

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, 2022, 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, 2022, 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 ASNPO, 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.

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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 26, 2023

Chartered Professional Accountants

MACKENZIE COUNTY
Consolidated Statement of Financial Position
As at December 31, 2022

	2022	2021
	\$	\$
Financial Assets		
Cash and temporary investments (Note 3)	28,331,462	29,436,082
Receivables		
Taxes receivable (Note 4)	2,873,442	4,154,854
Due from governments	3,537,093	5,605,220
Trade and other receivables	1,689,617	1,857,073
Land held for resale	46,846	46,846
Investments (Note 5)	11,205,676	11,012,462
	47,684,136	52,112,537
Liabilities		
Accounts payable and accrued liabilities (Note 6)	10,882,384	7,864,499
Deposit liabilities	325,862	313,637
Deferred revenue (Note 8)	6,801,215	9,987,843
Long term debt (Note 9)	11,363,671	12,720,130
	29,373,132	30,886,109
Net financial assets	18,311,004	21,226,428
Non-financial assets		
Tangible capital assets (Schedule 2)	187,447,336	187,895,487
Inventory for consumption (Note 11)	4,410,104	2,451,049
Prepaid expenses	856,667	883,091
	192,714,107	191,229,627
Accumulated surplus (Schedule 1, Note 12)	211,025,111	212,456,055

MACKENZIE COUNTY
Consolidated Statement of Operations
As at December 31, 2022

	Budget \$ (Unaudited)	2022 \$	2021 \$
Revenue			
Net municipal taxes (Schedule 3)	24,358,080	24,450,155	23,825,665
User fees and sales of goods	5,473,003	5,732,771	5,846,216
Government transfers for operating (Schedule 4)	901,169	625,830	1,191,022
Investment income	325,000	891,737	237,432
Penalties and costs on taxes	700,000	286,475	746,494
Licenses, permits and fines	488,000	486,461	852,457
Rentals	174,127	190,420	204,626
Other	363,112	184,252	176,842
Total revenue	32,782,491	32,848,101	33,080,754
Expenses			
Legislative	853,682	829,481	705,978
Administration	8,042,418	6,536,870	7,865,705
Protective services	1,477,454	1,269,869	1,404,860
Transportation	19,184,022	18,596,464	19,149,398
Environmental use and protection	6,091,652	5,630,769	5,337,848
Family and community support	851,847	816,647	739,751
Planning, development and agriculture	3,421,149	3,142,665	2,902,337
Recreation and culture	2,536,050	2,685,526	2,086,490
Total expenses	42,458,274	39,508,291	40,192,367
Deficiency of revenue over expenses before disasters and government transfers			
	(9,675,783)	(6,660,190)	(7,111,613)
Deficiency from 2018 Northern Alberta Overland Flood (Note 15)	-	(3,960)	-
Recovery from 2019 Chuckegg Wildfire	-	-	1,283,008
Recovery (deficiency) from 2020 Northern Alberta Overland Flood (Note 16)	-	(134,766)	39,132
Deficiency from 2021 Northern Alberta Overland Flood (Note 17)	-	(47,017)	-
Deficiency from 2021 Mitigation - Conditional Grant Agreement (Note 18)	-	(3,023)	-
Deficiency from 2022 Northern Alberta Overland Flood (Note 19)	-	(79,324)	-
Deficiency of revenue over expenses before transfers for capital			
	(9,675,783)	(6,928,280)	(5,789,473)
Government transfers for capital (Schedule 4)	9,778,674	2,869,469	5,059,865
Non-government transfers for capital (Note 20)	-	2,627,867	4,296,186
Excess (deficiency) of revenue over expenses	102,891	(1,430,944)	3,566,578
Accumulated surplus - beginning of the year	212,456,055	212,456,055	208,889,477
Accumulated surplus - end of the year	212,558,946	211,025,111	212,456,055

MACKENZIE COUNTY**Consolidated Statement of Change in Net Financial Assets****As at December 31, 2022**

	Budget \$ (Unaudited)	2022 \$	2021 \$
Excess (deficiency) of revenue over expenses	102,891	(1,430,944)	3,566,578
Acquisition of tangible capital assets	(21,237,839)	(9,568,741)	(10,575,045)
Proceeds on disposal of tangible capital assets	-	20,085	28,265
Amortization of tangible capital assets	10,250,393	9,978,821	10,118,528
Loss on disposal of tangible capital assets	-	17,986	12,485
	(10,987,446)	448,151	(415,767)
Disposal of prepaid assets	-	26,424	781,046
Use (acquisition) of supplies inventories	-	(1,959,055)	41,091
	-	(1,932,631)	822,137
Increase (decrease) in net assets	(10,884,555)	(2,915,424)	3,972,948
Net financial assets, beginning of year	21,226,428	21,226,428	17,253,480
Net financial assets, end of year	10,341,873	18,311,004	21,226,428

