

## 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 statement of financial position as at December 31, 2021, and the statements of operations, changes 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, 2021, and the results of its operations and 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.

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.

(continues)

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

- 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 27, 2022

Chartered Professional Accountants

**MACKENZIE COUNTY**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2021**

	2021	2020
	\$	\$
<b>Financial Assets</b>		
Cash and temporary investments (Note 4)	29,436,082	15,930,439
Receivables		
Taxes receivable (Note 5)	4,154,854	2,440,609
Due from governments	5,605,220	5,837,656
Trade and other receivables	1,857,073	2,037,239
Land held for resale	46,846	46,846
Investments (Note 6)	11,012,462	10,948,282
	<b>52,112,537</b>	<b>37,241,071</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	7,864,499	3,946,887
Deposit liabilities	313,637	285,797
Deferred revenue (Note 9)	9,987,843	2,773,033
Long term debt (Note 10)	12,720,130	12,981,874
	<b>30,886,109</b>	<b>19,987,591</b>
<b>Net financial assets</b>	<b>21,226,428</b>	<b>17,253,480</b>
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 2)	187,895,487	187,479,720
Inventory for consumption (Note 12)	2,451,049	2,492,140
Prepaid expenses	883,091	1,664,137
	<b>191,229,627</b>	<b>191,635,997</b>
<b>Accumulated surplus (Schedule 1, Note 13)</b>	<b>212,456,055</b>	<b>208,889,477</b>

**MACKENZIE COUNTY**  
**Consolidated Statement of Operations**  
**As at December 31, 2021**

	Budget \$ (Unaudited)	2021 \$	2020 \$
<b>Revenue</b>			
Net municipal taxes (Schedule 3)	23,702,505	23,825,665	23,651,797
User fees and sales of goods	5,567,908	5,846,216	4,986,107
Government transfers for operating (Schedule 4)	1,110,857	1,191,022	1,715,864
Investment income	500,000	237,432	402,956
Penalties and costs on taxes	529,000	746,494	1,098,665
Licenses, permits and fines	388,000	852,457	713,316
Rentals	153,703	204,626	136,711
Other	250,747	176,842	735,106
<b>Total revenue</b>	<b>32,202,720</b>	<b>33,080,754</b>	<b>33,440,522</b>
<b>Expenses</b>			
Legislative	876,891	705,978	709,259
Administration	8,404,627	7,865,705	8,023,427
Protective services	1,258,140	1,404,860	1,029,650
Transportation	11,251,241	19,149,398	15,583,101
Environmental use and protection	5,349,334	5,337,848	5,570,579
Family and community support	797,848	739,751	791,618
Planning, development and agriculture	3,525,576	2,902,337	3,039,455
Recreation and culture	2,008,644	2,086,490	2,343,108
<b>Total expenses</b>	<b>33,472,301</b>	<b>40,192,367</b>	<b>37,090,197</b>
<b>Deficiency of revenue over expenses</b>			
<b>before disasters and government transfers</b>	<b>(1,269,581)</b>	<b>(7,111,613)</b>	<b>(3,649,675)</b>
Recovery from 2019 Chuckegg Wildfire (Note 16)	-	1,283,008	2,255,886
Recovery (deficiency) from 2020 Northern Alberta Overland Flood (Note 17)	-	39,132	(114,456)
<b>Deficiency of revenue over expenses</b>			
<b>before transfers for capital</b>	<b>(1,269,581)</b>	<b>(5,789,473)</b>	<b>(1,508,245)</b>
Government transfers for capital (Schedule 4)	8,418,664	5,059,865	1,878,267
Non-government transfers for capital (Note 20)	-	4,296,186	945,340
<b>Excess of revenue over expenses</b>	<b>7,149,083</b>	<b>3,566,578</b>	<b>1,315,362</b>
Accumulated surplus - beginning of the year	208,889,477	208,889,477	207,574,115
Accumulated surplus - end of the year	216,038,560	212,456,055	208,889,477

