District of Mackenzie
Consolidated Financial Statements
December 31, 2025

District of Mackenzie
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Management's Responsibility

To the Mayor and Council of District of Mackenzie:

Management is responsible for the preparation and presentation of the accompanying financial statements in accordance with Canadian public sector accounting standards. This responsibility includes the selection and application of appropriate accounting principles and methods, the use of significant accounting judgments and estimates, and making decisions affecting the measurement of transactions in which objective judgment is required. Management is also responsible for ensuring that all information contained in the annual report is consistent with the consolidated financial statements.

In discharging its responsibilities for the integrity and fair presentation of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Council is composed entirely of members who are neither management nor employees of the District of Mackenzie (the "District"). The Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements and the financial information included in the annual report. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Council is also responsible for recommending the appointment of the District's external auditors.

MNP LLP is appointed by the Council to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

May 11, 2026

Diane Smith
Chief Administrative Officer

Kerri Borne
Chief Financial Officer

Independent Auditor's Report

To the Mayor and Council of the District of Mackenzie:

Opinion

We have audited the financial statements of the District of Mackenzie (the "District"), which comprise the statement of financial position as at December 31, 2025, and the statements of operations and accumulated surplus, changes in net financial assets, cash flows and the related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as at December 31, 2025, and the results of its operations, changes in its net financial assets and its 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 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 ethical 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 Matter

The financial statement for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on May 5, 2025.

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 these 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 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the District as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We 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.

Prince George, British Columbia

May 11, 2026

MNP LLP

Chartered Professional Accountants

District of Mackenzie
Consolidated Statement of Financial Position
As at December 31, 2025

	2025	2024
Financial assets		
Cash and cash equivalents	**1,341,438**	1,644,423
Accounts receivable *(Note 3)*	**4,856,411**	5,948,458
Investments *(Note 4)*	**20,704,249**	19,234,306
Investment in government business entities and partnerships *(Note 5)*	**4,595,353**	4,325,485
	31,497,451	31,152,672
Liabilities		
Accounts payable and accruals *(Note 6)*	**1,948,418**	2,485,495
Deferred revenue *(Note 7)*	**677,407**	982,614
Asset retirement obligations *(Note 8)*	**953,000**	1,101,000
	3,578,825	4,569,109
Net financial assets	**27,918,626**	26,583,563
Non-financial assets		
Tangible capital assets *(Schedule 1)*	**55,988,043**	55,639,981
Inventory	**117,744**	131,472
Prepaid expenses	**349,367**	418,808
Assets held for sale	**11,320**	57,640
	56,466,474	56,247,901
Accumulated surplus *(Note 9)*	**84,385,100**	82,831,464

Commitments and contingencies *(Note 16)*

Keri Borne — **Chief Financial Officer**

Joan Atkinson — **Mayor**

The accompanying notes are an integral part of these consolidated financial statements

District of Mackenzie
Consolidated Statement of Operations and Accumulated Surplus
For the year ended December 31, 2025

	2025 Budget (Note 17)	***2025***	*2024*
Revenue (Schedule 2)			
Government transfers *(Note 12)*	**3,913,009**	**5,411,802**	7,305,023
Net taxation revenue *(Note 13)*	**4,807,326**	**4,805,346**	5,876,568
User fees	**2,044,321**	**2,064,101**	1,921,383
Investments and penalties	**-**	**1,236,276**	1,647,403
Sale of services	**736,696**	**432,056**	536,451
Other	**1,499,685**	**316,252**	329,335
Licenses and permits	**62,200**	**80,841**	96,754
Income from investments in government business entities and partnerships *(Note 5)*	**-**	**569,868**	502,681
	13,063,237	**14,916,542**	18,215,598
Expenses (Schedule 2)			
Community services	**3,565,644**	**4,004,376**	4,429,391
General government	**2,468,008**	**3,371,245**	3,328,214
Transportation	**3,059,789**	**2,863,447**	3,219,213
Protective services	**1,492,440**	**1,603,408**	1,444,699
Water system	**733,505**	**687,908**	635,310
Sewer system	**498,989**	**419,014**	473,513
Garbage and waste collection	**321,295**	**247,530**	285,548
Public health	**142,362**	**165,978**	134,812
	12,282,032	**13,362,906**	13,950,700
Annual surplus	**781,205**	**1,553,636**	4,264,898
Accumulated surplus, beginning of year	**82,831,464**	**82,831,464**	78,566,566
Accumulated surplus, end of year	**83,612,669**	**84,385,100**	82,831,464

