



**Wilde and Company**

*Chartered Accountants*

P.O. BOX 70  
4902 – 50 STREET  
VEGREVILLE, AB T9C 1R1

TELEPHONE (780) 632-3673  
TOLL FREE 1-800-808-0998  
FAX (780) 632-6133  
E-MAIL [office@wildeandco.com](mailto:office@wildeandco.com)

## INDEPENDENT AUDITOR'S REPORT

To the Reeve and Council of Mackenzie County

We have audited the accompanying financial statements of Mackenzie County, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mackenzie County as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Vegreville, AB  
April 26, 2017

*Wilde + Company*  
Chartered Accountants

**MACKENZIE COUNTY**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2016**

	2016	2015
	\$	\$
<b>Financial Assets</b>		
Cash and temporary investments (Note 3)	19,915,575	18,470,139
Receivables		
Taxes receivable (Note 4)	1,589,572	811,537
Due from governments	3,446,022	2,906,657
Trade and other receivables	869,878	1,115,790
Short term investments (Note 5)	5,795,878	5,044,630
Land held for resale	46,846	8,705
Investments (Note 6)	5,668,164	6,468,440
	<b>37,331,935</b>	<b>34,825,898</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	4,918,765	5,505,820
Deposit liabilities	529,319	514,961
Deferred revenue (Note 8)	1,526,832	793,457
Long term debt (Note 9)	14,657,290	16,235,802
	<b>21,632,206</b>	<b>23,050,040</b>
<b>Net financial assets</b>	<b>15,699,729</b>	<b>11,775,858</b>
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 2)	188,871,904	186,458,708
Inventory for consumption (Note 11)	2,059,392	2,619,015
Prepaid expenses	382,036	359,705
	<b>191,313,332</b>	<b>189,437,428</b>
<b>Accumulated surplus (Schedule 1, Note 14)</b>	<b>207,013,061</b>	<b>201,213,286</b>
Contingent liability (Note 17)		

**MACKENZIE COUNTY**  
**Consolidated Statement of Operations**  
**As at December 31, 2016**

	<b>Budget \$ (Unaudited)</b>	<b>2016 \$</b>	<b>2015 \$</b>
<b>Revenue</b>			
Net municipal taxes (Schedule 3)	26,232,384	<b>26,232,538</b>	27,885,203
User fees and sales of goods	4,594,216	<b>4,507,818</b>	4,619,126
Government transfers for operating (Schedule 4)	1,302,914	<b>1,390,555</b>	1,501,319
Investment income	360,000	<b>525,474</b>	500,870
Penalties and costs on taxes	1,288,413	<b>1,453,394</b>	1,057,962
Licenses, permits and fines	448,000	<b>456,914</b>	539,489
Rentals	80,455	<b>114,094</b>	140,117
Other	358,000	<b>416,806</b>	979,452
<b>Total revenue</b>	<b>34,664,382</b>	<b>35,097,593</b>	<b>37,223,538</b>
<b>Expenses</b>			
Legislative	796,640	<b>647,300</b>	543,500
Administration	5,674,653	<b>6,505,191</b>	7,036,030
Protective services	1,864,996	<b>1,337,485</b>	1,605,857
Transportation	18,428,976	<b>15,480,795</b>	15,352,206
Environmental use and protection	4,925,216	<b>4,720,707</b>	5,185,155
Family and community support	781,053	<b>784,073</b>	639,256
Planning, development and agriculture	2,639,517	<b>2,694,732</b>	2,752,139
Recreation and culture	2,308,449	<b>2,068,564</b>	2,276,295
Loss on disposal of capital assets	387,237	<b>322,261</b>	306,170
<b>Total expenses</b>	<b>37,806,737</b>	<b>34,561,108</b>	<b>35,696,608</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>(3,142,355)</b>	<b>536,485</b>	<b>1,526,930</b>
<b>Other</b>			
Government transfers for capital (Schedule 4)	12,401,732	<b>5,263,290</b>	5,102,465
Contributed assets	-	-	718,363
Other capital contributions	-	-	14,787
<b>Excess of revenues over expenses</b>	<b>9,259,377</b>	<b>5,799,775</b>	<b>7,362,545</b>
<b>Accumulated surplus - beginning of the year</b>	<b>201,213,286</b>	<b>201,213,286</b>	<b>193,850,741</b>
<b>Accumulated surplus - end of the year</b>	<b>210,472,663</b>	<b>207,013,061</b>	<b>201,213,286</b>