**MACKENZIE COUNTY**  
**Consolidated Statement of Change in Net Financial Assets**  
**As at December 31, 2021**

	<b>Budget</b> <b>\$</b> <b>(Unaudited)</b>	<b>2021</b> <b>\$</b>	<b>2020</b> <b>\$</b>
Excess of revenue over expenses	7,149,083	3,566,578	1,315,362
Acquisition of tangible capital assets	(12,117,582)	(10,575,045)	(4,807,997)
Proceeds on disposal of tangible capital assets	-	28,265	487,740
Amortization of tangible capital assets	10,146,271	10,118,528	10,146,270
Loss on disposal of tangible capital assets	-	12,485	116,720
	<b>(1,971,311)</b>	<b>(415,767)</b>	<b>5,942,733</b>
Disposal (acquisition) of prepaid assets	-	781,046	(1,066,805)
Use of supplies inventories	-	41,091	401,474
	-	<b>822,137</b>	<b>(665,331)</b>
Increase in net assets	5,177,772	3,972,948	6,592,764
Net financial assets, beginning of year	17,253,480	17,253,480	10,660,716
Net financial assets, end of year	22,431,252	21,226,428	17,253,480

**MACKENZIE COUNTY**  
**Consolidated Statement of Cash Flows**  
**As at December 31, 2021**

	2021	2020
	\$	\$
<b>Operating</b>		
Excess of revenue over expenses	3,566,578	1,315,362
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	10,118,528	10,146,270
Loss on disposal of tangible capital assets	12,485	116,720
Net changes in non-cash charges to operation		
Increase in taxes and grants in lieu receivable	(1,714,245)	(1,757,366)
Decrease in government receivables	232,436	2,000,187
Decrease in trade and other receivables	180,166	507,004
Decrease in inventory for consumption	41,091	401,474
Decrease (increase) in prepaid expenses	781,046	(1,066,805)
Increase (decrease) in accounts payable and accrued liabilities	3,917,612	(397,915)
Increase (decrease) in deposit liabilities	27,840	(330,295)
Increase in deferred revenue	7,214,810	262,163
<i>Net cash provided by operating transactions</i>	<b>24,378,347</b>	<b>11,196,799</b>
<b>Capital</b>		
Acquisition of tangible capital assets	(10,575,045)	(4,807,997)
Proceeds on sale of tangible capital assets	28,265	487,740
<i>Net cash used in capital transactions</i>	<b>(10,546,780)</b>	<b>(4,320,257)</b>
<b>Investing</b>		
Increase in restricted cash or cash equivalents	(7,214,810)	(262,163)
Increase in investments	(64,180)	(423,998)
<i>Net cash used in investing transactions</i>	<b>(7,278,990)</b>	<b>(686,161)</b>
<b>Financing</b>		
Long term debt issued	1,100,000	-
Long term debt repaid	(1,361,744)	(1,538,282)
<i>Net cash used in financing transactions</i>	<b>(261,744)</b>	<b>(1,538,282)</b>
<b>Change in cash and cash equivalents during the year</b>	<b>6,290,833</b>	<b>4,652,099</b>
Cash and cash equivalents, beginning of year	13,157,406	8,505,307
<b>Cash and cash equivalents, end of year</b>	<b>19,448,239</b>	<b>13,157,406</b>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 4)	29,436,082	15,930,439
Less: restricted portion of cash and temporary investments (Note 9)	(9,987,843)	(2,773,033)
	<b>19,448,239</b>	<b>13,157,406</b>
Cash flows supplementary information		
Interest received	237,432	402,956
Interest paid	388,712	426,794

