



Wilde and Company
Chartered Professional 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

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, 2017, 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, 2017 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
June 27, 2018

Wilde + Company
Chartered Professional Accountants

MACKENZIE COUNTY
Consolidated Statement of Financial Position
As at December 31, 2017

	2017	2016
	\$	\$
Financial Assets		
Cash and temporary investments (Note 3)	14,935,905	19,915,575
Receivables		
Taxes receivable (Note 4)	1,158,051	1,589,572
Due from governments	4,166,468	3,446,022
Trade and other receivables	945,322	869,878
Short term investments (Note 5)	5,290,000	5,795,878
Land held for resale	46,846	46,846
Investments (Note 6)	9,804,147	5,668,164
	36,346,739	37,331,935
Liabilities		
Accounts payable and accrued liabilities (Note 7)	5,547,325	4,918,765
Deposit liabilities	543,429	529,319
Deferred revenue (Note 8)	200,000	1,526,832
Long term debt (Note 9)	14,548,187	14,657,290
	20,838,941	21,632,206
Net financial assets	15,507,798	15,699,729
Non-financial assets		
Tangible capital assets (Schedule 2)	193,595,142	188,871,904
Inventory for consumption (Note 11)	1,819,799	2,059,392
Prepaid expenses	298,698	382,036
	195,713,639	191,313,332
Accumulated surplus (Schedule 1, Note 14)	211,221,437	207,013,061

MACKENZIE COUNTY
Consolidated Statement of Operations
As at December 31, 2017

	Budget \$ (Unaudited)	2017 \$	2016 \$
Revenue			
Net municipal taxes (Schedule 3)	23,798,944	23,682,474	26,232,538
User fees and sales of goods	4,628,114	4,718,685	4,507,818
Government transfers for operating (Schedule 4)	1,214,214	788,124	1,390,555
Investment income	350,000	450,340	525,474
Penalties and costs on taxes	1,390,000	1,089,854	1,453,394
Licenses, permits and fines	353,000	421,936	456,914
Rentals	108,741	127,969	114,094
Other	314,600	318,155	416,806
Total revenue	32,157,613	31,597,537	35,097,593
Expenses			
Legislative	795,451	687,755	647,300
Administration	8,209,377	7,179,970	6,505,191
Protective services	1,866,124	1,473,534	1,337,485
Transportation	20,405,211	17,048,050	15,480,795
Environmental use and protection	5,135,794	4,916,958	4,720,707
Family and community support	757,744	792,049	784,073
Planning, development and agriculture	2,829,910	2,486,020	2,694,732
Recreation and culture	2,298,764	2,207,734	2,068,564
Loss on disposal of capital assets	-	-	322,261
Total expenses	42,298,375	36,792,070	34,561,108
Excess (deficiency) of revenue over expenses - before government transfers	(10,140,762)	(5,194,533)	536,485
Other			
Government transfers for capital (Schedule 4)	10,115,324	9,402,909	5,263,290
Excess (deficiency) of revenue over expenses	(25,438)	4,208,376	5,799,775
Accumulated surplus - beginning of the year	207,013,061	207,013,061	201,213,286
Accumulated surplus - end of the year	206,987,623	211,221,437	207,013,061

MACKENZIE COUNTY
Consolidated Statement of Change in Net Financial Assets
As at December 31, 2017

	Budget \$ (Unaudited)	2017 \$	2016 \$
Excess (deficiency) of revenue over expenses	(25,438)	4,208,376	5,799,775
Acquisition of tangible capital assets	(8,649,756)	(14,209,256)	(11,714,814)
Proceeds on disposal of tangible capital assets	87,500	149,646	639,056
Amortization of tangible capital assets	9,507,478	9,385,215	8,345,075
Loss (gain) on sale of tangible capital assets	123,508	(48,843)	322,261
	1,068,730	(4,723,238)	(2,408,422)
Use (acquisition) of prepaid assets	-	83,338	(22,331)
Use of supplies inventories	429,265	239,593	554,849
	429,265	322,931	532,518
Increase (decrease) in net assets	1,472,557	(191,931)	3,923,871
Net financial assets, beginning of year	15,699,729	15,699,729	11,775,858
Net financial assets, end of year	17,172,286	15,507,798	15,699,729