**MACKENZIE COUNTY**  
**Consolidated Statement of Change in Net Financial Assets**  
**As at December 31, 2016**

	Budget \$ (Unaudited)	2016 \$	2015 \$
Excess of revenue over expenses	9,259,377	5,799,775	7,362,545
Acquisition of tangible capital assets	(28,339,029)	(11,714,814)	(9,272,010)
Contributed tangible capital assets	-	-	(718,363)
Proceeds on disposal of tangible capital assets	492,932	639,056	528,614
Amortization of tangible capital assets	9,169,166	8,345,075	8,922,961
Loss on sale of tangible capital assets	387,237	322,261	306,170
	(18,289,694)	(2,408,422)	(232,628)
Acquisition of prepaid assets	-	(22,331)	(63,890)
Use (acquisition) of supplies inventories	580,324	554,849	(191,404)
	580,324	532,518	(255,294)
Increase (decrease) in net assets	(8,449,993)	3,923,871	6,874,623
Net financial assets, beginning of year	11,775,858	11,775,858	4,901,235
Net financial assets, end of year	3,325,865	15,699,729	11,775,858

**MACKENZIE COUNTY**  
**Consolidated Statement of Cash Flows**  
**As at December 31, 2016**

	2016	2015
	\$	\$
<b>Operating</b>		
Excess of revenue over expenses	5,799,775	7,362,545
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	8,345,075	8,922,961
Loss on disposal of tangible capital assets	322,261	306,170
Tangible capital assets received as contributions	-	(718,363)
Net changes in non-cash charges to operation		
Increase in taxes and grants in lieu receivable	(778,035)	(330,618)
Decrease (increase) in government receivables	(539,365)	542,176
Decrease (increase) in trade and other receivables	245,912	(67,529)
Decrease (increase) in inventory for consumption	559,623	(191,404)
Increase in land held for resale	(38,141)	(5,260)
Increase in prepaid expenses	(22,331)	(63,890)
Decrease in accounts payable and accrued liabilities	(587,060)	(1,069,413)
Increase in deposit liabilities	14,358	16,197
Increase (decrease) in deferred revenue	733,375	(355,200)
<i>Net cash provided by operating transactions</i>	<b>14,055,447</b>	<b>14,348,372</b>
<b>Capital</b>		
Acquisition of tangible capital assets	(11,714,814)	(9,272,010)
Adjustment to tangible capital assets	(4,769)	-
Proceeds on sale of tangible capital assets	639,056	528,614
<i>Net cash applied to capital transactions</i>	<b>(11,080,527)</b>	<b>(8,743,396)</b>
<b>Investing</b>		
Decrease (increase) in restricted cash or cash equivalents	(733,375)	355,200
Decrease (increase) in short term investments	(751,248)	4,955,370
Decrease in investments	800,276	455,038
<i>Net cash provided by (used in) investing transactions</i>	<b>(684,347)</b>	<b>5,765,608</b>
<b>Financing</b>		
Long term debt repaid	(1,578,512)	(1,669,369)
<i>Net cash used in investing transactions</i>	<b>(1,578,512)</b>	<b>(1,669,369)</b>
<b>Change in cash and cash equivalents during the year</b>	<b>712,061</b>	<b>9,701,215</b>
Cash and cash equivalents, beginning of year	17,676,682	7,975,467
<b>Cash and cash equivalents, end of year</b>	<b>18,388,743</b>	<b>17,676,682</b>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	19,915,575	18,470,139
Less: restricted portion of cash and temporary investments (Note 3)	(1,526,832)	(793,457)
	<b>18,388,743</b>	<b>17,676,682</b>
<b>Cash flows supplementary information</b>		
Interest received	590,387	645,840
Interest paid	562,322	621,194

