

DRAFT Consolidated Financial Statements of



DISTRICT OF MACKENZIE

And independent Auditor's Report thereon

Year ended December 31, 2023



DISTRICT OF MACKENZIE

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DISTRICT OF MACKENZIE

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the District of Mackenzie (the "District") are the responsibility of the District's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The District's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Mayor and Council meet with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the District. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the District's consolidated financial statements.

Mrs. Diane Smith, *Chief Administrative Officer*

Mrs. Kerri Borne, *Chief Financial Officer*

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of District of Mackenzie

Opinion

We have audited the consolidated financial statements of District of Mackenzie (the "District"), which comprise:

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- 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

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the District as at December 31, 2023 and its consolidated results of operations, its consolidated changes 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 Financial Statements**" section of our auditor's report.

We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.

Emphasis of Matter - Restatement of Financial Statements

We draw attention to Note 16 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

Note 16 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect to this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Information, other than the financial statements and the auditor's report thereon, included in Schedule 1 - Northern Capital Planning Reserve, Schedule 2 - COVID-19 Safe Restart Grant and Schedule 3 - Growing Communities Reserve Fund

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

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

We obtained the Information, other than the financial statements and the auditor's report thereon, included in Schedule 1 - Northern Capital Planning Reserve, Schedule 2 - COVID-19 Safe Restart Grant and Schedule 3 - Growing Communities Reserve Fund as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the 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 District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the District's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

DRAFT

Chartered Professional Accountants

Prince George, Canada

May 6, 2024



DISTRICT OF MACKENZIE

Consolidated Statement of Financial Position

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December 31, 2023, with comparative information for 2022

	2023	2022 (restated - note 16)
Financial assets:		
Cash and cash equivalents	\$ 2,079,579	\$ 2,717,968
Accounts receivable (note 2)	1,856,846	1,315,842
Investments (note 3)	23,828,776	21,054,027
Investment in government business entities (note 4)	4,222,804	3,483,036
	<u>31,988,005</u>	<u>28,570,873</u>
Financial liabilities:		
Accounts payable and accrued liabilities (note 5)	1,835,973	1,592,973
Deferred revenue	581,605	461,936
Asset retirement obligation (note 14)	1,062,000	1,062,000
	<u>3,479,578</u>	<u>3,116,909</u>
Net financial assets	28,508,427	25,453,964
Non-financial assets:		
Tangible capital assets (note 6)	48,056,607	46,132,292
Assets held for resale (note 7)	1,555,819	1,601,866
Inventory	72,753	103,074
Prepaid expenses	372,960	292,534
	<u>50,058,139</u>	<u>48,129,766</u>
Commitments and contingencies (note 8)		
Accumulated surplus (note 9)	<u>\$ 78,566,566</u>	<u>\$ 73,583,730</u>

See accompanying notes to consolidated financial statements.

_____ Mayor

_____ Chief Financial Officer



DISTRICT OF MACKENZIE

Consolidated Statement of Operations and Accumulated Surplus

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Year ended December 31, 2023, with comparative information for 2022

	Budget (note 12)	2023	2022 (restated - note 16)
Revenue (note 13):			
Net taxation revenue (note 10)	\$ 5,431,959	\$ 5,427,493	\$ 5,070,517
Sale of services	1,484,837	559,762	361,171
Government transfers (note 11)			
Provincial	5,291,936	5,330,749	3,808,078
Federal	-	151,496	283,429
Other	-	1,469,789	581,036
Investments and penalties	-	1,186,938	610,704
Other	1,776,058	315,502	212,546
Licenses and permits	77,725	69,424	84,268
User fees	1,699,933	1,883,925	1,699,553
Income from investments in government business entities and partnerships	-	989,769	9,974
	15,762,448	17,384,847	12,721,276
Expenses (note 13):			
Community services	3,550,383	4,282,316	3,996,704
Garbage and waste collection	416,521	314,696	361,703
General government	2,662,861	2,512,159	2,171,627
Protective services	1,665,422	1,301,007	1,177,987
Environmental and public health	150,099	86,639	139,885
Sewer system	420,248	373,950	392,956
Transportation services	2,899,862	2,950,260	2,803,771
Water utility	570,865	580,984	556,972
	12,336,261	12,402,011	11,601,605
Annual surplus	3,426,187	4,982,836	1,119,671
Accumulated surplus, beginning of year	73,583,730	73,583,730	73,147,899
Adjustment on adoption of the asset retirement obligation standard	-	-	(683,840)
Accumulated surplus, end of year	\$ 77,009,917	\$ 78,566,566	\$ 73,583,730

See accompanying notes to consolidated financial statements.

