

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, 2019, 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, 2019, and the results of its operations and 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 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.

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 Municipality'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 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.

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 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 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 financial statements, including the disclosures, and whether the 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.

Wilde & Company

Vegreville, AB
September 22, 2020

Chartered Professional Accountants

MACKENZIE COUNTY
Consolidated Statement of Financial Position
As at December 31, 2019

	2019	2018
	\$	\$
Financial Assets		
Cash and temporary investments (Note 4)	11,016,177	9,867,930
Receivables		
Taxes receivable (Note 5)	683,243	2,221,950
Due from governments	7,837,843	1,496,671
Trade and other receivables	2,544,243	1,480,076
Land held for resale	46,846	46,846
Investments (Note 6)	10,524,284	17,946,902
	32,652,636	33,060,375
Liabilities		
Accounts payable and accrued liabilities (Note 7)	4,344,802	5,495,627
Deposit liabilities	616,092	584,330
Deferred revenue (Note 8)	2,510,870	986,291
Long term debt (Note 9)	14,520,156	12,621,962
	21,991,920	19,688,210
Net financial assets	10,660,716	13,372,165
Non-financial assets		
Tangible capital assets (Schedule 2)	193,422,453	193,683,763
Inventory for consumption (Note 11)	2,893,614	3,246,260
Prepaid expenses	597,332	375,988
	196,913,399	197,306,011
Accumulated surplus (Schedule 1, Note 14)	207,574,115	210,678,176

MACKENZIE COUNTY
Consolidated Statement of Operations
As at December 31, 2019

	Budget \$ (Unaudited)	2019 \$	2018 \$
Revenue			
Net municipal taxes (Schedule 3)	25,673,767	25,968,912	24,618,668
User fees and sales of goods	4,715,173	5,695,378	5,055,907
Government transfers for operating (Schedule 4)	1,103,552	1,423,195	1,441,377
Investment income	500,000	589,215	605,475
Penalties and costs on taxes	729,000	1,092,222	1,237,381
Licenses, permits and fines	366,000	471,095	412,172
Rentals	-	171,499	216,338
Gain (loss) on disposal of tangible capital assets	-	(471,827)	358,333
Other	430,450	287,355	418,426
Total revenue	33,517,942	35,227,044	34,364,077
Expenses			
Legislative	928,077	794,428	768,764
Administration	7,112,838	10,189,417	7,064,449
Protective services	1,527,685	1,824,042	1,559,406
Transportation	12,259,701	16,298,479	17,995,542
Environmental use and protection	3,747,056	5,319,823	5,653,074
Family and community support	943,649	886,102	806,072
Planning, development and agriculture	3,410,432	3,004,655	2,794,478
Recreation and culture	1,877,433	2,341,175	2,296,769
Total expenses	31,806,871	40,658,121	38,938,554
Deficiency of revenue over expenses before disasters and government transfers	1,711,071	(5,431,077)	(4,574,477)
Loss from Chuckegg wildfire disaster (Note 15)	-	(2,966,852)	-
Deficiency of revenue over expenses before government transfers	1,711,071	(8,397,929)	(4,574,477)
Government transfers for capital (Schedule 4)	7,381,853	5,293,868	4,031,216
Excess (deficiency) of revenue over expenses	9,092,924	(3,104,061)	(543,261)
Accumulated surplus - beginning of the year	210,678,176	210,678,176	211,221,437
Accumulated surplus - end of the year	219,771,100	207,574,115	210,678,176

MACKENZIE COUNTY
Consolidated Statement of Change in Net Financial Assets
As at December 31, 2019

	Budget \$ (Unaudited)	2019 \$	2018 \$
Excess (deficiency) of revenue over expenses	9,092,924	(3,104,061)	(543,261)
Acquisition of tangible capital assets	(19,426,010)	(10,903,666)	(10,231,182)
Proceeds on disposal of tangible capital assets	688,044	723,451	1,019,307
Amortization of tangible capital assets	-	9,969,698	9,481,587
Loss (gain) on disposal of tangible capital assets	-	471,827	(358,333)
	(18,737,966)	261,310	(88,621)
Acquisition of prepaid assets	-	(221,344)	(77,290)
Use (acquisition) of supplies inventories	-	352,646	(1,426,461)
	-	131,302	(1,503,751)
Decrease in net assets	(9,645,042)	(2,711,449)	(2,135,633)
Net financial assets, beginning of year	13,372,165	13,372,165	15,507,798
Net financial assets, end of year	3,727,123	10,660,716	13,372,165