See accompanying notes

**MACKENZIE COUNTY**  
**Schedule of Changes in Accumulated Surplus**  
**As at December 31, 2016**

*(Schedule 1)*

	<b>Unrestricted Surplus</b>	<b>Restricted Operating</b>	<b>Restricted Capital</b>	<b>Equity in Capital</b>	<b>2016 \$</b>	<b>2015 \$</b>
<b>Balance, beginning of year</b>	<b>3,729,326</b>	<b>8,120,997</b>	<b>19,140,057</b>	<b>170,222,906</b>	<b>201,213,286</b>	<b>193,850,741</b>
Excess of revenues over expenses	5,799,775	-	-	-	<b>5,799,775</b>	7,362,545
Unrestricted funds designated for future use	(3,487,224)	246,958	3,240,266	-	-	-
Restricted funds used for operations	1,931,924	(1,887,024)	(44,900)	-	-	-
Restricted funds used for tangible capital assets	-	(530,629)	(4,156,732)	4,687,361	-	-
Current year funds used for tangible capital assets	(7,027,456)	-	-	7,027,456	-	-
Disposal of tangible capital assets	961,317	-	-	(961,317)	-	-
Annual amortization expense	8,345,075	-	-	(8,345,075)	-	-
Adjustment to tangible capital assets	(4,771)	-	-	4,771	-	-
Long term debt repaid	(1,578,512)	-	-	1,578,512	-	-
<b>Balance, end of year</b>	<b>8,669,454</b>	<b>5,950,302</b>	<b>18,178,691</b>	<b>174,214,614</b>	<b>207,013,061</b>	<b>201,213,286</b>

**MACKENZIE COUNTY**  
**Schedule of Tangible Capital Assets**  
**As at December 31, 2016**

*(Schedule 2)*

	<b>Land and Improvements</b>	<b>Buildings</b>	<b>Engineered Structures</b>	<b>Machinery and Equipment</b>	<b>Vehicles</b>	<b>2016 \$</b>	<b>2015 \$</b>
<b>Cost</b>							
Balance, beginning of year	10,401,652	19,026,484	337,275,464	13,292,364	4,272,991	<b>384,268,955</b>	375,637,321
Acquisition of tangible capital assets	32,112	860,549	2,192,781	2,550,168	554,308	<b>6,189,918</b>	7,747,136
Construction in progress	93,353	555	5,308,793	122,198	-	<b>5,524,899</b>	2,243,237
Disposal of tangible capital assets	-	-	(148,277)	(1,389,064)	(54,099)	<b>(1,591,440)</b>	(1,358,739)
<b>Balance, end of year</b>	<b>10,527,117</b>	<b>19,887,588</b>	<b>344,628,761</b>	<b>14,575,666</b>	<b>4,773,200</b>	<b>394,392,332</b>	<b>384,268,955</b>
<b>Accumulated amortization</b>							
Balance, beginning of year	1,226,101	4,023,380	186,903,890	3,809,473	1,842,632	<b>197,805,476</b>	189,406,471
Annual amortization	293,986	346,847	6,329,800	1,155,436	219,006	<b>8,345,075</b>	8,922,961
Accumulated amortization on disposals	-	-	(148,277)	(432,747)	(49,099)	<b>(630,123)</b>	(523,956)
<b>Balance, end of year</b>	<b>1,520,087</b>	<b>4,370,227</b>	<b>193,085,413</b>	<b>4,532,162</b>	<b>2,012,539</b>	<b>205,520,428</b>	<b>197,805,476</b>
<b>2016 net book value of tangible capital assets</b>	<b>9,007,030</b>	<b>15,517,361</b>	<b>151,543,348</b>	<b>10,043,504</b>	<b>2,760,661</b>	<b>188,871,904</b>	<b>186,463,479</b>
2015 net book value of tangible capital assets	9,175,551	15,003,104	150,371,574	9,482,891	2,430,359		186,463,479

