



Wilde and Company
Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Reeve and Council of Mackenzie County

Opinion

We have audited the financial statements of Mackenzie County (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net financial assets and cash flows 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 Municipality as at December 31, 2018, and the results of its operations 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 Municipality 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 controls 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 Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

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

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Independent Auditor's Report to the Reeve and Council of Mackenzie County (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Municipality'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 Municipality'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 consolidated 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 Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Vegreville, AB
April 24, 2019

Wilde + Company
Chartered Professional Accountants

MACKENZIE COUNTY
Consolidated Statement of Financial Position
As at December 31, 2018

	2018	2017
	\$	\$
Financial Assets		
Cash and temporary investments (Note 4)	9,867,930	14,935,905
Receivables		
Taxes receivable (Note 5)	2,221,950	1,158,051
Due from governments	1,496,671	4,166,468
Trade and other receivables	1,480,076	945,322
Land held for resale	46,846	46,846
Investments (Note 6)	17,946,902	15,094,147
	33,060,375	36,346,739
Liabilities		
Accounts payable and accrued liabilities (Note 7)	5,495,627	5,547,325
Deposit liabilities	584,330	543,429
Deferred revenue (Note 8)	986,291	200,000
Long term debt (Note 9)	12,621,962	14,548,187
	19,688,210	20,838,941
Net financial assets	13,372,165	15,507,798
Non-financial assets		
Tangible capital assets (Schedule 2)	193,683,763	193,595,142
Inventory for consumption (Note 11)	3,246,260	1,819,799
Prepaid expenses	375,988	298,698
	197,306,011	195,713,639
Accumulated surplus (Schedule 1, Note 14)	210,678,176	211,221,437

MACKENZIE COUNTY
Consolidated Statement of Operations
As at December 31, 2018

	Budget \$ (Unaudited)	2018 \$	2017 \$
Revenue			
Net municipal taxes (Schedule 3)	24,555,603	24,618,668	23,682,474
User fees and sales of goods	4,713,200	5,055,907	4,718,685
Government transfers for operating (Schedule 4)	1,551,966	1,441,377	788,124
Investment income	500,000	605,475	450,340
Penalties and costs on taxes	1,300,000	1,237,381	1,089,854
Licenses, permits and fines	358,000	412,172	421,936
Rentals	125,500	216,338	127,969
Gain on disposal of tangible capital assets	232,779	358,333	48,843
Other	294,000	418,426	269,312
Total revenue	33,631,048	34,364,077	31,597,537
Expenses			
Legislative	845,150	768,764	687,755
Administration	7,364,890	7,064,449	7,179,970
Protective services	1,730,550	1,559,406	1,473,534
Transportation	20,700,161	17,995,542	17,048,050
Environmental use and protection	5,478,699	5,653,074	4,916,958
Family and community support	814,850	806,072	792,049
Planning, development and agriculture	3,037,061	2,794,478	2,486,020
Recreation and culture	2,339,176	2,296,769	2,207,734
Total expenses	42,310,537	38,938,554	36,792,070
Deficiency of revenue over expenses			
- before government transfers	(8,679,489)	(4,574,477)	(5,194,533)
Other			
Government transfers for capital (Schedule 4)	4,581,739	4,031,216	9,402,909
Excess (deficiency) of revenue over expenses	(4,097,750)	(543,261)	4,208,376
Accumulated surplus - beginning of the year	211,221,437	211,221,437	207,013,061
Accumulated surplus - end of the year	207,123,687	210,678,176	211,221,437

MACKENZIE COUNTY
Consolidated Statement of Change in Net Financial Assets
As at December 31, 2018

	Budget \$ (Unaudited)	2018 \$	2017 \$
Excess (deficiency) of revenue over expenses	(4,097,750)	(543,261)	4,208,376
Acquisition of tangible capital assets	(10,909,836)	(10,231,182)	(14,209,256)
Proceeds on disposal of tangible capital assets	732,100	1,019,307	149,646
Amortization of tangible capital assets	8,969,350	9,481,587	9,385,215
Gain on disposal of tangible capital assets	(232,779)	(358,333)	(48,843)
	(1,441,165)	(88,621)	(4,723,238)
Use (acquisition) of prepaid assets	-	(77,290)	83,338
Use (acquisition) of supplies inventories	-	(1,426,461)	239,593
	-	(1,503,751)	322,931
Decrease in net assets	(5,538,915)	(2,135,633)	(191,931)
Net financial assets, beginning of year	15,507,798	15,507,798	15,699,729
Net financial assets, end of year	9,968,883	13,372,165	15,507,798

