

INDEPENDENT AUDITOR'S REPORT

To the Reeve and Council of Mackenzie County

Qualified Opinion

We have audited the consolidated financial statements of Mackenzie County (the Municipality), which comprise of the statement of financial position at December 31, 2023, and the statement of operations, change in net debt and cash flows for the year then ended, and the consolidated statements of changes in net assets and operations for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the municipality as at December 31, 2023, 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 Qualified Opinion

The municipality's asset retirement obligations are carried at \$5,865,248 in the statement of financial position. We were unable to obtain sufficient appropriate audit evidence regarding the municipality's asset retirement obligations as of December 31, 2023 as the municipality did not have available information necessary to accurately calculate the fair value of these obligations. Items identified but not addressed include, but are not limited to: lagoons, buildings, and infrastructure. The municipality plans to engage a third party in 2024 to evaluate the scope of application of PS3280 and estimate the financial liabilities that arise. Consequently, we were not able to determine whether any adjustments to these amounts were necessary.

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 qualified audit 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.

(continues)

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Wilde & Company

Vegreville, AB
April 24, 2024

Chartered Professional Accountants

MACKENZIE COUNTY
Consolidated Statement of Financial Position
As at December 31, 2023

	2023	2022
	\$	\$
Financial Assets		
Cash and temporary investments (Note 3)	31,000,224	28,331,462
Receivables		
Taxes receivable (Note 4)	1,630,685	2,873,442
Due from governments	4,565,579	3,537,093
Trade and other receivables	2,933,255	1,689,617
Land loan receivable (Note 5)	461,995	-
Land held for resale	46,846	46,846
Investments (Note 6)	11,264,087	11,205,676
	51,902,671	47,684,136
Liabilities		
Accounts payable and accrued liabilities (Note 7)	3,907,006	5,218,214
Deposit liabilities	345,982	325,862
Deferred revenue (Note 9)	3,250,657	6,801,215
Long term debt (Note 10)	11,494,409	11,363,671
Asset retirement obligation (Note 8)	5,865,248	5,664,170
	24,863,302	29,373,132
Net financial assets	27,039,369	18,311,004
Non-financial assets		
Tangible capital assets (Schedule 2)	184,652,465	187,447,336
Inventory (Note 12)	3,979,787	4,410,104
Prepaid expenses	877,072	856,667
	189,509,324	192,714,107
Accumulated surplus (Schedule 1, Note 13)	216,548,693	211,025,111

MACKENZIE COUNTY
Consolidated Statement of Operations
As at December 31, 2023

	Budget \$ (Unaudited)	2023 \$	2022 \$
Revenue			
Net municipal taxes (Schedule 3)	26,842,350	26,990,657	24,450,155
User fees and sales of goods	5,897,671	7,693,870	5,732,771
Government transfers for operating (Schedule 4)	1,526,597	1,561,503	625,830
Investment income	425,000	1,980,972	891,737
Penalties and costs on taxes	300,000	262,598	286,475
Licenses, permits and fines	595,000	729,970	486,461
Rentals	203,367	211,276	190,420
Gain on disposal of tangible capital assets	-	979,603	-
Other	285,500	384,528	184,252
Total revenue	36,075,485	40,794,977	32,848,101
Expenses			
Legislative	960,256	782,147	829,481
Administration	8,476,360	8,151,539	6,536,870
Protective services	1,746,885	1,604,648	1,269,869
Transportation	17,183,651	16,302,647	18,596,464
Environmental use and protection	6,361,927	6,415,525	5,630,769
Family and community support	994,410	954,812	816,647
Planning, development and agriculture	3,952,788	3,023,729	3,142,665
Recreation and culture	2,740,183	2,755,272	2,685,526
Total expenses	42,416,460	39,990,319	39,508,291
Excess (deficiency) of revenue over expenses before disasters and government transfers	(6,340,975)	804,658	(6,660,190)
Deficiency from 2018 Northern Alberta Overland Flood (Note 16)	-	-	(3,960)
Deficiency from 2020 Northern Alberta Overland Flood (Note 17)	-	(7,697)	(134,766)
Deficiency from 2021 Northern Alberta Overland Flood (Note 18)	-	-	(47,017)
Deficiency from 2021 Mitigation - Conditional Grant Agreement (Note 19)	-	(55,770)	(3,023)
Deficiency from 2022 Northern Alberta Overland Flood (Note 20)	-	-	(79,324)
Deficiency from 2023 Wildfires (Note 21)	-	(15,459)	-
Excess (deficiency) of revenue over expenses before transfers for capital	(6,340,975)	725,732	(6,928,280)
Government transfers for capital (Schedule 4)	9,440,515	4,501,510	2,869,469
Non-government transfers for capital (Note 22)	-	296,340	2,627,867
Excess (deficiency) of revenue over expenses	3,099,540	5,523,582	(1,430,944)
Accumulated surplus - beginning of the year	211,025,111	211,025,111	212,456,055
Accumulated surplus - end of the year	214,124,651	216,548,693	211,025,111