The accompanying notes are an integral part of these consolidated financial statements

District of Mackenzie
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2025

	2025 Budget (Note 17)	*2025*	*2024*
Annual surplus	**781,205**	**1,553,636**	4,264,898
Acquisition of tangible capital assets	**(4,232,538)**	**(3,295,784)**	(8,590,629)
Amortization of tangible capital assets	**1,885,036**	**2,482,185**	2,240,036
Loss on disposal of tangible capital assets	**-**	**465,535**	224,202
Write-down of assets held for sale	**-**	**46,320**	41,196
	(2,347,502)	**(301,744)**	(6,085,195)
Acquisition of inventories	**-**	**(117,744)**	(131,472)
Acquisition of prepaid expenses	**-**	**(349,367)**	(418,808)
Consumption of inventories	**-**	**131,472**	72,753
Use of prepaid expenses	**-**	**418,810**	372,960
	-	**83,171**	(104,567)
Increase (decrease) in net financial assets	**(1,566,297)**	**1,335,063**	(1,924,864)
Net financial assets, beginning of year	**26,583,563**	**26,583,563**	28,508,427
Net financial assets, end of year	**25,017,266**	**27,918,626**	26,583,563

The accompanying notes are an integral part of these consolidated financial statements

District of Mackenzie
Consolidated Statement of Cash Flows
For the year ended December 31, 2025

	2025	*2024*
Operating activities		
Annual surplus	**1,553,636**	4,264,898
Non-cash items		
Amortization	**2,482,185**	2,240,036
Loss on disposal of capital assets	**465,535**	224,202
Loss on disposal of assets held for sale	**46,320**	-
Earnings (loss) from investment in business entities	**(569,868)**	(502,681)
Loss on write-down on assets held for sale	**-**	41,196
	3,977,808	6,267,651
Changes in working capital accounts		
Accounts receivable	**1,092,046**	(4,091,612)
Inventory	**13,728**	(58,719)
Prepaid expenses	**69,441**	(45,848)
Accounts payable and accruals	**(537,073)**	649,522
Deferred revenue	**(305,207)**	401,009
Asset retirement obligation	**(148,000)**	39,000
	4,162,743	3,161,003
Capital activities		
Purchases of tangible capital assets	**(3,295,784)**	(8,590,629)
Investing activities		
Purchase of short-term investments	**(1,469,944)**	-
Proceeds from disposal of short-term investments	**-**	4,594,470
Distribution from government business partnership	**300,000**	400,000
	(1,169,944)	4,994,470
Decrease in cash resources	**(302,985)**	(435,156)
Cash resources, beginning of year	**1,644,423**	2,079,579
Cash resources, end of year	**1,341,438**	1,644,423

The accompanying notes are an integral part of these consolidated financial statements

1. Operations of District of Mackenzie

The District of Mackenzie (the "District) is a municipality that was formed in 1966 under the Community Charter, formerly the Municipal Act, a statue 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.

2. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Consolidation basis

(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.

Financial instruments

The District recognizes its financial instruments when the District becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the District may irrevocably elect to subsequently measure any financial instrument at fair value. The District has not made such an election during the year.

The District subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the consolidated statement of remeasurement gains and losses. The District has not presented a consolidated statement of remeasurement gains and losses as it does not have any items giving rise to remeasurement gains (losses). Interest income is recognized in the consolidated statement of operations and accumulated surplus. Investments in equity instruments not quoted in an active market are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the consolidated statement of operations and accumulated surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

2. Significant accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

All financial assets are tested annually for impairment. Management considers whether the investee has experienced continued losses for a period of years in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the consolidated statement of operations and accumulated surplus. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the consolidated statement of remeasurement gains and losses.