See accompanying notes

**MACKENZIE COUNTY**  
**Schedule of Changes in Accumulated Surplus**  
**As at December 31, 2021**

*(Schedule 1)*

	<b>Unrestricted Surplus</b>	<b>Restricted Operating</b>	<b>Restricted Capital</b>	<b>Equity in Capital Assets</b>	<b>2021 \$</b>	<b>2020 \$</b>
<b>Balance, beginning of year</b>	<b>9,505,407</b>	<b>10,342,625</b>	<b>14,543,599</b>	<b>174,497,846</b>	<b>208,889,477</b>	<b>207,574,115</b>
Excess of revenues over expenses	3,566,578	-	-	-	<b>3,566,578</b>	1,315,362
Unrestricted funds designated for future use	(10,222,845)	5,787,970	4,434,875	-	-	-
Restricted funds used for operations	1,536,610	(1,346,230)	(190,380)	-	-	-
Restricted funds used for tangible capital assets	-	(247,376)	(581,937)	829,313	-	-
Current year funds used for tangible capital assets	(9,745,732)	-	-	9,745,732	-	-
Disposal of tangible capital assets	40,750	-	-	(40,750)	-	-
Annual amortization expense	10,118,528	-	-	(10,118,528)	-	-
Long term debt issued	1,100,000	-	-	(1,100,000)	-	-
Long term debt repaid	(1,361,744)	-	-	1,361,744	-	-
<b>Balance, end of year</b>	<b>4,537,552</b>	<b>14,536,989</b>	<b>18,206,157</b>	<b>175,175,357</b>	<b>212,456,055</b>	<b>208,889,477</b>

**MACKENZIE COUNTY**  
**Schedule of Tangible Capital Assets**  
**As at December 31, 2021**

*(Schedule 2)*

	<b>Land and Improvements</b>	<b>Buildings</b>	<b>Engineered Structures</b>	<b>Machinery Equipment</b>	<b>Vehicles</b>	<b>2021 \$</b>	<b>2020 \$</b>
<b>Cost</b>							
Balance, beginning of year	11,021,859	20,641,753	372,163,599	19,768,003	5,503,410	<b>429,098,624</b>	425,585,700
Acquisition of tangible capital assets	179,000	-	1,894,404	791,581	-	<b>2,864,985</b>	3,114,954
Construction in progress	132,452	4,202,832	3,173,839	200,937	-	<b>7,710,060</b>	1,693,043
Disposal of tangible capital assets	-	-	-	(127,935)	(161,012)	<b>(288,947)</b>	(1,295,073)
<b>Balance, end of year</b>	<b>11,333,311</b>	<b>24,844,585</b>	<b>377,231,842</b>	<b>20,632,586</b>	<b>5,342,398</b>	<b>439,384,722</b>	<b>429,098,624</b>
<b>Accumulated amortization</b>							
Balance, beginning of year	2,794,940	6,288,085	221,430,483	8,629,076	2,476,320	<b>241,618,904</b>	232,163,247
Annual amortization	330,648	514,088	7,406,119	1,572,830	294,843	<b>10,118,528</b>	10,146,270
Accumulated amortization on disposals	-	-	-	(111,935)	(136,262)	<b>(248,197)</b>	(690,613)
<b>Balance, end of year</b>	<b>3,125,588</b>	<b>6,802,173</b>	<b>228,836,602</b>	<b>10,089,971</b>	<b>2,634,901</b>	<b>251,489,235</b>	<b>241,618,904</b>
<b>2021 net book value of tangible capital assets</b>	<b>8,207,723</b>	<b>18,042,412</b>	<b>148,395,240</b>	<b>10,542,615</b>	<b>2,707,497</b>	<b>187,895,487</b>	<b>187,479,720</b>
<b>2020 net book value of tangible capital assets</b>	<b>8,226,919</b>	<b>14,353,668</b>	<b>150,733,116</b>	<b>11,138,927</b>	<b>3,027,090</b>		<b>187,479,720</b>

**MACKENZIE COUNTY**  
**Schedule of Property and Other Taxes**  
**As at December 31, 2021**

**(Schedule 3)**

	<b>Budget</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>(Unaudited)</b>		
<b>Taxation</b>			
Real property taxes	20,149,931	<b>20,210,222</b>	18,762,019
Linear property taxes	10,632,976	<b>10,664,791</b>	11,986,015
Government grants in place of property taxes	167,973	<b>168,476</b>	138,140
Special assessments and local improvement taxes	26,853	<b>26,933</b>	(2,224)
	<b>30,977,733</b>	<b>31,070,422</b>	<b>30,883,950</b>
<b>Requisitions</b>			
Alberta School Foundation Fund	6,302,401	<b>6,272,476</b>	6,618,889
Mackenzie Housing Management Board	896,658	<b>896,112</b>	533,715
Designated industrial property	76,169	<b>76,169</b>	79,549
	<b>7,275,228</b>	<b>7,244,757</b>	<b>7,232,153</b>
<b>Net Municipal Taxes</b>	<b>23,702,505</b>	<b>23,825,665</b>	<b>23,651,797</b>