MACKENZIE COUNTY
Consolidated Statement of Change in Net Financial Assets
As at December 31, 2023

	Budget \$ (Unaudited)	2023 \$	2022 \$
Excess (deficiency) of revenue over expenses	3,099,540	5,523,582	(1,430,944)
Acquisition of tangible capital assets	(19,805,125)	(7,627,563)	(9,568,741)
Proceeds on disposal of tangible capital assets	-	1,252,621	20,085
Amortization of tangible capital assets	9,978,821	10,149,416	9,978,821
Loss (gain) on disposal of tangible capital assets	-	(979,603)	17,986
	(9,826,304)	2,794,871	448,151
Disposal (acquisition) of prepaid assets	-	(20,405)	26,424
Use (acquisition) of supplies inventories	-	430,317	(1,959,055)
	-	409,912	(1,932,631)
Increase (decrease) in net assets	(6,726,764)	8,728,365	(2,915,424)
Net financial assets, beginning of year	18,311,004	18,311,004	21,226,428
Net financial assets, end of year	11,584,240	27,039,369	18,311,004

MACKENZIE COUNTY
Consolidated Statement of Cash Flows
As at December 31, 2023

	2023 \$	2022 \$
Operating		
Excess (deficiency) of revenue over expenses	5,523,582	(1,430,944)
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	10,149,416	9,978,821
Loss (gain) on disposal of tangible capital assets	(979,603)	17,986
Net changes in non-cash charges to operation		
Decrease in taxes and grants in lieu receivable	1,242,757	1,281,412
Decrease (increase) in government receivables	(1,028,486)	2,068,127
Decrease (increase) in trade and other receivables	(1,243,638)	167,456
Increase in land loan receivable	(461,995)	-
Decrease (increase) in inventory for consumption	430,317	(1,959,055)
Decrease (increase) in prepaid expenses	(20,405)	26,424
Increase (decrease) in accounts payable and accrued liabilities	(1,311,208)	1,165,944
Increase in deposit liabilities	20,120	12,225
Decrease in deferred revenue	(3,550,558)	(3,186,628)
Increase in asset retirement obligation	201,078	1,851,941
<i>Net cash provided by operating transactions</i>	8,971,377	9,993,709
Capital		
Acquisition of tangible capital assets	(7,627,563)	(9,568,741)
Proceeds on sale of tangible capital assets	1,252,621	20,085
<i>Net cash used in capital transactions</i>	(6,374,942)	(9,548,656)
Investing		
Decrease in restricted cash or cash equivalents	3,550,558	3,186,628
Increase in investments	(58,411)	(193,214)
<i>Net cash provided by investing transactions</i>	3,492,147	2,993,414
Financing		
Long term debt issued	1,313,858	-
Long term debt repaid	(1,183,120)	(1,356,459)
<i>Net cash provided by (used in) financing transactions</i>	130,738	(1,356,459)
Change in cash and cash equivalents during the year	6,219,320	2,082,008
Cash and cash equivalents, beginning of year	21,530,247	19,448,239
Cash and cash equivalents, end of year	27,749,567	21,530,247
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	31,000,224	28,331,462
Less: restricted portion of cash and temporary investments (Note 9)	(3,250,657)	(6,801,215)
	27,749,567	21,530,247
Cash flows supplementary information		
Interest received	1,980,972	891,737
Interest paid	349,914	362,400

See accompanying notes

MACKENZIE COUNTY
Schedule of Changes in Accumulated Surplus
As at December 31, 2023

(Schedule 1)

