



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, 2020, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended and notes to the consolidated 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, 2020, and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

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 PSAS, 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.

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

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
April 28, 2021

Chartered Professional Accountants

MACKENZIE COUNTY
Consolidated Statement of Financial Position
As at December 31, 2020

	2020	2019
	\$	\$
Financial Assets		
Cash and temporary investments (Note 3)	15,930,439	11,016,177
Receivables		
Taxes receivable (Note 4)	2,440,609	683,243
Due from governments	5,837,656	7,837,843
Trade and other receivables	2,037,239	2,544,243
Land held for resale	46,846	46,846
Investments (Note 5)	10,948,282	10,524,284
	37,241,071	32,652,636
Liabilities		
Accounts payable and accrued liabilities (Note 6)	3,946,887	4,344,802
Deposit liabilities	285,797	616,092
Deferred revenue (Note 7)	2,773,033	2,510,870
Long term debt (Note 8)	12,981,874	14,520,156
	19,987,591	21,991,920
Net financial assets	17,253,480	10,660,716
Non-financial assets		
Tangible capital assets (Schedule 2)	187,479,720	193,422,453
Inventory for consumption (Note 10)	2,492,140	2,893,614
Prepaid expenses	1,664,137	597,332
	191,635,997	196,913,399
Accumulated surplus (Schedule 1, Note 13)	208,889,477	207,574,115

MACKENZIE COUNTY
Consolidated Statement of Operations
As at December 31, 2020

	Budget \$ (Unaudited)	2020 \$	2019 \$
Revenue			
Net municipal taxes (Schedule 3)	23,949,792	23,651,797	25,968,912
User fees and sales of goods	4,824,610	4,986,107	5,695,378
Government transfers for operating (Schedule 4)	649,378	1,715,864	1,423,195
Investment income	500,000	402,956	589,215
Penalties and costs on taxes	729,000	1,098,665	1,092,222
Licenses, permits and fines	378,000	713,316	471,095
Rentals	145,793	136,711	171,499
Other	274,657	735,106	287,355
Total revenue	31,451,230	33,440,522	35,698,871
Expenses			
Legislative	925,779	709,259	794,428
Administration	6,617,162	8,023,427	10,247,397
Protective services	1,336,838	1,029,650	1,824,042
Transportation	12,022,242	15,583,101	16,714,806
Environmental use and protection	4,917,884	5,570,579	5,317,343
Family and community support	839,203	791,618	886,102
Planning, development and agriculture	3,861,851	3,039,455	3,004,655
Recreation and culture	2,019,325	2,343,108	2,341,175
Total expenses	32,540,284	37,090,197	41,129,948
Deficiency of revenue over expenses before disasters and government transfers	(1,089,054)	(3,649,675)	(5,431,077)
Recovery (deficiency) from Chuckegg Wildfire Disaster (Note 14)	-	2,255,886	(2,966,852)
Deficiency from Northern Alberta Overland Flood (Note 15)	-	(114,456)	-
Deficiency of revenue over expenses before transfers for capital	(1,089,054)	(1,508,245)	(8,397,929)
Government transfers for capital (Schedule 4)	2,130,000	1,878,267	5,293,868
Non-government transfers for capital	-	945,340	-
Excess (deficiency) of revenue over expenses	1,040,946	1,315,362	(3,104,061)
Accumulated surplus - beginning of the year	207,574,115	207,574,115	210,678,176
Accumulated surplus - end of the year	208,615,061	208,889,477	207,574,115

MACKENZIE COUNTY
Consolidated Statement of Change in Net Financial Assets
As at December 31, 2020