MACKENZIE COUNTY
Consolidated Statement of Cash Flows
As at December 31, 2017

	2017 \$	2016 \$
Operating		
Excess of revenue over expenses	4,208,376	5,799,775
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	9,385,215	8,345,075
Loss (gain) on disposal of tangible capital assets	(48,843)	322,261
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	431,521	(778,035)
Increase in government receivables	(720,446)	(539,365)
Decrease (increase) in trade and other receivables	(75,444)	245,912
Decrease in inventory for consumption	239,593	559,623
Increase in land held for resale	-	(38,141)
Decrease (increase) in prepaid expenses	83,338	(22,331)
Increase (decrease) in accounts payable and accrued liabilities	628,560	(587,060)
Increase in deposit liabilities	14,110	14,358
Increase (decrease) in deferred revenue	(1,326,832)	733,375
<i>Net cash provided by operating transactions</i>	12,819,148	14,055,447
Capital		
Acquisition of tangible capital assets	(14,209,256)	(11,714,814)
Adjustment to tangible capital assets	-	(4,769)
Proceeds on sale of tangible capital assets	149,646	639,056
<i>Net cash used in capital transactions</i>	(14,059,610)	(11,080,527)
Investing		
Decrease (increase) in restricted cash or cash equivalents	1,326,832	(733,375)
Decrease (increase) in short term investments	505,878	(751,248)
Decrease (increase) in investments	(4,135,983)	800,276
<i>Net cash used in investing transactions</i>	(2,303,273)	(684,347)
Financing		
Long term debt issued	1,466,417	-
Long term debt repaid	(1,575,520)	(1,578,512)
<i>Net cash used in financing transactions</i>	(109,103)	(1,578,512)
Change in cash and cash equivalents during the year	(3,652,838)	712,061
Cash and cash equivalents, beginning of year	18,388,743	17,676,682
Cash and cash equivalents, end of year	14,735,905	18,388,743
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	14,935,905	19,915,575
Less: restricted portion of cash and temporary investments (Note 3)	(200,000)	(1,526,832)
	14,735,905	18,388,743
Cash flows supplementary information		
Interest received	514,575	590,387
Interest paid	538,120	562,322

See accompanying notes

MACKENZIE COUNTY**(Schedule 1)****Schedule of Changes in Accumulated Surplus****As at December 31, 2017**

	Unrestricted Surplus	Restricted Operating	Restricted Capital	Equity in Capital Assets	2017 \$	2016 \$
Balance, beginning of year	8,669,454	5,950,302	18,178,691	174,214,614	207,013,061	201,213,286
Excess of revenues over expenses	4,208,376	-	-	-	4,208,376	5,799,775
Unrestricted funds designated for future use	(2,081,650)	494,205	1,587,445	-	-	-
Restricted funds used for operations	371,896	(226,432)	(145,464)	-	-	-
Restricted funds used for tangible capital assets	-	(455,589)	(6,315,678)	6,771,267	-	-
Current year funds used for tangible capital assets	(7,437,989)	-	-	7,437,989	-	-
Disposal of tangible capital assets	100,803	-	-	(100,803)	-	-
Annual amortization expense	9,385,215	-	-	(9,385,215)	-	-
Long term debt repaid, net of additions	(109,103)	-	-	109,103	-	-
Balance, end of year	13,107,002	5,762,486	13,304,994	179,046,955	211,221,437	207,013,061

MACKENZIE COUNTY
Schedule of Tangible Capital Assets
As at December 31, 2017

(Schedule 2)