**MACKENZIE COUNTY**  
**Schedule of Government Transfers**  
**As at December 31, 2021**

*(Schedule 4)*

	<b>Budget</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>(Unaudited)</b>		
<b>Transfers for Operating</b>			
Provincial Government	1,110,857	1,191,022	1,715,864
	1,110,857	1,191,022	1,715,864
<b>Provincial Government - disaster related transfers:</b>			
2018 Ice Jams	-	11,135	-
2019 Chuckegg Wildfire (Note 16)	-	1,283,008	2,255,886
2020 Northern Alberta Overland Flood (Note 17)	-	835,025	4,732,307
2021 Northern Alberta Overland Flood (Note 18)	-	568,494	-
2021 Flood Mitigation (Note 19)	-	4,005,771	-
	1,110,857	7,894,454	8,704,057
<b>Transfers for Capital</b>			
Provincial Government	8,418,664	5,059,865	1,878,267
<b>Total Government Transfers</b>	<b>9,529,521</b>	<b>12,954,319</b>	<b>10,582,324</b>

**MACKENZIE COUNTY**  
**Schedule of Consolidated Expenses by Object**  
**As at December 31, 2021**

*(Schedule 5)*

	<b>Budget</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>(Unaudited)</b>		
<b>Consolidated Expenses by Object</b>			
Salaries, wages and benefits	9,105,201	8,612,949	8,711,261
Contracted and general services	4,288,690	6,836,295	6,799,716
Materials, goods, supplies and utilities	8,891,573	9,055,309	5,273,202
Transfers to other governments (Note 15)	2,227,017	2,585,852	1,793,917
Transfers to local boards and agencies	2,302,092	1,965,625	2,108,278
Bank charges and short term interest	21,000	22,720	24,827
Interest on long term debt	389,989	388,712	426,794
Amortization of tangible capital assets	10,146,271	10,118,528	10,146,270
Loss on disposal of capital assets	-	12,485	116,720
Property tax bad debt expense (Note 5)	1,500,000	593,892	1,689,212
	<b>38,871,833</b>	<b>40,192,367</b>	<b>37,090,197</b>
2018 Ice Jams	-	11,135	-
2020 Northern Alberta Overland Flood (Note 17)	-	899,714	4,846,763
2021 Northern Alberta Overland Flood (Note 18)	-	568,494	-
2021 Flood Mitigation (Note 19)	-	4,005,771	-
<b>Total expenses including disasters</b>	<b>-</b>	<b>45,677,481</b>	<b>41,936,960</b>