MACKENZIE COUNTY
Consolidated Statement of Cash Flows
As at December 31, 2022

	2022 \$	2021 \$
Operating		
Excess (deficiency) of revenue over expenses	(1,430,944)	3,566,578
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	9,978,821	10,118,528
Loss on disposal of tangible capital assets	17,986	12,485
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	1,281,412	(1,714,245)
Decrease in government receivables	2,068,127	232,436
Decrease in trade and other receivables	167,456	180,166
Decrease (increase) in inventory for consumption	(1,959,055)	41,091
Decrease in prepaid expenses	26,424	781,046
Increase in accounts payable and accrued liabilities	3,017,885	3,917,612
Increase in deposit liabilities	12,225	27,840
Increase (decrease) in deferred revenue	(3,186,628)	7,214,810
<i>Net cash provided by operating transactions</i>	9,993,709	24,378,347
Capital		
Acquisition of tangible capital assets	(9,568,741)	(10,575,045)
Proceeds on sale of tangible capital assets	20,085	28,265
<i>Net cash used in capital transactions</i>	(9,548,656)	(10,546,780)
Investing		
Decrease (increase) in restricted cash or cash equivalents	3,186,628	(7,214,810)
Increase in investments	(193,214)	(64,180)
<i>Net cash provided by (used in) investing transactions</i>	2,993,414	(7,278,990)
Financing		
Long term debt issued	-	1,100,000
Long term debt repaid	(1,356,459)	(1,361,744)
<i>Net cash used in financing transactions</i>	(1,356,459)	(261,744)
Change in cash and cash equivalents during the year	2,082,008	6,290,833
Cash and cash equivalents, beginning of year	19,448,239	13,157,406
Cash and cash equivalents, end of year	21,530,247	19,448,239
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	28,331,462	29,436,082
Less: restricted portion of cash and temporary investments (Note 8)	(6,801,215)	(9,987,843)
	21,530,247	19,448,239
Cash flows supplementary information		
Interest received	891,737	237,432
Interest paid	362,400	388,712

See accompanying notes

MACKENZIE COUNTY

(Schedule 1)

Schedule of Changes in Accumulated Surplus

As at December 31, 2022

	Unrestricted Surplus	Restricted Operating	Restricted Capital	Equity in Capital Assets	2022 \$	2021 \$
Balance, beginning of year	4,537,552	14,536,989	18,206,157	175,175,357	212,456,055	208,889,477
Excess of revenues over expenses	(1,430,944)	-	-	-	(1,430,944)	3,566,578
Unrestricted funds designated for future use	(3,699,161)	1,281,665	2,417,496	-	-	-
Restricted funds used for operations	1,989,804	(1,982,886)	(6,918)	-	-	-
Restricted funds used for tangible capital assets	-	(318,699)	(3,460,663)	3,779,362	-	-
Current year funds used for tangible capital assets	(5,789,379)	-	-	5,789,379	-	-
Disposal of tangible capital assets	38,071	-	-	(38,071)	-	-
Annual amortization expense	9,978,821	-	-	(9,978,821)	-	-
Long term debt repaid	(1,356,459)	-	-	1,356,459	-	-
Balance, end of year	4,268,305	13,517,069	17,156,072	176,083,665	211,025,111	212,456,055

MACKENZIE COUNTY
Schedule of Tangible Capital Assets
As at December 31, 2022

(Schedule 2)

	Land and Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2022 \$	2021 \$
Cost							
Balance, beginning of year	11,333,311	24,844,585	377,231,842	20,632,586	5,342,398	439,384,722	429,098,624
Acquisition of tangible capital assets	81,277	57,998	-	600,507	138,248	878,030	2,864,985
Construction in progress	130,933	2,762,390	5,358,913	438,475	-	8,690,711	7,710,060
Disposal of tangible capital assets	-	-	-	(279,617)	(62,630)	(342,247)	(288,947)
Balance, end of year	11,545,521	27,664,973	382,590,755	21,391,951	5,418,016	448,611,216	439,384,722
Accumulated amortization							
Balance, beginning of year	3,125,588	6,802,173	228,836,602	10,089,971	2,634,901	251,489,235	241,618,904
Annual amortization	340,894	637,958	7,348,376	1,383,809	267,784	9,978,821	10,118,528
Accumulated amortization on disposals	-	-	-	(249,046)	(55,130)	(304,176)	(248,197)
Balance, end of year	3,466,482	7,440,131	236,184,978	11,224,734	2,847,555	261,163,880	251,489,235
2022 net book value of tangible capital assets	8,079,039	20,224,842	146,405,777	10,167,217	2,570,461	187,447,336	187,895,487
2021 net book value of tangible capital assets	8,207,723	18,042,412	148,395,240	10,542,615	2,707,497		187,895,487

