shuswap	7,321,527	2,439,591	228,157	9,532,961
Comox-Strathcona	7,508,645	1,993,500	229,638	9,272,507
Cowichan Valley	12,026,161	3,255,987	369,061	14,913,087
Dewdney-Alouette	3,058,188	1,533,547	120,272	4,471,463
East Kootenay	14,278,647	1,388,317	453,673	15,213,291
Fraser-Cheam	2,361,734	1,209,895	48,970	3,522,659
Fraser-Fort George	23,084,212	8,577,402	687,817	30,973,797
Greater Vancouver	144,374,719	18,637,533	4,777,192	158,235,060
Kitimat-Stikine	4,253,115	1,085,000	212,552	5,125,563
Kootenay-Boundary	3,292,718	262,148	104,939	3,449,927
Mount Waddington	789,947	197,000	33,354	953,593
Nanaimo	15,249,193	4,192,866	394,327	19,047,732
North Okanagan	8,426,554	3,946,781	238,897	12,134,438
Okanagan-Similkameen	9,303,091	399,687	213,055	9,489,723
Peace River-Liard	13,782,345	2,159,959	475,241	15,467,063
Powell River	7,420,442	—	214,727	7,205,715
Skeena-Queen Charlotte	3,468,704	1,379,460	104,515	4,743,649
Squamish-Lillooet	2,604,338	1,809,017	259,679	4,153,676
Sunshine Coast	2,801,348	—	69,891	2,731,457
Thompson-Nicola	18,178,485	2,279,572	494,849	19,963,208
WATER DISTRICTS:				
Greater Campbell River	2,108,190	—	37,786	2,070,404
Greater Nanaimo	—	3,236,246	—	3,236,246
	<u>\$385,899,716</u>	<u>76,888,036</u>	<u>12,517,662</u>	<u>450,270,090</u>

The Growth and Stability of British Columbia's Municipalities

Beginning in 1978, amendments to the British Columbia Assessment Act provided for actual value assessments and the equal taxation of land and improvements as a percentage of actual value. The amendments provided also for phasing in of valuation changes for residential properties over a three-year period where the property was previously undervalued; overvalued properties were reduced immediately to their actual value.

For 1978, the actual market value of all properties was \$77 billion. This total includes some Crown properties and other properties exempt or partially exempt from taxation under various statutes.

The total taxable value for general purposes was \$15.98 billion in 1978, an increase of 54% from the \$10.36 billion taxable for general purposes in 1973.

The growth in taxable assessment reflects the steady expansion in population and industry which has been experienced in British Columbia. This sound financial foundation has enabled the regional districts and municipalities to expand their capital works and other programmes in step with demand while continuing to set aside substantial amounts in reserve and other accounts.

The following tables set forth the tax levy and collections and the revenues and expenditures of all the regional districts and municipalities in British Columbia for the five years, 1973 through 1977. Revenues have increased from \$767 million in 1973 to \$1,337 million in 1977 and current tax collections have continued at a rate in excess of 96% of the current tax levy.

Tax Levy and Collections by the Regional Districts and Municipalities Therein

MILLIONS OF DOLLARS

	1977	1976	1975	1974	1973
Current tax levy	863	798	679	540	436
Arrears	41	34	26	17	19
<u>Total taxes</u>	<u>904</u>	<u>832</u>	<u>705</u>	<u>557</u>	<u>455</u>
Current taxes collected	834	769	655	521	425
Current collections as per cent of current tax levy	96.55%	96.35%	96.38%	96.49%	97.32%
Arrears collected	30	26	19	13	15
Total collections as per cent of current tax levy	100.07%	99.62%	99.22%	98.96%	100.77%

Revenues of the Regional Districts and Municipalities Therein

MILLIONS OF DOLLARS

	1977	1976	1975	1974	1973
Real property taxes	376	340	300	248	202
Other taxes	65	60	53	48	40
Total taxation	441	400	353	296	242
Other revenues	147	155	121	95	80
Contributions, grants and subsidies:					
Federal	14	11	9	7	8
Provincial	141	153	132	114	143
Municipal	4	3	5	5	5
Miscellaneous	4	16	12	12	7
Transferred from surplus of prior years	38	39	30	34	30
Taxes collected for school authorities	431	404	338	261	207
Sewer revenues	46	—	—	—	—
Utility revenues	71	64	56	49	45
Total revenues	1,337	1,245	1,056	873	767

SOURCE: MINISTRY OF MUNICIPAL AFFAIRS

Expenditures of the Regional Districts and Municipalities Therein

MILLIONS OF DOLLARS

	1977	1976	1975	1974	1973
General government	88	78	67	58	47
Fire and police	151	134	115	91	81
Public works and sanitation	126	125	109	89	71
Public health	16	14	12	9	8
Social welfare	36	60	55	65	103
Recreation and community services	102	86	71	56	44
Debt charges	107	112	83	64	58
Contributions to capital	73	74	67	62	52
Reserves and allowances	34	38	33	31	22
Miscellaneous	11	22	26	20	17
Operating surplus	24	29	22	17	12
Transmitted to school authorities	432	405	339	262	208
Sewer expenditures	61	—	—	—	—
Utility expenditures	76	68	57	49	44
Total expenditures	1,337	1,245	1,056	873	767

SOURCE: MINISTRY OF MUNICIPAL AFFAIRS

Auditors' Report — 1978

TO THE MEMBERS OF THE MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

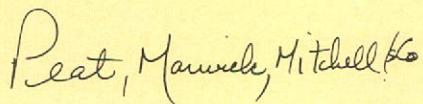
PEAT, MARWICK, MITCHELL & CO.

CHARTERED ACCOUNTANTS

Suite 2100, One Bentall Centre
505 Burrard Street
Vancouver, British Columbia
V7X 1M1

We have examined the balance sheets of the Operating Fund, Debt Fund, Capital Repayment Equalization Fund, Debt Reserve Fund and Market Development Fund of Municipal Finance Authority of British Columbia and the combined balance sheet of these funds as at December 31, 1978 and the statements of revenue, expenditure and surplus of each of these funds and the combined statement of revenue, expenditure and surplus of these funds and the Debt Fund statement of debt financing for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Authority as at December 31, 1978, and the results of its operations and the acquisition and application of its financing for the year then ended in accordance with accounting principles described in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.