	Unrestricted Surplus	Restricted Operating	Restricted Capital	Equity in Capital Assets	2023 \$	2022 \$
Balance, beginning of year	4,268,305	13,517,069	17,156,072	176,083,665	211,025,111	212,456,055
Excess of revenues over expenses	5,523,582	-	-	-	5,523,582	(1,430,944)
Unrestricted funds designated for future use	(4,819,252)	970,424	3,848,828	-	-	-
Restricted funds used for operations	850,125	(812,367)	(37,758)	-	-	-
Restricted funds used for tangible capital assets		(69,565)	(1,930,794)	2,000,359	-	-
Current year funds used for tangible capital assets	(5,627,204)	-	-	5,627,204	-	-
Disposal of tangible capital assets	273,018	-	-	(273,018)	-	-
Annual amortization expense	10,149,416	-	-	(10,149,416)	-	-
Long term debt issued	1,313,858	-	-	(1,313,858)	-	-
Long term debt repaid	(1,183,120)	-	-	1,183,120	-	-
Balance, end of year	10,748,728	13,605,561	19,036,348	173,158,056	216,548,693	211,025,111

MACKENZIE COUNTY
Schedule of Tangible Capital Assets
As at December 31, 2023

(Schedule 2)

	Land and Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2023 \$	2022 \$
Cost							
Balance, beginning of year	11,545,521	27,664,970	382,590,755	21,391,952	5,418,016	448,611,216	439,384,722
Acquisition of tangible capital assets	342,624	-	69,959	2,061,096	255,444	2,729,123	878,030
Construction in progress	91,911	200,496	4,335,931	270,102	-	4,898,440	8,690,711
Disposal of tangible capital assets	(36,625)	-	-	(985,882)	-	(1,022,507)	(342,247)
Balance, end of year	11,943,431	27,865,466	386,996,645	22,737,268	5,673,460	455,216,272	448,611,216
Accumulated amortization							
Balance, beginning of year	3,466,482	7,440,131	236,184,978	11,224,734	2,847,555	261,163,880	251,489,235
Annual amortization	350,173	518,563	7,498,790	1,514,730	267,160	10,149,416	9,978,821
Accumulated amortization on disposals	-	-	-	(749,489)	-	(749,489)	(304,176)
Balance, end of year	3,816,655	7,958,694	243,683,768	11,989,975	3,114,715	270,563,807	261,163,880
2023 net book value of tangible capital assets	8,126,776	19,906,772	143,312,877	10,747,293	2,558,745	184,652,465	187,447,336
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

MACKENZIE COUNTY
Schedule of Property and Other Taxes
As at December 31, 2023

(Schedule 3)

	Budget	2023	2022
	\$	\$	\$
	(Unaudited)		
Taxation			
Real property taxes	22,908,899	23,000,668	21,259,662
Linear property taxes	10,140,314	10,180,934	10,263,511
Government grants in place of property taxes	210,351	211,194	188,047
Special assessments and local improvement taxes	36,060	36,204	40,286
	33,295,623	33,429,000	31,751,506
Requisitions			
Alberta School Foundation Fund	6,379,443	6,379,631	6,432,451
Mackenzie Housing Management Board	-	561	798,705
Designated industrial property	73,830	58,151	70,195
	6,453,273	6,438,343	7,301,351
Net Municipal Taxes	26,842,350	26,990,657	24,450,155

MACKENZIE COUNTY
Schedule of Government Transfers
As at December 31, 2023

(Schedule 4)

	Budget	2023	2022
	\$	\$	\$
	(Unaudited)		
Transfers for Operating			
Provincial Government	1,526,597	1,561,503	625,830
	1,526,597	1,561,503	625,830
Provincial Government - disaster related transfers:			
2018 Northern Alberta Overland Flood (Note 16)	-	-	11,290
2020 Northern Alberta Overland Flood (Note 17)	-	726,700	460,940
2021 Flood Mitigation (Note 19)	3,598,531	2,957,545	7,122,041
2022 Northern Alberta Overland Flood (Note 20)	-	20,680	713,912
2023 Wildfires (Note 21)	-	169,907	-
	5,125,128	5,266,428	8,934,013
Transfers for Capital			
Provincial Government	9,440,515	4,501,510	2,869,469
Total Government Transfers	14,565,643	9,767,938	11,803,482

MACKENZIE COUNTY
Schedule of Consolidated Expenses by Object
As at December 31, 2023

