

Consolidated Financial Statements of



DISTRICT OF MACKENZIE

And independent Auditors' Report thereon

Year ended December 31, 2021

Management Responsibility for the Consolidated Financial Statements

Independent Auditors' Report

Consolidated Financial Statements

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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 Auditors' 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*



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INDEPENDENT AUDITORS' 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, 2021
- 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, 2021 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' 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 auditors' 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 auditors' report thereon, included in Schedule 1 - Northern Capital Planning Reserve and Schedule 2 - COVID-19 Safe Restart Grant as at the date of this auditors' 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 auditors' 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.

Auditors' 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 auditors' 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.



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- 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 auditors' 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 auditors' 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Prince George, Canada
April 25, 2022



DISTRICT OF MACKENZIE

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 7,519,153	\$ 11,139,159
Accounts receivable (note 2)	1,698,756	2,547,768
Investments (note 3)	16,150,662	12,950,327
Investment in government business entities (note 4)	3,823,062	4,384,282
	<u>29,191,633</u>	<u>31,021,536</u>
Financial liabilities:		
Accounts payable and accrued liabilities (note 5)	2,075,552	2,568,897
Deferred revenue	682,539	892,291
	<u>2,758,091</u>	<u>3,461,188</u>
Net financial assets	26,433,542	27,560,348
Non-financial assets:		
Tangible capital assets (note 6)	44,776,882	41,813,970
Assets held for resale (note 7)	1,601,866	1,734,574
Inventory	70,731	27,686
Prepaid expenses	264,878	293,115
	<u>46,714,357</u>	<u>43,869,345</u>
Commitments and contingencies (note 8)		
Accumulated surplus (note 9)	<u>\$ 73,147,899</u>	<u>\$ 71,429,693</u>

See accompanying notes to consolidated financial statements.

Joan Atkinson

Mayor

Keri Borne

Chief Financial Officer

DISTRICT OF MACKENZIE

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2021, with comparative information for 2020

	Budget (note 12)	2021	2020
Revenue (note 13):			
Net taxation revenue (note 10)	\$ 5,591,152	\$ 5,360,467	\$ 5,716,425
Sale of services	734,915	291,886	218,448
Government transfers (note 11)			
Provincial	3,619,939	4,227,341	7,862,881
Federal	-	481,087	259,648
Other	4,297,583	1,317,698	1,005,349
Investments and penalties	-	254,704	568,289
Other	1,232,015	214,170	250,936
Licenses and permits	76,275	103,544	76,043
User fees	1,058,995	1,503,293	1,452,296
Income from investments in government business entities and partnerships	-	-	1,367,256
	16,610,874	13,754,190	18,777,571
Expenses (note 13):			
Community services	4,290,007	3,906,168	3,949,775
Garbage and waste collection	329,447	344,385	314,941
General government	2,366,595	1,987,498	2,201,609
Protective services	1,687,575	1,988,199	2,008,599
Environmental and public health	97,371	108,294	127,802
Sewer system	547,036	368,908	357,975
Transportation services	2,747,586	2,760,808	2,571,402
Water utility	705,976	510,504	389,085
Loss from investments in government business entities and partnerships	-	61,220	-
	12,771,593	12,035,984	11,921,188
Annual surplus	3,839,281	1,718,206	6,856,383
Accumulated surplus, beginning of year	71,429,693	71,429,693	64,573,310
Accumulated surplus, end of year	\$ 75,268,974	\$ 73,147,899	\$ 71,429,693

See accompanying notes to consolidated financial statements.



DISTRICT OF MACKENZIE

Consolidated Statement of Change In Net Financial Assets

Year ended December 31, 2021, with comparative information for 2020

	Budget (note 12)	2021	2020
Annual surplus	\$ 3,839,281	\$ 1,718,206	\$ 6,856,383
Acquisition of tangible capital assets	(11,295,633)	(4,791,134)	(3,754,688)
Amortization of tangible capital assets	1,728,972	1,792,044	1,758,625
Loss on sale of tangible capital assets	-	36,178	126,355
Write-down of assets held for resale	-	-	83,304
Gain on sale of assets held for sale	-	(262,292)	-
Proceeds on sale of assets held for sale	-	395,000	-
	(9,566,661)	(2,830,204)	(1,786,404)
Acquisition of inventory	-	(70,731)	(27,686)
Acquisition of prepaid expenses	-	(264,878)	(293,115)
Consumption of inventory	-	27,686	39,115
Use of prepaid expenses	-	293,115	264,492
	-	(14,808)	(17,194)
Change in net financial assets	(5,727,380)	(1,126,806)	5,052,785
Net financial assets, beginning of year	27,560,348	27,560,348	22,507,563
Net financial assets, end of year	\$ 21,832,968	\$ 26,433,542	\$ 27,560,348

See accompanying notes to consolidated financial statements.