	Budget \$ (Unaudited)	2020 \$	2019 \$
Excess (deficiency) of revenue over expenses	1,040,946	1,315,362	(3,104,061)
Acquisition of tangible capital assets	(15,387,017)	(4,807,997)	(10,903,666)
Proceeds on disposal of tangible capital assets	430,000	487,740	723,451
Amortization of tangible capital assets	9,969,698	10,146,270	9,969,698
Loss on disposal of tangible capital assets	-	116,720	471,827
	(4,987,319)	5,942,733	261,310
Acquisition of prepaid assets	-	(1,066,805)	(221,344)
Use of supplies inventories	-	401,474	352,646
	-	(665,331)	131,302
Increase (decrease) in net assets	(3,946,373)	6,592,764	(2,711,449)
Net financial assets, beginning of year	10,660,716	10,660,716	13,372,165
Net financial assets, end of year	6,714,343	17,253,480	10,660,716

MACKENZIE COUNTY
Consolidated Statement of Cash Flows
As at December 31, 2020

	2020 \$	2019 \$
Operating		
Excess (deficiency) of revenue over expenses	1,315,362	(3,104,061)
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	10,146,270	9,969,698
Loss on disposal of tangible capital assets	116,720	471,827
Net changes in non-cash charges to operation		
(Increase) decrease in taxes and grants in lieu receivable	(1,757,366)	1,538,707
Decrease (increase) in government receivables	2,000,187	(6,341,172)
Decrease (increase) in trade and other receivables	507,004	(1,064,167)
Decrease in inventory for consumption	401,474	352,646
Increase in prepaid expenses	(1,066,805)	(221,344)
Decrease in accounts payable and accrued liabilities	(397,915)	(1,150,825)
(Decrease) increase in deposit liabilities	(330,295)	31,762
Increase in deferred revenue	262,163	1,524,579
<i>Net cash provided by operating transactions</i>	11,196,799	2,007,650
Capital		
Acquisition of tangible capital assets	(4,807,997)	(10,903,666)
Proceeds on sale of tangible capital assets	487,740	723,451
<i>Net cash used in capital transactions</i>	(4,320,257)	(10,180,215)
Investing		
Increase in restricted cash or cash equivalents	(262,163)	(1,524,579)
(Increase) decrease in investments	(423,998)	7,422,618
<i>Net cash (used in) provided by investing transactions</i>	(686,161)	5,898,039
Financing		
Long term debt issued	-	3,530,670
Long term debt repaid	(1,538,282)	(1,632,476)
<i>Net cash (used in) provided by financing transactions</i>	(1,538,282)	1,898,194
Change in cash and cash equivalents during the year	4,652,099	(376,332)
Cash and cash equivalents, beginning of year	8,505,307	8,881,639
Cash and cash equivalents, end of year	13,157,406	8,505,307
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	15,930,439	11,016,177
Less: restricted portion of cash and temporary investments (Note 7)	(2,773,033)	(2,510,870)
	13,157,406	8,505,307
Cash flows supplementary information		
Interest received	402,956	589,215
Interest paid	426,794	411,033

See accompanying notes

MACKENZIE COUNTY*(Schedule 1)***Schedule of Changes in Accumulated Surplus****As at December 31, 2020**

	Unrestricted Surplus	Restricted Operating	Restricted Capital	Equity in Capital Assets	2020 \$	2019 \$
Balance, beginning of year	5,056,920	10,683,441	12,931,457	178,902,297	207,574,115	210,678,176
Excess (deficiency) of revenues over expenses	1,315,362	-	-	-	1,315,362	(3,104,061)
Unrestricted funds designated for future use	(3,817,495)	896,908	2,920,587	-	-	-
Restricted funds used for operations	1,152,313	(1,146,616)	(5,697)	-	-	-
Restricted funds used for tangible capital assets	-	(91,108)	(1,302,748)	1,393,856	-	-
Current year funds used for tangible capital assets	(3,414,141)	-	-	3,414,141	-	-
Disposal of tangible capital assets	604,460	-	-	(604,460)	-	-
Annual amortization expense	10,146,270	-	-	(10,146,270)	-	-
Long term debt repaid	(1,538,282)	-	-	1,538,282	-	-
Balance, end of year	9,505,407	10,342,625	14,543,599	174,497,846	208,889,477	207,574,115