MACKENZIE COUNTY
Consolidated Statement of Cash Flows
As at December 31, 2019

	2019	2018
	\$	\$
Operating		
Deficiency of revenue over expenses	(3,104,061)	(543,261)
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	9,969,698	9,481,587
Loss (gain) on disposal of tangible capital assets	471,827	(358,333)
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	1,538,707	(1,063,899)
Decrease (increase) in government receivables	(6,341,172)	2,669,797
Increase in trade and other receivables	(1,064,167)	(534,754)
Decrease (increase) in inventory for consumption	352,646	(1,426,461)
Increase in prepaid expenses	(221,344)	(77,290)
Decrease in accounts payable and accrued liabilities	(1,150,825)	(51,698)
Increase in deposit liabilities	31,762	40,901
Increase in deferred revenue	1,524,579	786,291
<i>Net cash provided by operating transactions</i>	2,007,650	8,922,880
Capital		
Acquisition of tangible capital assets	(10,903,666)	(10,231,182)
Proceeds on sale of tangible capital assets	723,451	1,019,307
<i>Net cash used in capital transactions</i>	(10,180,215)	(9,211,875)
Investing		
Increase in restricted cash or cash equivalents	(1,524,579)	(786,291)
Decrease (increase) in investments	7,422,618	(2,852,755)
<i>Net cash provided by (used in) investing transactions</i>	5,898,039	(3,639,046)
Financing		
Long term debt issued	3,530,670	-
Long term debt repaid	(1,632,476)	(1,926,225)
<i>Net cash provided by (used in) financing transactions</i>	1,898,194	(1,926,225)
Change in cash and cash equivalents during the year	(376,332)	(5,854,266)
Cash and cash equivalents, beginning of year	8,881,639	14,735,905
Cash and cash equivalents, end of year	8,505,307	8,881,639
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 4)	11,016,177	9,867,930
Less: restricted portion of cash and temporary investments (Note 8)	(2,510,870)	(986,291)
	8,505,307	8,881,639
Cash flows supplementary information		
Interest received	589,215	640,403
Interest paid	411,033	471,784

See accompanying notes

MACKENZIE COUNTY

(Schedule 1)

Schedule of Changes in Accumulated Surplus

As at December 31, 2019

	Unrestricted Surplus	Restricted Operating	Restricted Capital	Equity in Capital Assets	2019 \$	2018 \$
Balance, beginning of year	4,796,617	9,449,539	15,370,219	181,061,801	210,678,176	211,221,437
Deficiency of revenues over expenses	(3,104,061)	-	-	-	(3,104,061)	(543,261)
Unrestricted funds designated for future use	(3,946,450)	2,624,087	1,322,363	-	-	-
Restricted funds used for operations	1,300,259	(1,285,319)	(14,940)	-	-	-
Restricted funds used for tangible capital assets	-	(104,866)	(3,746,185)	3,851,051	-	-
Current year funds used for tangible capital assets	(7,052,615)	-	-	7,052,615	-	-
Disposal of tangible capital assets	1,195,278	-	-	(1,195,278)	-	-
Annual amortization expense	9,969,698	-	-	(9,969,698)	-	-
Long term debt issued	3,530,670	-	-	(3,530,670)	-	-
Long term debt repaid	(1,632,476)	-	-	1,632,476	-	-
Balance, end of year	5,056,920	10,683,441	12,931,457	178,902,297	207,574,115	210,678,176

MACKENZIE COUNTY
Schedule of Tangible Capital Assets
As at December 31, 2019

(Schedule 2)

	Land and Improvements	Buildings	Engineered Structures	Machinery Equipment	Vehicles	2019 \$	2018 \$
Cost							
Balance, beginning of year	10,828,188	20,115,514	362,102,909	18,228,884	5,148,216	416,423,710	408,206,070
Acquisition of tangible capital assets	31,163	23,376	3,974,311	2,869,238	214,372	7,112,460	3,838,964
Construction in progress	57,253	-	3,694,020	39,933	-	3,791,206	6,392,218
Disposal of tangible capital assets	-	(70,024)	-	(1,609,146)	(62,506)	(1,741,676)	(2,013,542)
Balance, end of year	10,916,604	20,068,866	369,771,240	19,528,909	5,300,082	425,585,700	416,423,710
Accumulated amortization							
Balance, beginning of year	2,136,775	5,286,777	206,752,136	6,358,858	2,205,401	222,739,947	214,610,928
Annual amortization	328,796	500,932	7,204,364	1,638,750	296,856	9,969,698	9,481,587
Accumulated amortization on disposals	-	(10,754)	-	(480,638)	(55,006)	(546,398)	(1,352,568)
Balance, end of year	2,465,571	5,776,955	213,956,500	7,516,970	2,447,251	232,163,247	222,739,947
2019 net book value of tangible capital assets	8,451,033	14,291,911	155,814,740	12,011,939	2,852,831	193,422,453	193,683,763
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

