

**DRAFT** Consolidated Financial Statements of



**DISTRICT OF MACKENZIE**

And independent Auditor's Report thereon

Year ended December 31, 2022



# 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.

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Mrs. Diane Smith, *Chief Administrative Officer*

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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, 2022
- 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, 2022 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.

### **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 and Schedule 2 - COVID-19 Safe Restart Grant

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 and Schedule 2 - COVID-19 Safe Restart Grant 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

April 24, 2023



# DISTRICT OF MACKENZIE

Consolidated Statement of Financial Position

**DRAFT**

December 31, 2022, with comparative information for 2021

	2022	2021
<b>Financial assets:</b>		
Cash and cash equivalents	\$ 2,717,968	\$ 7,519,153
Accounts receivable (note 2)	1,315,842	1,698,756
Investments (note 3)	21,054,027	16,150,662
Investment in government business entities (note 4)	3,399,524	3,823,062
	<u>28,487,361</u>	<u>29,191,633</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities (note 5)	1,592,973	2,075,552
Deferred revenue	461,936	682,539
	<u>2,054,909</u>	<u>2,758,091</u>
Net financial assets	26,432,452	26,433,542
<b>Non-financial assets:</b>		
Tangible capital assets (note 6)	45,767,852	44,776,882
Assets held for resale (note 7)	1,601,866	1,601,866
Inventory	103,074	70,731
Prepaid expenses	292,534	264,878
	<u>47,765,326</u>	<u>46,714,357</u>
Commitments and contingencies (note 8)		
<b>Accumulated surplus</b> (note 9)	<u>\$ 74,197,778</u>	<u>\$ 73,147,899</u>

See accompanying notes to consolidated financial statements.

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Chief Financial Officer

## DISTRICT OF MACKENZIE

Consolidated Statement of Operations and Accumulated Surplus

**DRAFT**

Year ended December 31, 2022, with comparative information for 2021

	Budget (note 12)	2022	2021
Revenue (note 13):			
Net taxation revenue (note 10)	\$ 5,068,457	\$ 5,070,517	\$ 5,360,467
Sale of services	754,698	361,171	291,886
Government transfers (note 11)			
Provincial	3,368,974	3,808,078	4,227,341
Federal	253,340	283,429	481,087
Other	291,372	581,036	1,317,698
Investments and penalties	301,000	610,704	254,704
Other	384,300	212,546	214,170
Licenses and permits	75,225	84,268	103,544
User fees	1,157,576	1,699,553	1,503,293
	11,654,942	12,711,302	13,754,190
Expenses (note 13):			
Community services	4,098,579	3,984,197	3,906,168
Garbage and waste collection	329,152	361,703	344,385
General government	2,322,675	2,171,627	1,987,498
Protective services	1,416,019	1,177,987	1,988,199
Environmental and public health	143,111	139,885	108,294
Sewer system	623,278	392,956	368,908
Transportation services	2,674,866	2,802,558	2,760,808
Water utility	787,622	556,972	510,504
Loss from investments in government business entities and partnerships	-	73,538	61,220
	12,395,302	11,661,423	12,035,984
Annual (deficit) surplus	(740,360)	1,049,879	1,718,206
Accumulated surplus, beginning of year	73,147,899	73,147,899	71,429,693
Accumulated surplus, end of year	\$ 72,407,539	\$ 74,197,778	\$ 73,147,899

See accompanying notes to consolidated financial statements.



## DISTRICT OF MACKENZIE

Consolidated Statement of Change In Net Financial Assets

**DRAFT**

Year ended December 31, 2022, with comparative information for 2021

	Budget (Note 12)	2022	2021
Annual surplus	\$ (740,360)	\$ 1,049,879	\$ 1,718,206
Acquisition of tangible capital assets	(10,261,896)	(2,901,509)	(4,791,134)
Amortization of tangible capital assets	1,786,032	1,845,828	1,792,044
Loss on sale of tangible capital assets	-	64,711	36,178
Gain on sale of assets held for sale	-	-	(262,292)
Proceeds on sale of assets held for sale	-	-	395,000
	(8,475,864)	(990,970)	(2,830,204)
Acquisition of inventory	-	(103,074)	(70,731)
Acquisition of prepaid expenses	-	(292,534)	(264,878)
Consumption of inventory	-	70,731	27,686
Use of prepaid expenses	-	264,878	293,115
	-	(59,999)	(14,808)
Change in net financial assets	(9,216,224)	(1,090)	(1,126,806)
Net financial assets, beginning of year	26,433,542	26,433,542	27,560,348
Net financial assets, end of year	\$ 17,217,318	\$ 26,432,452	\$ 26,433,542

See accompanying notes to consolidated financial statements.