Cash and cash equivalents

Cash and cash equivalent include balances with banks and short-term investments with maturities of three months or less.

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.

Investment in Government Business Partnership

The District records its investments in its government business enterprises ("GBE") and its government business partnerships ("GBP") on a modified equity basis. Under the modified equity basis, the GBE and GBP 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 GBE and GBP 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 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%

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. The cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed tangible assets are recorded at their fair value at the date of contribution. Assets under construction are not amortized until the asset is available for productive use.

When conditions indicate that a tangible capital asset no longer contributes to the District’s ability to provide goods and services, or that the value of future economic benefits associated with a tangible capital asset is less than its net book value, the District reduces the cost of the asset to reflect the decline in it’s value. Write-downs of tangible capital assets are not reversed.

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

2. Significant accounting policies *(Continued from previous page)*

Tangible capital assets *(Continued from previous page)*
Amortization

Tangible capital assets are amortized annually using the straight line at rates intended to amortize the cost of the assets over their estimated useful lives:

	Method	***Rate***
Buildings	straight-line	40 - 75 years
Building improvements, equipment and IT	straight-line	4 - 40 years
Drainage and transportation infrastructure	straight-line	10 - 100 years
Machinery, equipment and vehicles	straight-line	5 - 20 years
Water infrastructure	straight-line	10 - 100 years
Sewer infrastructure	straight-line	10 - 100 years

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the District is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2025.

At each financial reporting date, the District reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The District continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the District to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at December 31, 2025. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the District reviews the carrying amount of the liability. The District recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The District continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Revenue recognition

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.

2. Significant accounting policies *(Continued from previous page)*

Revenue recognition *(Continued from previous page)*

Externally restricted revenue

The District recognizes externally restricted inflows as revenue in the period the resources are used for the purpose specified in accordance with an agreement or legislation. Until this time, the District records externally restricted inflows in deferred revenue.

Tax revenue

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.

The District is entitled to collect interest and penalties on overdue taxes. This revenue is recorded in the period the interest and penalties are levied.

Tax revenue is initially measured at management's best estimate of the amount resulting from the original taxable event in accordance with tax legislation. The related tax receivable is initially recognized at its realizable value at the date of acquisition. At each financial statement date, the District evaluates the tax receivable for collectability and records a valuation allowance to reflect the tax receivable at its net recoverable amount, if necessary.

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.

Revenue from transactions with performance obligations, such as sale of services, licenses, and permits, user fees, and other revenue is recognized when the District satisfies a performance obligation by providing the promised goods or services to a payor. The performance obligation is evaluated as being satisfied either over a period of time or at a point in time.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 financial statements, and the reported amounts of revenue and expenses during the reporting period.

Items subject to such estimates and assumptions include the carrying values of tangible capital assets, inventory, accrued liabilities, asset retirement obligation and collectibility of accounts receivable.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the years in which they become known.

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets, prepaid expenses and inventory.

3. Accounts receivable

	2025	*2024*
Taxation - current	**2,606,329**	1,780,470
Taxation - arrears/delinquent	**859,557**	157,895
Grants	**473,614**	2,888,086
Accrued interest	**422,667**	442,876
Trade and miscellanous	**258,934**	429,245
Sales tax	**146,695**	153,419
Utilities	**130,728**	133,242
	4,898,524	5,985,233
Less: Allowance for doubtful accounts	**42,113**	36,775
	4,856,411	5,948,458

4. Investments

	2025	*2024*
Term deposits	**20,704,249**	19,234,306

Investment income earned on investments and cash and cash equivalents of $848,822 (2024 – $1,305,809) is recognized as revenue on the consolidated statement of operations and accumulated surplus as investments and penalties. The term deposits mature between April 30, 2026 to September 13, 2027 with interest rates ranging from 2.48% - 4.60%.