Vancouver, British Columbia, Canada
January 29, 1979

CHARTERED ACCOUNTANTS

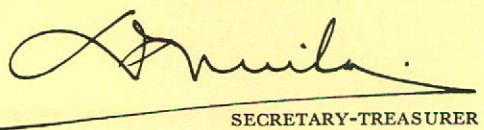
MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

Balance Sheets

DECEMBER 31, 1978 — WITH COMPARATIVE FIGURES FOR 1977

	OPERATING FUND		DEBT FUND	
	1978	1977	1978	1977
ASSETS				
Cash and short-term deposits	\$ 72,423	61,447	74,384	90,368
Receivables:				
Due from Operating Fund	—	—	—	—
Due from Debt Fund	—	—	—	—
Due from Capital Repayment Equalization Fund	—	—	8,287,642	5,067,933
Accrued interest	1,682	1,155	—	—
Other	382	1,944	—	—
Total receivables	2,064	3,099	8,287,642	5,067,933
Investments (Note 2)	—	—	—	—
Demand notes receivable from Regional Districts, without interest	—	—	—	—
Loans to Regional Districts (Note 3)	—	—	450,270,090	385,899,716
Deferred receivables from Regional Districts (Note 4)	—	—	23,055,505	—
Unamortized issue costs	—	—	1,463,550	1,379,166
	<u>\$ 74,487</u>	<u>64,546</u>	<u>483,151,171</u>	<u>392,437,183</u>
LIABILITIES AND SURPLUS				
Liabilities:				
Accounts payable	\$ 8,842	9,177	82,007	90,369
Due to bank	—	—	972,056	—
Due to Debt Fund	—	—	—	—
Due to Debt Reserve Fund	—	—	3,404	—
Due to Market Development Fund	21,013	30,034	—	—
Due to Regional Districts (Note 5)	—	—	—	—
Reserve for data processing implementation	44,000	25,000	—	—
Long-term debt, net (Notes 6 and 7) Schedule 1	—	—	481,337,178	391,970,980
Total liabilities	<u>73,855</u>	<u>64,211</u>	<u>482,394,645</u>	<u>392,061,349</u>
Surplus, per accompanying statement (Note 8)	<u>632</u>	<u>335</u>	<u>756,526</u>	<u>375,834</u>
	<u><u>\$ 74,487</u></u>	<u><u>64,546</u></u>	<u><u>483,151,171</u></u>	<u><u>392,437,183</u></u>

CAPITAL REPAYMENT EQUALIZATION FUND		DEBT RESERVE FUND		MARKET DEVELOPMENT FUND		COMBINED	
1978	1977	1978	1977	1978	1977	1978	1977
15,320	7,655	38,345	15,819	—	—	200,472	175,289
—	—	—	—	21,013	30,034	—	—
—	—	3,404	—	—	—	—	—
—	—	—	—	—	—	—	—
308,004	132,570	233,591	232,278	—	—	543,277	366,003
1,318,126	—	—	—	—	—	1,318,508	1,944
1,626,130	132,570	236,995	232,278	21,013	30,034	1,861,785	367,947
11,788,437	9,534,037	7,205,018	6,701,453	—	—	18,993,455	16,235,490
—	—	22,467,488	18,492,448	—	—	22,467,488	18,492,448
—	—	—	—	—	—	450,270,090	385,899,716
—	—	—	—	—	—	23,055,505	—
—	—	—	—	—	—	1,463,550	1,379,166
<u>13,429,887</u>	<u>9,674,262</u>	<u>29,947,846</u>	<u>25,441,998</u>	<u>21,013</u>	<u>30,034</u>	<u>518,312,345</u>	<u>422,550,056</u>
—	—	3,093	11,464	—	—	93,942	111,010
—	—	—	—	—	—	972,056	—
8,287,642	5,067,933	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	29,944,753	25,430,534	—	—	29,944,753	25,430,534
—	—	—	—	—	—	44,000	25,000
—	—	—	—	—	—	481,337,178	391,970,980
<u>8,287,642</u>	<u>5,067,933</u>	<u>29,947,846</u>	<u>25,441,998</u>	<u>—</u>	<u>—</u>	<u>512,391,929</u>	<u>417,537,524</u>
5,142,245	4,606,329	—	—	21,013	30,034	5,920,416	5,012,532
<u>13,429,887</u>	<u>9,674,262</u>	<u>29,947,846</u>	<u>25,441,998</u>	<u>21,013</u>	<u>30,034</u>	<u>518,312,345</u>	<u>422,550,056</u>



SECRETARY-TREASURER

MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

Statements of Revenue, Expenditure and Surplus

YEAR ENDED DECEMBER 31, 1978 — WITH COMPARATIVE FIGURES FOR 1977

	OPERATING FUND		DEBT FUND	
	1978	1977	1978	1977
REVENUE				
Prior year's surplus appropriated	\$ 335	327	—	—
Operating levy	205,159	210,163	—	—
Recoveries from new issues	36,000	—	—	—
Gain on purchases of own debentures	—	—	162,876	4,085
Interest from investments	4,138	5,365	216,782	123,207
Interest from loans to Regional Districts	—	—	15,625,891	16,063,452
Principal from loans to Regional Districts	—	—	—	—
Recovery of deficiencies from Regional Districts	—	—	—	—
Allocations from Regional Districts	—	—	—	—
Transfers from Capital Repayment Equalization Fund	—	—	22,823,007	13,170,171
Transfers from Debt Reserve Fund	—	—	1,552,207	641,718
Exchange gain	—	—	—	—
Total revenue	245,632	215,855	40,380,763	30,002,633
EXPENDITURE				
Legislative	40,170	36,436	—	—
Administrative	204,830	179,084	—	—
Transfers to Debt Fund — capital	—	—	—	—
Transfers to Debt Fund — revenue	—	—	—	—
Interest on long-term debt	—	—	38,674,838	29,543,312
Exchange loss	—	—	249,353	79,719
Amortization of issue and redemption costs	—	—	1,070,700	236,198
Allocations to Regional Districts	—	—	—	—
Other	—	—	5,180	—
Total expenditure	245,000	215,520	40,000,071	29,859,229
Excess of revenue over expenditure for the year	632	335	380,692	143,404
Surplus at the beginning of the year not appropriated to current revenue	—	—	375,834	232,430
Surplus at the end of the year	\$ 632	335	756,526	375,834