## DISTRICT OF MACKENZIE

Consolidated Statement of Cash Flows

**DRAFT**

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
<b>Operating activities:</b>		
Annual surplus	\$ 1,049,879	\$ 1,718,206
Items not involving cash:		
Amortization of tangible capital assets	1,845,828	1,792,044
Loss on sale of tangible capital assets	64,711	36,178
Loss from investments in government business entities	73,538	61,220
Gain on sale of assets held for resale (note 7)	-	(262,292)
Changes in non-cash operating working capital:		
Accounts receivable	382,914	849,012
Inventory	(32,343)	(43,045)
Accounts payable and accrued liabilities	(482,579)	(493,345)
Deferred revenue	(220,603)	(209,752)
Prepaid expenses	(27,656)	28,237
Net change in cash from operating activities	2,653,689	3,476,463
<b>Investing activities:</b>		
Investment purchases	(4,903,365)	(3,200,335)
Proceeds on sale of assets held for resale	-	395,000
Acquisition of tangible capital assets	(2,901,509)	(4,791,134)
Distribution from government business partnership	350,000	500,000
	(7,454,874)	(7,096,469)
Decrease in cash and cash equivalents	(4,801,185)	(3,620,006)
Cash and cash equivalents, beginning of year	7,519,153	11,139,159
Cash and cash equivalents, end of year	\$ 2,717,968	\$ 7,519,153

See accompanying notes to consolidated financial statements.

## DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements

**DRAFT**

Year ended December 31, 2022

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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, 2022

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## 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, 2022

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## 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) 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.

### (g) 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:

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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

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# DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

**DRAFT**

Year ended December 31, 2022

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## 1. Significant accounting policies (continued):

### (g) 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.

### (h) 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, 2022

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## 1. Significant accounting policies (continued):

### (i) 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.

### (j) 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.

### (k) 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, 2022

## 2. Accounts receivable:

	2022	2021
Taxation - current	\$ 177,656	\$ 119,987
Taxation - arrears/delinquent	130,125	132,604
Accrued interest	380,619	69,450
Grants	296,503	772,732
Sales tax	85,840	129,362
Utilities	108,470	90,087
Trade and miscellaneous	161,867	431,085
	1,341,080	1,745,307
Less allowance for doubtful accounts	(25,238)	(46,551)
	\$ 1,315,842	\$ 1,698,756

Included in trade and miscellaneous receivable is \$nil (2021 - \$270,732) from McLeod Lake Mackenzie Community Forest Limited Partnership, a related party. The balance is recorded as revenue on the Consolidated Statement of Operations and Accumulated Surplus as government transfers – other.



# DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

**DRAFT**

Year ended December 31, 2022

## 3. Investments:

	2022	2021
Term deposits	\$ 21,054,027	\$ 16,150,662

Investments are recorded at cost.

Investment income earned on investments and cash and cash equivalents of \$558,104 (2021 – \$205,135) is recognized as revenue on the Consolidated Statement of Operations and Accumulated Surplus as investments and penalties.

## 4. Investment in government business entities:

	2022	2021
<b>McLeod Lake Mackenzie Community Forest Limited Partnership:</b>		
Investment in shares	\$ 50	\$ 50
Advances	83,820	83,820
Accumulated earnings	6,285,160	6,353,530
Distributions	(3,015,096)	(2,665,095)
<b>McLeod Lake Mackenzie Community Forest Corporation:</b>		
Investment in shares	99	99
Accumulated earnings	45,491	50,658
<b>Total investment</b>	<b>\$ 3,399,524</b>	<b>\$ 3,823,062</b>

# DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

**DRAFT**

Year ended December 31, 2022

## 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:

	2022	2021
<b>(i) Financial position:</b>		
Assets:		
Current	\$ 434,005	\$ 369,560
Investments	6,621,659	7,616,101
Restricted cash	1,221,898	1,263,374
Property and equipment	144,207	149,948
<b>Total assets</b>	<b>\$ 8,421,769</b>	<b>\$ 9,398,983</b>
Liabilities:		
Current	\$ 501,603	\$ 600,562
Silviculture obligation - long-term portion	1,212,299	1,253,814
<b>Total liabilities</b>	<b>1,713,902</b>	<b>1,854,376</b>
Equity:		
Share capital	1	1
Partner's equity	6,707,866	7,544,606
<b>Total equity</b>	<b>6,707,867</b>	<b>7,544,607</b>
<b>Total liabilities and equity</b>	<b>\$ 8,421,769</b>	<b>\$ 9,398,983</b>
	2022	2021
<b>(ii) Operations:</b>		
Revenue	\$ 2,018,313	\$ 219,675
Expenses	(1,648,906)	(1,373,320)
Other income	(506,147)	1,021,824
<b>Net loss</b>	<b>\$ (136,740)</b>	<b>\$ (131,821)</b>
<b>(iii) Share of net income:</b>		
District's percentage of ownership	50%	50%
District's share of net loss	\$ (68,370)	\$ (65,910)

# DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

**DRAFT**

Year ended December 31, 2022

## 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:

	2022	2021
<b>(i) Financial position:</b>		
Assets:		
Current	\$ 126,717	\$ 140,456
Investments	1	1
Total assets	\$ 126,718	\$ 140,457
Liabilities:		
Current	\$ 35,537	\$ 38,941
Total liabilities	35,537	38,941
Equity:		
Share capital	200	200
Retained earnings	90,981	101,316
Total equity	91,181	101,516
Total liabilities and equity	\$ 126,718	\$ 140,457
	2022	2021
<b>(ii) Operations:</b>		
Revenue	\$ 216,000	\$ 216,000
Expenses	(226,335)	(206,618)
Net (loss) income	\$ (10,335)	\$ 9,382
<b>(iii) Share of net income:</b>		
District's percentage of ownership	50%	50%
District's share of net (loss) income	\$ (5,168)	\$ 4,691

# DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

**DRAFT**

Year ended December 31, 2022

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## 5. Accounts payable and accrued liabilities:

	2022	2021
Trade payables and accrued liabilities	\$ 461,987	\$ 1,032,336
Wages and related costs	412,786	483,253
Holdback payable	489,350	352,461
Other payables	88,575	127,864
Government remittances	140,275	79,638
	\$ 1,592,973	\$ 2,075,552

# DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

**DRAFT**

Year ended December 31, 2022

## 6. Tangible capital assets:

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
<b>Cost:</b>									
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
Disposals	(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	18,697,182	11,865,207	14,260,721	3,451,691	4,991,881	78,353,857
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	358,324	453,749	391,393	52,839	79,186	1,845,828
Disposals	-	-	(50,052)	(4,210)	(84,642)	-	-	-	(138,904)
Balance, end of year	-	-	4,416,300	6,097,500	8,096,537	9,892,378	1,302,068	2,781,222	32,586,005
Net book value, end of year	\$ 6,556,148	\$ 7,619,825	\$ 6,494,902	\$ 12,599,682	\$ 3,768,670	\$ 4,368,343	\$ 2,149,623	\$ 2,210,659	\$ 45,767,852

# DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

**DRAFT**

Year ended December 31, 2022

## 6. Tangible capital assets (continued):

2021	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
<b>Cost:</b>									
Balance, beginning of year	\$ 2,075,540	\$ 7,619,825	\$ 10,289,214	\$ 18,296,090	\$ 10,972,859	\$ 13,560,931	\$ 3,241,091	\$ 4,868,436	\$ 70,923,986
Additions	3,120,133	-	387,522	91,010	714,100	93,390	248,183	136,796	4,791,134
Disposal	(4,623)	-	(3,600)	-	-	-	(37,583)	(13,351)	(59,157)
Transfers	(842,918)	-	-	377,364	-	465,554	-	-	-
Balance, end 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
Balance, beginning of year	-	-	3,473,186	5,381,495	7,274,362	9,130,608	1,211,438	2,638,927	29,110,016
Amortization	-	-	486,429	361,891	453,068	370,377	48,269	72,010	1,792,044
Disposals	-	-	(3,600)	-	-	-	(10,478)	(8,901)	(22,979)
Balance, end of year	-	-	3,956,015	5,743,386	7,727,430	9,500,985	1,249,229	2,702,036	30,879,081
Net book value, end of year	\$ 4,348,132	\$ 7,619,825	\$ 6,717,121	\$ 13,021,078	\$ 3,959,529	\$ 4,618,890	\$ 2,202,462	\$ 2,289,845	\$ 44,776,882

# DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

**DRAFT**

Year ended December 31, 2022

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## 7. Assets held for resale:

Land held for resale consists of the bell subdivision, airport subdivision, and other lands. During the year, no land was sold. In the prior year, the District sold 2 airport subdivision properties and a gain of \$262,292 was recognized in the Consolidated Statement of Operations as general government expense.

## 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, 2021, the plan has about 227,000 active members and approximately 118,000 retired members. Active members include approximately 42,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and 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 \$364,229 (2021 - \$387,222) 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, 2022

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## 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, 2022, 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, 2022

## 9. Accumulated surplus:

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

	2022	2021
<b>Surplus:</b>		
Invested in tangible capital assets	\$ 45,767,852	\$ 44,776,882
General fund	9,478,535	9,347,135
Water utility fund	147,395	191,786
Sewer utility fund	188,441	181,532
Library fund	101,532	92,711
Total surplus	55,683,755	54,590,046
<b>Reserve funds set aside for specific purposes by Council:</b>		
Parkland	41,538	41,003
Gas tax	1,036,232	930,414
Fire department vehicle/equipment replacement	1,581,091	1,594,486
Vehicle/equipment replacement	3,650,010	3,399,847
General capital	4,100,092	3,783,995
Climate action	40,766	-
Northern Capital Planning (Schedule 1)	1,780,730	2,954,695
Capital renewal	2,014,669	1,804,623
Financial stability	2,168,302	2,442,066
Water	1,619,373	1,365,861
Sewer	386,220	145,863
Library - operating	70,000	70,000
Library - relocation allowance	5,000	5,000
Library - contracts	20,000	20,000
Total reserve funds	18,514,023	18,557,853
	\$ 74,197,778	\$ 73,147,899

# DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

**DRAFT**

Year ended December 31, 2022

## 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:

	2022	2021
Taxes collected:		
General purposes	\$ 5,070,497	\$ 5,360,429
Collection for other governments	2,168,814	2,350,415
	7,239,311	7,710,844
Transfers to other governments:		
Provincial government	1,171,526	1,251,465
Fraser-Fort George Regional Hospital District	433,524	424,059
Regional District of Fraser-Fort George	330,132	382,607
B.C. Assessment Authority	44,601	54,838
Municipal Finance Authority	127	134
Royal Canadian Mounted Police	188,884	237,274
	2,168,794	2,350,377
	\$ 5,070,517	\$ 5,360,467

# DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

**DRAFT**

Year ended December 31, 2022

## 11. Government transfers:

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

	2022	2021
Provincial grants:		
Unconditional	\$ 224,077	\$ 239,741
Carbon tax	67,082	4,114
Conditional	973,214	1,385,732
BC Hydro	2,543,705	2,597,754
Subtotal provincial grants	3,808,078	4,227,341
Federal grants:		
Conditional	-	4,300
Gas tax	221,340	432,869
Miscellaneous	62,089	43,918
Subtotal federal grants	283,429	481,087
Other grants:		
Forest Enhancement Society of BC	-	663,025
Fortis BC	128,893	187,363
Miscellaneous	452,143	467,310
Subtotal other grants	581,036	1,317,698
Total government transfers	\$ 4,672,543	\$ 6,026,126

# DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

**DRAFT**

Year ended December 31, 2022

## 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	\$ 24,136,196
Less:	
Other capital revenue	(4,579,325)
Transfer from reserve funds	(5,682,571)
Transfer from surplus funds	(433,326)
Transfer from invested in tangible capital assets	(1,786,032)
Total revenues	11,654,942
Expenses:	
Operating budget	24,136,196
Less:	
Transfers to reserve funds	(1,427,291)
Transfer to general fund	(51,707)
Capital expenditures	(10,261,896)
Total expenses	12,395,302
Annual surplus	\$ (740,360)

# DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

**DRAFT**

Year ended December 31, 2022

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## 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, 2022

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## 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, 2022

## 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
<b>Revenue:</b>									
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
Total revenue	9,781,868	339,225	380,034	67,584	427,823	520,526	666,237	528,005	12,711,302
<b>Expenses:</b>									
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 investments government business enterprises and partnerships	73,538	-	-	-	-	-	-	-	73,538
Total expenses	2,245,165	1,177,987	2,802,558	139,885	361,703	3,984,197	556,972	392,956	11,661,423
Annual surplus (deficit)	\$ 7,536,703	\$ (838,762)	\$ (2,422,524)	\$ (72,301)	\$ 66,120	\$ (3,463,671)	\$ 109,265	\$ 135,049	\$ 1,049,879

# DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

**DRAFT**

Year ended December 31, 2022

## 13. Segmented information (continued):

2021	General Government	Protective Services	Transportation Services	Environmental and Public Health	Garbage and Waste Collection	Community Services	Water Utility	Sewer System	Total
<b>Revenue:</b>									
Taxation	\$ 5,360,467	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	5,360,467
User fees and licenses and permits	-	-	12,189	-	397,271	103,544	624,229	469,604	1,606,837
Sales of services	3,915	1,476	34,649	90	-	251,756	-	-	291,886
Government transfers	4,218,371	1,190,953	447,169	4,114	-	83,521	81,998	-	6,026,126
Other revenues	268,894	99,713	32,589	-	-	67,678	-	-	468,874
Total revenue	9,851,647	1,292,142	526,596	4,204	397,271	506,499	706,227	469,604	13,754,190
<b>Expenses:</b>									
Operating	709,798	1,145,474	831,521	48,389	-	751,140	248,294	213,755	3,948,371
Salaries, wages & employee benefits	1,205,556	678,864	1,195,767	10,921	165,157	2,358,528	155,795	58,479	5,829,067
Gain on sale of assets held for sale	(262,292)	-	-	-	-	-	-	-	(262,292)
Amortization	51,768	146,048	654,211	48,763	-	738,918	71,738	80,598	1,792,044
Interest	190	-	-	-	-	-	-	-	190
Insurance	39,948	17,813	79,309	221	-	52,441	7,572	11,626	208,930
Professional Services	92,366	-	-	-	-	5,141	-	-	97,507
Garbage disposal	-	-	-	-	179,228	-	-	-	179,228
Loss from disposal fixed assets	4,623	-	-	-	-	-	27,105	4,450	36,178
Loss from investments government business enterprises and partnerships	61,220	-	-	-	-	-	-	-	61,220
Gain on sale of assets held for sale	(262,292)	-	-	-	-	-	-	-	(262,292)
Total expenses	2,048,718	1,988,199	2,760,808	108,294	344,385	3,906,168	510,504	368,908	12,035,984
Annual surplus (deficit)	\$ 7,802,929	\$ (696,057)	\$ (2,234,212)	\$ (104,090)	\$ 52,886	\$ (3,399,669)	\$ 195,723	\$ 100,696	\$ 1,718,206



# DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

**DRAFT**

Year ended December 31, 2022

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## 14. 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.

## 15. Comparative information:

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2022 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, 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.

	2022	2021
Opening balance of reserve	\$ 2,954,695	\$ 5,900,792
Reserve used	(1,234,941)	(2,989,858)
Interest	60,976	43,761
	<b>\$ 1,780,730</b>	<b>\$ 2,954,695</b>

## DISTRICT OF MACKENZIE

Schedule 2 - COVID-19 Safe Restart Grant

**DRAFT**

Year ended December 31, 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.

	2022
Balance of COVID-19 Safe Restart grant funds at December 31, 2021	\$ 373,574
Less amount utilized in 2022	
Audio visual upgrades	204,555
Computer and technology	5,915
General government	38,866
	249,336
Audio visual upgrades	124,238
Total 2022 allocation of COVID-19 Safe Restart grant	124,238
Remaining COVID-19 Safe Restart Grant	\$ -