MACKENZIE COUNTY
Consolidated Statement of Cash Flows
As at December 31, 2018

	2018	2017
	\$	\$
Operating		
Excess (deficiency) of revenue over expenses	(543,261)	4,208,376
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	9,481,587	9,385,215
Gain on disposal of tangible capital assets	(358,333)	(48,843)
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	(1,063,899)	431,521
Decrease (increase) in government receivables	2,669,797	(720,446)
Increase in trade and other receivables	(534,754)	(75,444)
Decrease (increase) in inventory for consumption	(1,426,461)	239,593
Decrease (increase) in prepaid expenses	(77,290)	83,338
Increase (decrease) in accounts payable and accrued liabilities	(51,698)	628,560
Increase in deposit liabilities	40,901	14,110
Increase (decrease) in deferred revenue	786,291	(1,326,832)
<i>Net cash provided by operating transactions</i>	8,922,880	12,819,148
Capital		
Acquisition of tangible capital assets	(10,231,182)	(14,209,256)
Proceeds on sale of tangible capital assets	1,019,307	149,646
<i>Net cash used in capital transactions</i>	(9,211,875)	(14,059,610)
Investing		
Decrease (increase) in restricted cash or cash equivalents	(786,291)	1,326,832
Increase in investments	(2,852,755)	(3,630,105)
<i>Net cash used in investing transactions</i>	(3,639,046)	(2,303,273)
Financing		
Long term debt issued	-	1,466,417
Long term debt repaid	(1,926,225)	(1,575,520)
<i>Net cash used in financing transactions</i>	(1,926,225)	(109,103)
Change in cash and cash equivalents during the year	(5,854,266)	(3,652,838)
Cash and cash equivalents, beginning of year	14,735,905	18,388,743
Cash and cash equivalents, end of year	8,881,639	14,735,905
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 4)	9,867,930	14,935,905
Less: restricted portion of cash and temporary investments (Note 8)	(986,291)	(200,000)
	8,881,639	14,735,905
Cash flows supplementary information		
Interest received	640,403	514,575
Interest paid	471,784	538,120

See accompanying notes

MACKENZIE COUNTY*(Schedule 1)***Schedule of Changes in Accumulated Surplus****As at December 31, 2018**

	Unrestricted Surplus	Restricted Operating	Restricted Capital	Equity in Capital Assets	2018 \$	2017 \$
Balance, beginning of year	13,107,002	5,762,486	13,304,994	179,046,955	211,221,437	207,013,061
Excess of revenues over expenses	(543,261)	-	-	-	(543,261)	4,208,376
Unrestricted funds designated for future use	(13,518,610)	6,594,987	6,923,623	-	-	-
Restricted funds used for operations	2,437,605	(2,427,671)	(9,934)	-	-	-
Restricted funds used for tangible capital assets	-	(480,263)	(4,848,464)	5,328,727	-	-
Current year funds used for tangible capital assets	(4,902,455)	-	-	4,902,455	-	-
Disposal of tangible capital assets	660,974	-	-	(660,974)	-	-
Annual amortization expense	9,481,587	-	-	(9,481,587)	-	-
Long term debt repaid	(1,926,225)	-	-	1,926,225	-	-
Balance, end of year	4,796,617	9,449,539	15,370,219	181,061,801	210,678,176	211,221,437

MACKENZIE COUNTY
Schedule of Tangible Capital Assets
As at December 31, 2018

(Schedule 2)