CAPITAL REPAYMENT EQUALIZATION FUND		DEBT RESERVE FUND		MARKET DEVELOPMENT FUND		COMBINED	
1978	1977	1978	1977	1978	1977	1978	1977
4,606,329	2,553,146	—	—	30,034	42,708	4,636,698	2,596,181
—	—	—	—	—	—	205,159	210,163
—	—	—	—	—	—	36,000	—
81,186	2,645	—	—	—	—	244,062	6,730
928,170	601,385	731,078	609,987	—	—	1,880,168	1,339,944
22,349,567	14,619,324	—	—	—	—	37,975,458	30,682,776
6,768,309	3,694,247	—	—	—	—	—	—
—	—	663,687	295,470	—	—	663,687	295,470
—	—	229,701	—	—	—	115,376	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	38,328	—	—	—	38,328	—
<u>34,733,561</u>	<u>21,470,747</u>	<u>1,662,794</u>	<u>905,457</u>	<u>30,034</u>	<u>42,708</u>	<u>45,794,936</u>	<u>35,131,264</u>
—	—	—	—	—	—	40,170	36,436
—	—	—	—	—	—	204,830	179,084
6,768,309	3,694,247	114,325	21,969	—	—	—	—
22,823,007	13,170,171	1,552,207	641,718	—	—	38,674,838	29,543,312
—	—	—	—	—	—	249,353	79,719
—	—	—	—	—	—	1,070,700	236,198
—	—	—	213,810	—	—	—	235,779
—	—	(3,738)	27,960	9,021	12,674	10,463	40,634
<u>29,591,316</u>	<u>16,864,418</u>	<u>1,662,794</u>	<u>905,457</u>	<u>9,021</u>	<u>12,674</u>	<u>40,250,354</u>	<u>30,351,162</u>
5,142,245	4,606,329	—	—	21,013	30,034	5,544,582	4,780,102
—	—	—	—	—	—	375,834	232,430
<u>5,142,245</u>	<u>4,606,329</u>	<u>—</u>	<u>—</u>	<u>21,013</u>	<u>30,034</u>	<u>5,920,416</u>	<u>5,012,532</u>

MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

Debt Fund — Statement of Debt Financing

YEAR ENDED DECEMBER 31, 1978 — WITH COMPARATIVE FIGURES FOR 1977

	1978	1977
FINANCES ACQUIRED		
Gross proceeds from debt issues and refinancing	\$114,078,120	88,500,000
Exchange gain	3,832,840	—
	<u>117,910,960</u>	<u>88,500,000</u>
Principal repayments from Regional Districts	5,635,028	5,102,682
Transfers from Capital Repayment Equalization Fund	6,768,309	3,694,247
Transfers from Debt Reserve Fund	114,325	21,969
Transfers from Sinking Funds	78,236	5,613
Bank loan	964,660	—
	<u>13,560,558</u>	<u>8,824,511</u>
Total finances acquired	<u>\$131,471,518</u>	<u>97,324,511</u>
FINANCES APPLIED		
Issue and refinancing expenses	\$ 1,777,650	1,479,503
Exchange loss (Note 4)	23,055,505	—
Debt redeemed (Note 4)	12,979,495	—
Advances to Regional Districts	79,241,585	86,129,224
Transfers to Debt Reserve Fund	856,725	891,273
	<u>117,910,960</u>	<u>88,500,000</u>
Debt maturities	9,245,823	7,160,554
Transfers to Sinking Funds	2,165,726	403,364
Advances to Capital Repayment Equalization Fund	2,149,009	1,260,593
	<u>13,560,558</u>	<u>8,824,511</u>
Total finances applied	<u>\$131,471,518</u>	<u>97,324,511</u>

MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

Notes to Financial Statements — All Funds

DECEMBER 31, 1978

1

**Organization of
Municipal Finance Authority
of British Columbia
and significant
accounting policies**

The Municipal Finance Authority of British Columbia (the "Authority") was created in 1970 by the Municipal Finance Authority of British Columbia Act (the "Act") of the Legislative Assembly of the Province of British Columbia (the "Province"). It provides financing of capital requirements (other than for schools and hospitals) for regional districts in the Province and their member municipalities by the issue of its debentures or other evidence of indebtedness and lending the proceeds to the regional districts on whose request the financing is undertaken.

The Authority follows the normal practice in local government accounting and maintains its accounts according to the principles of fund accounting, a technique by which its financial resources are segregated for specific activities or to attain certain objectives. Five funds are maintained. A brief description of each fund and its purpose is as follows:

OPERATING FUND

The Act provides for the establishment of an operating fund to meet the annual operating budget. For this purpose, the Authority may impose, annually, a rate not exceeding one-fiftieth of one mill upon all taxable land and improvements within the Province.

DEBT FUND

The Authority's financing activities on behalf of the regional districts in the Province are recorded in the Debt Fund.

CAPITAL REPAYMENT EQUALIZATION FUND

The Capital Repayment Equalization Fund is a repository for repayments from the regional districts under their loan agreements in advance of the Authority's requirements on its related indebtedness. Transfers, not exceeding the amount available in respect of each issue, are made to the Debt Fund to meet the Authority's obligations when due.