(Schedule 5)

	Budget \$ (Unaudited)	2023 \$	2022 \$
Consolidated Expenses by Object			
Salaries, wages and benefits	9,752,773	8,865,671	8,547,422
Contracted and general services	8,840,659	7,504,999	7,276,878
Materials, goods, supplies and utilities	5,857,684	6,690,462	8,107,111
Transfers to other governments (Note 15)	2,250,000	2,250,000	2,250,000
Transfers to local boards and agencies	2,490,744	2,510,370	2,352,336
Bank charges and short term interest	22,360	31,627	23,605
Interest on long term debt	333,735	349,914	362,400
Amortization of tangible capital assets	9,978,821	10,149,416	9,978,821
Loss on disposal of capital assets	-	-	22,986
Property tax bad debt expense (Note 4)	1,005,000	1,637,860	586,732
	40,531,776	39,990,319	39,508,291
2018 Northern Alberta Overland Flood (Note 16)	-	-	15,250
2020 Northern Alberta Overland Flood (Note 17)	-	734,397	882,657
2021 Northern Alberta Overland Flood (Note 18)	-	-	47,017
2021 Flood Mitigation (Note 19)	3,598,531	3,013,315	7,546,882
2022 Northern Alberta Overland Flood (Note 20)	-	20,680	793,236
2023 Wildfires (Note 21)	-	185,365	-
Total expenses including disasters	3,598,531	43,944,076	48,793,333

MACKENZIE COUNTY
Schedule of Segmented Disclosure
As at December 31, 2023

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total \$
Revenue								
Net municipal taxes	26,819,453	-	163,363	7,841	-	-	-	26,990,657
Government transfers for operations	189,070	-	242,524	632,649	188,497	-	308,763	1,561,503
User fees and sales of goods	47,698	1,173,891	875,839	5,508,341	50,221	39,880	-	7,693,870
Investment income	1,980,972	-	-	-	-	-	-	1,980,972
Other	556,001	74,624	1,058,141	43,638	832,741	2,830	-	2,567,975
	29,593,194	1,248,515	2,339,867	6,190,469	1,071,459	42,710	308,763	40,794,977
Expenses								
Salaries, wages and benefits	2,667,310	231,829	3,252,123	1,127,002	1,447,572	139,835	-	8,865,671
Contracted and general services	1,434,327	1,016,843	2,233,572	1,451,362	1,054,676	313,069	1,150	7,504,999
Materials, goods, supplies and utilities	573,763	124,605	3,898,392	1,661,292	315,599	116,702	109	6,690,462
Transfers to other local government and boards	2,250,000	-	-	-	148,391	1,408,426	953,553	4,760,370
Interest on long term debt	19,913	-	314,779	15,222	-	-	-	349,914
Property tax bad debt expense (Note 4)	1,637,860	-	-	-	-	-	-	1,637,860
Loss on disposal of capital assets	-	-	-	-	-	-	-	-
Other	30,249	-	-	1,378	-	-	-	31,627
	8,613,422	1,373,277	9,698,866	4,256,256	2,966,238	1,978,032	954,812	29,840,903
Net revenue (expenditure) before amortization	20,979,772	(124,762)	(7,358,999)	1,934,213	(1,894,779)	(1,935,322)	(646,049)	10,954,074
Amortization of tangible capital assets	320,264	231,371	6,603,781	2,159,269	57,491	777,240	-	10,149,416
Net revenue (expenditure) before disasters and transfers	20,659,508	(356,133)	(13,962,780)	(225,056)	(1,952,270)	(2,712,562)	(646,049)	804,658
Deficiency from 2018 Northern Alberta Overland Flood (Note 16)	-	-	-	-	-	-	-	-
Deficiency from 2020 Northern Alberta Overland Flood (Note 17)	-	-	-	-	-	-	(7,697)	(7,697)
Deficiency from 2021 Northern Alberta Overland Flood (Note 18)	-	-	-	-	-	-	-	-
Deficiency from 2021 Mitigation - Conditional Grant Agreement (Note 19)	-	-	-	-	-	-	(55,770)	(55,770)
Deficiency from 2022 Northern Alberta Overland Flood (Note 20)	-	-	-	-	-	-	-	-
Deficiency from 2023 Wildfires (Note 21)	-	-	-	-	-	-	(15,459)	(15,459)
Net revenue (expenditure) before transfers for capital	20,659,508	(356,133)	(13,962,780)	(225,056)	(1,952,270)	(2,712,562)	(724,975)	725,732
Government transfers for capital	68,981	164,654	4,180,678	96,289	-	10,928	-	4,501,510
Non-government transfers for capital	-	-	145,939	-	-	150,401	-	296,340
2023 net revenue (expenditure)	20,728,489	(191,479)	(9,656,163)	(128,767)	(1,952,270)	(2,551,233)	(724,975)	5,523,582
2022 net revenue (expenditure)	18,550,159	(936,353)	(16,445,448)	539,541	(2,431,777)	78,989	(786,055)	(1,430,944)