	Land and Improvements	Buildings	Engineered Structures	Machinery Equipment	Vehicles	2017 \$	2016 \$
Cost							
Balance, beginning of year	10,527,117	19,887,588	344,628,761	14,575,666	4,773,200	394,392,332	384,268,955
Acquisition of tangible capital assets	45,616	424,892	1,757,599	851,727	765,301	3,845,135	6,189,918
Construction in progress	149,740	8,650	8,564,128	1,641,603	-	10,364,121	5,524,899
Disposal of tangible capital assets	-	-	-	(138,339)	(257,179)	(395,518)	(1,591,440)
Balance, end of year	10,722,473	20,321,130	354,950,488	16,930,657	5,281,322	408,206,070	394,392,332
Accumulated amortization							
Balance, beginning of year	1,520,087	4,370,227	193,085,413	4,532,162	2,012,539	205,520,428	197,805,476
Annual amortization	299,552	507,392	6,792,381	1,492,659	293,231	9,385,215	8,345,075
Accumulated amortization on disposals	-	-	-	(89,944)	(204,771)	(294,715)	(630,123)
Balance, end of year	1,819,639	4,877,619	199,877,794	5,934,877	2,100,999	214,610,928	205,520,428
2017 net book value of tangible capital assets	8,902,834	15,443,511	155,072,694	10,995,780	3,180,323	193,595,142	188,871,904
2016 net book value of tangible capital assets	9,007,030	15,517,361	151,543,348	10,043,504	2,760,661		188,871,904

MACKENZIE COUNTY
Schedule of Property and Other Taxes
As at December 31, 2017

(Schedule 3)

	Budget	2017	2016
	\$	\$	\$
	(Unaudited)		
Taxation			
Real property taxes	17,083,033	17,014,146	17,408,445
Linear property taxes	13,542,942	13,488,331	16,298,615
Government grants in place of property taxes	51,052	50,846	95,294
Special assessments and local improvement taxes	103,976	103,557	120,584
	30,781,003	30,656,880	33,922,938
Requisitions			
Alberta School Foundation Fund	6,520,271	6,512,618	6,838,317
Mackenzie Housing Management Board:			
Operating	461,788	461,788	442,083
Capital	-	-	410,000
	6,982,059	6,974,406	7,690,400
Net Municipal Taxes	23,798,944	23,682,474	26,232,538

MACKENZIE COUNTY
Schedule of Government Transfers
As at December 31, 2017

(Schedule 4)

	Budget	2017	2016
	\$	\$	\$
	(Unaudited)		
Transfers for Operating			
Provincial Government	1,214,214	788,124	1,390,555
	1,214,214	788,124	1,390,555
Transfers for Capital			
Federal Government	-	292,003	-
Provincial Government	8,901,110	9,110,906	5,263,290
	8,901,110	9,402,909	5,263,290
Total Government Transfers	10,115,324	10,191,033	6,653,845

MACKENZIE COUNTY
Schedule of Consolidated Expenses by Object
As at December 31, 2017

(Schedule 5)

	Budget	2017	2016
	\$	\$	\$
	(Unaudited)		
Consolidated Expenses by Object			
Salaries, wages and benefits	10,075,198	9,254,592	8,639,744
Contracted and general services	9,442,881	7,098,512	6,669,465
Materials, goods, supplies and utilities	6,050,138	6,168,312	5,699,765
Transfers to other governments (Note 13)	2,229,900	1,336,500	1,408,661
Transfers to local boards and agencies	2,038,683	2,063,040	1,927,694
Bank charges and short term interest	15,000	24,104	32,576
Interest on long term debt	505,190	510,030	555,056
Amortization of tangible capital assets	9,507,478	9,385,215	8,345,075
Loss on disposal of capital assets	123,508	-	322,261
Property tax bad debt expense (Note 4)	1,260,641	951,765	960,811
	41,248,617	36,792,070	34,561,108