MACKENZIE COUNTY
Schedule of Property and Other Taxes
As at December 31, 2019

(Schedule 3)

	Budget \$ (Unaudited)	2019 \$	2018 \$
Taxation			
Real property taxes	19,197,842	19,430,768	18,402,735
Linear property taxes	13,180,425	13,340,342	12,744,040
Government grants in place of property taxes	134,397	136,028	176,112
Special assessments and local improvement taxes	72,694	73,576	113,316
	32,585,358	32,980,714	31,436,203
Requisitions			
Alberta School Foundation Fund	6,204,547	6,305,895	6,193,622
Mackenzie Housing Management Board	610,303	608,793	581,534
Designated industrial property	96,741	97,114	42,379
	6,911,591	7,011,802	6,817,535
Net Municipal Taxes	25,673,767	25,968,912	24,618,668

MACKENZIE COUNTY
Schedule of Government Transfers
As at December 31, 2019

(Schedule 4)

	Budget \$ (Unaudited)	2019 \$	2018 \$
Transfers for Operating			
Federal Government	-	51,500	-
Provincial Government	1,130,552	1,371,695	1,441,377
	1,130,552	1,423,195	1,441,377
Provincial Government - Chuckegg wildfire disaster (Note 15)	-	6,497,495	-
	2,261,104	9,292,385	2,882,754
Transfers for Capital			
Provincial Government	5,646,981	5,293,868	4,031,216
	5,646,981	5,293,868	4,031,216
Total Government Transfers	7,908,085	14,586,253	6,913,970

MACKENZIE COUNTY
Schedule of Consolidated Expenses by Object
As at December 31, 2019

(Schedule 5)

	Budget \$ (Unaudited)	2019 \$	2018 \$
Consolidated Expenses by Object			
Salaries, wages and benefits	10,101,055	9,709,526	9,677,005
Contracted and general services	6,490,490	6,480,793	6,703,864
Materials, goods, supplies and utilities	9,582,989	6,224,545	7,915,808
Transfers to other governments (Note 13)	2,330,249	1,385,766	1,769,328
Transfers to local boards and agencies	2,406,054	2,346,833	2,172,174
Bank charges and short term interest	23,000	26,984	21,409
Interest on long term debt	623,034	421,139	471,784
Amortization of tangible capital assets	-	9,969,698	9,481,587
Property tax bad debt expense (Note 5)	250,000	4,092,837	725,595
	31,806,871	40,658,121	38,938,554
Chuckegg wildfire disaster (Note 15)	-	9,464,347	-
Total expenses including disaster	-	50,122,468	38,938,554

MACKENZIE COUNTY
Schedule of Segmented Disclosure
As at December 31, 2019

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total \$
Revenue								
Net municipal taxes	25,775,336	-	171,472	22,104	-	-	-	25,968,912
Government transfers for operations	373,548	287,362	148,698	4,392	310,513	-	298,682	1,423,195
User fees and sales of goods	74,981	840,043	141,292	4,551,851	29,749	57,462	-	5,695,378
Investment income	589,215	-	-	-	-	-	-	589,215
Other revenues	1,305,881	39,789	(341,180)	22,038	521,363	953	1,500	1,550,344
	28,118,961	1,167,194	120,282	4,600,385	861,625	58,415	300,182	35,227,044
Expenses								
Salaries, wages and benefits	2,926,183	614,378	3,606,162	1,085,947	1,292,105	184,751	-	9,709,526
Contracted and general services	1,454,551	639,220	1,642,659	1,347,827	1,218,211	163,932	14,393	6,480,793
Materials, goods, supplies and utilities	724,058	372,122	4,123,002	655,066	269,157	81,140	-	6,224,545
Transfers to local boards and agencies	1,385,766	-	-	-	173,548	1,301,576	871,709	3,732,599
Interest on long term debt	12,635	-	365,082	33,819	-	9,603	-	421,139
Property tax bad debt expense (Note 5)	4,092,837	-	-	-	-	-	-	4,092,837
Other expenses	26,984	-	-	-	-	-	-	26,984
	10,623,014	1,625,720	9,736,905	3,122,659	2,953,021	1,741,002	886,102	30,688,423
Net revenue (expenditure) before amortization	17,495,947	(458,526)	(9,616,623)	1,477,726	(2,091,396)	(1,682,587)	(585,920)	4,538,621
Amortization of tangible capital assets	360,831	198,322	6,561,574	2,197,164	51,634	600,173	-	9,969,698
Net revenue (expenditure) before government transfers	17,135,116	(656,848)	(16,178,197)	(719,438)	(2,143,030)	(2,282,760)	(585,920)	(5,431,077)
Loss from Chuckegg wildfire disaster (Note 15)	-	-	-	-	-	-	(2,966,852)	(2,966,852)
Government transfers for capital	-	160,634	4,004,943	-	875,996	252,295	-	5,293,868
2019 net revenue (expenditure)	17,135,116	(496,214)	(12,173,254)	(719,438)	(1,267,034)	(2,030,465)	(3,552,772)	(3,104,061)
2018 net revenue (expenditure)	19,574,178	(959,485)	(13,685,300)	(799,415)	(2,051,764)	(2,114,085)	(507,390)	(543,261)