DISTRICT OF MACKENZIE

Consolidated Statement of Change In Net Financial Assets

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Year ended December 31, 2023, with comparative information for 2022

	Budget (note 12)	2023	2022 (restated - note 16)
Annual surplus	\$ 3,426,187	\$ 4,982,836	\$ 1,119,671
Acquisition of tangible capital assets	(7,230,783)	(5,036,475)	(2,901,509)
Amortization of tangible capital assets	1,802,308	1,943,294	1,859,548
Loss on sale of tangible capital assets	-	1,168,596	64,711
Gain on sale of assets held for sale	-	46,047	-
Proceeds on sale of assets held for sale	-	270	-
	(5,428,475)	(1,878,268)	(977,250)
Acquisition of inventory	-	(72,753)	(103,074)
Acquisition of prepaid expenses	-	(372,960)	(292,534)
Consumption of inventory	-	103,074	70,731
Use of prepaid expenses	-	292,534	264,878
	-	(50,105)	(59,999)
Change in net financial assets	(2,002,288)	3,054,463	82,422
Net financial assets, beginning of year	25,453,964	25,453,964	26,433,542
Adjustment on adoption of the asset retirement obligation standard	-	-	(1,062,000)
Net financial assets, end of year	\$ 23,451,676	\$ 28,508,427	\$ 25,453,964

See accompanying notes to consolidated financial statements.



DISTRICT OF MACKENZIE

Consolidated Statement of Cash Flows

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Year ended December 31, 2023, with comparative information for 2022

	2023	2022 (restated - note 16)
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 4,982,836	\$ 1,119,671
Items not involving cash:		
Amortization of tangible capital assets	1,943,294	1,859,548
Loss on sale of tangible capital assets	1,169,136	64,711
(Income) loss from investments in government business entities	(989,769)	(9,974)
Changes in non-cash operating working capital:		
Accounts receivable	(541,004)	382,914
Inventory	30,321	(32,343)
Accounts payable and accrued liabilities	243,000	(482,579)
Deferred revenue	119,669	(220,603)
Prepaid expenses	(80,426)	(27,656)
Net change in cash from operating activities	6,877,057	2,653,689
Investing activities:		
Investment purchases	(2,774,749)	(4,903,365)
shareholder	46,048	-
Acquisition of tangible capital assets	(5,036,745)	(2,901,509)
Distribution from government business partnership	250,000	350,000
	(7,515,446)	(7,454,874)
Decrease in cash and cash equivalents	(638,389)	(4,801,185)
Cash and cash equivalents, beginning of year	2,717,968	7,519,153
Cash and cash equivalents, end of year	\$ 2,079,579	\$ 2,717,968

See accompanying notes to consolidated financial statements.

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements

DRAFT

Year ended December 31, 2023

District of Mackenzie (the "District") is a municipality that was created in 1966 under the Community charter, formerly the Municipal Act, a statute of the Province of British Columbia. The District's principal activities include the provision of local government services to residents of the incorporated area. These services include administrative, protective, transportation, environmental, recreational, water, waste water and fiscal services.

1. Significant accounting policies:

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the District are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the District and which are owned or controlled by the District.

Included in these consolidated financial statements is the Mackenzie Public Library which is controlled by the District.

(ii) Accounting for Region and School Board transactions:

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the Region and the School District are not reflected in these consolidated financial statements.

(iii) Trust funds:

Trust funds and their operations administered by the District are not included in these consolidated financial statements.

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

1. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(iv) Investment in government business entities:

The District records its investments in government business enterprises ("GBEs") and government business partnerships ("GBPs") on a modified equity basis. Under the modified equity basis, the GBEs and GBPs accounting policies are not adjusted to conform with those of the District and inter-organizational transactions and balances are not eliminated. The District recognizes its equity interest in the annual earnings or loss of the GBEs and GBPs in its consolidated statement of operations and accumulated surplus with a corresponding increase or decrease in its investment asset account. Any dividends or other cash distributions are recorded as a reduction to the investment asset account. The GBEs and GBPs account for their transactions under accounting standards for private enterprises due to the fact that management believes that the difference between accounting standards from private enterprises and public sector accounting standards are not significant.

