

Financial Statements

Mackenzie County

(formerly Municipal District of Mackenzie No. 23)

December 31, 2007

AUDITORS' REPORT

To the Members of Council of
Mackenzie County

We have audited the statement of financial position of **Mackenzie County** (formerly Municipal District of Mackenzie No. 23) as at December 31, 2007 and the statements of financial activities and changes in fund balances and changes in financial position for the year then ended. These financial statements are the responsibility of the County's administration. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the County's administration, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of **Mackenzie County** as at December 31, 2007 and the results of its financial activities and its changes in financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst + Young LLP

Edmonton, Canada,
March 21, 2008.

Chartered Accountants

STATEMENT OF FINANCIAL POSITION

As at December 31

	2007	2006
	\$	\$
ASSETS		
Financial assets		
Cash and cash equivalents <i>[note 2]</i>	18,267,384	16,069,904
Trust asset	19,630	17,968
Taxes receivable <i>[note 3]</i>	512,550	341,263
Grants and other accounts receivable	5,213,479	1,283,736
Land held for resale	81,615	81,615
Prepaid expenses	191,193	84,405
	24,285,851	17,878,891
Physical assets		
Inventories <i>[note 4]</i>	1,734,389	1,048,717
Land, structures and equipment <i>[note 5]</i>	93,666,604	86,134,862
	95,400,993	87,183,579
	119,686,844	105,062,470
LIABILITIES AND MUNICIPAL POSITION		
Liabilities		
Accounts payable and accrued liabilities <i>[note 6]</i>	5,028,108	4,347,424
Trust liability	19,630	17,968
Deposit liabilities <i>[note 7]</i>	52,731	50,209
Deferred revenue <i>[note 8]</i>	4,579,390	1,139,590
Long-term debt <i>[note 9]</i>	6,634,864	7,203,745
	16,314,723	12,758,936
Contingencies <i>[note 10]</i>		
Municipal position		
Fund balances -		
Operating fund [Schedule 1]	735,307	685,307
Capital fund [Schedule 2]	—	—
Reserve fund [Schedule 3]	13,870,685	11,638,393
	14,605,992	12,323,700
Equity in physical assets	88,766,129	79,979,834
	103,372,121	92,303,534
	119,686,844	105,062,470

See accompanying notes

On behalf of the Board:

Reeve

Chief Administrative Officer

**STATEMENT OF FINANCIAL ACTIVITIES
AND CHANGES IN FUND BALANCES**

Year ended December 31

	Budget	2007	2006
	\$	\$	\$
	[note 14]		
REVENUES			
Property taxes	30,677,917	30,697,228	26,477,770
Less: Education requisition	7,008,894	7,008,894	6,776,568
Lodge requisition	612,105	612,105	436,896
Net municipal property taxes [Schedule 4]	23,056,918	23,076,229	19,264,306
User fees and sales of goods	2,117,194	2,101,816	2,024,028
Government transfers [Schedule 5]	24,045,300	6,297,018	5,265,547
Investment income	200,000	939,387	588,519
Penalties and costs on taxes	100,000	93,221	110,565
Licenses, permits and fines	110,500	139,908	166,686
Rentals	39,000	32,330	42,990
Development levies	—	85,592	125,521
Other	341,600	586,143	509,676
Proceeds on sale of physical assets	478,000	880,506	19,399
Total revenues	50,488,512	34,232,150	28,117,237
EXPENDITURES [Schedule 6]			
Operating			
Legislative	410,735	450,270	384,271
Administration	3,642,333	3,390,482	2,905,514
Protective services	3,088,109	2,712,108	2,674,787
Transportation	12,450,059	9,639,078	7,291,119
Environmental use and protection	2,846,355	2,636,108	2,350,536
Public health and welfare	476,965	591,129	430,821
Planning and development	2,471,011	1,464,866	1,567,658
Recreation and culture	1,267,463	1,092,412	1,012,374
Total operating expenditures	26,653,030	21,976,453	18,617,080
Capital			
Administration	1,914,050	116,424	503,345
Protective services	686,663	216,259	963,669
Transportation	11,060,430	4,902,143	2,550,100
Environmental use and protection	22,183,933	4,093,279	1,631,532
Recreation and culture	116,000	76,419	64,396
Total capital expenditures	35,961,076	9,404,524	5,713,042
Total expenditures	62,614,106	31,380,977	24,330,122
Surplus (deficiency) of revenues over expenditures	(12,125,594)	2,851,173	3,787,115
Increase in long-term debt	5,141,177	408,702	370,000
Long-term debt repayment	(958,221)	(977,583)	(886,343)
Changes in fund balances	(7,942,638)	2,282,292	3,270,772