5. Investments in government business partnerships and entities

On January 15, 2008, Mcleod Lake Mackenzie Community Forest Corporation was incorporated. McLeod Lake Mackenzie Community Forest Corporation was formed for the purpose of providing management services to the McLeod Lake Mackenzie Community Forest Limited Partnership.

The District is a 49.5% Limited Partner of McLeod Lake Mackenzie Community Forest Limited Partnership, and has 50% ownership of the 200 issued shares of McLeod Lake Mackenzie Community Forest Corporation.

The District's investment in McLeod Lake Mackenzie Community Forest Limited Partnership and McLeod Lake Mackenzie Community Forest Corporation are recorded on a modified equity basis. Under this method, the District's equity is adjusted by the annual profits and losses and declared dividends of the Partnership and Corporation, if any.

The District investments in these entities are as follows:

				2025
	Investment in shares	***Cumulative share of earnings***	***Distributions***	***Total investment***
McLeod Lake Mackenzie Community Forest Limited Partnership - 49.5%	**50**	**8,415,965**	**(3,881,276)**	**4,534,739**
McLeod Lake Mackenzie Community Forest Corporation - 50%	**100**	**60,514**	**-**	**60,614**
	150	**8,476,479**	**(3,881,276)**	**4,595,353**

5. Investments in government business partnerships and entities *(Continued from previous page)*

	Investment in shares	*Cumulative share of earnings*	*Distributions*	*2024 Total investment*
McLeod Lake Mackenzie Community Forest Limited Partnership - 49.5%	50	7,843,720	(3,581,276)	4,262,494
McLeod Lake Mackenzie Community Forest Corporation - 50%	100	62,891	-	62,991
	150	7,906,611	(3,581,276)	4,325,485

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

	2025	*2024*
Assets	**10,840,123**	10,450,502
Liabilities	**(1,770,648)**	(1,925,513)
Partner's equity	**(9,069,475)**	(8,524,989)
Revenues	**2,596,679**	2,299,655
Expenses	**(2,811,732)**	(2,732,455)
Other income	**1,359,540**	1,418,123
Net earnings	**1,144,487**	985,323

The District's share of net earnings in the current year was $572,244 (2024 - $492,661),

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

	2025	*2024*
Assets	**187,304**	182,717
Liabilities	**(66,074)**	(56,735)
Equity	**(121,230)**	(125,982)
Revenues	**444,000**	444,000
Expenses	**(448,752)**	(423,961)
Net earnings (loss)	**(4,752)**	20,039

The District's percentage of net earnings (loss) in the current year was $(2,376) (2024 - $10,020).

6. Accounts payable and accruals

	2025	*2024*
Trade payables and accrued liabilities	**976,178**	1,345,037
Government remittances	**498,951**	429,673
Wages and related costs	**464,130**	641,349
Other payables	**9,159**	69,436
	1,948,418	2,485,495

7. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

	Balance, beginning of year	***Contributions received***	***Transferred to revenue***	***Balance, end of year***
Licenses and permits	**46,230**	**-**	**4,550**	**41,680**
User fees	**36,395**	**100,031**	**99,144**	**37,282**
Other	**9,413**	**4,073**	**6,995**	**6,491**
Property taxes	**120,300**	**130,515**	**120,300**	**130,515**
Federal transfers	**15,304**	**-**	**-**	**15,304**
Provincial transfers	**616,689**	**86,103**	**370,819**	**331,973**
Other transfers	**138,283**	**236,826**	**260,947**	**114,162**
	982,614	**557,548**	**862,755**	**677,407**

8. Asset retirement obligation

The District owns and operates several buildings that are known to have hazardous material, which represents a health hazard upon demolition or removal of the assets and there is a legal obligation to remove it. Following the adoption of PS 3280 - Asset Retirement Obligations, the District recognized an obligation relating to the removal and post-removal care of the hazardous materials.

