



WildeandCompany

Chartered Accountants

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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, 2015, 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, 2015 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 27, 2016

Chartered Accountants

MACKENZIE COUNTY
Consolidated Statement of Financial Position
As at December 31, 2015

	2015	2014
	\$	\$
DRAFT		
ASSETS		
Financial Assets		
Cash and temporary investments (Note 4)	18,470,139	9,124,124
Receivables		
Taxes receivable (Note 5)	811,537	480,919
Due from governments	2,906,657	3,448,833
Trade and other receivables (Note 6)	1,115,790	1,048,261
Land held for resale	8,705	3,445
Investments (Note 7)	11,513,070	16,923,478
	34,825,898	31,029,060
LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	5,505,820	6,575,233
Deposit liabilities	514,961	498,764
Deferred revenue (Note 9)	793,457	1,148,657
Long term debt (Note 10)	16,235,802	17,905,171
	23,050,040	26,127,825
NET FINANCIAL ASSETS	11,775,858	4,901,235
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	186,458,708	186,226,079
Inventory for consumption (Note 12)	2,619,015	2,427,612
Prepaid expenses	359,705	295,815
	189,437,428	188,949,506
ACCUMULATED SURPLUS (Note 15)	201,213,286	193,850,741
Contingent liability (Note 18)		

MACKENZIE COUNTY
Consolidated Statement of Operations
As at December 31, 2015

	Budget \$ (Unaudited)	2015 \$	2014 \$
Revenues			
Net municipal taxes (Schedule 3)	28,105,200	27,885,203	27,163,414
User fees and sales of goods	4,558,590	4,619,126	4,317,992
Government transfers for operating (Schedule 4)	1,336,002	1,501,319	1,867,856
Investment income	350,000	500,870	422,686
Penalties and costs on taxes	250,000	1,057,962	444,838
Licenses, permits and fines	383,800	539,489	527,160
Rentals	77,831	140,117	124,928
Other	397,425	979,452	757,181
Total revenue	35,458,848	37,223,538	35,626,055
Expenses			
Legislative	781,734	543,500	616,187
Administration	6,566,510	7,036,030	6,368,493
Protective services	2,220,539	1,605,857	1,659,804
Transportation	18,794,685	15,352,206	15,381,422
Environmental use and protection	5,369,066	5,185,155	4,864,383
Family and community support	699,841	639,256	693,797
Planning, development and agriculture	3,517,391	2,752,139	2,454,154
Recreation and culture	2,230,592	2,276,295	2,011,984
Loss (gain) on disposal of capital assets	(209,410)	306,170	218,676
Total expenses	39,970,948	35,696,608	34,268,900
Excess of revenue over expenses - before other	(4,512,100)	1,526,930	1,357,155
Other			
Government transfers for capital (Schedule 4)	14,231,923	5,102,465	8,481,362
Contributed assets	628,800	718,363	1,401,132
Other capital contributions	-	14,787	-
Excess of revenues over expenses	10,348,623	7,362,545	11,239,649
Accumulated surplus - beginning of the year	193,850,741	193,850,741	182,611,092
Accumulated surplus - end of the year (Schedule 1)	204,199,364	201,213,286	193,850,741

MACKENZIE COUNTY

Consolidated Statement of Change in Net Financial Assets

As at December 31, 2015

	Budget \$ (Unaudited)	2015 \$	2014 \$
Excess of revenue over expenses	10,348,623	7,362,545	11,239,649
Acquisition of tangible capital assets	(29,765,472)	(9,272,010)	(13,757,970)
Contributed tangible capital assets	(298,800)	(718,363)	(1,401,132)
Proceeds on disposal of tangible capital assets	525,403	528,614	553,000
Amortization of tangible capital assets	8,938,929	8,922,961	8,252,151
Loss (gain) on sale of tangible capital assets	(209,410)	306,170	218,676
	(20,809,350)	(232,628)	(6,135,275)
Acquisition of prepaid assets	-	(63,890)	(5,994)
Use (acquisition) of supplies inventories	1,197,655	(191,404)	(779,765)
	1,197,655	(255,294)	(785,759)
Increase (decrease) in net assets	(9,263,072)	6,874,623	4,318,615
Net financial assets, beginning of year	4,901,235	4,901,235	582,620
Net financial assets (liabilities), end of year	(4,361,837)	11,775,858	4,901,235