The District's investment in government business enterprises and partnerships consist of:

- McLeod Lake Mackenzie Community Forest Corporation 50%
- McLeod Lake Mackenzie Community Forest Limited Partnership 50%

(b) Basis of accounting:

The District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and/or the creation of a legal obligation to pay.

(c) Revenue recognition:

Taxation and user fee revenues are recognized in accordance with the provisions of the Community Charter. The District is required to act as the agent for the collection of certain taxes and fees imposed by other authorities. Collections for other authorities are excluded from the District's taxation revenues.

Revenue unearned in the current period is reported on the consolidated statement of financial position as deferred revenue or deposits.

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

1. Significant accounting policies (continued):

(d) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(e) Cash equivalents:

Cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition which are readily convertible into a known amount of cash.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value as at the reporting date. All other financial instruments are subsequently measured at cost or amortized cost, unless the District has elected to carry the instruments at fair value. The District has not elected to carry any such financial instruments at fair value.

Unrealized changes in fair value would be recognized on the consolidated statement of remeasurement gains and losses. They are recorded in the consolidated statement of operations when they are realized. There are no unrealized changes in fair value as at December 31, 2023 and December 31, 2022. As a result, the District does not have a consolidated statement of remeasurement gains and losses.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. Transaction costs incurred on the acquisition of financial instruments recorded at cost or amortized cost are included in the cost.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the consolidated statement of operations.

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

1. Significant accounting policies (continued):

(g) Investments:

Investments are recorded at cost, adjusted for amortization of premiums or discounts. Provisions for losses are recorded when they are considered to be other than temporary.

(h) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services; they have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimate useful lives as follows:

Asset	Useful life - years
Buildings	40 - 75 years
Building improvements, equipment and IT	4 - 40 years
Drainage and transportation infrastructure	10 - 100 years
Machinery, equipment and vehicles	5 - 20 years
Water infrastructure	10 - 100 years
Sewer infrastructure	10 - 100 years

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

1. Significant accounting policies (continued):

(h) Non-financial assets (continued):

(i) Tangible capital assets (continued):

Annual amortization is charged in the year that an asset becomes available for productive use and in the year of disposal.

Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Interest capitalization:

The District does not capitalize interest costs associated with the acquisition or construction of a tangible capital assets.

(iv) Land held for resale:

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing.

(i) Inventory:

Inventory consist of supplies, repairs parts and materials consumed in operations and capital projects. Inventory is recorded at cost which is determined on a weighted average basis.

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

1. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the period. Items subject to such estimates and assumptions include the carrying values of tangible capital assets, inventory and land held for resale, accrued liabilities and collectibility of accounts receivable. Actual results could differ from these estimates.

(k) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

- (i) an environmental standards exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the organization is directly responsible or accepts responsibility for the liability;
- (iv) future economic benefits will be given up, and
- (v) a reasonable estimate of liability can be made.

(l) Government transfers:

Government transfers, which include legislative grants, are recognized as revenue in the consolidated financial statements 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. Transfer revenue is recognized in the consolidated statements of operations as stipulations for liabilities are settled.

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

1. Significant accounting policies (continued):

(m) Asset retirement obligations:

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

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

The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The increase to the tangible capital assets is being amortized in accordance with the amortization policies outlined in (h)(i).

2. Accounts receivable:

	2023	2022
Taxation - current	\$ 217,006	\$ 177,656
Taxation - arrears/delinquent	164,374	130,125
Accrued interest	456,877	380,619
Grants	500,603	296,503
Sales tax	71,229	85,840
Utilities	98,714	108,470
Trade and miscellaneous	384,713	161,867
	1,893,516	1,341,080
Less allowance for doubtful accounts	(36,670)	(25,238)
	\$ 1,856,846	\$ 1,315,842

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

3. Investments:

	2023	2022
Term deposits	\$ 23,828,776	\$ 21,054,027

Investment income earned on investments and cash and cash equivalents of \$1,145,780 (2022 – \$558,104) is recognized as revenue on the Consolidated Statement of Operations and Accumulated Surplus as investments and penalties.