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2019

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, 2019

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, 2019

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, 2019

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, 2019

2. Adoption of recent accounting pronouncements

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPAC).

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.

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 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.

MACKENZIE COUNTY
Notes to Financial Statements
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4. Cash and temporary investments	2019	2018
Cash	\$ 3,651,041	\$ 2,692,996
Temporary investments	7,365,136	7,174,934
	\$ 11,016,177	\$ 9,867,930

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 \$2,510,870 (2018 - \$986,291) comprised of deferred revenue not expended (Note 8).

5. Taxes receivable	2019	2018
Taxes receivable - current	\$ 3,195,579	\$ 1,908,161
Taxes receivable - arrears	2,033,622	960,968
	5,229,201	2,869,129
Less: allowance for doubtful accounts	(4,545,958)	(647,179)
	\$ 683,243	\$ 2,221,950

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 2019, this amount is \$4,092,837 (2018 - \$725,595).

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2019

6. Investments

	2019	2018
Short term deposits	\$ 4,139,894	\$ 10,767,880
Long term deposits	5,506,085	5,007,310
Government and government guaranteed bonds	878,305	2,171,712
	\$ 10,524,284	\$ 17,946,902

Short term deposits have effective interest rates of 2.40% to 3.22% (2018 - 2.00% to 2.65%) with maturity dates in 2020. Market value of the short term notes and deposits is \$4,180,650 (2018 - \$10,845,130).

Long term deposits have effective interest rates of 1.5% to 3.30% (2018 - 2.11% to 3.27%) with maturity dates from January 2021 to February 2028. Market value of the long term investments is \$5,565,922 (2018 - \$5,005,808).

Government and government guaranteed bonds have effective interest rates of 2.45% to 3.00% (2018 - 2.45% to 4.00%) with maturity dates from September 2023 to June 2027. Market value of the bonds is \$907,909 (2018 - \$2,171,712).

Council has designated funds of \$10,524,284 (2018 - \$15,370,219) included in the above amounts for capital projects, vehicle and equipment replacement and infrastructure upgrades.

7. Accounts payables and accrued liabilities

	2019	2018
Trade payables and accruals	\$ 1,852,061	\$ 2,106,021
Holdback payables	144,983	1,062,235
Gravel pit reclamation liability	1,804,676	1,788,579
Employee payable (wages and accrued overtime)	501,556	507,372
Long term debt interest payable	41,526	31,420
	\$ 4,344,802	\$ 5,495,627

MACKENZIE COUNTY
Notes to Financial Statements
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8. Deferred revenue

	2019	2018
Municipal Sustainability Initiative (MSI) capital	\$ 2,388,539	\$ 816,438
Alberta Community Partnership (ACP) - Intermunicipal Collaboration	103,921	108,035
Natural Disaster Mitigation Program	18,410	27,064
Strategic Transportation Infrastructure Program (STIP)	-	19,976
Municipal Internship Program	-	14,778
	\$ 2,510,870	\$ 986,291

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).

9. Long-term debt

	2019	2018
Tax supported debentures	\$ 14,520,156	\$ 12,621,962

Principal and interest repayments are as follows:

	Principal	Interest	Total
2020	\$ 1,538,281	\$ 432,994	\$ 1,971,275
2021	1,361,746	389,989	1,751,735
2022	1,141,345	354,942	1,496,287
2023	965,591	324,432	1,290,023
2024	994,733	295,290	1,290,023
Thereafter	8,518,460	1,253,221	9,771,681
	\$ 14,520,156	\$ 3,050,868	\$ 17,571,024

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 2020 through 2033. The average annual interest rate is 3.06% for 2019 (3.36% for 2018).

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

Interest on long-term debt amounted to \$421,139 (2018 - \$471,784).