**MACKENZIE COUNTY**  
**Schedule of Property and Other Taxes**  
**As at December 31, 2016**

**(Schedule 3)**

	<b>Budget</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>(Unaudited)</b>		
<b>Taxation</b>			
Real property taxes	17,176,936	<b>17,408,445</b>	16,705,629
Linear property	16,503,331	<b>16,298,615</b>	18,301,926
Government grants in place of property taxes	101,927	<b>95,294</b>	104,292
Special assessments and local improvement taxes	171,497	<b>120,584</b>	197,245
	<b>33,953,691</b>	<b>33,922,938</b>	35,309,092
<b>Requisitions</b>			
Alberta School Foundation Fund	6,866,280	<b>6,838,317</b>	6,635,781
Mackenzie Housing Management Board:			
Operating	442,907	<b>442,083</b>	378,108
Capital	412,120	<b>410,000</b>	410,000
	<b>7,721,307</b>	<b>7,690,400</b>	7,423,889
<b>Net Municipal Taxes</b>	<b>26,232,384</b>	<b>26,232,538</b>	<b>27,885,203</b>



**MACKENZIE COUNTY**  
**Schedule of Government Transfers**  
**As at December 31, 2016**

**(Schedule 4)**

	<b>Budget</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>(Unaudited)</b>		
<b>Transfers for Operating</b>			
Provincial Government	1,302,914	1,390,555	1,501,319
	1,302,914	1,390,555	1,501,319
<b>Transfers for Capital</b>			
Provincial Government	12,401,732	5,263,290	5,102,465
	12,401,732	5,263,290	5,102,465
<b>Total Government Transfers</b>	<b>13,704,646</b>	<b>6,653,845</b>	<b>6,603,784</b>

**MACKENZIE COUNTY**  
**Schedule of Consolidated Expenses by Object**  
**As at December 31, 2016**

*(Schedule 5)*

	<b>Budget</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>(Unaudited)</b>		
<b>Consolidated Expenses by Object</b>			
Salaries, wages and benefits	9,101,663	8,639,744	8,210,041
Contracted and general services	7,611,114	6,669,465	6,871,689
Materials, goods, supplies and utilities	5,557,083	5,699,765	5,549,188
Transfers to other governments (Note 13)	1,805,000	1,408,661	1,927,281
Transfers to local boards and agencies	2,080,245	1,927,694	2,068,118
Bank charges and short term interest	27,000	32,576	29,536
Interest on long term debt	562,323	555,056	614,288
Amortization of tangible capital assets	9,169,166	8,345,075	8,922,961
Loss on disposal of tangible capital assets	387,237	322,261	306,170
Property tax bad debt expense (Note 4)	1,502,106	960,811	1,187,068
Other operating expenditures	3,800	-	10,268
	<b>37,806,737</b>	<b>34,561,108</b>	<b>35,696,608</b>