MACKENZIE COUNTY
Schedule of Property and Other Taxes
As at December 31, 2022

(Schedule 3)

	Budget \$ (Unaudited)	2022 \$	2021 \$
Taxation			
Real property taxes	21,331,735	21,259,662	20,210,222
Linear property taxes	10,298,305	10,263,511	10,664,791
Government grants in place of property taxes	188,684	188,047	168,476
Special assessments and local improvement taxes	40,423	40,286	26,933
	31,859,147	31,751,506	31,070,422
Requisitions			
Alberta School Foundation Fund	6,612,576	6,432,451	6,272,476
Mackenzie Housing Management Board	815,695	798,705	896,112
Designated industrial property	72,796	70,195	76,169
	7,501,067	7,301,351	7,244,757
Net Municipal Taxes	24,358,080	24,450,155	23,825,665

MACKENZIE COUNTY
Schedule of Government Transfers
As at December 31, 2022

(Schedule 4)

	Budget \$ (Unaudited)	2022 \$	2021 \$
Transfers for Operating			
Provincial Government	901,169	625,830	1,191,022
	901,169	625,830	1,191,022
Provincial Government - disaster related transfers:			
2018 Northern Alberta Overland Flood (Note 15)	-	11,290	11,135
2019 Chuckegg Wildfire	-	-	1,283,008
2020 Northern Alberta Overland Flood (Note 16)	-	460,940	835,025
2021 Northern Alberta Overland Flood (Note 17)	-	-	568,494
2021 Flood Mitigation (Note 18)	10,504,749	7,122,041	4,005,771
2022 Northern Alberta Overland Flood (Note 19)	-	713,912	-
	11,405,918	8,934,013	7,894,454
Transfers for Capital			
Provincial Government	9,778,674	2,869,469	5,059,865
Total Government Transfers	21,184,592	11,803,482	12,954,319

MACKENZIE COUNTY
Schedule of Consolidated Expenses by Object
As at December 31, 2022

(Schedule 5)

	Budget \$ (Unaudited)	2022 \$	2021 \$
Consolidated Expenses by Object			
Salaries, wages and benefits	9,198,898	8,547,422	8,612,949
Contracted and general services	9,161,053	7,276,878	6,836,295
Materials, goods, supplies and utilities	7,379,761	8,107,111	9,055,309
Transfers to other governments (Note 14)	2,250,000	2,250,000	2,585,852
Transfers to local boards and agencies	2,329,147	2,352,336	1,965,625
Bank charges and short term interest	22,360	23,605	22,720
Interest on long term debt	366,662	362,400	388,712
Amortization of tangible capital assets	10,250,393	9,978,821	10,118,528
Loss on disposal of capital assets	-	22,986	12,485
Property tax bad debt expense (Note 4)	1,500,000	586,732	593,892
	42,458,274	39,508,291	40,192,367
2018 Northern Alberta Overland Flood (Note 15)	-	15,250	11,135
2020 Northern Alberta Overland Flood (Note 16)	-	882,657	899,714
2021 Northern Alberta Overland Flood (Note 17)	-	47,017	568,494
2021 Flood Mitigation (Note 18)	10,504,749	7,546,882	4,005,771
2022 Northern Alberta Overland Flood (Note 19)	-	793,236	-
Total expenses including disasters	10,504,749	48,793,333	45,677,481

