

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.

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, 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

May 3, 2023



DISTRICT OF MACKENZIE

Consolidated Statement of Financial Position

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December 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|---|----------------------|----------------------|
| Financial assets: | | |
| 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) | 3,483,036 | 3,823,062 |
| | <u>28,570,873</u> | <u>29,191,633</u> |
| Financial liabilities: | | |
| 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 | 26,515,964 | 26,433,542 |
| Non-financial assets: | | |
| 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) | | |
| Accumulated surplus (note 9) | <u>\$ 74,281,290</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

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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 |
| Income from investments in government business entities and partnerships | - | 9,974 | - |
| | 11,654,942 | 12,721,276 | 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 | - | - | 61,220 |
| | 12,395,302 | 11,587,885 | 12,035,984 |
| Annual (deficit) surplus | (740,360) | 1,133,391 | 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 | \$ 74,281,290 | \$ 73,147,899 |

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, 2022, with comparative information for 2021

| | Budget (Note 12) | 2022 | 2021 |
|--|---------------------|---------------|---------------|
| Annual surplus | \$ (740,360) | \$ 1,133,391 | \$ 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) | 82,422 | (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 | \$ 26,515,964 | \$ 26,433,542 |

See accompanying notes to consolidated financial statements.

DISTRICT OF MACKENZIE

Consolidated Statement of Cash Flows

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

| | 2022 | 2021 |
|--|--------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 1,133,391 | \$ 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 |
| (Income) loss from investments in government business entities | (9,974) | 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 |
| Investing activities: | | |
| 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

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)

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Year ended December 31, 2022

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)

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Year ended December 31, 2022

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:

| 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)

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Year ended December 31, 2022

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)

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Year ended December 31, 2022

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 |
|--|---------------------|---------------------|
| McLeod Lake Mackenzie Community Forest Limited Partnership: | | |
| Investment in shares | \$ 50 | \$ 50 |
| Advances | 83,820 | 83,820 |
| Accumulated earnings | 6,368,672 | 6,353,530 |
| Distributions | (3,015,096) | (2,665,095) |
| McLeod Lake Mackenzie Community Forest Corporation: | | |
| Investment in shares | 99 | 99 |
| Accumulated earnings | 45,491 | 50,658 |
| Total investment | \$ 3,483,036 | \$ 3,823,062 |

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 |
|---|---------------------|---------------------|
| (i) Financial position: | | |
| Assets: | | |
| Current | \$ 601,028 | \$ 369,560 |
| Investments | 6,621,659 | 7,616,101 |
| Restricted cash | 1,221,898 | 1,263,374 |
| Property and equipment | 144,207 | 149,948 |
| Total assets | \$ 8,588,792 | \$ 9,398,983 |
| Liabilities: | | |
| Current | \$ 501,603 | \$ 600,562 |
| Silviculture obligation - long-term portion | 1,212,299 | 1,253,814 |
| Total liabilities | 1,713,902 | 1,854,376 |
| Equity: | | |
| Share capital | 1 | 1 |
| Partner's equity | 6,874,889 | 7,544,606 |
| Total equity | 6,874,890 | 7,544,607 |
| Total liabilities and equity | \$ 8,588,792 | \$ 9,398,983 |
| | 2022 | 2021 |
| (ii) Operations: | | |
| Revenue | \$ 2,185,336 | \$ 219,675 |
| Expenses | (1,648,906) | (1,373,320) |
| Other income | (506,147) | 1,021,824 |
| Net loss | \$ 30,283 | \$ (131,821) |
| (iii) Share of net income: | | |
| District's percentage of ownership | 50% | 50% |
| District's share of net loss | \$ 15,142 | \$ (65,910) |

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

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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 |
|---------------------------------------|-------------|------------|
| (i) Financial position: | | |
| 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 |
| (ii) Operations: | | |
| Revenue | \$ 216,000 | \$ 216,000 |
| Expenses | (226,335) | (206,618) |
| Net (loss) income | \$ (10,335) | \$ 9,382 |
| (iii) Share of net income: | | |
| 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

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 |
| | <hr/> | <hr/> |
| | \$ 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 |
|-----------------------------|---------------------------|-----------------------|--|---------------|----------------------------------|--|----------------------|----------------------|---------------|
| 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 |
| 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 |
|-----------------------------|---------------------------|-----------------------|--|---------------|----------------------------------|--|----------------------|----------------------|---------------|
| Cost: | | | | | | | | | |
| 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

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)

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Year ended December 31, 2022

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 |
|--|---------------|---------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 45,767,852 | \$ 44,776,882 |
| General fund | 9,562,047 | 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 | 55,767,267 | 54,590,046 |
| Reserve funds set aside for specific purposes by Council: | | |
| 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 |
| | \$ 74,281,290 | \$ 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

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

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 |
|--|-----------------------|------------------------|----------------------------|---------------------------------------|------------------------------------|-----------------------|------------------|-----------------|--------------|
| 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 investments 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, 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 |
|--|-----------------------|------------------------|----------------------------|---------------------------------------|------------------------------------|-----------------------|-------------------|-------------------|---------------------|
| Revenue: | | | | | | | | | |
| 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 |
| Expenses: | | | | | | | | | |
| 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 |
| Legislature | 145,541 | - | - | - | - | - | - | - | 145,541 |
| 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 in 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)

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Year ended December 31, 2022

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

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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 |
| | \$ 1,780,730 | \$ 2,954,695 |

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 | \$ - |