DISTRICT OF MACKENZIE

Consolidated Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 1,718,206	\$ 6,856,383
Items not involving cash:		
Amortization of tangible capital assets	1,792,044	1,758,625
Loss on sale of tangible capital assets	36,178	126,355
Loss (income) from investments in government business entities	61,220	(1,367,256)
Gain on sale of assets held for resale (note 7)	(262,292)	-
Write-down on assets held for resale (note 7)	-	83,304
Changes in non-cash operating working capital:		
Accounts receivable	849,012	(624,618)
Inventory	(43,045)	11,429
Accounts payable and accrued liabilities	(493,345)	1,461,280
Deferred revenue	(209,752)	423,681
Prepaid expenses	28,237	(28,623)
Net change in cash from operating activities	3,476,463	8,700,560
Investing activities:		
Investment (purchases) sales	(3,200,335)	347,778
Proceeds on sale of assets held for resale	395,000	-
Acquisition of tangible capital assets	(4,791,134)	(3,754,688)
Distribution from government business partnership	500,000	400,000
	(7,096,469)	(3,006,910)
(Decrease) increase in cash and cash equivalents	(3,620,006)	5,693,650
Cash and cash equivalents, beginning of year	11,139,159	5,445,509
Cash and cash equivalents, end of year	\$ 7,519,153	\$ 11,139,159

See accompanying notes to consolidated financial statements.

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.

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)

Year ended December 31, 2021

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.

(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 and sewer infrastructure	10 - 100 years

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.

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)

Year ended December 31, 2021

2. Accounts receivable:

	2021	2020
Taxation - current	\$ 119,987	\$ 644,969
Taxation - arrears/delinquent	132,604	167,688
Accrued interest	69,450	134,261
Grants	772,732	1,249,004
Sales tax	129,362	120,710
Utilities	90,087	131,272
Trade and miscellaneous	431,085	141,037
	<u>1,745,307</u>	<u>2,588,941</u>
Less allowance for doubtful accounts	(46,551)	(41,173)
	<u>\$ 1,698,756</u>	<u>\$ 2,547,768</u>

Included in trade and miscellaneous receivable is \$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)

Year ended December 31, 2021

3. Investments:

	2021	2020
Term deposits	\$ 16,150,662	\$ 12,950,327

Investments are recorded at cost.

4. Investment in government business entities:

	2021	2020
McLeod Lake Mackenzie Community Forest Limited Partnership:		
Investment in shares	\$ 50	\$ 50
Advances	83,820	83,820
Accumulated earnings	6,353,530	6,419,441
Distributions	(2,665,095)	(2,165,095)
McLeod Lake Mackenzie Community Forest Corporation:		
Investment in shares	99	99
Accumulated earnings	50,658	45,967
Total investment	\$ 3,823,062	\$ 4,384,282

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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:

	2021	2020
(i) Financial position:		
Assets:		
Current	\$ 369,560	\$ 2,039,776
Investments	7,616,101	6,817,490
Restricted cash	1,263,374	1,392,538
Property and equipment	149,948	105,373
Total assets	\$ 9,398,983	\$ 10,355,177
Liabilities:		
Current	\$ 600,562	\$ 295,772
Silviculture obligation - long-term portion	1,253,814	1,382,977
Total liabilities	1,854,376	1,678,749
Equity:		
Share capital	1	1
Partner's equity	7,544,606	8,676,428
Total equity	7,544,607	8,676,429
Total liabilities and equity	\$ 9,398,983	\$ 10,355,178
	2021	2020
(ii) Operations:		
Revenue	\$ 219,675	\$ 3,483,783
Expenses	(1,373,320)	(1,489,598)
Other income	1,021,824	729,395
Net income (expense)	\$ (131,821)	\$ 2,723,580
(iii) Share of net income:		
District's percentage of ownership	50%	50%
District's share of net (loss) income	\$ (65,910)	\$ 1,361,790

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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:

	2021	2020
(i) Financial position:		
Assets:		
Current	\$ 140,456	\$ 125,856
Investments	1	1
Total assets	\$ 140,457	\$ 125,857
Liabilities:		
Current	\$ 38,941	\$ 33,723
Total liabilities	38,941	33,723
Equity:		
Share capital	200	200
Retained earnings	101,316	91,934
Total equity	101,516	92,134
Total liabilities and equity	\$ 140,457	\$ 125,857
	2021	2020
(ii) Operations:		
Revenue	\$ 216,000	\$ 216,000
Expenses	(206,618)	(205,068)
Net income	\$ 9,382	\$ 10,932
(iii) Share of net income:		
District's percentage of ownership	50%	50%
District's share of net income	\$ 4,691	\$ 5,466



DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

5. Accounts payable and accrued liabilities:

	2021	2020
Trade payables and accrued liabilities	\$ 1,025,516	\$ 1,362,443
Wages and related costs	483,431	497,678
Holdback payable	352,461	73,191
Other payables	134,506	573,392
Government remittances	79,638	62,193
	<hr/> \$ 2,075,552	<hr/> \$ 2,568,897

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

6. Tangible capital assets:

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
Disposals	(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)

Year ended December 31, 2021

6. Tangible capital assets (continued):

2020	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	\$ 373,258	\$ 7,619,825	\$ 9,760,475	\$ 17,703,559	\$ 10,585,573	\$ 13,512,910	\$ 3,694,789	\$ 4,786,210	\$ 68,036,599
Additions	2,070,378	-	139,345	379,834	1,110,431	48,021	-	6,679	3,754,688
Disposal	-	-	(11,209)	(75,138)	(723,314)	-	-	-	(809,661)
Transfers	(368,096)	-	400,603	287,835	169	-	(453,698)	75,547	(57,640)
Balance, end 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
Balance, beginning of year	-	-	3,011,996	5,064,777	7,488,971	8,765,511	1,165,900	2,537,541	28,034,696
Amortization	-	-	470,998	348,909	426,697	365,097	45,538	101,386	1,758,625
Disposals	-	-	(9,808)	(32,191)	(641,306)	-	-	-	(683,305)
Balance, end of year	-	-	3,473,186	5,381,495	7,274,362	9,130,608	1,211,438	2,638,927	29,110,016
Net book value, end of year	\$ 2,075,540	\$ 7,619,825	\$ 6,816,028	\$ 12,914,595	\$ 3,698,497	\$ 4,430,323	\$ 2,029,653	\$ 2,229,509	\$ 41,813,970

Year ended December 31, 2021

7. Assets held for resale:

Land held for resale consists of the bell subdivision, airport subdivision, and other lands. During the year, the District sold 2 airport subdivision properties and a gain of \$262,292 was recognized in the consolidated statement of operations. In the prior year, a write-down of \$83,304 was recognized in the consolidated statement of operations for the bell subdivision.

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, 2020, the plan has about 220,000 active members and approximately 112,000 retired members. Active members include approximately 42,000 contributors from local governments.

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

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

The District paid \$387,222 (2020 - \$366,458) for employer contributions to the Plan in fiscal 2021.

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

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

9. Accumulated surplus:

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

	2021	2020
Surplus:		
Invested in tangible capital assets	\$ 44,776,882	\$ 41,813,970
General fund	9,347,135	10,074,092
Water utility fund	191,786	602,549
Sewer utility fund	181,532	241,411
Library fund	92,711	112,784
Total surplus	54,590,046	52,844,806
Reserve funds set aside for specific purposes by Council:		
Parkland	41,003	40,600
Gas tax	930,414	490,523
Fire department vehicle/equipment replacement	1,594,486	1,290,632
Vehicle/equipment replacement	3,399,847	3,143,661
General capital	3,783,995	3,331,913
Northern Capital Planning (Schedule 1)	2,954,695	5,900,792
Capital renewal	1,804,623	1,119,313
Financial stability	2,442,066	2,329,706
Water	1,365,861	856,836
Sewer	145,863	25,911
Library - operating reserve	70,000	50,000
Library - relocation allowance reserve	5,000	5,000
Library - contracts reserve	20,000	-
Total reserve funds	18,557,853	18,584,887
	\$ 73,147,899	\$ 71,429,693

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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:

	2021	2020
Taxes collected:		
General purposes	\$ 5,360,429	\$ 5,716,398
Collection for other governments	2,350,415	2,209,500
	<u>7,710,844</u>	<u>7,925,898</u>
Transfers to other governments:		
Provincial government	1,251,465	1,078,740
Fraser-Fort George Regional Hospital District	424,059	411,105
Regional District of Fraser-Fort George	382,607	415,629
B.C. Assessment Authority	54,838	58,784
Municipal Finance Authority	134	141
Royal Canadian Mounted Police	237,274	245,074
	<u>2,350,377</u>	<u>2,209,473</u>
	<u>\$ 5,360,467</u>	<u>\$ 5,716,425</u>