The Municipality's total cash payments for interest in 2019 were \$411,033 (2018 - \$471,784).

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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:

	2019	2018
Total debt limit	\$ 52,840,566	\$ 51,546,116
Total debt	(14,520,156)	(12,621,962)
Amount of debt limit unused	\$ 38,320,410	\$ 38,924,154
Debt servicing limit	\$ 8,806,761	\$ 8,591,019
Debt servicing	(1,971,275)	(2,043,512)
Amount of debt servicing limit unused	\$ 6,835,486	\$ 6,547,507

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

	2019	2018
Parts and supplies	\$ 1,017,334	\$ 859,158
Gravel	1,876,280	2,387,102
Total	\$ 2,893,614	\$ 3,246,260

12. Equity in tangible capital assets

	2019	2018
Tangible capital assets (Schedule 2)	\$425,585,700	\$416,423,710
Less: Accumulated amortization (Schedule 2)	232,163,247	222,739,947
Less: Long-term debt (Note 9)	14,520,156	12,621,962
Total	\$178,902,297	\$181,061,801

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Notes to Financial Statements
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13. Transfers to other governments

	2019	2018
Town of High Level	\$ 589,366	\$ 972,928
Town of Rainbow Lake	796,400	796,400
	\$ 1,385,766	\$ 1,769,328

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:

	2019	2018
Equity in tangible capital assets (Note 12)	\$178,902,297	\$181,061,801
Operating reserves (Schedule 1)	10,683,441	9,449,539
Capital reserves (Schedule 1)	12,931,457	15,370,219
Unrestricted surplus (Schedule 1)	5,056,920	4,796,617
	\$207,574,115	\$210,678,176

15. Chuckegg wildfire disaster

The Municipality incurred approximately \$10 million in expenditures relating to the Chuckegg wildfires. Disaster recovery program submissions have been completed and are awaiting government review for funding. Advances of \$6,497,495 have been confirmed by September 22, 2020 and recognized as revenue in 2019. The remaining expenses have not been confirmed by disaster recovery programs, as such, collection of the funds is undeterminable and therefore not included in 2019 revenue. The following is a summary of items included in the 2019 financial statements:

	2019
Disaster recovery program assistance	\$ 6,497,495
Chuckegg wildfire disaster expenses incurred in 2019	(9,464,347)
Loss from Chuckegg wildfire disaster	\$ (2,966,852)

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2019

16. 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:

			2019	2018
	Salary (1)	Benefits & allowances (2)		Total
Josh Knelsen - Reeve	\$ 82,520	\$ 219	\$ 82,739	\$ 52,406
Peter Braun	49,820	4,730	54,550	65,099
Lisa Wardley	61,720	4,121	65,841	66,007
Walter Sarapuk	35,600	2,239	37,839	32,459
Jacquie Bateman	34,580	219	34,799	39,919
Eric Jorgensen	48,758	219	48,977	39,119
Cameron Cardinal	46,420	4,560	50,980	48,526
David Driedger	41,540	4,316	45,856	41,273
Anthony Peters	37,380	2,239	39,619	32,971
Ernest Peters	36,940	4,086	41,026	44,068
Chief Administrative Officer	248,219	31,380	279,599	269,547
Designated Officer - 1	2,638	517	3,155	3,538
	\$ 726,135	\$ 58,845	\$ 784,980	\$ 734,932

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.

17. 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 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount.

Total current service contributions by the Municipality to the LAPP in 2019 were \$572,358 (2018 - \$650,292). Total current service contributions by the employees of the Municipality to the Local Authorities Pension Plan in 2019 were \$518,977 (2018 - \$594,866).

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.913 billion.

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Notes to Financial Statements
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18. 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).

19. 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.

20. Subsequent events

COVID - 19

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

As at September 22, 2020, the Municipality is aware of changes in its operations as a result of the COVID-19 crisis, including temporary closure to the public of certain municipal facilities and layoffs of staff.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the Municipality's operations as at the date of these financial statements.

Ice jam flooding

In spring 2020, the Municipality suffered severe ice jamming and flooding throughout the region. The Municipality has incurred approximately \$3.5 million in disaster expenditures as of September 22, 2020 relating to the ice jamming and flooding. Funds from insurance of approximately \$190,000 is anticipated but not received. The remaining expenses will be submitted to disaster recovery programs with advances totaling \$5,000,000 received prior to September 22, 2020.

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Notes to Financial Statements
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21. Budget amounts

Budget amounts are included for information purposes only and are not audited.

22. Approval of financial statements

Council and Management have approved these financial statements.