	2025	*2024*
Balance, beginning of year	**1,101,000**	1,062,000
Liabilities incurred	**-**	100,000
Liabilities settled	**(148,000)**	(61,000)
Balance, end of year	**953,000**	1,101,000

9. Accumulated surplus

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

	2025	*2024*
Surplus:		
Invested in tangible capital assets	**53,578,060**	53,081,998
General fund	**12,779,430**	12,018,810
Water utility fund	**40,758**	187,382
Sewer utility fund	**107,746**	142,659
Library fund	**139,777**	132,259
	66,645,771	65,563,108
Reserve funds set aside for specific purposes by Council:		
Parkland	**47,846**	46,052
Gas tax	**255,358**	36,966
Fire department vehicle/equipment replacement	**866,426**	836,902
Vehicle/equipment replacement	**3,190,505**	2,779,877
General capital	**3,375,389**	4,053,488
Climate action	**167,843**	122,831
Growing communities fund *(Note 10)*	**1,936,995**	1,864,377
Northern capital planning *(Note 11)*	**740,994**	980,853
Capital renewal	**2,708,680**	2,106,014
Financial stability	**2,031,792**	2,053,746
Water	**1,183,140**	1,426,414
Sewer	**1,131,501**	869,859
Library - operating	**76,757**	73,880
Library - relocation allowance	**5,483**	5,277
Library - contracts	**20,620**	11,820
	17,739,329	17,268,356
	84,385,100	82,831,464

10. Growing Communities Reserve Fund

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

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

	2025	*2024*
Growing Communities Fund	**1,864,377**	1,766,474
Interest income	**72,618**	97,903
	1,936,995	1,864,377

11. Northern Capital Planning Grant Reserve

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.

	2025	*2024*
Opening balance of reserves	**980,853**	1,511,924
Reserves used	**(272,752)**	(598,287)
Interest income	**32,893**	67,216
	740,994	980,853

12. Government transfers

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

	2025	*2024*
Provincial grants:		
Unconditional	**654,546**	619,241
Conditional	**876,059**	171,275
Grants in lieu	**13,566**	12,198
BC Hydro	**3,071,137**	2,569,086
	4,615,308	3,371,800
Federal grants:		
Conditional	**212,808**	2,417,272
Grants in lieu	**10,829**	9,783
	223,637	2,427,055
Other grants:		
Conditional	**403,052**	865,606
Unconditional	**11,100**	427,492
Fortis BC	**31,428**	34,342
Miscellaneous	**127,277**	178,728
	572,857	1,506,168
	5,411,802	7,305,023

13. Net taxation revenue

As disclosed in note 16(b), the District is required to collect taxes on behalf of and transfer these amounts to the government agencies below:

	2025	*2024*
Taxes collected:		
General purposes	**4,805,372**	5,876,538
Collection for other governments	**2,475,313**	2,454,010
	7,280,685	8,330,548
Transfers to other governments:		
Provincial government	**(1,614,732)**	(1,527,229)
Fraser-Fort George Regional Hospital District	**(497,745)**	(529,060)
Regional District of Fraser-Fort George	**(326,682)**	(350,461)
B.C. Assessment Authority	**(36,044)**	(47,086)
Municipal Finance Authority	**(136)**	(144)
	(2,475,339)	(2,453,980)
	4,805,346	5,876,568

14. Municipal Pension Plan

The District and its employees contribute to the Municipal Pension Plan (a jointly trusteed 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, 2024, the plan has about 273,000 active members and approximately 133,000 retired members. Active members include approximately 47,000 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, 2024, indicated a $2,675 million funding surplus for basic pension benefits on a going concern basis.

The District paid $359,019 (2024 - $383,275) for employer contributions to the Plan in fiscal 2025.

The next valuation will be as at December 31, 2027, with results available in 2028. 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.

15. Segments

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:

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.

Protective Services: Protective services is comprised of emergency management and regulatory services.

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.

Public Health: Public heath provides the dental centre, mosquito control and maintenance of the cemetery to the residents of the District.

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

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.

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.

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 segmented information included in the Schedule of Segment Disclosure by Service 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.