MACKENZIE COUNTY
Schedule of Tangible Capital Assets
As at December 31, 2020

(Schedule 2)

	Land and Improvements	Buildings	Engineered Structures	Machinery Equipment	Vehicles	2020 \$	2019 \$
Cost							
Balance, beginning of year	10,916,604	20,068,866	369,771,240	19,528,909	5,300,081	425,585,700	416,423,710
Acquisition of tangible capital assets	8,600	584,620	795,971	1,225,434	500,329	3,114,954	7,112,460
Construction in progress	96,655	-	1,596,388	-	-	1,693,043	3,791,206
Disposal of tangible capital assets	-	(11,733)	-	(986,340)	(297,000)	(1,295,073)	(1,741,676)
Balance, end of year	11,021,859	20,641,753	372,163,599	19,768,003	5,503,410	429,098,624	425,585,700
Accumulated amortization							
Balance, beginning of year	2,465,571	5,776,955	213,956,500	7,516,970	2,447,251	232,163,247	222,739,947
Annual amortization	329,369	514,138	7,473,983	1,512,711	316,069	10,146,270	9,969,698
Accumulated amortization on disposals	-	(3,008)	-	(400,605)	(287,000)	(690,613)	(546,398)
Balance, end of year	2,794,940	6,288,085	221,430,483	8,629,076	2,476,320	241,618,904	232,163,247
2020 net book value of tangible capital assets	8,226,919	14,353,668	150,733,116	11,138,927	3,027,090	187,479,720	193,422,453
2019 net book value of tangible capital assets	8,451,033	14,291,911	155,814,739	12,011,939	2,852,831		193,422,453

MACKENZIE COUNTY
Schedule of Property and Other Taxes
As at December 31, 2020

(Schedule 3)

	Budget	2020	2019
	\$	\$	\$
	(Unaudited)		
Taxation			
Real property taxes	18,898,229	18,762,019	19,430,768
Linear property taxes	12,073,032	11,986,015	13,340,342
Government grants in place of property taxes	139,143	138,140	136,028
Special assessments and local improvement taxes	(2,240)	(2,224)	73,576
	31,108,164	30,883,950	32,980,714
Requisitions			
Alberta School Foundation Fund	6,847,171	6,618,889	6,305,895
Mackenzie Housing Management Board	534,907	533,715	608,793
Designated industrial property	79,534	79,549	97,114
	7,461,612	7,232,153	7,011,802
Net Municipal Taxes	23,646,552	23,651,797	25,968,912

MACKENZIE COUNTY
Schedule of Government Transfers
As at December 31, 2020

(Schedule 4)

	Budget	2020	2019
	\$	\$	\$
	(Unaudited)		
Transfers for Operating			
Federal Government	-	-	51,500
Provincial Government	649,378	1,715,864	1,371,695
	649,378	1,715,864	1,423,195
Provincial Government - Chuckegg Wildfire Disaster (Note 14)	-	2,255,886	6,497,495
Provincial Government - Northern Alberta Overland Flood Disaster (Note 15)	-	4,732,307	-
	649,378	8,704,057	7,920,690
Transfers for Capital			
Provincial Government	2,130,000	1,878,267	5,293,868
	2,130,000	1,878,267	5,293,868
Total Government Transfers	2,779,378	10,582,324	13,214,558

MACKENZIE COUNTY
Schedule of Consolidated Expenses by Object
As at December 31, 2020

(Schedule 5)

	Budget \$ (Unaudited)	2020 \$	2019 \$
Consolidated Expenses by Object			
Salaries, wages and benefits	10,201,369	8,711,261	9,709,526
Contracted and general services	4,174,858	6,799,716	6,480,793
Materials, goods, supplies and utilities	7,814,446	5,273,202	6,224,545
Transfers to other governments (Note 12)	2,143,586	1,793,917	1,385,766
Transfers to local boards and agencies	2,454,240	2,108,278	2,346,833
Bank charges and short term interest	21,000	24,827	26,984
Interest on long term debt	432,994	426,794	421,139
Amortization of tangible capital assets	9,969,698	10,146,270	9,969,698
Loss on disposal of capital assets	-	116,720	471,827
Property tax bad debt expense (Note 4)	350,000	1,689,212	4,092,837
	37,562,191	37,090,197	41,129,948
Chuckegg Wildfire Disaster (Note 14)	-	-	9,464,347
Northern Alberta Overland Flooding Disaster (Note 15)	-	4,846,763	-
Total expenses including disaster	-	41,936,960	41,129,948