DEBT RESERVE FUND

Under the Act, the Authority is required to establish a Debt Reserve Fund. Each regional district sharing in the proceeds of a debenture issue is required to pay into the Debt Reserve Fund an amount equal to one-half the average annual instalment of principal and interest in respect of its own borrowing together with one-half the average annual instalment of principal and interest as set out in the agreements entered into with the regional district by member municipalities in respect of their borrowings; such amount is payable either in full or in an amount equal to 1% of the principal amount borrowed with the balance secured by a non-interest bearing demand note.

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 shall be made from the Debt Reserve Fund.

MARKET DEVELOPMENT FUND

The development of markets for the Authority's debenture issues is segregated in the Market Development Fund. It is funded by transfers from the Operating Fund.

A summary of significant accounting policies is as follows:

PRIOR YEAR'S SURPLUS

The Authority appropriates the prior year's surpluses to current revenue except the Debt Fund surplus, which relates to the sinking funds.

INCOME RECOGNITION

The annual levy is recognized as revenue in the Operating Fund when the mill rate has been set by the Authority in March of each year. It is collected on behalf of the Authority by the municipalities in the Province and the Provincial Surveyor of Taxes and is payable to the Authority on August 1 each year.

OFFICE FURNITURE, FIXTURES AND EQUIPMENT

Office furniture, fixtures and equipment are written off in the year of acquisition.

MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

Notes to Financial Statements — All Funds / continued

DECEMBER 31, 1978

INTEREST ACCRUALS

Interest is accrued only on investments. Accrued interest receivable from the regional districts under the loan agreements and accrued interest payable on the long-term debt are not recorded, except for unpaid matured interest coupons on coupon debentures which are recognized as accounts payable in the Debt Fund.

AMORTIZATION OF ISSUE COSTS

The issue costs are being amortized on a straight-line basis over the weighted average lives of the debenture issues to which they relate.

LIABILITIES PAYABLE IN FOREIGN CURRENCIES

The long-term debt payable in foreign currencies is stated in equivalent Canadian dollars at the exchange rates prevailing when the debt was incurred except the debt payable in U.S. dollars which is stated at the rate of \$1 U.S. equals \$1 Canadian. Exchange gains and

losses are recognized in the year in which the repayment is made.

INVESTMENTS

Investments are carried at cost adjusted for amortization of premiums and accretion of discounts on a yield basis except the investments in its own debentures which are carried at par value.

SINKING FUNDS

Under the Act, obligations of the Authority purchased for a sinking fund account together with interest, premium, or exchange derived from them shall be held to the credit of that sinking fund account, and shall not be resold.

However, debentures payable in U.S. dollars purchased in anticipation of a sinking fund requirement are cancelled immediately in accordance with the terms of such issues.

2

Investments consist
of securities of

	1978	1977
CAPITAL REPAYMENT EQUALIZATION FUND		
Government of Canada, direct or guaranteed	\$ 96,372	—
Provincial governments, direct or guaranteed	2,227,606	199,042
Chartered banks, direct or guaranteed	3,414,000	5,251,200
Credit Unions in the Province	4,073,795	4,073,795
Municipalities in the Province	10,664	—
The Authority	1,966,000	10,000
	<u>\$11,788,437</u>	<u>9,534,037</u>
DEBT RESERVE FUND		
Provincial governments, direct or guaranteed	\$ 563,090	6,000
Chartered banks, direct or guaranteed	4,161,744	4,520,248
Credit Unions in the Province	2,480,184	2,175,205
	<u>\$ 7,205,018</u>	<u>6,701,453</u>
SINKING FUNDS		
Provincial governments, direct or guaranteed	\$ 457,833	576,379
Chartered banks, direct or guaranteed	564,850	475,020
Municipalities in the Province	9,781	—
The Authority	2,846,000	386,000
Cash	20,426	8,002
Accrued interest	70,879	37,765
	<u>\$ 3,969,769</u>	<u>1,483,166</u>

MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

Notes to Financial Statements — All Funds / continued

DECEMBER 31, 1978

3

Loans to
Regional Districts

Under the Act, each regional district sharing in the proceeds of a debenture issue must pay over to the Authority such sums as are required to discharge its obligations to the Authority in respect of such debenture issue, but if the scheduled payments provided for under the loan agreement are not sufficient to meet the Authority's obligations in respect of that debenture issue, the deficiency is a liability of the regional district to the Authority.

At the exchange rates prevailing at the end of 1978, the scheduled payments under the agreements with the regional districts in respect of the debts payable in Swiss francs and Deutsche marks will not provide sufficient funds to meet the Authority's related obligations in every case when due. Such deficiencies may be met from the Debt Reserve Fund.

The aggregate principal payments recoverable from the regional districts in the next five years are as follows:

	1978	1977
1978	\$ —	12,209,774
1979	14,715,449	12,761,583
1980	15,366,904	13,358,943
1981	15,955,095	13,888,032
1982	16,157,236	14,025,599
1983	17,306,498	—
	<hr/> \$79,501,182	<hr/> 66,243,931

4

Deferred receivables
from Regional Districts

On November 15, 1978, the Authority redeemed the entire 6% bond issue of Swiss francs 50,000,000 from the proceeds of a 3 1/4% bank loan in the amount of Swiss francs 51,600,000. As a result, the Authority incurred an exchange loss of \$23,055,505, being the difference between the Canadian dollar equivalent of Swiss francs 50,000,000 at the date of borrowing in

1972 and the Canadian dollar equivalent of Swiss francs 50,000,000 used from the proceeds of the 3 1/4% bank loan to finance the redemption.

Under the terms of the loan agreements with the regional districts which participated in the original issue, the exchange loss is a liability of the regional districts to the Authority. Accordingly, it has been recorded in the accounts as Deferred receivables from Regional Districts.

For 1979 and the remainder of the term of the loan agreements, the Authority will recover additional amounts, on a sinking fund basis, from the regional districts so that, at the end of the remaining fourteen-year term of such loan agreements, a fund, the contributions to which will have been adjusted for exchange rate variations on a cumulative basis, will be available to retire the related foreign currency debt. The additional payments from the regional districts will be credited to the Deferred receivables from Regional Districts account.