MACKENZIE COUNTY
Schedule of Segmented Disclosure
As at December 31, 2022

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total \$
Revenue								
Net municipal taxes	24,274,869	-	167,445	7,841	-	-	-	24,450,155
Government transfers for operations	71,979	-	121,262	-	133,907	-	298,682	625,830
User fees and sales of goods	46,143	171,833	299,242	5,132,516	42,891	40,146	-	5,732,771
Investment income	891,737	-	-	-	-	-	-	891,737
Other	491,107	59,464	52,150	22,575	522,312	-	-	1,147,608
	25,775,835	231,297	640,099	5,162,932	699,110	40,146	298,682	32,848,101
Expenses								
Salaries, wages and benefits	2,578,314	135,086	3,246,856	1,059,295	1,390,165	137,706	-	8,547,422
Contracted and general services	1,343,015	798,653	2,008,670	1,466,806	1,344,214	313,793	1,727	7,276,878
Materials, goods, supplies and utilities	244,051	122,375	6,491,860	954,001	220,387	74,437	-	8,107,111
Transfers to other local government and boards	2,250,000	-	-	-	136,910	1,400,506	814,920	4,602,336
Interest on long term debt	-	-	339,107	22,246	-	1,047	-	362,400
Property tax bad debt expense (Note 4)	586,732	-	-	-	-	-	-	586,732
Loss on disposal of capital assets	20,006	-	2,980	-	-	-	-	22,986
Other	22,229	-	-	1,376	-	-	-	23,605
	7,044,347	1,056,114	12,089,473	3,503,724	3,091,676	1,927,489	816,647	29,529,470
Net revenue (expenditure) before amortization	18,731,488	(824,817)	(11,449,374)	1,659,208	(2,392,566)	(1,887,343)	(517,965)	3,318,631
Amortization of tangible capital assets	322,004	213,755	6,506,991	2,127,045	50,989	758,037	-	9,978,821
Net revenue (expenditure) before disasters and transfers	18,409,484	(1,038,572)	(17,956,365)	(467,837)	(2,443,555)	(2,645,380)	(517,965)	(6,660,190)
Deficiency from 2018 Northern Alberta Overland Flood (Note 15)	-	-	-	-	-	-	(3,960)	(3,960)
Deficiency from 2020 Northern Alberta Overland Flood (Note 16)	-	-	-	-	-	-	(134,766)	(134,766)
Deficiency from 2021 Northern Alberta Overland Flood (Note 17)	-	-	-	-	-	-	(47,017)	(47,017)
Deficiency from 2021 Mitigation - Conditional Grant Agreement (Note 18)	-	-	-	-	-	-	(3,023)	(3,023)
Deficiency from 2022 Northern Alberta Overland Flood (Note 19)	-	-	-	-	-	-	(79,324)	(79,324)
Net revenue (expenditure) before transfers for capital	18,409,484	(1,038,572)	(17,956,365)	(467,837)	(2,443,555)	(2,645,380)	(786,055)	(6,928,280)
Government transfers for capital	140,675	87,000	1,489,039	1,007,378	11,778	133,599	-	2,869,469
Non-government transfers for capital	-	15,219	21,878	-	-	2,590,770	-	2,627,867
2022 net revenue (expenditure)	18,550,159	(936,353)	(16,445,448)	539,541	(2,431,777)	78,989	(786,055)	(1,430,944)
2021 net revenue (expenditure)	16,891,149	(1,163,138)	(13,781,339)	300,107	(1,803,450)	2,237,066	886,183	3,566,578

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2022

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, 2022

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, 2022

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.

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MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2022

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	10-50
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, 2022

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 3160 – Public Private Partnerships

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

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.

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. Earlier adoption is permitted.

Guideline PSG-8 – Purchased Intangibles

This new guideline explains the scope of intangibles allowed to be recognized in financial statements given the removal of the recognition prohibition relating to purchased intangibles in section PS 1000. This new guideline is effective for fiscal periods beginning on or after April 1, 2023.

3. Cash and temporary investments

	2022	2021
Cash	\$ 7,945,951	\$ 16,801,749
Temporary investments	20,385,511	12,634,333
	\$ 28,331,462	\$ 29,436,082

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 \$12,751,611 (2021 - 17,181,538) comprised of deferred revenue not expended and capital projects.

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2022

4. Taxes receivable

	2022	2021
Taxes receivable - current	\$ 2,739,994	\$ 2,914,843
Taxes receivable - arrears	4,834,921	5,677,235
Subtotal	7,574,915	8,592,078
Less: allowance for doubtful accounts	(4,701,473)	(4,437,224)
	\$ 2,873,442	\$ 4,154,854

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 2022, this amount is \$586,732 (2021 - \$593,892).

5. Investments

	2022	2021
Short term deposits	\$ 2,197,694	\$ 6,365,402
Long term deposits	6,764,708	3,728,966
Government and government guaranteed bonds	2,243,274	918,094
	\$ 11,205,676	\$ 11,012,462

Short term deposits have an effective interest rate of 3.7% (2021 - 0.8% to 2.03%) with a maturity date of September 2023. Market value of the short term deposit is \$2,197,694 (2021 - \$6,443,891).