MACKENZIE COUNTY
Schedule of Segmented Disclosure
As at December 31, 2020

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total \$
Revenue								
Net municipal taxes	23,524,021	-	109,481	18,295	-	-	-	23,651,797
Government transfers for operations	1,078,624	-	186,961	-	109,547	-	340,732	1,715,864
User fees and sales of goods	112,026	43,862	88,612	4,627,848	19,462	94,297	-	4,986,107
Investment income	402,956	-	-	-	-	-	-	402,956
Other	1,796,266	28,762	32,966	87,368	736,936	-	1,500	2,683,798
	26,913,893	72,624	418,020	4,733,511	865,945	94,297	342,232	33,440,522
Expenses								
Salaries, wages and benefits	2,732,550	343,353	3,058,883	1,138,732	1,240,241	197,502	-	8,711,261
Contracted and general services	1,433,217	326,094	2,087,439	1,412,039	1,286,149	247,054	7,724	6,799,716
Materials, goods, supplies and utilities	699,764	133,456	3,232,156	794,136	324,838	88,852	-	5,273,202
Transfers to other local government and boards	1,793,917	-	-	-	126,678	1,197,706	783,894	3,902,195
Interest on long term debt	2,204	-	396,708	20,894	-	6,988	-	426,794
Property tax bad debt expense (Note 4)	1,689,212	-	-	-	-	-	-	1,689,212
Loss on disposal of capital assets	-	10,000	104,225	-	-	2,495	-	116,720
Other	24,827	-	-	-	-	-	-	24,827
	8,375,691	812,903	8,879,411	3,365,801	2,977,906	1,740,597	791,618	26,943,927
Net revenue (expenditure) before amortization	18,538,202	(740,279)	(8,461,391)	1,367,710	(2,111,961)	(1,646,300)	(449,386)	6,496,595
Amortization of tangible capital assets	356,995	216,747	6,703,690	2,204,778	61,549	602,511	-	10,146,270
Net revenue (expenditure) before disasters and transfers	18,181,207	(957,026)	(15,165,081)	(837,068)	(2,173,510)	(2,248,811)	(449,386)	(3,649,675)
Recovery from Chuckegg Wildfire Disaster (Note 14)	-	-	-	-	-	-	2,255,886	2,255,886
Deficiency from Northern Alberta Overland Flood Disaster (Note 15)	-	-	-	-	-	-	(114,456)	(114,456)
Net revenue (expenditure) before transfers for capital	18,181,207	(957,026)	(15,165,081)	(837,068)	(2,173,510)	(2,248,811)	1,692,044	(1,508,245)
Government transfers for capital	-	289,372	839,412	475,883	273,600	-	-	1,878,267
Non-government transfers for capital	-	-	400,000	-	545,340	-	-	945,340
2020 net revenue (expenditure)	18,181,207	(667,654)	(13,925,669)	(361,185)	(1,354,570)	(2,248,811)	1,692,044	1,315,362
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)

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2020

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, 2020

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 maturing within 90 days and are valued at cost plus accrued interest.

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.

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MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2020

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 Municipality'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.

(*continues*)

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2020

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, 2020

2. 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, 2022.

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, 2022. 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, 2023.

3. Cash and temporary investments

	2020	2019
Cash	\$ 12,429,473	\$ 3,651,041
Temporary investments	3,500,966	7,365,136
	\$ 15,930,439	\$ 11,016,177

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 \$6,368,350 (2019 - \$4,917,983) comprised of deferred revenue not expended and capital projects.