5

Debt Reserve Fund

The amount due to the regional districts will be repaid to them when they have made the final payment under their respective loan agreements. 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. During 1978, deficiencies of \$519,818 and \$1,146,714 (1977 — \$148,773 and \$514,914) in the funds available to meet the principal and interest payments on the Deutsche mark loan and the interest payment on the Swiss franc bonds respectively were met by transfers from the Debt Reserve Fund. These deficiencies will be recovered in 1979 from the participating regional districts under the terms of their loan agreements.

The Board of Trustees of the Authority may levy or impose upon substantially all taxable land and improvements within the Province a rate sufficient to maintain the Debt Reserve Fund at a level not exceeding the

MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

Notes to Financial Statements — All Funds / continued

DECEMBER 31, 1978

amount which would have been in the fund had no such payments been made. Further, the Board of Trustees must impose such rate when the balance in the

fund is less than fifty percent of the amount that would have been in the fund had no such payments been made.

6 Long-term Debt

The aggregate long-term debt maturities and sinking fund requirements in the next five years are as follows

(including the debt payable in European currencies at the exchange rates prevailing at the end of 1978) :

	1978			1977
	Actual	Contingent	Total	Total
1978	\$ —	—	—	10,938,055
1979	12,543,101	1,000,000	13,543,101	11,548,299
1980	21,173,776	2,000,000	23,173,776	24,550,974
1981	21,849,887	2,000,000	23,849,887	25,155,085
1982	32,643,437	—	32,643,437	33,870,635
1983	15,912,230	—	15,912,230	—
	<u>\$104,122,431</u>	<u>5,000,000</u>	<u>109,122,431</u>	<u>106,063,048</u>

The contingent maturities represent the purchase fund requirements under the terms of the 9 1/4% notes due June 30, 1982, which are subject to the availability of the securities at or below par value.

Since the maturities of certain of the Authority's debt issues and the related loans to the regional districts do not coincide, refinancing of all, or a portion, of such debt issues will be required in future years.

7 Foreign currencies

The long-term debt payable includes amounts payable in currencies other than Canadian, as follows:

	1978	1977
United States dollars	\$222,982,000	195,270,000
Swiss francs	51,600,000	50,000,000
Deutsche marks	11,550,000	12,375,000

No gains or losses accrue to the Authority in respect of the debt payable in U.S. dollars since the related loans to the regional districts were made in U.S. dollars and the agreements provide for repayment to the Authority in U.S. dollars.

Had the debt payable in Swiss francs and Deutsche marks been translated into Canadian dollars at the exchange rates prevailing at December 31, 1978, the liability for such debt would have exceeded the recorded amount by \$4,746,000 (1977 — \$17,188,000).

MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

Notes to Financial Statements — All Funds / continued

DECEMBER 31, 1978

8**Capital Repayment
Equalization Fund
— Surplus**

The surplus is related directly to the following issues:

ISSUE #		1978	1977
5	3.25% Swiss franc bank loan — 1987	\$ (101,384)	464,428
10	9.25% Notes — 1980 and 1981	1,062,020	869,184
11	10.375%-10.75% Debentures 1980-1994	167,249	86,877
15	9.25% Notes — 1982	2,245,138	1,813,128
16	9.75%-10.375% Debentures 1979-1985	219,700	106,380
19	8.2%-8.75% Debentures 1986 and 2001	52,558	7,099
20	9% Bonds — 1985/1997	1,514,487	1,259,233
21	8.5%-9.5% Debentures 1979-2002	(17,863)	—
22	9.25%-9.375% Debentures 1998 and 2003	349	—
23	9.375%-10% Debentures 1979-2003	(9)	—
		<hr/> \$5,142,245	<hr/> 4,606,329

MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

Debt Fund — Schedule of Long-Term Debt

DECEMBER 31, 1978 — WITH COMPARATIVE FIGURES FOR 1977

Issue	Year of issue	Maturity date	Interest rate percent	Currency of payment	Original amount
1	1971	October 1, 1996	8.375	United States	20,000,000
2	1971	December 1, 1979-1996	7.750	Canadian	1,258,700
3	1972	March 1, 1979-1982	7.250	Canadian	1,750,000
		March 1, 1992	7.750	Canadian	1,675,000
		March 1, 1997	7.750	Canadian	2,575,000
4	1972	October 1, 1979-1992	6.750	West German	4,617,800
5	1978	November 15, 1987	3.250	Swiss	37,188,120
6	1973	June 1, 1979-1983	7.750	Canadian	4,049,126
		June 1, 1984-1993	8.125	Canadian	8,727,000
7	1974	March 1, 1985-1989	9.000	Canadian	887,000
		March 1, 1994	9.000	Canadian	6,462,000
8	1974	April 15, 1979-1980	8.500	Canadian	3,267,000
		April 15, 1981-1984	8.500	Canadian	1,764,000
9	1974	April 16, 1994	9.000	Canadian	6,800,000
10	1974	May 15, 1980-1981	9.250	Canadian	15,000,000
11	1974	September 3, 1980-1984	10.375	Canadian	2,000,000
		September 3, 1985-1994	10.750	Canadian	5,000,000
12	1975	January 15, 2000	9.750	United States	34,500,000
		January 15, 1979-1984	9.420	Canadian	40,341
14	1975	April 1, 1979-1985	9.500	Canadian	535,000
15	1975	June 30, 1982	9.250	Canadian	25,000,000
16	1975	September 2, 1979-1980	9.750	Canadian	2,250,000
		September 2, 1981	9.875	Canadian	600,000
		September 2, 1982	10.000	Canadian	670,000
		September 2, 1983	10.125	Canadian	750,000
		September 2, 1984	10.250	Canadian	820,000
		September 2, 1985	10.375	Canadian	910,000
		September 2, 1995	10.750	Canadian	5,000,000
17	1975	November 1, 2000	9.875	United States	37,000,000
18	1976	May 1, 2001	8.875	United States	52,500,000
19	1976	October 15, 2001	8.750	United States	50,000,000
		October 15, 1986	8.200	United States	10,000,000
20	1977	June 1, 1985/1997	9.000	Canadian	25,000,000
		June 1, 1997	9.875	Canadian	20,000,000
21	1977	December 1, 1979-1982	8.500	Canadian	812,000
		December 1, 1983-1987	8.750	Canadian	1,227,000
		December 1, 1988-1992	9.250	Canadian	961,000
		December 1, 1997	9.500	Canadian	33,500,000
		December 1, 2002	9.500	Canadian	7,000,000
				Carried forward	432,096,087