Long term deposits have effective interest rates of 2.7% to 5.28% (2021 - 0.8% to 3.3%) with maturity dates from March 2024 to February 2028. Market value of the long term investments is \$6,512,937 (2021 - \$3,796,315).

Government investments and government guaranteed bonds have effective interest rates of 2.05% to 5.4% (2021 - 2.45% to 2.9%) with maturity dates from June 2030 to December 2035. Market value of the bonds is \$2,257,737 (2021 - \$950,381).

Council has designated funds of \$11,205,676 (2021 - \$11,012,462) included in the above amounts for capital projects.

6. Accounts payables and accrued liabilities

	2022	2021
Trade payables and accruals	\$ 3,829,779	\$ 3,140,453
Holdback payables	967,048	435,400
Gravel pit reclamation liability (Note 7)	5,664,170	3,812,229
Employee payable (wages and accrued overtime)	391,601	442,368
Long term debt interest payable	29,786	34,049
	\$ 10,882,384	\$ 7,864,499

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2022

7. Asset retirement obligation

In 2021 the Municipality 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:

	2022	2021
Estimated asset retirement costs, beginning of year	\$ 3,812,229	\$ 1,815,208
Accretion expense	1,851,941	1,997,021
Total closure and post closure costs, end of year - updated for third party estimate at December 31, 2022	\$ 5,664,170	\$ 3,812,229

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 \$4.183 million in reserves for gravel reclamation.

8. Deferred revenue

	2022	2021
Conditional Grant Agreement - Flood Mitigation	\$ 2,231,419	\$ 9,173,448
Municipal Sustainability Initiative (MSI) capital	2,653,745	158,173
Alberta Community Partnership	1,218,382	-
Canada Community Building Fund	470,498	-
Insurance	117,171	3,258
Donations - Agriculture	100,000	-
Disaster Relief Funding	10,000	10,000
Disaster Recovery Program	-	215,594
Donations - Northern Lights Recreation Centre	-	205,000
Alberta Municipal Water/Wastewater Partnership	-	147,698
Family and Community Support Services	-	74,672
	\$ 6,801,215	\$ 9,987,843

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, 2022

9. Long-term debt

	2022	2021
Tax supported debentures	\$ 11,363,671	\$ 12,720,130

Principal and interest repayments are as follows:

	Principal	Interest	Total
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
2027	1,080,849	202,102	1,282,951
Thereafter	5,356,934	551,748	5,908,682
	\$ 11,363,671	\$ 1,895,385	\$ 13,259,056

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 3.01% for 2022 (2.5% for 2021).

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

Interest on long-term debt amounted to \$362,400 (2021 - \$388,712).

The Municipality's total cash payments for interest in 2022 were \$366,662 (2021 - \$389,998).

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2022

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:

	2022	2021
Total debt limit	\$ 49,272,152	\$ 49,621,131
Total debt	(11,363,671)	(12,720,130)
Amount of debt limit unused	\$ 37,908,481	\$ 36,901,001
Debt servicing limit	\$ 8,212,025	\$ 8,270,189
Debt servicing	(1,516,856)	(1,723,120)
Amount of debt servicing limit unused	\$ 6,695,169	\$ 6,547,069

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

	2022	2021
Parts and supplies	\$ 1,095,829	\$ 1,113,364
Gravel	2,936,648	1,337,685
Trailers - flood mitigation	377,627	-
	\$ 4,410,104	\$ 2,451,049

12. Accumulated surplus

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

	2022	2021
Equity in tangible capital assets (Note 13)	\$176,083,665	\$175,175,357
Operating reserves (Schedule 1)	13,517,069	14,536,989
Capital reserves (Schedule 1)	17,156,072	18,206,157
Unrestricted surplus (Schedule 1)	4,268,305	4,537,552
	\$211,025,111	\$212,456,055

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2022

13. Equity in tangible capital assets

	2022	2021
Tangible capital assets (Schedule 2)	\$448,611,216	\$439,384,722
Less: Accumulated amortization (Schedule 2)	261,163,880	251,489,235
Less: Long-term debt (Note 9)	11,363,671	12,720,130
	\$176,083,665	\$175,175,357

14. Transfers to other governments

	2022	2021
Town of High Level	\$ 1,000,000	\$ 1,335,852
Town of Rainbow Lake	1,250,000	1,250,000
	\$ 2,250,000	\$ 2,585,852