4. Investment in government business entities:

	2023	2022
McLeod Lake Mackenzie Community Forest Limited Partnership:		
Investment in shares	\$ 50	\$ 50
Advances	-	83,820
Accumulated earnings	7,351,059	6,368,672
Distributions	(3,181,276)	(3,015,096)
McLeod Lake Mackenzie Community Forest Corporation:		
Investment in shares	99	99
Accumulated earnings	52,872	45,491
Total investment	\$ 4,222,804	\$ 3,483,036

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

4. Investment in government business entities (continued):

The following table provides condensed supplementary financial information for the McLeod Lake Mackenzie Community Forest Limited Partnership, for the year ended December 31:

	2023	2022
(i) Financial position:		
Assets:		
Current	\$ 1,241,452	\$ 601,028
Investments	7,322,656	6,621,659
Restricted cash	1,247,285	1,221,898
Property and equipment	153,491	144,207
Total assets	\$ 9,964,884	\$ 8,588,792
Liabilities:		
Current	\$ 377,933	\$ 501,603
Silviculture obligation - long-term portion	1,247,285	1,212,299
Total liabilities	1,625,218	1,713,902
Equity:		
Share capital	1	1
Partner's equity	8,339,665	6,874,889
Total equity	8,339,666	6,874,890
Total liabilities and equity	\$ 9,964,884	\$ 8,588,792
	2023	2022
(ii) Operations:		
Revenue	\$ 3,193,150	\$ 2,185,336
Expenses	(2,094,493)	(1,648,906)
Other income	866,118	(506,147)
Net income	\$ 1,964,775	\$ 30,283
(iii) Share of net income:		
District's percentage of ownership	50%	50%
District's share of net income	\$ 982,388	\$ 15,142

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

4. Investment in government business entities (continued):

The following table provides condensed supplementary financial information for the McLeod Lake Mackenzie Community Forest Corporation, for the year ended December 31:

	2023	2022
(i) Financial position:		
Assets:		
Current	\$ 172,631	\$ 126,717
Investments	1	1
Total assets	\$ 172,632	\$ 126,718
Liabilities:		
Current	\$ 66,689	\$ 35,537
Total liabilities	66,689	35,537
Equity:		
Share capital	200	200
Retained earnings	105,743	90,981
Total equity	105,943	91,181
Total liabilities and equity	\$ 172,632	\$ 126,718
	2023	2022
(ii) Operations:		
Revenue	\$ 318,000	\$ 216,000
Expenses	(303,238)	(226,335)
Net income (loss)	\$ 14,762	\$ (10,335)
(iii) Share of net income:		
District's percentage of ownership	50%	50%
District's share of net income (loss)	\$ 7,381	\$ (5,168)

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

5. Accounts payable and accrued liabilities:

	2023	2022
Trade payables and accrued liabilities	\$ 1,155,726	\$ 461,987
Wages and related costs	517,771	412,786
Holdback payable	-	489,350
Other payables	147,819	88,575
Government remittances	14,657	140,275
	\$ 1,835,973	\$ 1,592,973

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

6. Tangible capital assets:

2023	Assets under construction	Land and improvements	Building improvements equipment and IT	Building	Machinery equipment and vehicles	Drainage and transportation infrastructure	Water infrastructure	Sewer infrastructure	Total
Cost:									
Balance, beginning of year	\$ 6,556,148	\$ 7,619,825	\$ 10,911,202	\$ 19,759,182	\$ 11,865,207	\$ 14,260,721	\$ 3,451,691	\$ 4,991,881	\$ 79,415,857
Additions	601,453	-	1,286,396	342,819	2,192,438	415,817	197,822	-	5,036,745
Disposals	(1,102,306)	-	-	(92,172)	(929,570)	-	(7,625)	-	(2,131,673)
Transfers	-	-	-	-	-	-	-	-	-
Balance, end of year	6,055,295	7,619,825	12,197,598	20,009,829	13,128,075	14,676,538	3,641,888	4,991,881	82,320,929
Balance, beginning of year	-	-	4,416,300	6,795,060	8,096,537	9,892,378	1,302,068	2,781,222	33,283,565
Amortization	-	-	560,544	385,806	480,776	381,748	55,235	79,185	1,943,294
Disposals	-	-	-	(47,758)	(911,119)	-	(3,660)	-	(962,537)
Balance, end of year	-	-	4,976,844	7,133,108	7,666,194	10,274,126	1,353,643	2,860,407	34,264,322
Net book value, end of year	\$ 6,055,295	\$ 7,619,825	\$ 7,220,754	\$ 12,876,721	\$ 5,461,881	\$ 4,402,412	\$ 2,288,245	\$ 2,131,474	\$ 48,056,607