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2023

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 Canadian public sector accounting standards (PSAS) established by the Chartered Professional Accountants of Canada. Canadian public sector accounting standards are part of Canadian Generally Accepted Accounting Principles (GAAP). 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.

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
- Valuation of asset retirement obligation

(continues)

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2023

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

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.

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 leveling 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.

Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset as at the financial statement date when there is a legal or regulatory obligation for the Municipality to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement, based on information available at year-end. The best estimate of the asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

(continues)

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2023

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

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset or inventory. The asset retirement cost is amortized over the useful life of the related asset or expensed as inventory is consumed. Asset retirement obligations which are incurred incrementally with use of the asset or inventory are recognized in the period incurred with a corresponding asset retirement or reclamation cost expensed in the period.

At each financial reporting date, the Municipality reviews the carrying amount of the liability. The Municipality recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset or inventory. The Municipality continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

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.

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

(*continues*)

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2023

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

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. Other inventory held is for one-time projects and is carried at cost.

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.

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.

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2023

3. Cash and temporary investments

	2023	2022
Cash	\$ 5,690,322	\$ 7,945,951
Temporary investments	25,309,902	20,385,511
	\$ 31,000,224	\$ 28,331,462

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 \$11,022,918 (2022 - 12,751,611) comprised of deferred revenue not expended and capital projects.

4. Taxes receivable

	2023	2022
Taxes receivable - current	\$ 2,929,744	\$ 2,739,994
Taxes receivable - arrears	1,928,690	4,834,921
Subtotal	4,858,434	7,574,915
Less: allowance for doubtful accounts	(3,227,749)	(4,701,473)
	\$ 1,630,685	\$ 2,873,442

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 2023, this amount is \$1,637,860 (2022 - \$586,732).

5. Land loan receivable

	2023	2022
Land loans receivable from lot sales in the La Crete business sector. Loans are non-interest bearing until September 2026, at which time remaining loans receivable will be subject to interest at prime plus 2%.	\$ 461,995	\$ -
Amounts receivable within one year	(102,678)	-
	\$ 359,317	\$ -

Principal repayment terms are approximately:

2024	\$ 102,678
2025	126,156
2026	126,156
2027	30,286
2028	30,286
Thereafter	46,433
	\$ 461,995

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2023

6. Investments

	2023	2022
Short term deposits	\$ 4,279,009	\$ 2,197,694
Long term deposits	4,741,804	6,764,708
Government and government guaranteed bonds	2,243,274	2,243,274
	\$ 11,264,087	\$ 11,205,676

Short term deposits have an effective interest rate of 3.01% to 4.75% (2022 - 3.7%) with a maturity date of April 2024 to September 2024. Market value of the short term deposit is \$4,279,009 (2022 - \$2,197,694).

Long term deposits have effective interest rates of 2.33% to 5.28% (2022 - 2.33% to 5.28%) with maturity dates from May 2025 to Jan 2029. Market value of the long term investments is \$4,624,954 (2022 - \$6,512,937).

Government investments and government guaranteed bonds have effective interest rates of 2.05% to 5.4% (2022 - 2.05% to 5.4%) with maturity dates from June 2030 to June 2035. Market value of the bonds is \$2,330,055 (2022 - \$2,257,737).

Council has designated funds of \$11,264,087 (2022 - \$11,205,676) included in the above amounts for capital projects.