MACKENZIE COUNTY
Consolidated Statement of Cash Flows
As at December 31, 2015

	2015 \$	2014 \$
DRAFT		
Operating		
Excess of revenue over expenses	7,362,545	11,239,649
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	8,922,961	8,252,151
Loss on disposal of tangible capital assets	306,170	218,676
Tangible capital assets received as contributions	(718,363)	(1,401,132)
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	(330,618)	822,109
Decrease (increase) in government receivables	542,176	(918,535)
Increase in trade and other receivables	(67,529)	(731,098)
Increase in inventory for consumption	(191,404)	(779,764)
Decrease (increase) in land held for resale	(5,260)	19,556
Increase in prepaid expenses	(63,890)	(5,994)
Decrease in accounts payable and accrued liabilities	(1,069,413)	(144,486)
Increase in deposit liabilities	16,197	371,136
Decrease in deferred revenue	(355,200)	(2,303,951)
<i>Net cash provided by operating transactions</i>	14,348,372	14,638,317
Capital		
Acquisition of tangible capital assets	(9,272,010)	(13,757,970)
Proceeds on sale of tangible capital assets	528,614	553,000
<i>Net cash applied to capital transactions</i>	(8,743,396)	(13,204,970)
Investing		
Decrease in restricted cash or cash equivalents	355,200	2,303,951
Decrease (increase) in investments	5,410,408	(12,294,336)
<i>Net cash provided by investing transactions</i>	5,765,608	(9,990,385)
Financing		
Long term debt repaid	(1,669,369)	(2,090,929)
<i>Net cash provided by investing transactions</i>	(1,669,369)	(2,090,929)
Change in cash and cash equivalents during the year	9,701,215	(10,647,967)
Cash and cash equivalents, beginning of year	7,975,467	18,623,434
Cash and cash equivalents, end of year	17,676,682	7,975,467
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 4)	18,470,139	9,124,124
Less: restricted portion of cash and temporary investments (Note 4)	(793,457)	(1,148,657)
	17,676,682	7,975,467
Cash flows supplementary information		
Interest received	500,870	422,686
Interest paid	614,288	687,928

See accompanying notes

MACKENZIE COUNTY

Schedule of Changes in Accumulated Surplus

As at December 31, 2015

(Schedule 1)

DRAFT

	Unrestricted Surplus	Restricted Operating	Restricted Capital	Equity in Capital Assets	2015 \$	2014 \$
Balance, beginning of year	3,462,923	6,207,252	15,859,658	168,320,908	193,850,741	182,611,092
Excess of revenues over expenses	7,362,545	-	-	-	7,362,545	11,239,649
Unrestricted funds designated for future use	(6,245,863)	2,292,450	3,953,413	-	-	-
Restricted funds used for operations	885,514	(370,205)	(515,309)	-	-	-
Restricted funds used for TCA	-	(8,500)	(157,705)	166,205	-	-
Current year funds used for TCA	(9,105,805)	-	-	9,105,805	-	-
Contributed TCA	(718,363)	-	-	718,363	-	-
NBV of TCA disposed of	834,783	-	-	(834,783)	-	-
Annual amortization expense	8,922,961	-	-	(8,922,961)	-	-
TCA long term debt repaid	(1,669,369)	-	-	1,669,369	-	-
Balance, end of year	3,729,326	8,120,997	19,140,057	170,222,906	201,213,286	193,850,741

MACKENZIE COUNTY

Schedule of Tangible Capital Assets

As at December 31, 2015

(Schedule 2)

DRAFT

Cost	Land and Improvements					2015 \$	2014 \$
	Buildings	Engineered Structures	Machinery and Equipment	Vehicles			
Balance, beginning of year	10,192,479	18,404,208	331,602,801	11,300,179	4,128,921	375,628,588	361,488,406
Acquisition of tangible capital assets	174,971	622,277	3,461,781	3,061,489	426,618	7,747,136	9,206,556
Construction in progress	34,196	-	2,209,041	-	-	2,243,237	5,952,546
Disposal of tangible capital assets	-	-	-	(1,076,191)	(282,548)	(1,358,739)	(1,018,920)
Balance, end of year	10,401,646	19,026,485	337,273,623	13,285,477	4,272,991	384,260,222	375,628,588
Accumulated amortization							
Balance, beginning of year	938,894	3,602,824	179,854,654	3,142,574	1,863,563	189,402,509	181,397,602
Annual amortization	286,460	423,647	7,049,510	946,353	216,991	8,922,961	8,252,151
Accumulated amortization on disposals	-	-	-	(286,617)	(237,339)	(523,956)	(247,244)
Balance, end of year	1,225,354	4,026,471	186,904,164	3,802,310	1,843,215	197,801,514	189,402,509
Net book value of tangible capital assets							
	9,176,292	15,000,014	150,369,459	9,483,167	2,429,776	186,458,708	186,226,079
2014 Net book value of tangible capital assets	9,253,585	14,801,384	151,748,147	8,157,605	2,265,358		186,226,079