**MACKENZIE COUNTY**  
**Schedule of Segmented Disclosure**  
**As at December 31, 2021**

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total \$
<b>Revenue</b>								
Net municipal taxes	23,678,732	-	139,092	7,841	-	-	-	23,825,665
Government transfers for operations	583,309	-	152,762	-	156,157	-	298,794	1,191,022
User fees and sales of goods	49,050	168,848	243,711	5,225,903	59,612	99,092	-	5,846,216
Investment income	237,432	-	-	-	-	-	-	237,432
Other	914,310	51,336	94,255	32,400	883,118	-	5,000	1,980,419
	<b>25,462,833</b>	<b>220,184</b>	<b>629,820</b>	<b>5,266,144</b>	<b>1,098,887</b>	<b>99,092</b>	<b>303,794</b>	<b>33,080,754</b>
<b>Expenses</b>								
Salaries, wages and benefits	2,710,325	202,968	3,089,968	1,094,212	1,345,153	170,323	-	8,612,949
Contracted and general services	1,479,609	848,542	1,946,221	1,267,913	1,023,376	267,559	3,075	6,836,295
Materials, goods, supplies and utilities	847,885	125,971	6,817,781	840,553	373,697	49,422	-	9,055,309
Transfers to other local government and boards	2,585,852	-	-	-	102,000	1,126,949	736,676	4,551,477
Interest on long term debt	-	-	375,363	9,566	-	3,783	-	388,712
Property tax bad debt expense (Note 5)	578,266	-	14,909	717	-	-	-	593,892
Loss on disposal of capital assets	-	12,485	-	-	-	-	-	12,485
Other	22,379	-	-	341	-	-	-	22,720
	<b>8,224,316</b>	<b>1,189,986</b>	<b>12,244,242</b>	<b>3,213,302</b>	<b>2,844,226</b>	<b>1,618,036</b>	<b>739,751</b>	<b>30,073,839</b>
<b>Net revenue (expenditure) before amortization</b>	<b>17,238,517</b>	<b>(969,782)</b>	<b>(11,614,422)</b>	<b>2,052,842</b>	<b>(1,745,339)</b>	<b>(1,518,944)</b>	<b>(435,957)</b>	<b>3,006,915</b>
<b>Amortization of tangible capital assets</b>	<b>347,368</b>	<b>214,894</b>	<b>6,773,538</b>	<b>2,124,546</b>	<b>58,111</b>	<b>600,071</b>	<b>-</b>	<b>10,118,528</b>
<b>Net revenue (expenditure) before disasters and transfers</b>	<b>16,891,149</b>	<b>(1,184,676)</b>	<b>(18,387,960)</b>	<b>(71,704)</b>	<b>(1,803,450)</b>	<b>(2,119,015)</b>	<b>(435,957)</b>	<b>(7,111,613)</b>
Recovery from 2019 Chuckegg Wildfire (Note 16)	-	-	-	-	-	-	1,283,008	1,283,008
Deficiency from 2020 Northern Alberta Overland Flood (Note 17)	-	-	-	-	-	-	39,132	39,132
<b>Net revenue (expenditure) before transfers for capital</b>	<b>16,891,149</b>	<b>(1,184,676)</b>	<b>(18,387,960)</b>	<b>(71,704)</b>	<b>(1,803,450)</b>	<b>(2,119,015)</b>	<b>886,183</b>	<b>(5,789,473)</b>
Government transfers for capital	-	-	4,606,621	371,811	-	81,433	-	5,059,865
Non-government transfers for capital	-	21,538	-	-	-	4,274,648	-	4,296,186
<b>2021 net revenue (expenditure)</b>	<b>16,891,149</b>	<b>(1,163,138)</b>	<b>(13,781,339)</b>	<b>300,107</b>	<b>(1,803,450)</b>	<b>2,237,066</b>	<b>886,183</b>	<b>3,566,578</b>
<b>2020 net revenue (expenditure)</b>	<b>18,181,207</b>	<b>(667,654)</b>	<b>(13,925,669)</b>	<b>(361,185)</b>	<b>(1,354,570)</b>	<b>(2,248,811)</b>	<b>1,692,044</b>	<b>1,315,362</b>

**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2021**

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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.

*(continues)*

**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2021**

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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.

(*continues*)

**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2021**

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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, 2021**

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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:

	<b>YEARS</b>
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, 2021**

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2. Adoption of recent accounting pronouncements

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPAC). This section is effective for fiscal periods beginning on or after April 1, 2022 and have been applied prospectively.

Section PS 3280 – Asset Retirement Obligations

This new section establishes standards on how to account and report a liability for asset retirement obligations (ARO). This Section identifies the main attributes of an ARO and provides guidance on how to establish the fair value of the ARO. This standard is effective for fiscal periods beginning on or after April 1, 2022. Early adoption is permitted. The County adopted PS 3280 prospectively for the fiscal period ended December 31, 2021. See Note 8 for more information.

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, 2022.

Section PS 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.

Section PS 1000 - Financial Statement Concepts

This section has been amended to allow for recognition of purchased intangibles in financial statements. In conjunction with section 1201 there have been amendments made to remove disclosure requirements for unrecognized purchased intangibles. These amendments are effective for fiscal periods beginning on or after April 1, 2023. Earlier adoption is permitted.