	Land and Improvements	Buildings	Engineered Structures	Machinery Equipment	Vehicles	2018 \$	2017 \$
Cost							
Balance, beginning of year	10,722,473	20,321,130	354,950,488	16,930,657	5,281,322	408,206,070	394,392,332
Acquisition of tangible capital assets	23,534	26,500	1,058,574	2,647,100	83,256	3,838,964	3,845,135
Construction in progress	42,220	26,000	6,093,847	230,151	-	6,392,218	10,364,121
Disposal of tangible capital assets	-	(258,116)	-	(1,539,064)	(216,362)	(2,013,542)	(395,518)
Balance, end of year	10,788,227	20,115,514	362,102,909	18,268,844	5,148,216	416,423,710	408,206,070
Accumulated amortization							
Balance, beginning of year	1,819,639	4,877,619	199,877,794	5,934,877	2,100,999	214,610,928	205,520,428
Annual amortization	313,289	502,488	6,874,342	1,506,134	285,334	9,481,587	9,385,215
Accumulated amortization on disposals	-	(93,330)	-	(1,078,306)	(180,932)	(1,352,568)	(294,715)
Balance, end of year	2,132,928	5,286,777	206,752,136	6,362,705	2,205,401	222,739,947	214,610,928
2018 net book value of tangible capital assets	8,655,299	14,828,737	155,350,773	11,906,139	2,942,815	193,683,763	193,595,142
2017 net book value of tangible capital assets	8,902,834	15,443,511	155,072,694	10,995,780	3,180,323		193,595,142

MACKENZIE COUNTY
Schedule of Property and Other Taxes
As at December 31, 2018

(Schedule 3)

	Budget	2018	2017
	\$	\$	\$
	(Unaudited)		
Taxation			
Real property taxes	18,353,087	18,402,735	17,014,146
Linear property taxes	12,709,658	12,744,040	13,488,331
Government grants in place of property taxes	175,637	176,112	50,846
Special assessments and local improvement taxes	113,010	113,316	103,557
	31,351,392	31,436,203	30,656,880
Requisitions			
Alberta School Foundation Fund	6,171,876	6,193,622	6,512,618
Mackenzie Housing Management Board	581,534	581,534	461,788
Designated industrial property	42,379	42,379	-
	6,795,789	6,817,535	6,974,406
Net Municipal Taxes	24,555,603	24,618,668	23,682,474

MACKENZIE COUNTY
Schedule of Government Transfers
As at December 31, 2018

(Schedule 4)

	Budget	2018	2017
	\$	\$	\$
	(Unaudited)		
Transfers for Operating			
Provincial Government	1,551,966	1,441,377	788,124
	1,551,966	1,441,377	788,124
Transfers for Capital			
Federal Government	-	-	292,003
Provincial Government	4,581,739	4,031,216	9,110,906
	4,581,739	4,031,216	9,402,909
Total Government Transfers	6,133,705	5,472,593	10,191,033

MACKENZIE COUNTY
Schedule of Consolidated Expenses by Object
As at December 31, 2018

(Schedule 5)

	Budget	2018	2017
	\$	\$	\$
	(Unaudited)		
Consolidated Expenses by Object			
Salaries, wages and benefits	10,315,801	9,677,005	9,254,592
Contracted and general services	7,857,498	6,703,864	7,098,512
Materials, goods, supplies and utilities	10,344,238	7,915,808	6,168,312
Transfers to other governments (Note 13)	1,476,400	1,769,328	1,336,500
Transfers to local boards and agencies	2,203,750	2,172,174	2,063,040
Bank charges and short term interest	25,000	21,409	24,104
Interest on long term debt	472,500	471,784	510,030
Amortization of tangible capital assets	8,969,350	9,481,587	9,385,215
Property tax bad debt expense (Note 5)	646,000	725,595	951,765
	42,310,537	38,938,554	36,792,070

MACKENZIE COUNTY
Schedule of Segmented Disclosure
As at December 31, 2018

(Schedule 6)