**MACKENZIE COUNTY**  
**Schedule of Segmented Disclosure**  
**As at December 31, 2016**

*(Schedule 6)*

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total \$
<b>Revenue</b>								
Net municipal taxes	26,111,953	-	92,675	27,910	-	-	-	26,232,538
Government transfers for operations	72,277	99,000	732,173	-	188,423	-	298,682	1,390,555
User fees and sales of goods	27,927	156,513	119,149	4,046,643	67,837	89,749	-	4,507,818
Investment income	525,474	-	-	-	-	-	-	525,474
Other revenues	1,677,892	58,584	63,699	59,206	568,160	-	13,667	2,441,208
	28,415,523	314,097	1,007,696	4,133,759	824,420	89,749	312,349	35,097,593
<b>Expenses</b>								
Salaries, wages and benefits	2,507,502	373,258	3,556,604	884,254	997,233	320,893	-	8,639,744
Contracted and general services	1,534,465	547,697	1,783,272	1,274,605	1,321,628	207,078	720	6,669,465
Materials, goods, supplies and utilities	337,636	277,413	3,982,767	729,351	230,981	141,617	-	5,699,765
Transfers to local boards and agencies	1,408,661	-	-	-	110,000	1,034,341	783,353	3,336,355
Interest on long term debt	48,656	-	397,152	109,248	-	-	-	555,056
Property tax bad debt expense (Note 4)	965,552	-	-	(4,741)	-	-	-	960,811
Other expenses	32,576	-	309,347	-	-	12,914	-	354,837
	6,835,048	1,198,368	10,029,142	2,992,717	2,659,842	1,716,843	784,073	26,216,033
<b>Net revenue (expenditure) before amortization</b>	21,580,475	(884,271)	(9,021,446)	1,141,042	(1,835,422)	(1,627,094)	(471,724)	8,881,560
<b>Amortization of tangible capital assets</b>	317,443	139,117	5,761,000	1,727,990	34,890	364,635	-	8,345,075
<b>Net revenue (expenditure) before other</b>	21,263,032	(1,023,388)	(14,782,446)	(586,948)	(1,870,312)	(1,991,729)	(471,724)	536,485
Government transfers for capital	-	375,000	3,538,061	1,350,229	-	-	-	5,263,290
<b>2016 net revenue (expenditure)</b>	21,263,032	(648,388)	(11,244,385)	763,281	(1,870,312)	(1,991,729)	(471,724)	5,799,775
<b>2015 net revenue (expenditure)</b>	22,183,747	(1,249,078)	(9,846,785)	(47,733)	(1,792,286)	(1,498,337)	(386,983)	7,362,545

**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

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1. Summary of significant accounting policies

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 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 and are, 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, 2016**

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

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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
- Estimated used life of tangible capital assets
- Allowance for doubtful accounts

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Requisition over-levy and under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(*continues*)

**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

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

Inventories for resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and 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.

Gravel pit reclamation

Estimated environmental provisions, comprising pollution control, rehabilitation and pit closure, are based on the County's environmental policy taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognized as and when the environmental liability arises. To the extent that the obligations relate to the construction of an asset, they are capitalized as part of the cost of those assets. The effect of subsequent changes to assumptions in estimating an obligation for which the provision was recognized as part of the cost of the asset is adjusted against the asset. Any subsequent changes to an obligation which did not relate to the initial construction of a related asset are charged to the income statement.

Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

(*continues*)

**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

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

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

a) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

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

Annual amortization is not charged in the year of acquisition or the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

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, 2016**

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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 2200 - Related Party Disclosures

This new Section defines a related party and establishes disclosures required for related party transactions. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

Section PS 3210 - Assets

This new Section provides guidance for applying the definition of assets set out in Financial Statement Concepts, Section PS 1000, and establishes general disclosure standards for assets. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

Section PS 3320 - Contingent Assets

This new Section defines and establishes disclosure standards on contingent assets. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

Section PS 3380 - Contractual Rights

This new Section defines and establishes disclosure standards on contractual rights. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

Section PS 3420 - Inter-entity Transactions

This new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

Section PS 3430 - Restructuring Transactions

This new Section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. This Section applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.

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, 2019.



**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

**3. Cash and temporary investments**

	<b>2016</b>	<b>2015</b>
Cash	\$ 9,675,424	\$ 2,654,866
Temporary investments	10,240,151	15,815,273
	<b>\$ 19,915,575</b>	<b>\$ 18,470,139</b>

Temporary investments are short term deposits with original maturities of three months or less.