Section PS 3160 - Public Private Partnerships

This section establishes standards on how to account for public private partnership agreements. This new section applies to fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted.

**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2021**

4. Cash and temporary investments

	2021	2020
Cash	\$ 16,801,749	\$ 12,429,473
Temporary investments	12,634,333	3,500,966
	<b>\$ 29,436,082</b>	<b>\$ 15,930,439</b>

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 \$17,181,538 (2020 - \$6,368,350) comprised of deferred revenue not expended and capital projects.

5. Taxes receivable

	2021	2020
Taxes receivable - current	\$ 2,914,843	\$ 4,649,783
Taxes receivable - arrears	5,677,235	3,853,721
Subtotal	8,592,078	8,503,504
Less: allowance for doubtful accounts	(4,437,224)	(6,062,895)
	<b>\$ 4,154,854</b>	<b>\$ 2,440,609</b>

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 2021, this amount is \$593,892 (2020 - \$1,689,212) net of bad debt recovery of \$1,400,693.

**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2021**

6. Investments

	2021	2020
Short term deposits	\$ 6,365,402	\$ 289,650
Long term deposits	3,728,966	10,062,258
Government and government guaranteed bonds	918,094	596,374
	<b>\$ 11,012,462</b>	<b>\$ 10,948,282</b>

Short term deposits have an effective interest rates of 0.8% to 2.03% (2020 - 1.91%) with maturity dates from April to October 2022. Market value of the short term notes and deposits is \$6,443,891 (2020 - \$293,576).

Long term deposits have effective interest rates of 0.8% to 3.3% (2020 - 0.8% to 3.3%) with maturity dates from November 2023 to February 2028. Market value of the long term investments is \$3,796,315 (2020 - \$10,318,565).

Government and government guaranteed bonds have effective interest rates of 2.45% to 2.9% (2020 - 2.45% to 2.55%) with maturity dates from June 2025 to December 2028. Market value of the bonds is \$950,381 (2020 - \$658,952).

Council has designated funds of \$11,012,462 (2020 - \$10,948,282) included in the above amounts for capital projects.

7. Accounts payables and accrued liabilities

	2021	2020
Government payroll remittance payable	\$ -	\$ 20,401
Trade payables and accruals	3,140,453	1,368,209
Holdback payables	435,400	234,481
Gravel pit reclamation liability (Note 8)	3,812,229	1,815,208
Employee payable (wages and accrued overtime)	442,368	473,263
Long term debt interest payable	34,049	35,325
	<b>\$ 7,864,499</b>	<b>\$ 3,946,887</b>

**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2021**

8. Asset retirement obligation

In 2021 the Municipality has adopted Section PS 3280 – Asset Retirement Obligations, on a prospective basis.

Alberta environmental law requires closure and post-closure care of gravel pits, which include final covering and landscaping, pumping of ground water and leachates from the site and ongoing environmental monitoring, site inspections, and maintenance.

The asset retirement obligation is based on the current year expectation for closure and post closure costs of the Municipality's gravel pits. Costs were estimated by a third party engineer with expertise in asset retirement. Going forward, the Municipality will recognize an annual accretion expense equivalent to the provincial annual average inflation for the year.

The following table summarizes the total accreted value of the asset retirement obligation for the estimated costs of closure and post-closure care:

	2021	2020
Estimated asset retirement costs, beginning of year	\$ 1,815,208	\$ 1,804,676
Accretion expense	1,997,021	10,532
<b>Total closure and post closure costs, end of year - updated for third party estimate at December 31, 2021</b>	<b>\$ 3,812,229</b>	<b>\$ 1,815,208</b>

At current annual usage, it is estimated that the Municipality's gravel pits have useful lives ranging from 1 to 80 years.

The Municipality has designated funds of \$3.812 million in reserves for gravel reclamation.