MACKENZIE COUNTY
Schedule of Segmented Disclosure
As at December 31, 2017

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total \$
Revenue								
Net municipal taxes	23,448,917	-	211,454	22,103	-	-	-	23,682,474
Government transfers for operations	114,040	-	197,105	-	178,296	-	298,683	788,124
User fees and sales of goods	26,531	92,163	110,599	4,267,254	126,423	95,715	-	4,718,685
Investment income	450,340	-	-	-	-	-	-	450,340
Other revenues	1,285,060	45,377	98,794	55,019	436,249	37,415	-	1,957,914
	25,324,888	137,540	617,952	4,344,376	740,968	133,130	298,683	31,597,537
Expenses								
Salaries, wages and benefits	2,806,647	481,034	3,633,258	984,595	1,020,736	328,322	-	9,254,592
Contracted and general services	1,917,120	504,605	2,110,010	1,208,866	1,171,394	184,882	1,635	7,098,512
Materials, goods, supplies and utilities	457,986	299,095	4,680,079	544,193	118,891	68,068	-	6,168,312
Transfers to local boards and agencies	1,336,499	-	-	-	134,423	1,138,204	790,414	3,399,540
Interest on long term debt	36,860	-	388,916	81,794	-	2,460	-	510,030
Property tax bad debt expense (Note 4)	902,213	-	49,462	90	-	-	-	951,765
Other expenses	24,104	-	-	-	-	-	-	24,104
	7,481,429	1,284,734	10,861,725	2,819,538	2,445,444	1,721,936	792,049	27,406,855
Net revenue (expenditure) before amortization	17,843,459	(1,147,194)	(10,243,773)	1,524,838	(1,704,476)	(1,588,806)	(493,366)	4,190,682
Amortization of tangible capital assets	386,295	188,801	6,186,323	2,097,420	40,577	485,799	-	9,385,215
Net revenue (expenditure) before government transfers	17,457,164	(1,335,995)	(16,430,096)	(572,582)	(1,745,053)	(2,074,605)	(493,366)	(5,194,533)
Government transfers for capital	9,489	418,722	2,957,560	1,410,336	4,054,785	552,017	-	9,402,909
2017 net revenue (expenditure)	17,466,653	(917,273)	(13,472,536)	837,754	2,309,732	(1,522,588)	(493,366)	4,208,376
2016 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

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2017

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, 2017

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 investments maturing within 90 days 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.

(*continues*)

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2017

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

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.

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, 2017

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 charged in the year of acquisition. No amortization is charged in 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, 2017

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, 2017

3. Cash and temporary investments

	2017	2016
Cash	\$ 2,963,839	\$ 9,675,424
Temporary investments	11,972,066	10,240,151
	\$ 14,935,905	\$ 19,915,575

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

Council has designated funds of \$13,304,994 (2016 - \$18,178,691) 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 \$200,000 (2016 - \$1,526,832) comprised of deferred revenue not expended (Note 8).

4. Taxes receivable

	2017	2016
Taxes receivable - current	\$ 1,612,334	\$ 2,225,339
Taxes receivable - arrears	4,000,193	2,916,496
	5,612,527	5,141,835
Less: allowance for doubtful accounts	(4,454,476)	(3,552,263)
	\$ 1,158,051	\$ 1,589,572

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 2017, this amount is \$951,765 (2016 - \$960,811).

5. Short term investments

	2017	2016
	\$ 5,290,000	\$ 5,795,878

Short term notes and deposits have an effective interest rate of 1.80% (2016 - 1.61% to 2.39%) with maturity dates in 2018. Market value of the short term notes and deposits is \$5,317,392 (2016 - \$5,825,160).

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2017

6. Investments

	2017	2016
Long term deposits	\$ 7,178,557	\$ 3,773,572
Government and government guaranteed bonds	2,625,590	1,894,592
	\$ 9,804,147	\$ 5,668,164

Long term deposits have effective interest rates of 1.71% to 3.35% (2016 - 2.11% to 4.10%) with maturity dates from March 2019 to December 2026. Government and government guaranteed bonds have effective interest rates of 2.45% to 4.1% (2016 - 2.45% to 4.1%) with maturity dates from December 2019 to June 2027. Market value of the investments is \$9,721,016 (2016 - \$5,670,450).

7. Accounts payables and accrued liabilities

	2017	2016
Government payroll remittance payable	\$ 22,105	\$ 54,196
Trade payables and accruals	2,357,047	2,283,383
Holdback payables	832,926	284,549
Gravel pit reclamation liability	1,791,428	1,756,428
Employee payable (wages and accrued overtime)	512,399	504,803
Long term debt interest payable	31,420	35,406
	\$ 5,547,325	\$ 4,918,765

8. Deferred revenue

	2017	2016
Municipal Sustainability Initiative (MSI) capital	\$ -	\$ 1,338,750
Basic Municipal Transportation Grant (BMTG)	-	188,082
Alberta Community Partnership - Intermunicipal Collaboration	200,000	-
	\$ 200,000	\$ 1,526,832