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

6. Tangible capital assets (continued):

2022	Assets under construction	Land and improvements	Building improvements equipment and IT	Building	Machinery equipment and vehicles	Drainage and transportation infrastructure	Water infrastructure	Sewer infrastructure	Total (restated - note 16)
Cost:									
Balance, beginning of year	\$ 4,348,132	\$ 7,619,825	\$ 10,673,136	\$ 18,764,464	\$ 11,686,959	\$ 14,119,875	\$ 3,451,691	\$ 4,991,881	\$ 75,655,963
Additions	2,257,575	-	222,479	14,989	265,620	140,846	-	-	2,901,509
Adjustment relating to asset retirement obligation	-	-	-	1,062,000	-	-	-	-	1,062,000
Disposal	(49,559)	-	(54,110)	(12,574)	(87,372)	-	-	-	(203,615)
Transfers	-	-	69,697	(69,697)	-	-	-	-	-
Balance, end of year	6,556,148	7,619,825	10,911,202	19,759,182	11,865,207	14,260,721	3,451,691	4,991,881	79,415,857
Balance, beginning of year	-	-	3,956,015	5,743,386	7,727,430	9,500,985	1,249,229	2,702,036	30,879,081
Amortization	-	-	510,337	372,044	453,749	391,393	52,839	79,186	1,859,548
Adjustment relating to asset retirement obligation	-	-	-	683,840	-	-	-	-	683,840
Disposals	-	-	(50,052)	(4,210)	(84,642)	-	-	-	(138,904)
Balance, end of year	-	-	4,416,300	6,795,060	8,096,537	9,892,378	1,302,068	2,781,222	33,283,565
Net book value, end of year	\$ 6,556,148	\$ 7,619,825	\$ 6,494,902	\$ 12,964,122	\$ 3,768,670	\$ 4,368,343	\$ 2,149,623	\$ 2,210,659	\$ 46,132,292

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

7. Assets held for resale:

Land held for resale consists of the bell subdivision, airport subdivision, and other lands. During the year, the District gifted a lot. A loss of \$46,047 was recognized in the Consolidated Statement of Operations as general government expense. In the prior year, the District did not sell any land.

8. Commitments and contingencies:

- (a) The District is responsible, as a member of the Regional District of Fraser-Fort George, for its portion of any operating deficits or capital debt related to functions in which it participates.
- (b) The 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, 2023, the plan has about 240,000 active members and approximately 124,000 retired members. Active members include approximately 43,000 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, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

The District paid \$361,114 (2022 - \$364,229) for employer contributions to the Plan in fiscal 2022.

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

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

8. Commitments and contingencies (continued):

(b) Continued:

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.

(c) The District is obligated to collect and transmit property taxes levied on District of Mackenzie taxpayers in respect of the following bodies:

- Ministry of Education, Province of British Columbia
- Regional District of Fraser-Fort George
- British Columbia Assessment Authority
- Municipal Finance Authority
- Fraser-Fort George Regional Hospital District
- Royal Canadian Mounted Police

(d) The District is a participant in the Municipal Insurance Association of British Columbia. Should the Association pay out claims in excess of premiums received, it is possible that the District, along with other participants, would be required to contribute towards the deficit. Management does not consider payment under this contingency to be likely and therefore no amounts have been accrued.

(e) The District may be involved from time to time in legal proceedings, claims and litigation that arise in the normal course of business. As at December 31, 2023, there is a claim outstanding that management has determined the outcome to be undeterminable and thus no accrual has been recorded.