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

15. 2018 Northern Alberta Overland Flood

The Municipality has finalized expenditures related to the 2018 Northern Alberta Overland Flood. Disaster Recovery Program submissions have been completed and have received government approval. The following is a summary of items included in the 2022 financial statements:

	2022
Disaster Recovery Program assistance (Schedule 4)	\$ 11,290
2018 Northern Alberta Overland Flood disaster expenses incurred (Schedule 5)	(15,250)
	\$ (3,960)

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2022

16. 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 2022 revenue. The following is a summary of items included in the 2022 financial statements:

	2022	2021
Disaster Recovery Program assistance (Schedule 4)	\$ 460,940	\$ 835,025
Disaster Recovery Program insurance	286,951	103,821
Total revenue	747,891	938,846
2020 Northern Alberta Overland Flood disaster expenses incurred (Schedule 5)	(882,657)	(899,714)
	\$ (134,766)	\$ 39,132

17. 2021 Northern Alberta Overland Flood

The Municipality has finalized expenditures related to the 2021 Northern Alberta Overland Flood. Disaster Recovery Program submissions have been completed and have received government approval. The following is a summary of items included in the 2022 financial statements:

	2022	2021
Disaster Recovery Program assistance (Schedule 4)	\$ -	\$ 568,494
2021 Northern Alberta Overland Flood disaster expenses incurred (Schedule 5)	(47,017)	(568,494)
	\$ (47,017)	\$ -

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2022

18. 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 have 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 2022 financial statements:

	2022	2021
Municipal Affairs - Flood Mitigation assistance	\$ 7,122,041	\$ 2,518,481
Municipal Stimulus Program	-	1,487,290
Total government funding (Schedule 4)	7,122,041	4,005,771
Other non-government funding	421,818	-
Total revenue	7,543,859	4,005,771
2021 Flood Mitigation expenses incurred (Schedule 5)	(7,546,882)	(4,005,771)
	\$ (3,023)	\$ -

19. 2022 Northern Alberta Overland Flood

The Municipality has incurred approximately \$800,000 in expenditures relating to the 2022 Northern Alberta Overland Flood. Disaster Recovery Program has authorized expenditures up to \$3 million for the project. 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 2022 revenue. The following is a summary of items included in the 2022 financial statements:

	2022
Disaster Recovery Program assistance (Schedule 4)	\$ 713,912
2022 Northern Alberta Overland Flood disaster expenses incurred (Schedule 5)	(793,236)
	\$ (79,324)

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:

	2022	2021
Northern Lights Recreation Centre	\$ 2,590,770	\$ 4,193,215
Local improvement tax	21,878	-
Fort Vermilion firefighters training facility	15,219	9,617
La Crête outdoor sports court	-	81,433
Sand bagger	-	11,921
	\$ 2,627,867	\$ 4,296,186

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2022

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:

			2022	2021
	Salary (1)	Benefits & allowances (2)		
Josh Knelsen - Reeve	\$ 74,960	\$ 219	\$ 75,179	\$ 71,109
Peter Braun	47,570	4,434	52,004	53,414
Lisa Wardley	65,450	4,271	69,721	65,067
Walter Sarapuk	34,940	2,056	36,996	35,728
Jacque Bateman	35,150	219	35,369	33,219
Eric Jorgensen	-	-	-	40,557
Cameron Cardinal	68,050	5,458	73,508	60,134
David Driedger	40,940	4,103	45,043	42,127
Anthony Peters	-	-	-	23,211
Ernest Peters	34,650	3,788	38,438	33,548
Darrell Derkson	40,590	2,019	42,609	11,058
Garrell Smith	38,540	2,019	40,559	10,001
Chief Administrative Officer	64,612	9,260	73,872	266,511
Chief Administrative Officer - contract	-	-	-	37,819
Interim Chief Administrative Officer	143,155	24,420	167,575	9,764
	\$ 688,607	\$ 62,266	\$ 750,873	\$ 793,267

1. Salary includes regular base pay, bonuses, 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.

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 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.8% on pensionable earnings above this amount.

Total current service contributions by the Municipality to the LAPP in 2022 were \$458,556 (2021 - \$496,905). Total current service contributions by the employees of the Municipality to the Local Authorities Pension Plan in 2022 were \$409,879 (2021 - \$450,746).

At December 31, 2021, the LAPP disclosed an accounting surplus of \$11.9 billion.

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2022

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.

25. Budget amounts

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

26. Approval of financial statements

Council and Management have approved these financial statements.