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2020

4. Taxes receivable

	2020	2019
Taxes receivable - current	\$ 4,649,783	\$ 3,195,579
Taxes receivable - arrears	3,853,721	2,033,622
Subtotal	8,503,504	5,229,201
Less: allowance for doubtful accounts	(6,062,895)	(4,545,958)
	\$ 2,440,609	\$ 683,243

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 2020, this amount is \$1,689,212 (2019 - \$4,092,837).

5. Investments

	2020	2019
Short term deposits	\$ 289,650	\$ 4,139,894
Long term deposits	10,062,258	5,506,085
Government and government guaranteed bonds	596,374	878,305
	\$ 10,948,282	\$ 10,524,284

Short term deposit has an effective interest rate of 1.91% (2019 - 2.4% to 3.22%) with a maturity date in April 2021. Market value of the short term notes and deposits is \$293,576 (2019 - \$4,180,650).

Long term deposits have effective interest rates of 0.8% to 3.3% (2019 - 1.5% to 3.3%) with maturity dates from April 2022 to February 2028. Market value of the long term investments is \$10,318,565 (2019 - \$5,565,922).

Government and government guaranteed bonds have effective interest rates of 2.45% to 2.55% (2019 - 2.45% to 3.55%) with maturity dates from June 2025 to June 2027. Market value of the bonds is \$658,952 (2019 - \$907,909).

Council has designated funds of \$10,948,282 (2019 - \$10,524,284) included in the above amounts for capital projects.

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2020

6. Accounts payables and accrued liabilities

	2020	2019
Government payroll remittance payable	\$ 20,401	\$ -
Trade payables and accruals	1,368,209	1,852,061
Holdback payables	234,481	144,983
Gravel pit reclamation liability	1,815,208	1,804,676
Employee payable (wages and accrued overtime)	473,263	501,556
Long term debt interest payable	35,325	41,526
	\$ 3,946,887	\$ 4,344,802

7. Deferred revenue

	2020	2019
Municipal Sustainability Initiative (MSI) capital	\$ 1,276,223	\$ 2,388,539
Disaster Recovery Program	544,211	-
Municipal Operating Support Transfer	498,797	-
Gas Tax Fund	401,660	-
Family and Community Support Services	24,892	-
Disaster relief funding	15,000	10,000
Community and Regional Economic Support	12,250	-
Alberta Community Partnership (ACP) - Intermunicipal Collaboration	-	103,921
Natural Disaster Mitigation	-	8,410
	\$ 2,773,033	\$ 2,510,870

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 3).

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2020

8. Long-term debt

	2020	2019
Tax supported debentures	\$ 12,981,874	\$ 14,520,156

Principal and interest repayments are as follows:

	Principal	Interest	Total
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
2025	1,024,813	265,210	1,290,023
Thereafter	7,493,646	988,011	8,481,657
	\$ 12,981,874	\$ 2,617,874	\$ 15,599,748

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 2021 through 2033. The average annual interest rate is 3.08% for 2020 (3.06% for 2019).

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

Interest on long-term debt amounted to \$426,794 (2019 - \$421,139).

The Municipality's total cash payments for interest in 2020 were \$432,995 (2019 - \$411,033).

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2020

9. 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:

	2020	2019
Total debt limit	\$ 49,985,703	\$ 52,840,566
Total debt	(12,981,874)	(14,520,156)
Amount of debt limit unused	\$ 37,003,829	\$ 38,320,410
Debt servicing limit	\$ 8,330,951	\$ 8,806,861
Debt servicing	(1,751,735)	(1,971,275)
Amount of debt servicing limit unused	\$ 6,579,216	\$ 6,835,586

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.