Schedule 1

Outstanding	December 31, 1978		December 31, 1977		References
	Sinking fund investments	Long-term debt, net	Long-term debt, net		
16,645,000	17,743	16,627,257	17,239,733	(1) (15)	
1,045,000	—	1,045,000	1,083,000		
848,000	—	848,000	1,026,000		
1,675,000	—	1,675,000	1,675,000	(2)	
2,575,000	—	2,575,000	2,575,000	(2)	
3,555,706	—	3,555,706	3,809,685	(3)	
37,188,120	—	37,188,120	12,979,495	(4)	
2,397,000	—	2,397,000	2,778,000	(5)	
8,727,000	—	8,727,000	8,727,000	(5)	
887,000	—	887,000	887,000	(5)	
6,462,000	1,000,961	5,461,039	5,754,961	(5) (6) (15)	
1,596,000	—	1,596,000	2,371,000		
1,764,000	—	1,764,000	1,764,000		
6,800,000	1,039,413	5,760,587	6,068,229	(6) (15)	
15,000,000	—	15,000,000	15,000,000	(7)	
2,000,000	—	2,000,000	2,000,000	(5)	
5,000,000	—	5,000,000	5,000,000	(5)	
31,896,000	26,140	31,869,860	32,824,061	(8) (15)	
30,321	—	30,321	33,966	(5)	
421,800	—	421,800	463,000	(5)	
23,400,000	—	23,400,000	24,000,000	(9)	
1,050,000	—	1,050,000	1,500,000	(5)	
600,000	—	600,000	600,000	(5)	
670,000	—	670,000	670,000	(5)	
750,000	—	750,000	750,000	(5)	
820,000	—	820,000	820,000	(5)	
910,000	—	910,000	910,000	(5)	
5,000,000	—	5,000,000	5,000,000	(10)	
34,217,000	2,469	34,214,531	35,231,649	(11) (15)	
49,046,000	15,840	49,030,160	51,324,201	(12) (15)	
47,078,000	—	47,078,000	48,606,000	(13)	
10,000,000	—	10,000,000	10,000,000	(1)	
25,000,000	—	25,000,000	25,000,000	(14)	
20,000,000	648,232	19,351,768	20,000,000	(5) (6) (15)	
675,000	—	675,000	812,000	(5)	
1,227,000	—	1,227,000	1,227,000	(5)	
961,000	—	961,000	961,000	(5)	
33,500,000	1,067,827	32,432,173	33,500,000	(5) (6) (15)	
7,000,000	151,144	6,848,856	7,000,000	(5) (6) (15)	
408,416,947	3,969,769	404,447,178	391,970,980		

MUNICIPAL FINANCE AUTHORITY OF BRITISH COLUMBIA

Schedule of Long-Term Debt / continued

DECEMBER 31, 1978 — WITH COMPARATIVE FIGURES FOR 1977

Issue	Year of issue	Maturity date	Interest rate percent	Currency of payment	Original amount
				Brought forward	\$432,096,087
22	1978	June 1, 1998	9.250	United States	29,363,000
		June 1, 2003	9.375	United States	4,737,000
23	1978	November 15, 1979-1983	9.375	Canadian	750,000
		November 15, 1984-1988	9.500	Canadian	1,150,000
		November 15, 1989-1993	9.625	Canadian	890,000
		November 15, 1998	9.950	Canadian	30,000,000
A23	1978	November 15, 1998	9.950	Canadian	6,735,000
		November 15, 2003	10.000	Canadian	3,265,000
					\$508,986,087
				Canadian	\$229,080,167
				United States	238,100,000
				Swiss	37,188,120
				West German	4,617,800
					\$508,986,087

Debt Fund — References to Schedule of Long-Term Debt

1. Non-callable except for sinking fund purposes.
2. The sinking fund to provide for retirement of the issue at maturity will begin in 1983.
3. Callable at 104% reducing to 100.25% from October 1, 1980 to October 1, 1991. Also callable upon the imposition of withholding taxes at 102.5% reducing to 100% over the remainder of the term to maturity.
4. Callable without penalty on November 15, 1981 and November 15, 1984 (minimum 10,000,000 Swiss francs or an integral multiple thereof). The interest rate is effective until November 15, 1981; it will be reset on that date and again on November 15, 1984.
5. Non-callable prior to maturity.
6. The sinking fund has been calculated to provide for retirement of the issue at maturity.
7. Callable at 100.75% if called during the year beginning May 15, 1979 and at 100% thereafter.
8. Non-callable prior to January 15, 1990 except for sinking fund purposes. Callable on January 15, 1990 and thereafter at any time at 103.50% reducing to 100% over the remainder of the term to maturity.
9. Callable on June 30, 1980 and thereafter at any time (minimum \$1,000,000 or an integral multiple thereof) at 100.75% if called during the year beginning June 30, 1980 and at 100% thereafter. The Authority is obliged to purchase notes during the six-month periods beginning January 1 in each of the years 1979 to 1981 in the aggregate amount of \$1,000,000.