Council has designated funds of \$18,178,691 (2015 - \$19,140,057) included in the above amounts for capital projects, vehicle and equipment replacement and infrastructure upgrades.

Included in cash and temporary investments is a restricted amount of \$1,526,832 (2015 - \$793,457) comprised of deferred revenue not expended (Note 8).

**4. Taxes receivable**

	<b>2016</b>	<b>2015</b>
Taxes receivable - current	\$ 2,225,339	\$ 1,878,026
Taxes receivable - arrears	2,916,496	1,624,898
	<b>5,141,835</b>	<b>3,502,924</b>
Less: allowance for doubtful accounts	<b>(3,552,263)</b>	<b>(2,691,387)</b>
	<b>\$ 1,589,572</b>	<b>\$ 811,537</b>

Allowance for doubtful accounts is determined by management through identification of specific accounts.

Property tax bad debt expense is included in the administration expense category on the consolidated statement of operations. In 2016, this amount is \$960,811 (2015 - \$1,187,068).

**5. Short term investments**

	<b>2016</b>	<b>2015</b>
Short term notes and deposits	\$ 5,795,878	\$ 5,044,630

Short term notes and deposits have effective interest rates of 1.61% to 2.39% with maturity dates in 2017. Market value of the short term notes and deposits is \$5,825,160 (2015 - \$5,132,289).

**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

6. Investments

	2016	2015
Long term deposits	\$ 3,773,572	\$ 4,362,450
Government and government guaranteed bonds	1,894,592	2,105,990
	<b>\$ 5,668,164</b>	<b>\$ 6,468,440</b>

Long term deposits have effective interest rates of 2.105% to 4.1% with maturity dates from August 2018 to June 2024. Government and government guaranteed bonds have effective interest rates of 2.45% to 4.1% with maturity dates between December 2019 and June 2025. Market value of the investments is \$5,670,450 (2015 - \$6,544,591).

7. Accounts payables and accrued liabilities

	2016	2015
Government payroll remittance payable	\$ 54,196	\$ 76,116
Trade payables and accruals	2,283,383	2,984,340
Holdback payables	284,549	133,760
Gravel pit reclamation liability	1,756,428	1,714,387
Employee payable (wages and accrued overtime)	504,803	554,544
Long term debt interest payable	35,406	42,673
	<b>\$ 4,918,765</b>	<b>\$ 5,505,820</b>

8. Deferred revenue

	2016	2015
Municipal Sustainability Initiative (MSI) capital	\$ 1,338,750	\$ 793,457
Basic Municipal Transportation Grant (BMTG)	188,082	-
	<b>\$ 1,526,832</b>	<b>\$ 793,457</b>

The use of these funds are restricted to eligible projects as approved under the agreements. Unexpended funds are supported by cash and temporary investments (Note 3).

**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

9. Long term debt

	2016	2015
Tax supported debentures	<b>\$ 14,657,290</b>	<b>\$ 16,235,802</b>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2017	\$ 1,575,520	\$ 505,190	\$ 2,080,710
2018	1,618,408	448,429	2,066,837
2019	1,319,527	392,813	14,561,692
2020	897,810	350,987	12,789,352
2021	709,482	319,774	11,540,555
Thereafter	8,536,543	1,974,756	10,511,299
	<u>\$ 14,657,290</u>	<u>\$ 3,991,949</u>	<u>\$ 18,649,239</u>

The current portion of the long term debt amounts to \$1,575,520 (2015 - \$1,578,512).

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 2.942% to 4.501% per annum and matures in periods 2017 through 2032. The weighted average annual interest rate is 3.54% for 2016 (3.55% for 2015).

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

Interest on long term debt amounted to \$555,056 (2015 - \$614,288).

The municipality's total cash payments for interest in 2016 were \$562,322 (2015 - \$621,194).