MACKENZIE COUNTY
Schedule of Property and Other Taxes
As at December 31, 2015

(Schedule 3)

	Budget \$ (Unaudited)	2015 \$	2014 \$
Taxation			
Real property taxes	16,760,182	16,705,629	15,124,893
Linear property	18,361,691	18,301,926	18,384,128
Government grants in place of property taxes	104,633	104,292	96,224
Special assessments and local improvement taxes	197,889	197,245	354,999
	35,424,395	35,309,092	33,960,244
Requisitions			
Alberta School Foundation Fund	6,535,310	6,635,781	6,306,111
Homestead Seniors Lodge	783,885	788,108	490,719
	7,319,195	7,423,889	6,796,830
Net Municipal Taxes	28,105,200	27,885,203	27,163,414

MACKENZIE COUNTY
Schedule of Government Transfers
As at December 31, 2015

(Schedule 4)

	Budget \$ DRAFT (Unaudited)	2015 \$	2014 \$
Transfers for Operating			
Provincial Government	1,336,002	1,501,319	1,867,856
	1,336,002	1,501,319	1,867,856
Transfers for Capital			
Provincial Government	14,231,923	5,102,465	8,481,362
	14,231,923	5,102,465	8,481,362
Total Government Transfers	15,567,925	6,603,784	10,349,218

MACKENZIE COUNTY
Schedule of Consolidated Expenses by Object
As at December 31, 2015

(Schedule 5)

	Budget \$ (Unaudited)	2015 \$	2014 \$
Consolidated Expenses by Object			
Salaries, wages and benefits	8,784,562	8,210,041	7,605,577
Contracted and general services	8,627,958	6,871,689	6,556,867
Materials, goods, supplies and utilities	8,938,802	5,549,188	5,751,203
Transfers to other governments (Note 14)	2,287,400	1,927,281	1,711,647
Transfers to local boards and agencies	1,891,012	2,068,118	2,020,466
Bank charges and short term interest	36,000	29,536	39,831
Interest on long term debt	621,195	614,288	687,928
Amortization of tangible capital assets	8,938,929	8,922,961	8,252,151
Loss (gain) on disposal of tangible capital assets	(209,410)	306,170	218,676
Other operating expenditures	54,500	1,197,336	1,424,554
	39,970,948	35,696,608	34,268,900

MACKENZIE COUNTY
Schedule of Segmented Disclosure
As at December 31, 2015

DRAFT

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total \$
Revenue								
Net municipal taxes	27,687,958	-	122,495	74,750	-	-	-	27,885,203
Government transfers for operations	161,968	3,000	900,718	-	183,359	-	252,274	1,501,319
User fees and sales of goods	29,585	244,311	171,635	4,091,323	10,587	71,685	-	4,619,126
Investment income	500,870	-	-	-	-	-	-	500,870
Other revenues	1,382,895	111,402	263,120	327,006	632,597	-	-	2,717,020
	29,763,276	358,713	1,457,968	4,493,079	826,543	71,685	252,274	37,223,538
Expenses								
Salaries, wages and benefits	2,462,328	389,642	3,132,874	956,075	912,535	355,551	1,036	8,210,041
Contracted and general services	1,232,524	654,252	2,151,321	1,369,426	1,240,841	222,210	1,115	6,871,689
Materials, goods, supplies and utilities	366,480	404,133	3,524,660	953,636	251,799	48,480	-	5,549,188
Transfers to local boards and agencies	1,927,281	-	-	-	187,000	1,244,012	637,106	3,995,399
Interest on long term debt	60,064	-	414,892	139,332	-	-	-	614,288
Other expenses	1,222,492	1,613	286,773	5,095	4,979	12,090	-	1,533,042
	7,271,169	1,449,640	9,510,520	3,423,564	2,597,154	1,882,343	639,257	26,773,647
Net revenue (expenditure) before amortization	22,492,107	(1,090,927)	(8,052,552)	1,069,515	(1,770,611)	(1,810,658)	(386,983)	10,449,891
Amortization of tangible capital assets	308,360	158,151	6,122,733	1,767,235	160,440	406,042	-	8,922,961
Net revenue (expenditure) before other	22,183,747	(1,249,078)	(14,175,285)	(697,720)	(1,931,051)	(2,216,700)	(386,983)	1,526,930
Government transfers for capital	-	-	4,328,500	635,200	138,765	-	-	5,102,465
Contributed assets	-	-	-	-	-	718,363	-	718,363
Other capital contributions	-	-	-	14,787	-	-	-	14,787
2015 Net revenue (expenditure)	22,183,747	(1,249,078)	(9,846,785)	(47,733)	(1,792,286)	(1,498,337)	(386,983)	7,362,545
2014 Net revenue (expenditure)	21,134,604	(1,307,848)	(10,164,535)	4,975,557	(1,439,808)	(1,499,197)	(459,124)	11,239,649