Schedule 1

Outstanding	December 31, 1978		December 31, 1977		References
	Sinking fund investments	Long-term debt, net	Long-term debt, net		
408,416,947	3,969,769	404,447,178		391,970,980	
29,363,000	—	29,363,000		—	(1) (15)
4,737,000	—	4,737,000		—	(1) (15)
750,000	—	750,000		—	(5)
1,150,000	—	1,150,000		—	(5)
890,000	—	890,000		—	(5)
30,000,000	—	30,000,000		—	(5) (6) (15)
6,735,000	—	6,735,000		—	(5) (6) (15)
3,265,000	—	3,265,000		—	(5) (6) (15)
485,306,947	3,969,769	481,337,178		391,970,980	
221,581,121					
222,982,000					
37,188,120					
3,555,706					
485,306,947					

gate principal amounts of \$1,000,000 in 1979 and \$2,000,000 in each of the years 1980 and 1981 provided the price is not in excess of 100% of the principal amount of such notes.

10. The sinking fund to provide for retirement of the issue at maturity will begin in 1986.
11. Non-callable prior to November 1, 1990 except for sinking fund purposes. Callable on November 1, 1990 and thereafter at any time at 103.25% reducing to 100% over the remainder of the term to maturity.
12. Non-callable prior to May 1, 1991 except for sinking fund purposes. Callable on May 1, 1991 or thereafter at any time at 102.75% reducing to 100% over the remainder of the term to maturity.
13. Non-callable prior to October 15, 1991 except for sinking fund purposes. Callable on October 15,

1991 and thereafter at any time at 102.75% reducing to 100% over the remainder of the term to maturity.

14. Redeemable at holder's option on June 1 of 1985, 1988, 1991 and 1994. Callable upon the imposition of withholding taxes at 101.50% reducing to 100.25% over the remainder of the term to maturity.
15. At December 31, 1978, the sinking funds investments were in excess of the accumulated actuarial requirements for retirement of the related debt. For debt payable in Canadian dollars, the annual sinking fund deposit is based on an interest rate of 5% per annum, capitalized yearly. Sinking fund issues payable in U.S. dollars are subject to specific annual redemptions for sinking fund purposes (unless previously purchased in the open market).



Firehall, City of Kelowna

Library Building, City of New Westminster





Parking Facility, City of Prince George

Municipal Services Centre, District of Campbell River



Nine Year Review — Combined Funds

THOUSANDS OF DOLLARS

	1978	1977	1976
ASSETS			
Cash	201	175	178
Receivables	1,862	368	811
Investments	18,993	16,235	11,112
Demand notes receivable from Regional Districts	22,467	18,493	13,760
Loans to Regional Districts	450,270	385,900	306,795
Deferred receivables from Regional Districts	23,055	—	—
Unamortized issue costs	1,464	1,379	1,039
Total assets	<u>518,312</u>	<u>422,550</u>	<u>333,695</u>
LIABILITIES AND SURPLUS			
Accounts payable	94	111	77
Due to bank	972	—	—
Reserve for data processing implementation	44	25	12
Due to Regional Districts	29,945	25,431	19,605
Long-term debt, net	481,337	391,971	311,173
Total liabilities	<u>512,392</u>	<u>417,538</u>	<u>330,867</u>
Surplus	5,920	5,012	2,828
Total liabilities and surplus	<u>518,312</u>	<u>422,550</u>	<u>333,695</u>
REVENUE			
Prior year's surplus appropriated	4,637	2,596	2,120
Operating levy	205	210	182
Recoveries from new issues	36	—	—
Gain on purchases of own debentures	244	7	37
Interest from investments	1,880	1,340	973
Interest from loans to Regional Districts	37,975	30,683	21,300
Recovery of deficiencies from Regional Districts	664	295	232
Allocations from Regional Districts	115	—	—
Other	38	—	—
Total revenue	<u>45,794</u>	<u>35,131</u>	<u>24,844</u>
EXPENDITURE			
Legislative	40	36	29
Administrative	205	179	167
Interest on long-term debt	38,675	29,543	21,208
Exchange loss	249	80	72
Amortization of issue and redemption costs	1,071	236	213
Allocations to Regional Districts	—	236	425
Other	10	41	12
Total expenditure	<u>40,250</u>	<u>30,351</u>	<u>22,126</u>
Excess of revenue over expenditure for the year	5,544	4,780	2,718
Surplus at beginning of the year not appropriated to current revenue	376	232	110
Surplus at end of the year	<u>5,920</u>	<u>5,012</u>	<u>2,828</u>

1975	1974	1973	1972	1971	1970
269	139	75	202	16	21
3,661	122	38	69	22	—
8,086	4,504	2,874	2,331	1,098	70
8,670	2,824	527	—	—	—
199,836	95,377	56,157	44,474	21,259	—
—	—	—	—	—	—
1,252	488	—	—	—	—
221,774	103,454	59,671	47,076	22,395	91
113	88	44	191	24	11
—	—	—	—	—	—
13	13	13	—	—	—
16,384	5,894	3,004	2,390	1,095	—
203,034	96,653	56,550	44,474	21,259	—
219,544	102,648	59,611	47,055	22,378	11
2,230	806	60	21	17	80
221,774	103,454	59,671	47,076	22,395	91
759	60	21	17	80	—
174	162	116	105	64	118
—	—	—	—	—	—
27	47	—	—	—	—
557	354	177	87	17	1
11,268	6,036	4,008	2,001	—	—
79	—	—	—	—	—
—	—	18	—	—	—
—	—	—	—	3	—
12,864	6,659	4,340	2,210	164	119
26	21	20	17	22	13
118	89	97	80	69	26
10,142	5,433	4,054	2,001	—	—
33	33	58	—	—	—
148	52	—	—	—	—
198	208	—	78	18	—
16	17	51	13	38	—
10,681	5,853	4,280	2,189	147	39
2,183	806	60	21	17	80
47	—	—	—	—	—
2,230	806	60	21	17	80