**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

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:

	2016	2015
Total debt limit	\$ 52,646,390	\$ 55,835,307
Total debt	(14,657,290)	(16,235,802)
<b>Amount of debt limit unused</b>	<b>\$ 37,989,100</b>	<b>\$ 39,599,505</b>
Debt servicing limit	\$ 8,774,398	\$ 9,305,885
Debt servicing	(2,080,710)	(2,140,835)
<b>Amount of debt servicing limit unused</b>	<b>\$ 6,693,688</b>	<b>\$ 7,165,050</b>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

11. Inventory for consumption

	2016	2015
Parts and supplies	\$ 826,741	\$ 852,558
Gravel	1,232,651	1,766,457
<b>Total</b>	<b>\$ 2,059,392</b>	<b>\$ 2,619,015</b>

12. Equity in tangible capital assets

	2016	2015
Tangible capital assets (Schedule 2)	\$ 394,392,332	\$ 384,268,955
Accumulated amortization (Schedule 2)	(205,520,428)	(197,810,247)
Long term debt (Note 9)	(14,657,290)	(16,235,802)
<b>Total</b>	<b>\$ 174,214,614</b>	<b>\$ 170,222,906</b>

**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

13. Transfers to other governments

	2016	2015
Town of High Level	\$ 612,261	\$ 1,130,881
Town of Rainbow Lake	796,400	796,400
	<b>\$ 1,408,661</b>	<b>\$ 1,927,281</b>

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

14. Accumulated surplus

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

	2016	2015
Equity in tangible capital assets (Note 12)	<b>\$174,214,612</b>	\$170,222,906
Operating reserves (Schedule 1)	<b>5,950,302</b>	8,120,997
Capital reserves (Schedule 1)	<b>18,178,691</b>	19,140,057
Unrestricted surplus (Schedule 1)	<b>8,669,456</b>	3,729,326
	<b>\$207,013,061</b>	<b>\$201,213,286</b>

**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

15. 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:

			2016	2015
	Salary	(1) Benefits & allowances (2)		
William Neufeld - Reeve	\$ 52,500	\$ 219	\$ 52,719	\$ 49,319
John W. Driedger	47,700	219	47,919	53,319
Lisa Wardley	41,579	3,924	45,503	35,709
Peter Braun	47,400	4,215	51,615	44,034
Walter Sarapuk	29,971	1,975	31,946	26,754
Jacque Bateman	32,000	219	32,219	27,519
Eric Jorgensen	44,700	219	44,919	38,119
Elmer Derksen	23,700	219	23,919	23,619
Josh Knelsen	46,800	219	47,019	32,019
Ricky Paul	6,213	55	6,268	26,919
Ray Toews	16,683	110	16,793	-
Chief Administrative Officer - previous	216,125	16,103	232,228	243,450
Chief Administrative Officer - current	52,981	16,889	69,870	-
	\$ 658,352	\$ 44,585	\$ 702,937	\$ 600,780

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

2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, and long and short term disability plans.

16. 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 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

Total current service contributions by the municipality to the LAPP in 2016 were \$609,945 (2015 - \$623,215). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2016 were \$579,448 (2015 - \$586,450).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million.

**MACKENZIE COUNTY**  
**Notes to Financial Statements**  
**Year Ended December 31, 2016**

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17. Contingent liability

The municipality is the defendant in a lawsuit related to off-site levies amounting to \$300,000 plus interest and costs. At present, the outcome is not determinable. The amount of any future settlement would be accounted for as a current transaction in the year of the settlement.

18. Segmented disclosure

The municipality provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

19. Financial instruments

The municipality's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long term debt. It is management's opinion that the municipality is not exposed to significant interest or currency risks arising from these financial instruments.

The municipality is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the municipality provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

20. Comparative figures

Certain comparative figures have been restated to conform to the current year's presentation.

21. Approval of financial statements

Council and Management have approved these financial statements.

22. Budget amounts

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