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

9. Accumulated surplus:

Accumulated surplus consists of individual fund surpluses and reserve funds as follows:

	2023	2022
Surplus:		
Invested in tangible capital assets	\$ 46,994,607	\$ 45,070,292
General fund	10,835,644	9,562,047
Water utility fund	149,704	147,395
Sewer utility fund	166,145	188,441
Library fund	35,852	101,532
Total surplus	58,181,952	55,069,707
Reserve funds set aside for specific purposes by Council:		
Parkland	43,634	41,538
Gas tax	1,325,702	1,036,232
Fire department vehicle/equipment replacement	647,531	1,581,091
Vehicle/equipment replacement	4,056,261	3,650,010
General capital	4,110,567	4,100,092
Climate action	83,051	40,766
Northern Capital Planning	1,511,924	1,780,730
Capital renewal	2,355,729	2,014,669
Financial stability	2,064,447	2,168,302
Water	1,704,499	1,619,373
Growing Communities Fund	1,766,474	-
Sewer	619,795	386,220
Library - operating	70,000	70,000
Library - relocation allowance	5,000	5,000
Library - contracts	20,000	20,000
Total reserve funds	20,384,614	18,514,023
	\$ 78,566,566	\$ 73,583,730

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

10. Net taxation revenue:

As disclosed in note 8(c), the District is required to collect taxes on behalf of and transfer these amounts to the government agencies below:

	2023	2022
Taxes collected:		
General purposes	\$ 5,427,519	\$ 5,070,497
Collection for other governments	2,293,099	2,168,814
	7,720,618	7,239,311
Transfers to other governments:		
Provincial government	1,424,512	1,171,526
Fraser-Fort George Regional Hospital District	497,922	433,524
Regional District of Fraser-Fort George	325,119	330,132
B.C. Assessment Authority	45,436	44,601
Municipal Finance Authority	136	127
Royal Canadian Mounted Police	-	188,884
	2,293,125	2,168,794
	\$ 5,427,493	\$ 5,070,517

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

11. Government transfers:

The government transfers reported on the consolidated statement of operations and accumulated surplus are:

	2023	2022
Provincial grants:		
Unconditional	\$ 533,311	\$ 224,077
Conditional	2,092,405	1,040,296
Grants in lieu	11,523	-
BC Hydro	2,693,510	2,543,705
Subtotal provincial grants	5,330,749	3,808,078
Federal grants:		
Conditional	142,424	221,340
Grants in lieu	9,072	-
Miscellaneous	-	62,089
Subtotal federal grants	151,496	283,429
Other grants:		
Conditional	630,720	-
Unconditional	23,016	-
Fortis BC	27,062	128,893
Miscellaneous	788,991	452,143
Subtotal other grants	1,469,789	581,036
Total government transfers	\$ 6,952,034	\$ 4,672,543

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

12. Budget data:

The budget data presented in the consolidated financial statements is based upon the 2022 operating and capital budgets approved by Council on May 9, 2022. The table below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	Budget amount
Revenue:	
Operating budget	\$ 25,164,242
Less:	
Other capital revenue	(1,286,837)
Transfer from reserve funds	(5,943,946)
Transfer from surplus funds	(368,703)
Transfer from invested in tangible capital assets	(1,802,308)
Total revenues	15,762,448
Expenses:	
Operating budget	25,164,242
Less:	
Transfers to reserve funds	(5,265,013)
Transfer to general fund	(332,185)
Capital expenditures	(7,230,783)
Total expenses	12,336,261
Annual surplus	\$ 3,426,187

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

13. Segmented information:

Segmented information has been identified based upon lines of service provided by the District. District services are provided by departments and their activities are reported by functional area in the body of the consolidated financial statements. Certain lines of service that have been separately disclosed in the segmented information are as follows:

(a) General Government:

The general government operations provides the functions of corporate administration and legislative services and any other functions categorized as non-departmental in the District. It also administers economic development projects and provides grants to various community groups that provide recreational opportunities in the District.

(b) Protective Services:

Protective services is comprised of emergency management and regulatory services.

(c) Transportation Services:

Transportation services is responsible for a wide variety of services including the development and maintenance of the District's roadway systems through the Public Works department, snow removal and street lighting.

(d) Environmental and Public Health:

Environmental and public health provides the dental centre, mosquito control and maintenance of the cemetery to the residents of the District.

(e) Garbage and Waste Collection:

Garbage and waste collection provides garbage collection and disposal services to residents and businesses in the District.

(f) Community Services:

Community services is responsible for the construction and maintenance of the District's parks and green spaces. It provides for the operation of the community centre, library and recreation centre.