	General Government	Protective Services	Transportatio n Services	Environment al Services	Planning & Development	Recreation & Culture	Other	Total \$
Revenue								
Net municipal taxes	24,359,572	-	226,452	32,644	-	-	-	24,618,668
Government transfers for operations	626,884	-	244,516	-	271,295	-	298,682	1,441,377
User fees and sales of goods	37,414	495,654	118,327	4,297,319	26,713	80,480	-	5,055,907
Investment income	605,475	-	-	-	-	-	-	605,475
Other revenues	1,778,046	49,073	324,323	17,611	444,706	28,891	-	2,642,650
	27,407,391	544,727	913,618	4,347,574	742,714	109,371	298,682	34,364,077
Expenses								
Salaries, wages and benefits	2,889,532	509,527	3,732,013	1,208,214	1,144,430	193,289	-	9,677,005
Contracted and general services	1,430,929	593,623	1,981,955	1,451,120	1,038,655	206,376	1,206	6,703,864
Materials, goods, supplies and utilities	610,385	271,306	5,710,044	821,803	434,682	67,588	-	7,915,808
Transfers to local boards and agencies	1,769,328	-	-	-	139,599	1,227,709	804,866	3,941,502
Interest on long term debt	25,219	-	375,384	59,014	-	12,167	-	471,784
Property tax bad debt expense (Note 5)	725,595	-	-	-	-	-	-	725,595
Other expenses	21,409	-	-	-	-	-	-	21,409
	7,472,397	1,374,456	11,799,396	3,540,151	2,757,366	1,707,129	806,072	29,456,967
Net revenue (expenditure) before amortization	19,934,994	(829,729)	(10,885,778)	807,423	(2,014,652)	(1,597,758)	(507,390)	4,907,110
Amortization of tangible capital assets	360,816	184,950	6,196,146	2,112,923	37,112	589,640	-	9,481,587
Net revenue (expenditure) before government transfers	19,574,178	(1,014,679)	(17,081,924)	(1,305,500)	(2,051,764)	(2,187,398)	(507,390)	(4,574,477)
Government transfers for capital	-	55,194	3,396,624	506,085	-	73,313	-	4,031,216
2018 net revenue (expenditure)	19,574,178	(959,485)	(13,685,300)	(799,415)	(2,051,764)	(2,114,085)	(507,390)	(543,261)
2017 net revenue (expenditure)	17,466,653	(917,273)	(13,472,536)	837,754	2,309,732	(1,522,588)	(493,366)	4,208,376

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2018

1. Summary of significant accounting policies

Basis of presentation

The consolidated financial statements of the Municipality are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Municipality, therefore, accountable to Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

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MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2018

1. Summary of significant accounting policies (*continued*)

Use of estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount 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 expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Significant estimates include:

- Amortization of tangible capital assets
- Estimated useful life of tangible capital assets
- Allowance for doubtful accounts

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and investments maturing within 90 days and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Requisition over-levy and under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(*continues*)

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2018

1. Summary of significant accounting policies (*continued*)

Inventories for resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

Gravel pit reclamation

Estimated environmental provisions, comprising pollution control, rehabilitation and pit closure, are based on the County's environmental policy taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognized as and when the environmental liability arises. To the extent that the obligations relate to the construction of an asset, they are capitalized as part of the cost of those assets. The effect of subsequent changes to assumptions in estimating an obligation for which the provision was recognized as part of the cost of the asset is adjusted against the asset. Any subsequent changes to an obligation which did not relate to the initial construction of a related asset are charged to the income statement.

Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

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MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2018

1. Summary of significant accounting policies (*continued*)

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 normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

a) Tangible capital assets

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

	YEARS
Land improvements	15-45
Buildings	25-50
Engineered structures	
Water system	45-75
Wastewater system	45-75
Other engineered structures	10-50
Machinery and equipment	5-15
Vehicles	10-25

b) Contributions of tangible capital assets

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

c) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

d) Inventories

Inventories consist of parts and supplies held for consumption, and gravel. Inventories of parts and supplies are carried at the lower of cost and replacement cost, with cost determined by the average cost method. Gravel pit reserves are recorded at cost and allocated to gravel supplies on a unit of production basis.

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2018

2. Adoption of recent accounting pronouncements

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPAC). These Sections are effective for fiscal periods beginning on or after April 1, 2017 and have been applied retrospectively.

Section PS 2200 - Related Party Disclosures

This new Section defines a related party and establishes disclosures required for related party transactions.

Section PS 3210 - Assets

This new Section provides guidance for applying the definition of assets set out in Financial Statement Concepts, Section PS 1000, and establishes general disclosure standards for assets.

Section PS 3320 - Contingent Assets

This new Section defines and establishes disclosure standards on contingent assets.

Section PS 3380 - Contractual Rights

This new Section defines and establishes disclosure standards on contractual rights.

Section PS 3420 - Inter-entity Transactions

This new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2018

3. Recent accounting pronouncements published but not yet adopted

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPAC) but are not yet effective. The Municipality is currently evaluating the effect of adopting these standards on their financial statements.

Section PS 3430 - Restructuring Transactions

This new Section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. This Section applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.

Section PS 3450 - Financial Instruments

The new Section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. In conjunction with this new Section, Section PS1201, Section PS 2601 and Section 3041 have been amended as a consequence of the introduction of new financial instruments standards. These amendments were required to present the associated gains and losses with financial instruments recognized under the new Section. The new Section and the related amendments are effective for fiscal periods beginning on or after April 1, 2021.