9. Deferred revenue

	2021	2020
Conditional Grant Agreement - Flood Mitigation	\$ 9,173,448	\$ -
Disaster Recovery Program	215,594	544,211
Donations - Northern Lights Recreation Centre	205,000	-
Municipal Sustainability Initiative (MSI) capital	158,173	1,276,223
Alberta Municipal Water/Wastewater Partnership	147,698	-
Family and Community Support Services	74,672	24,892
Disaster Relief Funding	10,000	15,000
Insurance	3,258	-
Municipal Operating Support Transfer	-	498,797
Municipal Stimulus Program	-	401,660
Community and Regional Economic Support	-	12,250
	<b>\$ 9,987,843</b>	<b>\$ 2,773,033</b>

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).

**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2021**

10. Long-term debt

	2021	2020
Tax supported debentures	\$ 12,720,130	\$ 12,981,874

Principal and interest repayments are as follows:

	Principal	Interest	Total
2022	\$ 1,356,458	\$ 366,662	\$ 1,723,120
2023	1,183,120	333,736	1,516,856
2024	1,214,705	302,151	1,516,856
2025	1,247,257	269,599	1,516,856
2026	1,280,806	236,049	1,516,855
Thereafter	6,437,784	753,850	7,191,634
	\$ 12,720,130	\$ 2,262,047	\$ 14,982,177

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.12% to 4.50% per annum and matures in periods 2022 through 2033. The average annual interest rate is 2.5% for 2021 (3.08% for 2020).

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

Interest on long-term debt amounted to \$388,712 (2020 - \$426,794).

The Municipality's total cash payments for interest in 2021 were \$389,998 (2020 - \$432,995).

**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2021**

11. 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:

	2021	2020
Total debt limit	\$ 49,621,131	\$ 49,985,703
Total debt	(12,720,130)	(12,981,874)
<b>Amount of debt limit unused</b>	<b>\$ 36,901,001</b>	<b>\$ 37,003,829</b>
Debt servicing limit	\$ 8,270,189	\$ 8,330,951
Debt servicing	(1,723,120)	(1,751,735)
<b>Amount of debt servicing limit unused</b>	<b>\$ 6,547,069</b>	<b>\$ 6,579,216</b>

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.

12. Inventory for consumption

	2021	2020
Parts and supplies	\$ 1,113,364	\$ 969,524
Gravel	1,337,685	1,522,616
<b>Total</b>	<b>\$ 2,451,049</b>	<b>\$ 2,492,140</b>

13. Accumulated surplus

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

	2021	2020
Equity in tangible capital assets (Note 14)	\$175,175,357	\$174,497,846
Operating reserves (Schedule 1)	14,536,989	10,342,625
Capital reserves (Schedule 1)	18,206,157	14,543,599
Unrestricted surplus (Schedule 1)	4,537,552	9,505,407
<b>Total</b>	<b>\$212,456,055</b>	<b>\$208,889,477</b>

**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2021**

14. Equity in tangible capital assets

	2021	2020
Tangible capital assets (Schedule 2)	\$439,384,722	\$429,098,624
Less: Accumulated amortization (Schedule 2)	251,489,235	241,618,904
Less: Long-term debt (Note 10)	12,720,130	12,981,874
	<b>\$175,175,357</b>	<b>\$174,497,846</b>

15. Transfers to other governments

	2021	2020
Town of High Level	\$ 1,335,852	\$ 543,917
Town of Rainbow Lake	1,250,000	1,250,000
	<b>\$ 2,585,852</b>	<b>\$ 1,793,917</b>

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

16. 2019 Chuckegg Wildfire

The Municipality has finalized expenditures related to the 2019 Chuckegg Wildfire. Disaster Recovery Program submissions have been completed and have received government approval. The following is a summary of items included in the 2021 financial statements:

	2021	2020
Disaster Recovery Program assistance (Schedule 4)	\$ 1,283,008	\$ 2,255,886

**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2021**

17. 2020 Northern Alberta Overland Flood

The Municipality continues to incur expenditures relating to the 2020 Northern Alberta Overland Flood. Disaster Recovery Program submissions are being completed and are awaiting government approval. The remaining expenses have not been approved by Disaster Recovery Program, as such, collection of the funds is undeterminable and therefore not included in 2021 revenue. The following is a summary of items included in the 2021 financial statements:

	2021	2020
Disaster Recovery Program assistance (Schedule 4)	\$ 835,025	\$ 4,732,307
Disaster Recovery Program insurance	103,821	-
2020 Northern Alberta Overland Flood disaster expenses incurred (Schedule 5)	<b>(899,714)</b>	<b>(4,846,763)</b>
	<b>\$ 39,132</b>	<b>\$ (114,456)</b>

18. 2021 Northern Alberta Overland Flood

The Municipality estimated incurring approximately \$800,000 in expenditures relating to the 2021 Northern Alberta Overland Flood. Disaster Recovery Program submissions are being completed and are awaiting government approval. The remaining expenses have not been approved by Disaster Recovery Program, as such, collection of the funds is undeterminable and therefore not included in 2021 revenue. The following is a summary of items included in the 2021 financial statements:

	2021
Disaster Recovery Program assistance (Schedule 4)	\$ 568,494
2021 Northern Alberta Overland Flood disaster expenses incurred (Schedule 5)	<b>(568,494)</b>
	<b>\$ -</b>

19. 2021 Flood Mitigation

The Municipality has entered into an \$12.8 million agreement with the province to facilitate relocation of residents in an area designated a flood plain. The province has advanced \$11.52 million on October 28, 2021. Municipal Stimulus Program funds of \$1.49M has been received and approved for use on the project. Expected expenditures for the project total approximately \$16 million with an expected completion date of December 31, 2024. The following is a summary of items included in the 2021 financial statements:

	2021
Municipal Affairs - Flood Mitigation assistance	\$ 2,518,481
Municipal Stimulus Program	1,487,290
2021 Flood Mitigation funding (Schedule 4)	4,005,771
2021 Municipal Affairs - Flood Mitigation (Schedule 5)	<b>(4,005,771)</b>
	<b>\$ -</b>

**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2021**

20. Non-government transfers for capital

Non-government transfers for capital include non-government grant funding, contributed assets and donations for capital projects. The following is a summary of items included in the financial statements for non-government transfers for capital:

	2021	2020
Northern Lights Recreation Centre	\$ 4,193,215	\$ -
La Crête outdoor sports court	81,433	-
Sand bagger contributed by Town of Cochrane	11,921	-
Fort Vermilion firefighters training facility	9,617	-
Mackenzie Applied Research Association Agronomy building	-	545,340
Hill Crest Community School waterline	-	400,000
	<b>\$ 4,296,186</b>	<b>\$ 945,340</b>

21. 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:

	2021		2020	
	Salary (1)	Benefits & allowances (2)		
Josh Knelsen - Reeve	\$ 70,890	\$ 219	\$ 71,109	\$ 74,959
Peter Braun	48,730	4,684	53,414	49,029
Lisa Wardley	60,950	4,117	65,067	61,786
Walter Sarapuk	33,480	2,248	35,728	38,774
Jacquie Bateman	33,000	219	33,219	33,319
Eric Jorgensen	40,338	219	40,557	41,849
Cameron Cardinal	55,130	5,004	60,134	55,245
David Driedger	37,980	4,147	42,127	41,868
Anthony Peters	21,488	1,723	23,211	34,944
Ernest Peters	29,810	3,738	33,548	36,303
Darrell Derkson	10,362	696	11,058	-
Garrell Smith	9,782	219	10,001	-
Chief Administrative Officer	240,009	26,502	266,511	241,375
Chief Administrative Officer - contract	37,600	219	37,819	-
Interim Chief Administrative Officer	8,478	1,286	9,764	-
	<b>\$ 738,027</b>	<b>\$ 55,240</b>	<b>\$ 793,267</b>	<b>\$ 709,451</b>

- Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- 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, 2021**

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22. 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 2021 were \$496,905 (2020 - \$565,907). Total current service contributions by the employees of the Municipality to the Local Authorities Pension Plan in 2021 were \$450,746 (2020 - \$503,254).

At December 31, 2020, the LAPP disclosed an actuarial surplus of \$4.961 billion.

23. 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).

24. 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, 2021**

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25. 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 27, 2022, 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.

26. Budget amounts

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

27. Approval of financial statements

Council and Management have approved these financial statements.