Ladyslipper Lake, Cathedral Mountain Provincial Park
COURTESY B.C. GOVERNMENT

Apples in the Okanagan Valley
COURTESY B.C. GOVERNMENT



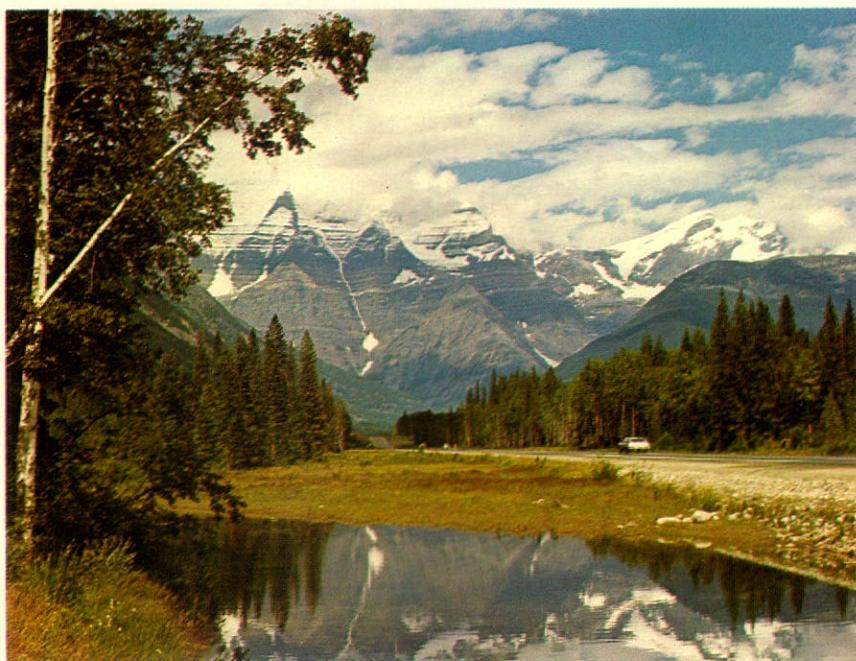


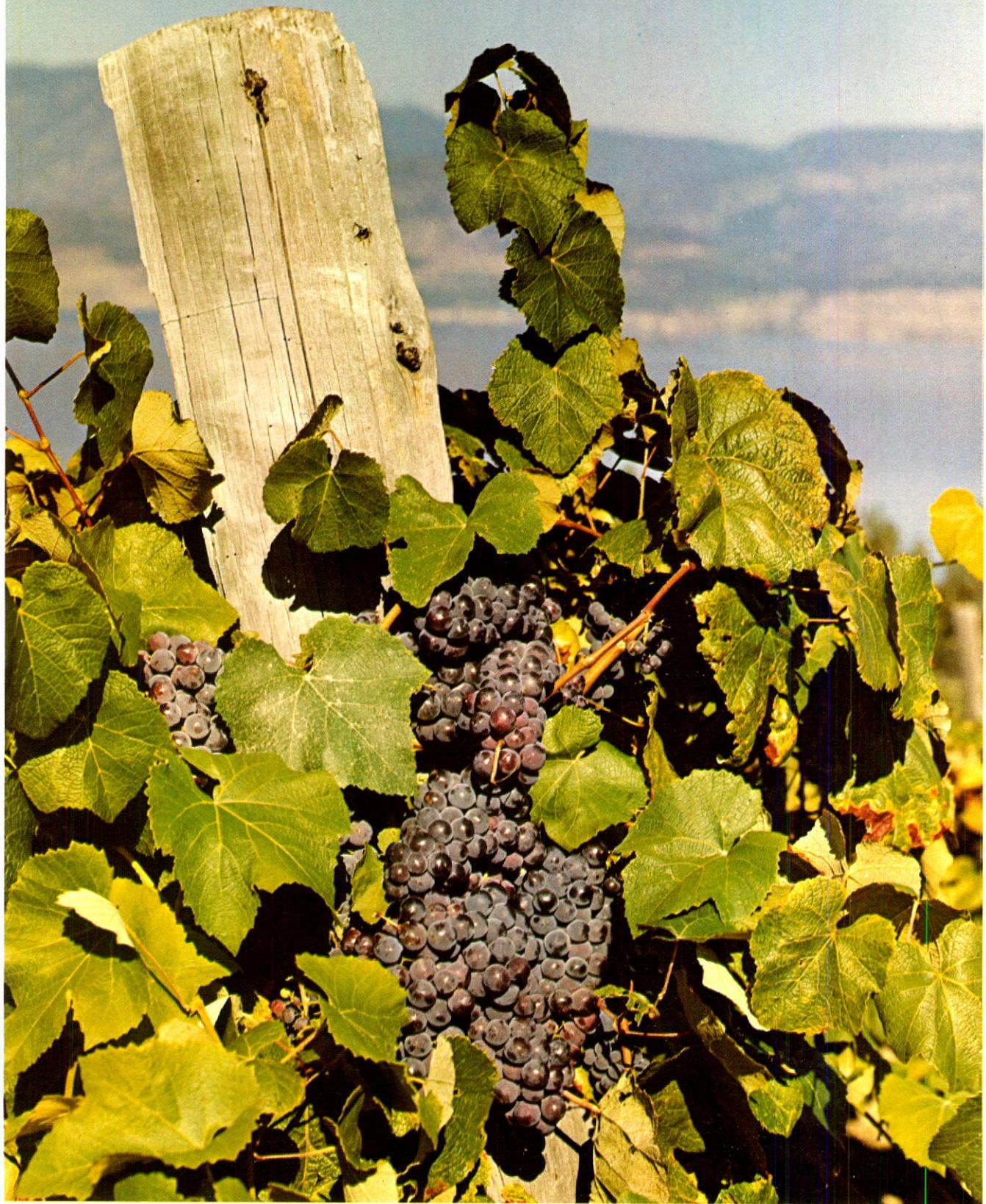
Near Hazelton, Northeastern British Columbia

COURTESY B.C. GOVERNMENT

Mt. Robson, Eastern British Columbia

COURTESY B.C. GOVERNMENT





Okanagan grapes
COURTESY B.C. GOVERNMENT