Section PS 3280 - Asset Retirement Obligations

This new Section establishes standards on how to account for and report a liability for asset retirement obligations. This Section applies to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted. As a consequence of the issuance of Section PS3280, Solid Waste Landfill Closure and Post-Closure Liability, Section PS3270, has been withdrawn. Section PS3270 will remain in effect until the adoption of Section PS3280.

Section 3400 - Revenue

This new Section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. This Section applies to fiscal years beginning on or after April 1, 2022.

4. Cash and temporary investments

	2018	2017
Cash	\$ 2,692,996	\$ 2,963,839
Temporary investments	7,174,934	11,972,066
	\$ 9,867,930	\$ 14,935,905

Temporary investments are short term deposits with original maturities of three months or less.

Included in cash and temporary investments is a restricted amount of \$986,291 (2017 - \$200,000) comprised of deferred revenue not expended (Note 8).

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2018

5. Taxes receivable

	2018	2017
Taxes receivable - current	\$ 1,908,161	\$ 1,612,334
Taxes receivable - arrears	960,968	4,000,193
	2,869,129	5,612,527
Less: allowance for doubtful accounts	(647,179)	(4,454,476)
	\$ 2,221,950	\$ 1,158,051

Allowance for doubtful accounts is determined by management through identification of specific accounts.

Property tax bad debt expense is included in the administration expense category on the consolidated statement of operations. In 2018, this amount is \$725,595 (2017 - \$951,765).

6. Investments

	2018	2017
Short term deposits	\$ 10,767,880	\$ 5,290,000
Long term deposits	5,007,310	7,178,557
Government and government guaranteed bonds	2,171,712	2,625,590
	\$ 17,946,902	\$ 15,094,147

Short term deposits have effective interest rates of 2.00% to 2.65% (2017 - 1.80%) with maturity dates in 2019. Market value of the short term notes and deposits is \$10,845,130 (2017 - \$5,317,392).

Long term deposits have effective interest rates of 2.11% to 3.27% (2017 - 1.71% to 3.35%) with maturity dates from June 2020 to February 2028. Market value of the long term investments is \$5,005,808 (2017 - \$5,088,371).

Government and government guaranteed bonds have effective interest rates of 2.45% to 4.00% (2017 - 2.45% to 4.10%) with maturity dates from June 2021 to June 2027. Market value of the bonds is \$2,171,712 (2017 - \$2,598,646).

Council has designated funds of \$15,370,219 (2017 - \$13,304,994) included in the above amounts for capital projects, vehicle and equipment replacement and infrastructure upgrades.

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Notes to Financial Statements
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7. Accounts payables and accrued liabilities

	2018	2017
Government payroll remittance payable	\$ -	\$ 22,105
Trade payables and accruals	2,106,021	2,357,047
Holdback payables	1,062,235	832,926
Gravel pit reclamation liability	1,788,579	1,791,428
Employee payable (wages and accrued overtime)	507,372	512,399
Long term debt interest payable	31,420	31,420
	\$ 5,495,627	\$ 5,547,325

8. Deferred revenue

	2018	2017
Municipal Sustainability Initiative (MSI) capital	\$ 816,438	\$ -
Alberta Community Partnership (ACP) - Intermunicipal Collaboration	108,035	200,000
Natural Disaster Mitigation Program	27,064	-
Strategic Transportation Infrastructure Program (STIP)	19,976	-
Municipal Internship Program	14,778	-
	\$ 986,291	\$ 200,000

The use of these funds are restricted to eligible projects as approved under the agreements. Unexpended funds are supported by cash and temporary investments (Note 4).

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Notes to Financial Statements
Year Ended December 31, 2018

9. Long-term debt

	2018	2017
Tax supported debentures	\$ 12,621,962	\$ 14,548,187

Principal and interest repayments are as follows:

2019	\$ 1,632,478	\$ 411,034	\$ 2,043,512
2020	1,215,985	363,984	1,579,969
2021	1,032,971	327,457	1,360,428
2022	805,962	299,019	1,104,981
2023	623,467	275,250	898,717
Thereafter	7,311,099	1,402,762	8,713,861
	\$ 12,621,962	\$ 3,079,506	\$ 15,701,468

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.47% to 4.50% per annum and matures in periods 2019 through 2033. The average annual interest rate is 3.36% for 2018 (3.35% for 2017).