10. Inventory for consumption

	2020	2019
Parts and supplies	\$ 969,524	\$ 1,017,334
Gravel	1,522,616	1,876,280
	\$ 2,492,140	\$ 2,893,614

11. Equity in tangible capital assets

	2020	2019
Tangible capital assets (Schedule 2)	\$429,098,624	\$425,585,700
Less: Accumulated amortization (Schedule 2)	241,618,904	232,163,247
Less: Long-term debt (Note 9)	12,981,874	14,520,156
	\$174,497,846	\$178,902,297

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2020

12. Transfers to other governments

	2020	2019
Town of High Level	\$ 543,917	\$ 589,366
Town of Rainbow Lake	1,250,000	796,400
	\$ 1,793,917	\$ 1,385,766

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

13. Accumulated surplus

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

	2020	2019
Equity in tangible capital assets (Note 11)	\$174,497,846	\$178,902,297
Operating reserves (Schedule 1)	10,342,625	10,683,441
Capital reserves (Schedule 1)	14,543,599	12,931,457
Unrestricted surplus (Schedule 1)	9,505,407	5,056,920
	\$208,889,477	\$207,574,115

14. Chuckegg Wildfire Disaster

The Municipality continues to incur expenditures relating to the 2019 Chuckegg Wildfire. Disaster Recovery Program submissions have been completed and are awaiting government approval. Additional projects of \$2,255,886 have been approved by April 28, 2021 and are recognized as revenue in 2020. The remaining expenses have not been confirmed by Disaster Recovery Program, as such, collection of the funds is undeterminable and therefore not included in 2020 revenue. The following is a summary of items included in the 2020 financial statements:

	2020	2019
Disaster Recovery Program assistance (Schedule 4)	\$ 2,255,886	\$ 6,497,495
Chuckegg Wildfire Disaster expenses incurred (Schedule 5)	-	(9,464,347)
Recovery (deficiency) from Chuckegg Wildfire Disaster	\$ 2,255,886	\$ (2,966,852)

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2020

15. Northern Alberta Overland Flood

The Municipality incurred approximately \$5 million in expenditures relating to the Northern Alberta Overland Flood. Disaster Recovery Program submissions are being completed and are awaiting government approval. Advances of \$5 million have been issued by April 28, 2021 and revenue equivalent to the approved expenditures has been recognized in 2020. The remaining expenses have not been approved by Disaster Recovery Program, as such, collection of the funds is undeterminable and therefore not included in 2020 revenue. The following is a summary of items included in the 2020 financial statements:

	2020
Disaster Recovery Program assistance (Schedule 4)	\$ 4,732,307
Northern Alberta Overland Flood disaster expenses incurred in 2020 (Schedule 5)	(4,846,763)
Deficiency from Northern Alberta Overland Flood	\$ (114,456)

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:

	Salary (1)	Benefits & allowances (2)	2020	2019
Josh Knelsen - Reeve	\$ 74,740	\$ 219	\$ 74,959	\$ 82,739
Peter Braun	44,500	4,529	49,029	54,550
Lisa Wardley	57,840	3,946	61,786	65,841
Walter Sarapuk	36,470	2,304	38,774	37,839
Jacque Bateman	33,100	219	33,319	34,799
Eric Jorgensen	41,630	219	41,849	48,977
Cameron Cardinal	50,420	4,825	55,245	50,980
David Driedger	37,680	4,188	41,868	45,856
Anthony Peters	32,640	2,304	34,944	39,619
Ernest Peters	32,380	3,923	36,303	41,026
Chief Administrative Officer	209,244	32,131	241,375	279,599
Designated Officer	-	-	-	3,155
	\$ 650,644	\$ 58,807	\$ 709,451	\$ 784,980

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.

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2020

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 2020 were \$565,907 (2019 - \$572,358). Total current service contributions by the employees of the Municipality to the Local Authorities Pension Plan in 2020 were \$503,254 (2019 - \$518,977).

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.9 billion.

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.

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2020

20. Pandemic risk

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and measures put in place have multiple impacts on local, provincial, national and global economies. As at April 28, 2021, the Municipality is aware of these changes in its operations as a result of the COVID-19 crisis. 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 of the date of these financial statements.

21. Budget amounts

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

22. Comparative figures

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

23. Approval of financial statements

Council and Management have approved these financial statements.