(g) Water Utility:

The water utility installs and maintains water wells, pump stations and the water reservoir. The treatment and distribution of water in the District through Public Works is included in this segment.

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

13. Segmented information (continued):

(h) Sewer System:

The sewer system installs and maintains sewer mains, lift stations and the sewage lagoon. The collection and treatment of sewage in the District through Public Works is included in this segment.

The following statement provides additional information for the foregoing functions. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1.

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

13. Segmented information (continued):

2023	General Government	Protective Services	Transportation Services	Environmental and Public Health	Garbage and Waste Collection	Community Services	Water Utility	Sewer System	Total
Revenue:									
Taxation	\$ 5,427,493	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	5,427,493
User fees and licenses and permits	-	-	93,559	-	455,785	119,958	740,061	559,051	1,968,414
Sales of services	-	-	55,625	1,161	-	368,421	-	-	425,207
Government transfers	4,379,483	847,688	(11,765)	1,795,973	-	50,342	-	-	7,061,721
Other revenues	2,372,325	-	42,928	-	-	51,188	35,470	-	2,501,911
Total revenue	12,179,301	847,688	180,347	1,797,134	455,785	589,909	775,531	559,051	17,384,746
Expenses:									
Operating	750,443	592,814	981,320	30,688	-	936,315	312,306	183,106	3,786,992
Salaries, wages & employee benefits	1,306,687	483,283	1,192,139	13,573	175,347	2,495,781	179,218	90,287	5,936,315
Legislature	186,963	-	-	-	-	-	-	-	186,963
Amortization	68,160	190,936	699,179	42,193	-	775,566	79,490	87,774	1,943,298
Interest	4,131	-	-	-	-	-	-	-	4,131
Insurance	53,238	23,410	77,622	185	-	69,154	9,970	12,783	246,362
Professional services	142,537	10,564	-	-	-	5,500	-	-	158,601
Garbage disposal	-	-	-	-	139,349	-	-	-	139,349
Loss from investments government business enterprises and partnerships	-	-	-	-	-	-	-	-	-
Total expenses	2,512,159	1,301,007	2,950,260	86,639	314,696	4,282,316	580,984	373,950	12,402,011
Annual surplus (deficit)	\$ 9,667,142	\$ (453,319)	\$ (2,769,913)	\$ 1,710,495	\$ 141,089	\$ (3,692,407)	\$ 194,547	\$ 185,101	\$ 4,982,735

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

13. Segmented information (continued):

2022	General Government	Protective Services	Transportation Services	Environmental and Public Health	Garbage and Waste Collection	Community Services	Water Utility	Sewer System	Total (restated - note 15)
Revenue:									
Taxation	\$ 5,070,517	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	5,070,517
User fees and licenses and permits	-	-	77,488	-	427,823	84,268	666,237	528,005	1,783,821
Sales of services	1,010	1,143	42,033	502	-	316,483	-	-	361,171
Government transfers	4,049,902	255,424	221,340	67,082	-	78,795	-	-	4,672,543
Other revenues	660,439	82,658	39,173	-	-	40,980	-	-	823,250
Income from investments in government business enterprises and partnerships	9,974	-	-	-	-	-	-	-	9,974
Total revenue	9,791,842	339,225	380,034	67,584	427,823	520,526	666,237	528,005	12,721,276
Expenses:									
Operating	628,550	401,542	907,255	72,656	-	828,863	285,322	210,266	3,334,454
Salaries, wages & employee benefits	1,200,997	605,690	1,113,689	18,288	173,445	2,358,273	186,601	82,903	5,739,886
Legislature	155,729	-	-	-	-	-	-	-	155,729
Amortization	56,198	140,691	703,263	48,763	-	732,831	76,308	87,774	1,845,828
Interest	1,135	-	-	-	-	-	-	-	1,135
Insurance	48,476	30,064	78,351	178	-	59,230	8,741	12,013	237,053
Professional Services	80,542	-	-	-	-	5,000	-	-	85,542
Garbage disposal	-	-	-	-	188,258	-	-	-	188,258
Loss from disposal fixed assets	-	-	-	-	-	-	-	-	-
Loss from investments in government business enterprises and partnerships	-	-	-	-	-	-	-	-	-
Total expenses	2,171,627	1,177,987	2,802,558	139,885	361,703	3,984,197	556,972	392,956	11,587,885
Annual surplus (deficit)	\$ 7,620,215	\$ (838,762)	\$ (2,422,524)	\$ (72,301)	\$ 66,120	\$ (3,463,671)	\$ 109,265	\$ 135,049	\$ 1,133,391

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

14. Asset retirement obligation

The District owns and operates several buildings that are known to have hazardous material, which represents a health hazard upon demolition or removal of the assets and there is a legal obligation to remove it. Following the adoption of PS 3280 - Asset Retirement Obligations, the District recognized an obligation relating to the removal and post-removal care of the hazardous materials in these assets as estimated at January 1, 2022 in the amount of \$1,062,000.