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, 2017

9. Long-term debt

	2017	2016
Tax supported debentures	\$ 14,548,187	\$ 14,657,290

Principal and interest repayments are as follows:

	Principal	Interest	Total
2018	\$ 1,926,225	\$ 471,783	\$ 2,398,008
2019	1,632,478	411,034	2,043,512
2020	1,215,985	363,984	1,579,969
2021	1,032,971	327,457	1,360,428
2022	805,962	299,019	1,104,981
Thereafter	7,934,566	1,678,012	9,612,578
	<u>\$ 14,548,187</u>	<u>\$ 3,551,289</u>	<u>\$ 18,099,476</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.47% to 4.50% per annum and matures in periods 2018 through 2033. The average annual interest rate is 3.35% for 2017 (5.54% for 2016).

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

Interest on long-term debt amounted to \$510,030 (2016 - \$555,056).

The municipality's total cash payments for interest were \$538,120 (2016 - \$562,322).

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2017

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:

	2017	2016
Total debt limit	\$ 47,396,306	\$ 52,646,390
Total debt	(14,548,187)	(14,657,290)
Amount of debt limit unused	\$ 32,848,119	\$ 37,989,100
Debt servicing limit	\$ 7,899,384	\$ 8,774,398
Debt servicing	(2,398,008)	(2,080,710)
Amount of debt servicing limit unused	\$ 5,501,376	\$ 6,693,688

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

	2017	2016
Parts and supplies	\$ 1,048,803	\$ 826,741
Gravel	770,996	1,232,651
Total	\$ 1,819,799	\$ 2,059,392

12. Equity in tangible capital assets

	2017	2016
Tangible capital assets (Schedule 2)	\$408,206,070	\$394,392,332
Accumulated amortization (Schedule 2)	(214,610,928)	(205,520,428)
Long term debt (Note 9)	(14,548,187)	(14,657,290)
Total	\$179,046,955	\$174,214,614

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2017

13. Transfers to other governments

	2017	2016
Town of High Level	\$ 540,100	\$ 612,261
Town of Rainbow Lake	796,400	796,400
	\$ 1,336,500	\$ 1,408,661

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:

	2017	2016
Equity in tangible capital assets (Note 12)	\$179,046,955	\$174,214,612
Operating reserves (Schedule 1)	5,762,486	5,950,302
Capital reserves (Schedule 1)	13,304,994	18,178,691
Unrestricted surplus (Schedule 1)	13,107,002	8,669,456
	\$211,221,437	\$207,013,061

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2017

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:

			2017	2016
	Salary	(1)	Benefits & allowances (2)	
Peter Braun - current Reeve	\$ 49,187	\$ 4,486	\$ 53,673	\$ 51,615
William Neufeld - former Reeve	49,479	183	49,662	52,719
John W. Driedger	32,056	183	32,239	47,919
Lisa Wardley	54,350	4,980	59,330	45,503
Walter Sarapuk	24,550	2,097	26,647	31,946
Jacquie Bateman	34,100	219	34,319	32,219
Eric Jorgensen	40,850	219	41,069	44,919
Elmer Derksen	16,156	183	16,339	23,919
Josh Knelsen	49,400	219	49,619	47,019
Ray Toews	18,156	183	18,339	16,792
Cameron Cardinal	9,668	37	9,705	-
David Driedger	8,468	37	8,505	-
Anthony Peters	8,668	37	8,705	-
Ernest Peters	7,768	37	7,805	-
Ricky Paul	-	-	-	6,268
Chief Administrative Officer - current	211,706	33,454	245,160	69,870
Chief Administrative Officer - former	-	-	-	232,227
	\$ 614,562	\$ 46,554	\$ 661,116	\$ 702,935

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.

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2017

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 2017 were \$656,501 (2016 - \$609,945). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan were \$628,627 (2016 - \$579,448).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 million.

17. 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).

18. 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.

19. Comparative figures

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

MACKENZIE COUNTY
Notes to Financial Statements
Year Ended December 31, 2017

20. Approval of financial statements

Council and Management have approved these financial statements.

21. Budget amounts

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