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2015

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 corporation 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, 2015

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, 2015

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.

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MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2015

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:

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

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, 2015

2. Adoption of recent accounting pronouncements

The following accounting standard has been issued by the Chartered Professional Accountants of Canada (CPAC). This section is effective for fiscal periods beginning on or after April 1, 2014 and has been applied retrospectively.

Section PS 3260 – Liability for Contaminated Sites

This new section establishes standards on how to account for and report a liability associated with the remediation of contaminated sites of governments and those organizations applying the CPAC Public Sector Accounting Handbook.

Draft for discussion purposes

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2015

3. Recent accounting pronouncements published but not yet adopted

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPAC) but are not yet effective. The municipality is currently evaluating the effect of adopting these standards on their financial statements.

Section PS 3450 - Financial Instruments

The new Section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. In conjunction with this new Section, Section PS1201, Section PS 2601 and Section 3041 have been amended as a consequence of the introduction of new financial instruments standards. These amendments were required to present the associated gains and losses with financial instruments recognized under the new Section. The new Section and the related amendments are effective for fiscal periods beginning on or after April 1, 2019.

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 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 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 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.

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2015

4. Cash and temporary investments

	2015	2014
Cash	\$ 2,654,866	\$ 2,486,194
Temporary investments	15,815,273	6,637,930
	\$ 18,470,139	\$ 9,124,124

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

Council has designated funds of \$793,457 (2014 - \$1,148,657) included in the above amounts for capital projects.

5. Taxes receivable

	2015	2014
Taxes receivable - current	\$ 1,878,026	\$ 1,067,287
Taxes receivable - arrears	1,624,898	917,952
	3,502,924	1,985,239
Less: allowance for doubtful accounts	(2,691,387)	(1,504,320)
	\$ 811,537	\$ 480,919

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

6. Trade and other receivables

Included in the due from governments receivable is a receivable of \$707,494 from the Disaster Recovery Program for the 2013 Overland flood and an Alberta Municipal Water/Wastewater Partnership grant of \$1,801,582. With the recent changes in government, a measurement uncertainty exists as the municipality was approved under a previous government and is still waiting on funds to be disbursed.

7. Investments

	2015		2014	
	Cost	Market value	Cost	Market value
Short term notes and deposits	\$ 9,407,080	\$ 9,526,460	\$ 15,019,739	\$ 15,047,088
Government and government guaranteed bonds	2,105,990	2,150,420	1,903,739	1,921,717
	\$ 11,513,070	\$ 11,676,880	\$ 16,923,478	\$ 16,968,805

Short term notes and deposits have effective interest rates of 2.105% to 4.30% with maturity dates between September 2016 and June 2025. Government and government guaranteed bonds have effective interest rates of 2.45% to 4.30% with maturity dates between March 2017 and September 2025.

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Notes to Financial Statements
Year Ended December 31, 2015

8. Accounts payables and accrued liabilities

	2015	2014
Government payroll remittance payable	\$ 76,116	\$ 72,900
Trade payables and accruals	2,984,340	3,261,721
Holdback payables	133,760	1,024,496
Gravel pit reclamation liability	1,714,387	1,684,596
Employee payable (wages and accrued overtime)	554,544	481,941
Long term debt interest payable	42,673	49,579
	\$ 5,505,820	\$ 6,575,233

9. Deferred revenue

	2015	2014
Restricted grant funding	\$ 793,457	\$ 1,148,657

The use of these funds are restricted to eligible projects as approved under the agreements. Unexpended funds are supported by cash and temporary investments (Note 4).