16. 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 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 Distinct
- Royal Canadian Mounted Police

(c) 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.

(d) 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, 2025, there are claims outstanding that management has determined the outcome to be undeterminable and thus no accrual has been recorded.

17. Budget Information

The disclosed budget information represents the Financial Plan Bylaw 1524 that was adopted by the Mayor and Council of the District of Mackenzie on May 5, 2025. The financial plan forms the basis for taxation, fees, and charges rates which may be required for a particular year.

Revenues:	**19,710,852**
Other capital revenue	**(743,240)**
Transfer from reserve funds	**(3,489,298)**
Transfer from accumulated surplus	**(397,504)**
Transfer from surplus funds	**(132,537)**
Transfer from invested in tangible capital assets	**(1,885,036)**
	13,063,237
Expenses:	**19,710,852**
Transfer to reserve funds	**(2,857,757)**
Transfer to general fund	**(338,525)**
Capital expenditures	**(4,232,538)**
	12,282,032
Annual surplus	**781,205**

18. Trust Funds

The District operates a cemetery and maintains a cemetery perpetual care fund in accordance with the Cremation, Interment and Funeral Services Act. The trust fund assets and liabilities are not included in the consolidated financial statements. As at December 31, 2025, the balance of funds held in trust was $20,694 (2024 - $18,817).

19. Financial Instruments

The District as part of its operations carries a number of financial instruments. It is management's opinion that the District is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit Risk

Credit risk is the risk that the District will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the District to credit risk consist primarily of cash and cash equivalents, term deposits, and accounts receivable. The District has an investment policy to ensure investments are managed appropriately to secure the preservation of capital and the availability of liquid funds. The District invests surplus funds in accordance with its investment policy. The majority of receivables are due from federal and provincial agencies as well as taxpayers. Amounts due from taxpayers are effectively secured by the property due to the collection method under the tax sale legislation.

Liquidity Risk

Liquidity risk is the risk that the District will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset.

The District manages the liquidity risk by monitoring its operating requirements. The District prepares budgets to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2024.

20. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

Schedule 1

District of Mackenzie
Consolidated Schedule of Tangible Capital Assets
As at December 31, 2025

	Assets under construction	Land and Improvements	Buildings improvements equipment and IT	Building	Machinery equipment and vehicles	Drainage and transportation infrastructure	Water infrastructure	Sewer infrastructure	**2025**	2024
Cost										
Opening Balance	347,048	9,076,808	16,614,876	25,881,361	15,439,314	16,254,791	4,076,374	3,906,232	**91,596,804**	83,777,912
Add:										
Additions	47,894	87,481	176,263	150,531	652,188	1,226,777	953,029	1,621	**3,295,784**	8,590,629
Less:										
Disposals	(347,048)	-	(18,530)	(390,305)	(35,795)	-	(6,151)	(719)	**(798,548)**	(771,738)
Ending Balance	47,894	9,164,289	16,772,609	25,641,587	16,055,707	17,481,568	5,023,252	3,907,134	**94,094,040**	91,596,803
Accumulated Amortization										
Opening Balance	-	-	6,576,112	7,467,870	7,989,775	10,509,915	1,410,283	2,026,919	**35,980,874**	34,264,322
Add:										
Amortization	-	-	736,252	503,614	676,780	431,311	81,271	52,957	**2,482,185**	2,240,036
Less:										
Disposals	-	-	(17,960)	(299,428)	(35,793)	-	(3,507)	(374)	**(357,062)**	(547,536)
Ending Balance	-	-	7,294,404	7,672,056	8,630,762	10,941,226	1,488,047	2,079,502	**38,105,997**	35,956,822
Net Book Value	47,894	9,164,289	9,478,205	17,969,531	7,424,945	6,540,342	3,535,205	1,827,632	**55,988,043**	55,639,981

Schedule 2

District of Mackenzie
Consolidated Schedule of Segment Disclosure
For the year ended December 31, 2025