7. Accounts payables and accrued liabilities

	2023	2022
Trade payables and accruals	\$ 2,933,833	\$ 3,829,779
Holdback payables	533,803	967,048
Employee payable (wages and accrued overtime)	393,405	391,601
Long term debt interest payable	45,965	29,786
	\$ 3,907,006	\$ 5,218,214

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2023

8. Asset retirement obligation

The Municipality has adopted Section PS 3280 – Asset Retirement Obligations, on a prospective basis. Please see Qualified Audit Opinion of the Independent Auditors Report for further details.

Gravel Pit Reclamation

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 obligations in 2022. Accreted value of the asset retirement obligations are calculated using the 2023 inflationary rate for Alberta of 3.55%.

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

	2023	2022
Estimated asset retirement costs, beginning of year	\$ 5,664,170	\$ 3,812,229
Accretion expense	201,078	1,851,941
Total closure and post closure costs, end of year	\$ 5,865,248	\$ 5,664,170

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

The Municipality has designated funds of \$4.36 million in reserves for gravel reclamation.

9. Deferred revenue

	2023	2022
Municipal Sustainability Initiative (MSI) capital	\$ 1,056,794	\$ 2,653,745
Canada Community Building Fund	1,045,041	470,498
Alberta Community Partnership	585,733	1,218,382
Alberta Northwest Species at Risk Committee	424,289	-
Insurance	75,000	117,171
Northern and Regional Economic Development Program	43,550	-
Disaster Relief Funding	10,000	10,000
Forest Capital Canada	10,000	-
Donations	250	-
Donations - Agriculture	-	100,000
Conditional Grant Agreement - Flood Mitigation	-	2,231,419
	\$ 3,250,657	\$ 6,801,215

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, 2023

10. Long-term debt

	2023	2022
Tax supported debentures	\$ 11,494,409	\$ 11,363,671

Principal and interest repayments are as follows:

	Principal	Interest	Total
2024	\$ 1,318,014	\$ 368,759	\$ 1,686,773
2025	1,355,975	330,797	1,686,772
2026	1,395,219	291,554	1,686,773
2027	1,201,253	251,616	1,452,869
2028	1,233,098	212,699	1,445,797
Thereafter	4,990,850	491,536	5,482,386
	\$ 11,494,409	\$ 1,946,961	\$ 13,441,370

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 2023 through 2033. The average annual interest rate is 3.29% for 2023 (3.01% for 2022).

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

Interest on long-term debt amounted to \$349,914 (2022 - \$362,400).

The Municipality's total cash payments for interest in 2023 were \$333,736 (2022 - \$366,662).

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2023

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:

	2023	2022
Total debt limit	\$ 67,449,222	\$ 65,676,227
Total debt	(11,494,409)	(11,363,671)
Amount of debt limit unused	\$ 55,954,813	\$ 54,312,556
Debt servicing limit	\$ 11,241,537	\$ 10,946,038
Debt servicing	(1,686,773)	(1,516,856)
Amount of debt servicing limit unused	\$ 9,554,764	\$ 9,429,182

The debt limit is calculated at 1.5 times revenue of the Municipality excluding transfers from the governments of Alberta and Canada for the purposes of capital property (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

	2023	2022
Parts and supplies	\$ 1,490,903	\$ 1,095,829
Gravel	2,182,523	2,936,648
Trailers - flood mitigation	306,361	377,627
Total	\$ 3,979,787	\$ 4,410,104

13. Accumulated surplus

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

	2023	2022
Equity in tangible capital assets (Note 14)	\$173,158,056	\$176,083,665
Operating reserves (Schedule 1)	13,605,561	13,517,069
Capital reserves (Schedule 1)	19,036,348	17,156,072
Unrestricted surplus (Schedule 1)	10,748,728	4,268,305
Total	\$216,548,693	\$211,025,111

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2023

14. Equity in tangible capital assets

	2023	2022
Tangible capital assets (Schedule 2)	\$455,216,272	\$448,611,216
Less: Accumulated amortization (Schedule 2)	270,563,807	261,163,880
Less: Long-term debt (Note 10)	11,494,409	11,363,671
	\$173,158,056	\$176,083,665

15. Transfers to other governments

	2023	2022
Town of High Level	\$ 1,000,000	\$ 1,000,000
Town of Rainbow Lake	1,250,000	1,250,000
	\$ 2,250,000	\$ 2,250,000

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

16. 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 2023 financial statements:

	2023	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, 2023

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 following is a summary of items included in the 2023 financial statements:

	2023	2022
Disaster Recovery Program assistance (Schedule 4)	\$ 726,700	\$ 460,940
Disaster Recovery Program insurance	-	286,951
Total revenue	726,700	747,891
2020 Northern Alberta Overland Flood disaster expenses incurred (Schedule 5)	(734,397)	(882,657)
	\$ (7,697)	\$ (134,766)

18. 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 2023 financial statements:

	2023	2022
2021 Northern Alberta Overland Flood disaster expenses incurred (Schedule 5)	\$ -	\$ (47,017)
	\$ -	\$ (47,017)

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2023

19. 2021 Flood Mitigation

The Municipality has entered into a \$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 \$1.49 million 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 2023 financial statements:

	2023	2022
Municipal Affairs - Flood Mitigation assistance	\$ 2,957,545	\$ 7,122,041
Municipal Stimulus Program	-	-
Total government funding (Schedule 4)	2,957,545	7,122,041
Other non-government funding	-	421,818
Total revenue	2,957,545	7,543,859
2021 Flood Mitigation expenses incurred (Schedule 5)	(3,013,315)	(7,546,882)
	\$ (55,770)	\$ (3,023)

20. 2022 Northern Alberta Overland Flood

The Municipality continues to incur expenditures relating to the 2022 Northern Alberta Overland Flood. Disaster Recovery Program submissions are being completed and are awaiting government approval. The following is a summary of items included in the 2023 financial statements:

	2023	2022
Disaster Recovery Program assistance (Schedule 4)	\$ 20,680	\$ 713,912
2022 Northern Alberta Overland Flood disaster expenses incurred (Schedule 5)	(20,680)	(793,236)
	\$ -	\$ (79,324)

21. 2023 Wildfires

The Municipality has incurred approximately \$185,000 in expenditures relating to the 2023 Wildfires. Disaster Recovery Program submissions are being completed and are awaiting government approval. The following is a summary of items included in the 2023 financial statements:

	2023	2022
Disaster Recovery Program assistance (Schedule 4)	\$ 169,907	\$ -
2023 Wildfire disaster expenses incurred (Schedule 5)	(185,366)	-
	\$ (15,459)	\$ -

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2023

22. 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:

	2023	2022
Traffic lights	\$ 129,146	\$ -
La Crete parking lot	90,575	-
La Crete wheel chair lift	59,826	-
Paving projects	16,793	-
Northern Lights Recreation Centre	-	2,590,770
Local improvement tax	-	21,878
Fort Vermilion firefighters training facility	-	15,219
	\$ 296,340	\$ 2,627,867

23. 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:

			2023	2022
	Salary (1)	Benefits & allowances (2)		
Josh Knelsen - Reeve	\$ 69,760	\$ 1,169	\$ 70,929	\$ 75,179
Peter Braun	49,480	4,996	54,476	52,004
Lisa Wardley	60,940	4,439	65,379	69,721
Walter Sarapuk	31,220	2,522	33,742	36,996
Jacquie Bateman	24,396	219	24,615	35,369
Cameron Cardinal	58,510	5,448	63,958	73,508
David Driedger	38,360	4,440	42,800	45,043
Ernest Peters	33,580	4,201	37,781	38,438
Darrell Derkson	19,820	1,231	21,051	42,609
Garrell Smith	38,070	2,532	40,602	40,559
Dale Wiebe	8,458	984	9,442	-
Chief Administrative Officer	74,526	2,246	76,772	-
Interim Chief Administrative Officer	112,502	15,301	127,803	167,575
Former Chief Administrative Officer	95,119	3,304	98,423	73,872
	\$ 714,741	\$ 53,032	\$ 767,773	\$ 750,873

- Salary includes regular base pay, bonuses, 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, 2023

24. 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 12.23% on pensionable earnings above this amount.

Total current service contributions by the Municipality to the LAPP in 2023 were \$467,407 (2022 - \$458,556). Total current service contributions by the employees of the Municipality to the Local Authorities Pension Plan in 2023 were \$410,442 (2022 - \$409,879).

At December 31, 2022, the LAPP disclosed an accounting surplus of \$12.7 billion.

25. 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).

26. 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.

27. Budget amounts

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

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2023

28. Comparative figures

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

29. Approval of financial statements

Council and Management have approved these financial statements.