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

11. Government transfers:

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

	2021	2020
Provincial grants:		
Unconditional	\$ 239,741	\$ 30,121
Carbon tax	4,114	35,581
Conditional	1,385,732	1,637,455
Northern Capital Planning (Schedule 1)	-	2,459,000
Covid-19 Safe Restart Grant (Schedule 2)	-	1,244,000
BC Hydro	2,597,754	2,456,724
Subtotal provincial grants	4,227,341	7,862,881
Federal grants:		
Conditional	4,300	40,934
Gas tax	432,869	211,529
Miscellaneous	43,918	7,185
Subtotal federal grants	481,087	259,648
Other grants:		
Forest Enhancement Society of BC	663,025	603,376
Fortis BC	187,363	171,055
Miscellaneous	467,310	230,918
Subtotal other grants	1,317,698	1,005,349
Total government transfers	\$ 6,026,126	\$ 9,127,878

12. Budget data:

The budget data presented in the consolidated financial statements is based upon the 2021 operating and capital budgets approved by Council on May 10, 2021. The table below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	Budget amount
Revenue:	
Operating budget	\$ 25,503,900
Less:	
Transfer from reserve funds	(6,998,050)
Transfer from surplus funds	(166,004)
Transfer from invested in tangible capital assets	(1,728,972)
Total revenues	16,610,874
Expenses:	
Operating budget	25,503,900
Less:	
Transfers to reserve funds	(1,436,674)
Capital expenditures	(11,295,633)
Total expenses	12,771,593
Annual surplus	\$ 3,839,281

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.

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)

Year ended December 31, 2021

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
Fees 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
Grants	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 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 (deficit) surplus	\$ 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)

Year ended December 31, 2021

13. Segmented information (continued):

2020	General Government	Protective Services	Transportation Services	Environmental and Public Health	Garbage and Waste Collection	Community Services	Water Utility	Sewer System	Total
Revenue:									
Taxation	\$ 5,716,425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	5,716,425
Fees and permits	-	-	-	-	399,532	76,044	621,125	431,638	1,528,339
Sales of services	1,500	2,748	47,258	90	-	166,852	-	-	218,448
Grants	6,837,905	1,897,277	226,702	35,581	-	84,911	45,502	-	9,127,878
Equity in income from government business enterprises and partnerships	1,367,256	-	-	-	-	-	-	-	1,367,256
Other revenues	589,402	92,156	38,431	-	-	99,236	-	-	819,225
Total revenue	14,512,488	1,992,181	312,391	35,671	399,532	427,043	666,627	431,638	18,777,571
Expenses:									
Operating	661,818	1,166,325	739,908	70,288	-	997,428	220,164	181,199	4,037,130
Salaries, wages & employee benefits	1,113,287	679,804	1,143,951	8,679	56,346	2,165,098	94,822	55,676	5,317,663
Legislature	139,611	-	-	-	-	-	-	-	139,611
Amortization	47,929	145,976	615,241	48,763	-	721,735	69,007	109,974	1,758,625
Interest	394	-	-	-	-	447	-	-	841
Insurance	25,560	16,494	46,140	72	-	41,863	5,092	11,126	146,347
Professional Services	63,535	-	-	-	-	23,204	-	-	86,739
Garbage disposal	-	-	-	-	258,595	-	-	-	258,595
Loss from disposal fixed assets	66,171	-	26,162	-	-	-	-	-	92,333
Write-down on land held for resale	83,304	-	-	-	-	-	-	-	83,304
Total expenses	2,201,611	2,008,599	2,571,402	127,802	314,941	3,949,775	389,085	357,975	11,921,188
Annual surplus (deficit)	\$ 12,310,877	\$ (16,418)	\$ (2,259,011)	\$ (92,131)	\$ 84,591	\$ (3,522,732)	\$ 277,542	\$ 73,663	\$ 6,856,383

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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. Recast of comparative figures:

During the year, the District determined the Mackenzie Public Library (the "Library") should be consolidated into the District's financial statements as the District exerts control over the Library. The Library is not material to the District's operations however Public Sector Accounting Standards require that the consolidated financial statements include controlled entities. This immaterial change has been recorded retroactively and, accordingly, the comparative financial information has been recast as follows:

	As previously reported	Increase (Decrease)	As recast
Consolidated Statement of Financial Position:			
Cash and cash equivalents	\$ 10,949,678	\$ 189,481	\$ 11,139,159
Accounts receivable	2,546,636	1,132	2,547,768
Financial assets	30,830,923	190,613	31,021,536
Accounts payable and accrued liabilities	2,545,897	23,000	2,568,897
Deferred revenue	889,089	3,202	892,291
Financial liabilities	3,434,986	215,773	3,461,188
Net financial assets	27,395,937	164,411	27,560,348
Tangible capital assets	41,700,732	113,238	41,813,970
Prepaid expenses	289,741	3,374	293,115
Non-financial assets	43,752,733	116,612	43,869,345
Accumulated surplus	71,148,670	281,023	71,429,693

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

15. Recast of comparative figures: (continued):

	As previously reported	Increase (Decrease)	As recast
Consolidated Statement of Operations and Accumulated Surplus:			
Government transfers:			
Provincial	7,844,571	18,310	7,862,881
Federal	199,581	60,067	259,648
Other	241,380	9,556	250,936
Revenue	18,689,638	87,933	18,777,571
Expenses:			
Community services	3,868,469	81,306	3,949,775
Total expenses	11,839,882	81,306	11,921,188
Annual surplus	6,849,756	6,627	6,856,383
Accumulated surplus, beginning of year	64,298,916	274,394	64,573,310
Accumulated surplus, end of year	71,148,670	281,023	71,429,693

DISTRICT OF MACKENZIE

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

15. Recast of comparative figures: (continued):

	As previously reported	Increase (Decrease)	As recast
Consolidated Statement of Change in Net Financial Assets:			
Annual surplus	6,849,756	6,627	6,856,383
Acquisition of tangible capital assets	(3,722,964)	(31,724)	(3,754,688)
Amortization of tangible capital assets	1,718,076	40,549	1,758,625
Sub-total	(1,795,228)	(8,824)	(1,786,404)
Acquisition of prepaid expenses	(289,741)	(3,374)	(293,115)
Use of prepaid expenses	261,811	2,681	264,492
Sub-total	(16,501)	(693)	(17,194)
Change in net financial assets	5,038,025	14,760	5,052,785
Net financial assets, beginning of year	22,357,912	149,651	22,507,563
Net financial assets, end of year	27,395,937	164,411	27,560,348
Consolidated Statement of Cash Flows:			
Annual surplus	6,849,756	6,627	6,856,383
Amortization of tangible capital assets	1,718,076	40,549	1,758,625
Accounts receivable	(623,981)	(1,132)	(624,618)
Accounts payable and accrued liabilities	1,448,162	13,118	1,461,280
Deferred revenue	421,239	2,442	423,681
Prepaid expenses	(27,930)	(693)	(28,623)
Net change in cash from operating activities	8,639,153	61,407	8,700,560
Acquisition of tangible capital assets	(3,722,964)	(31,724)	(3,754,688)
Increase in cash and cash equivalents	5,316,189	377,461	5,693,650
Cash and cash equivalents, end of year	10,949,678	189,481	11,139,159

In the prior year, cash and cash equivalents included investments which was reclassified in the current year for presentation purposes. The current year comparative information presents investments separately from cash and cash equivalents.

16. Comparative information:

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2021 financial statements. The changes do not affect prior year annual surplus.

DISTRICT OF MACKENZIE

Schedule 1 - Northern Capital Planning Reserve
Year ended December 31, 2021
(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.

	2021	2020
Opening balance of reserve	\$ 5,900,792	\$ 4,545,825
Grant received	-	2,459,000
Reserve used	(2,989,858)	(1,237,238)
Interest	43,761	133,205
	\$ 2,954,695	\$ 5,900,792

DISTRICT OF MACKENZIE

Schedule 2 - COVID-19 Safe Restart Grant
Year ended December 31, 2021
(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 allocated \$268,604 within 2021 to cover operational costs and overall pandemic response expenses incurred since the beginning of the pandemic in the spring of 2020.

	2021
Balance of COVID-19 Safe Restart grant funds at December 31, 2020	\$ 642,177
Less amount utilized in 2021	
Computer and technology	12,730
General government	30,473
Revenue shortfalls	205,696
Protective services	2,433
Public works	3,507
Recreation services	13,764
	268,603
Audio visual upgrades	373,574
Total 2021 allocation of COVID-19 Safe Restart grant	373,574
Remaining COVID-19 Safe Restart Grant	\$ -