	General Government Services	Protective Services	Transportation Services	Environmental and Public Health	Garbage and Waste Collection	Community Services	Water Utility	Sewer System	2025 Actual
Revenue									
Taxation	4,805,346	-	-	-	-	-	-	-	**4,805,346**
User fees and licenses and permits	-	-	67,050	-	506,016	80,840	873,366	617,670	**2,144,942**
Sales of services	2,697	-	75,083	-	-	354,276	-	-	**432,056**
Government transfers	4,396,348	160,390	263,742	234,004	-	150,561	206,756	-	**5,411,801**
Other revenues	142,404	-	46,209	555	-	127,084	-	-	**316,252**
Income from investments in government business enterprises and partnerships	569,868	-	-	-	-	-	-	-	**569,868**
Investments and penalties	1,236,276	-			-		-	-	**1,236,276**
	11,152,939	**160,390**	**452,084**	**234,559**	**506,016**	**712,761**	**1,080,122**	**617,670**	**14,916,542**
Expenses									
Operating	968,914	659,067	662,405	23,306	-	697,600	341,913	233,167	**3,586,372**
Salaries, wages & employee benefits	1,232,510	534,179	1,274,590	38,430	116,684	2,274,317	223,528	102,640	**5,796,878**
Legislature	175,746	-	-	-	-	-	-	-	**175,746**
Amortization	77,946	374,170	807,259	104,106	-	940,688	106,667	71,349	**2,482,185**
Interest	3,393	-	-	-	-	-	-	-	**3,393**
Insurance	61,335	35,992	110,267	136	-	81,581	15,800	11,858	**316,969**
Professional services	851,401	-	8,926	-	-	10,190	-	-	**870,517**
Garbage disposal	-	-	-	-	130,846	-	-	-	**130,846**
	3,371,245	**1,603,408**	**2,863,447**	**165,978**	**247,530**	**4,004,376**	**687,908**	**419,014**	**13,362,906**
Annual surplus (deficit)	**7,781,694**	**(1,443,018)**	**(2,411,363)**	**68,581**	**258,486**	**(3,291,615)**	**392,214**	**198,656**	**1,553,636**

	General Government Services	Protective Services	Transportation Services	Environmental and Public Health	Garbage and Waste Collection	Community Services	Water Utility	Sewer System	2024 Actual
Revenue									
Taxation	5,876,568	-	-	-	-	-	-	-	5,876,568
User fees and licenses and permits	-	-	77,816	-	482,628	96,754	790,622	570,317	2,018,137
Sales of services	186,415	-	58,394	-	-	291,642	-	-	536,451
Government transfers	6,798,515	184,187	2,782	107,393	-	73,915	138,231	-	7,305,023
Other revenues	158,497	-	45,711	1,453	-	123,674	-	-	329,335
Income from investments in government business enterprises and partnerships	502,681	-	-	-	-	-	-	-	502,681
Investments and penalties	1,647,403	-	-	-	-	-	-	-	1,647,403
	15,170,079	184,187	184,703	108,846	482,628	585,985	928,853	570,317	18,215,598
Expenses									
Operating	1,517,929	584,163	1,039,849	38,944	-	840,166	355,460	258,244	4,634,755
Salaries, wages & employee benefits	1,333,901	538,511	1,350,964	23,693	144,676	2,609,535	178,935	114,035	6,294,250
Legislature	171,132	-	-	-	-	-	-	-	171,132
Amortization	79,183	291,234	737,876	72,027	-	883,702	88,240	87,774	2,240,036
Interest	4,883	-	-	-	-	-	-	-	4,883
Insurance	58,055	30,477	90,524	148	-	85,768	12,675	13,460	291,107
Professional services	163,131	314	-	-	-	10,220	-	-	173,665
Garbage disposal	-	-	-	-	140,872	-	-	-	140,872
	3,328,214	1,444,699	3,219,213	134,812	285,548	4,429,391	635,310	473,513	13,950,700
Annual surplus (deficit)	11,841,865	(1,260,512)	(3,034,510)	(25,966)	197,080	(3,843,406)	293,543	96,804	4,264,898