The transition and recognition of the asset retirement obligations involved an accompanying increase to tangible capital assets and the restatement of prior year numbers (note 16).

15. Significant taxpayers:

The District derives a significant portion of its taxation revenue from the major industry taxpayers. Any changes in this sector could have an impact on the ongoing operations of the District.

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

DRAFT

Year ended December 31, 2023

16. Change in accounting policy:

On January 1, 2022, the District adopted Public Sector Accounting Standard PS 3280 - Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associate with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method the assumptions used on initial recognition are those as of the date of adoption of the standard.

The District recognized an asset retirement obligation related to several buildings, sewer and water infrastructure owned by the District that contained hazardous material. The liability was measured as of the date of when the Hazardous Materials Act was enacted in Canada in 1989 and asbestos was banned. In accordance with the provisions of this new standard, the District reflected the following adjustments at January 1, 2022:

	As previously reported	Increase (Decrease)	As restated
Asset retirement obligation	\$ -	\$ 1,062,000	\$ 1,062,000
Tangible capital assets	45,767,852	364,440	46,132,292
Net financial assets	26,515,964	(1,062,000)	25,453,964
Opening accumulated surplus	73,147,899	(683,840)	72,464,059
Community services	3,984,197	12,507	3,996,704
Transportation	2,802,558	1,213	2,803,771

17. Comparative information:

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2023 financial statements. The changes do not affect prior year annual surplus.

DISTRICT OF MACKENZIE

Schedule 1 - Northern Capital Planning Grant

DRAFT

Year ended December 31, 2023, with comparative information for 2022

(Unaudited)

In fiscal 2020, the District was the recipient of \$2,459,000 under the Northern Capital and Planning Grant (NCPG) program from the Province of British Columbia.

	2023	2022
Opening balance of reserve	\$ 1,780,730	\$ 2,954,695
Reserve used	(349,841)	(1,234,941)
Interest	81,035	60,976
	\$ 1,511,924	\$ 1,780,730

DISTRICT OF MACKENZIE

Schedule 2 - COVID-19 Safe Restart Grant

DRAFT

Year ended December 31, 2023, with comparative information for 2022

(Unaudited)

In November 2020, the District was the recipient of a \$1,244,000 grant under the COVID-19 Safe Restart for Local Government program from the Province of BC. As the conditions for use of this grant funding allow local governments to use this funding where the greatest need arises, the entire \$1,244,000 amount received was recognized as revenue in 2020 and included in grant revenue on the Consolidated Statement of Operations and Accumulated Surplus. The District utilized \$249,336 within 2022 to cover operational costs and overall pandemic response expenses incurred since the beginning of the pandemic in the spring of 2020.

	2023
Balance of COVID-19 Safe Restart grant funds at December 31, 2022	\$ 124,238
Less amount utilized in 2023	
Audio visual upgrades	64,100
Computer and technology	8,962
General government	51,176
	124,238
Remaining COVID-19 Safe Restart Grant	\$ -

DISTRICT OF MACKENZIE

Schedule 3 - Growing Communities Reserve Fund

DRAFT

Year ended December 31, 2023, with comparative information for 2022

(Unaudited)

The Province of British Columbia distributed conditional Growing Communities Fund (GCF) grants to communities at the end of March 2023 to help local governments build community infrastructure and amenities to meet the demands of population growth. The GCF provided a one-time total of \$1 billion in grants to all 161 municipalities and 27 regional districts in British Columbia.

The District received \$1,723,000 of GCF funding in March 2023.

	2023	2022
Growing Communities Fund	\$ 1,723,000	\$ -
Other:		
Interest income	43,474	-
	\$ 1,766,474	\$ -