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Notes to Financial Statements
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10. Long term debt

	2015	2014
Tax supported debentures	\$ 16,235,802	\$ 17,905,171

Principal and interest repayments are as follows:

	Principal	Interest	Total
2016	\$ 1,578,512	\$ 562,323	\$ 2,140,835
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
Thereafter	9,246,025	2,294,530	11,540,555
	<u>\$ 16,235,802</u>	<u>\$ 4,554,272</u>	<u>\$ 20,790,074</u>

The current portion of the long term debt amounts to \$1,578,512 (2014 - \$1,669,369).

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 2.942% to 4.453% per annum and matures in periods 2016 through 2033. The weighted average annual interest rate is 3.55% for 2015 (3.55% for 2014).

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

Interest on long term debt amounted to \$614,288 (2014 - \$687,928).

The corporation's total cash payments for interest in 2015 were \$621,194 (2014 - \$694,335).

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Notes to Financial Statements
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11. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the corporation be disclosed as follows:

	2015	2014
Total debt limit	\$ 55,835,307	\$ 53,439,083
Total debt	(16,235,802)	(17,905,171)
Amount of debt limit unused	\$ 39,599,505	\$ 35,533,912
Debt servicing limit	\$ 9,305,885	\$ 8,906,514
Debt servicing	(2,140,835)	(2,290,564)
Amount of debt servicing limit unused	\$ 7,165,050	\$ 6,615,950

The debt limit is calculated at 1.5 times revenue of the corporation (as defined in Alberta Regulation 255/00) 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 corporation. Rather, the financial statements must be interpreted as a whole.

12. Inventory for consumption

	2015	2014
Parts and supplies	\$ 852,558	\$ 818,333
Gravel	1,766,457	1,609,279
Total	\$ 2,619,015	\$ 2,427,612

13. Equity in tangible capital assets

	2015	2014
Tangible capital assets (Schedule 2)	\$384,260,222	\$375,628,588
Accumulated amortization (Schedule 2)	197,801,514	189,402,509
Long term debt (Note 10)	(16,235,802)	(17,905,171)
Total	\$170,222,906	\$168,320,908

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2015

14. Transfers to other governments

	2015	2014
Town of High Level	\$ 1,130,881	\$ 926,023
Town of Rainbow Lake	796,400	785,624
	\$ 1,927,281	\$ 1,711,647

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

15. Reserves and accumulated surplus

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

	2015	2014
Equity in tangible capital assets (Note 13)	\$170,222,906	\$168,320,908
Operating reserves (Schedule 1)	8,120,997	6,207,252
Capital reserves (Schedule 1)	19,140,057	15,859,658
Accumulated operating fund (Schedule 1)	3,729,326	3,462,923
	\$201,213,286	\$193,850,741

The total reserve balances include approximately \$4,342,574 committed to projects commenced and/or tendered in 2015.

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Notes to Financial Statements
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16. Salary and benefits disclosure

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	2015		2014	
	Salary (1)	Benefits & allowances (2)		
William Neufeld - Reeve	\$ 49,100	\$ 219	\$ 49,319	\$ 42,570
John W. Driedger	53,100	219	53,319	42,670
Lisa Wardley	32,800	2,909	35,709	34,290
Peter Braun	40,800	3,234	44,034	41,190
Walter Sarapuk	24,900	1,854	26,754	28,177
Jacquie Bateman	27,300	219	27,519	24,970
Eric Jorgensen	37,900	219	38,119	39,570
Elmer Derksen	23,400	219	23,619	34,870
Josh Knelsen	31,800	219	32,019	33,670
Ricky Paul	26,700	219	26,919	28,670
Chief Administrative Officer	213,616	29,834	243,450	238,457
	\$ 561,416	\$ 39,364	\$ 600,780	\$ 589,104

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.

17. Local Authorities Pension Plan

Employees of the corporation 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 corporation 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 corporation to the LAPP in 2014 were \$623,215 (2014 - \$511,425). Total current service contributions by the employees of the corporation to the Local Authorities Pension Plan in 2015 were \$586,450 (2014 - \$471,272).

At December 31, 2014, the LAPP disclosed an actuarial deficiency of \$2.45 billion.

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Notes to Financial Statements
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18. Contingent liability

The corporation is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the corporation could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The corporation 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.

19. Segmented disclosure

The corporation 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).

20. Financial instruments

The corporation'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 corporation is not exposed to significant interest or currency risks arising from these financial instruments.

The corporation 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 corporation 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.

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.