Debenture debt is issued on the credit and security of the Municipality at large.

Interest on long-term debt amounted to \$471,784 (2017 - \$510,030).

The Municipality's total cash payments for interest in 2018 were \$471,784 (2017 - \$538,120).

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Notes to Financial Statements
Year Ended December 31, 2018

10. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Municipality be disclosed as follows:

	2018	2017
Total debt limit	\$ 51,546,116	\$ 47,396,306
Total debt	(12,621,962)	(14,548,187)
Amount of debt limit unused	\$ 38,924,154	\$ 32,848,119
Debt servicing limit	\$ 8,591,019	\$ 7,899,384
Debt servicing	(2,043,512)	(2,398,008)
Amount of debt servicing limit unused	\$ 6,547,507	\$ 5,501,376

The debt limit is calculated at 1.5 times revenue of the Municipality (as defined in Alberta Regulation 255/2000) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Municipality. Rather, the financial statements must be interpreted as a whole.

11. Inventory for consumption

	2018	2017
Parts and supplies	\$ 859,158	\$ 1,048,803
Gravel	2,387,102	770,996
	\$ 3,246,260	\$ 1,819,799

12. Equity in tangible capital assets

	2018	2017
Tangible capital assets (Schedule 2)	\$416,423,710	\$408,206,070
Less: Accumulated amortization (Schedule 2)	222,739,947	214,610,928
Less: Long-term debt (Note 9)	12,621,962	14,548,187
	\$181,061,801	\$179,046,955

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2018

13. Transfers to other governments

	2018	2017
Town of High Level	\$ 972,928	\$ 540,100
Town of Rainbow Lake	796,400	796,400
	\$ 1,769,328	\$ 1,336,500

These payments are related to service sharing agreements held with the Town of High Level and the Town of Rainbow Lake.

14. Accumulated surplus

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2018	2017
Equity in tangible capital assets (Note 12)	\$181,061,801	\$179,046,955
Operating reserves (Schedule 1)	9,449,539	5,762,486
Capital reserves (Schedule 1)	15,370,219	13,304,994
Unrestricted surplus (Schedule 1)	4,796,617	13,107,002
	\$210,678,176	\$211,221,437

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Notes to Financial Statements
Year Ended December 31, 2018

15. Salary and benefits disclosure

Disclosure of salaries and benefits for municipal officials, the Chief Administrative Officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

			2018	2017
	Salary (1)	Benefits & allowances (2)	Total	Total
Josh Knelsen - current Reeve	\$ 52,187	\$ 219	\$ 52,406	\$ 49,619
Peter Braun - former Reeve	59,913	5,186	65,099	53,673
Lisa Wardley	61,761	4,246	66,007	59,330
Walter Sarapuk	30,339	2,120	32,459	26,647
Jacquie Bateman	39,700	219	39,919	34,319
Eric Jorgensen	38,900	219	39,119	41,069
Cameron Cardinal	44,150	4,376	48,526	9,705
David Driedger	36,900	4,373	41,273	8,505
Anthony Peters	30,850	2,121	32,971	8,705
Ernest Peters	39,950	4,118	44,068	7,805
John W. Driedger	-	-	-	32,239
Ray Toews	-	-	-	18,339
Elmer Derksen	-	-	-	16,339
Designated officer (1)	2,932	606	3,538	-
Chief Administrative Officer	237,279	32,268	269,547	245,160
	\$ 674,861	\$ 60,071	\$ 734,932	\$ 611,454

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans.

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Notes to Financial Statements
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16. Local Authorities Pension Plan

Employees of the Municipality participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Municipality is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

Total current service contributions by the Municipality to the LAPP in 2018 were \$650,292 (2017 - \$656,501). Total current service contributions by the employees of the Municipality to the Local Authorities Pension Plan in 2018 were \$594,866 (2017 - \$628,627).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.8 billion.

17. Segmented disclosure

The Municipality provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

18. Financial instruments

The Municipality's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable and accrued liabilities, deposit liabilities, and long term debt. It is management's opinion that the Municipality is not exposed to significant interest or currency risk arising from these financial instruments.

The Municipality is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Municipality provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

19. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2018

20. Approval of financial statements

Council and Management have approved these financial statements.