See accompanying notes

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31

	2007	2006
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus of revenues over expenditures	2,851,173	3,787,115
Change in operating assets and liabilities:		
Decrease (increase) in taxes receivable	(171,287)	47,928
Decrease (increase) in grants and other accounts receivable	(3,929,743)	685,188
Decrease (increase) in prepaid expenses	(106,788)	72,977
Decrease in land held for resale	—	17,258
Increase in accounts payable and accrued liabilities	680,684	1,138,425
Increase in deposit liabilities	2,522	3,980
Increase (decrease) in deferred revenue	3,439,800	(722,503)
	2,766,361	5,030,368
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in long-term debt	408,702	370,000
Long-term debt repayment	(977,583)	(886,343)
	(568,881)	(516,343)
Increase in cash and cash equivalents	2,197,480	4,514,025
Cash and cash equivalents, beginning of the year	16,069,904	11,555,879
Cash and cash equivalents, end of the year	18,267,384	16,069,904

See accompanying notes

**SCHEDULE OF OPERATING FUND ACTIVITIES
AND CHANGE IN FUND BALANCE**

Year ended December 31

	Budget	2007	2006
	\$	\$	\$
	[note 14]		
Revenues			
Net municipal property taxes [Schedule 4]	23,056,918	23,076,229	19,264,306
User fees and sales of goods	2,117,194	2,101,816	2,024,028
Government transfers	3,292,044	1,657,167	2,873,442
Investment income	200,000	933,806	588,519
Penalties and costs on taxes	100,000	93,221	110,565
Licenses, permits and fines	110,500	139,908	166,686
Rentals	39,000	32,330	42,990
Other	296,600	558,384	501,762
	<u>29,212,256</u>	<u>28,592,861</u>	<u>25,572,298</u>
Expenditures			
Legislative	410,735	450,270	384,271
Administration	3,642,333	3,390,482	2,905,514
Protective services	3,088,109	2,712,108	2,674,787
Transportation	12,450,059	9,639,078	7,291,119
Environmental use and protection	2,846,355	2,636,108	2,350,536
Public health and welfare	476,965	591,129	430,821
Planning and development	2,471,011	1,464,866	1,567,658
Recreation and culture	1,267,463	1,092,412	1,012,374
	<u>26,653,030</u>	<u>21,976,453</u>	<u>18,617,080</u>
Excess of revenues over expenditures	<u>2,559,226</u>	<u>6,616,408</u>	<u>6,955,218</u>
Net interfund transfers:			
To capital fund [Schedule 2]	(669,830)	(634,492)	(550,304)
To reserve fund [Schedule 3]	(931,175)	(4,954,333)	(5,468,571)
Long-term debt repayment	(958,221)	(977,583)	(886,343)
	<u>(2,559,226)</u>	<u>(6,566,408)</u>	<u>(6,905,218)</u>
Change in fund balance	—	50,000	50,000
Operating fund, opening balance	685,307	685,307	635,307
Operating fund, closing balance	<u>685,307</u>	<u>735,307</u>	<u>685,307</u>

See accompanying notes

**SCHEDULE OF CAPITAL FUND ACTIVITIES
AND CHANGE IN FUND BALANCE**

Year ended December 31

	Budget	2007	2006
	\$	\$	\$
	[note 14]		
Revenues			
Government transfers	20,753,256	4,639,851	2,392,105
Investment income	—	5,581	—
Development levies	—	85,592	125,521
Proceeds on sale of physical assets	478,000	880,506	19,399
Other	45,000	27,759	7,914
	<u>21,276,256</u>	<u>5,639,289</u>	<u>2,544,939</u>
Expenditures			
Administration	1,914,050	116,424	503,345
Protective services	686,663	216,259	963,669
Transportation	11,060,430	4,902,143	2,550,100
Environmental use and protection	22,183,933	4,093,279	1,631,532
Recreation and culture	116,000	76,419	64,396
	<u>35,961,076</u>	<u>9,404,524</u>	<u>5,713,042</u>
Deficiency of revenues over expenditures	<u>(14,684,820)</u>	<u>(3,765,235)</u>	<u>(3,168,103)</u>
Net interfund transfers:			
From reserve fund [Schedule 3]	8,873,813	2,722,041	2,247,799
From operating fund [Schedule 1]	669,830	634,492	550,304
Increase in long-term debt	5,141,177	408,702	370,000
	<u>14,684,820</u>	<u>3,765,235</u>	<u>3,168,103</u>
Change in fund balance	—	—	—
Capital fund, opening balance	—	—	—
Capital fund, closing balance	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying notes

**SCHEDULE OF RESERVE FUND ACTIVITIES
 AND CHANGE IN FUND BALANCE**

Year ended December 31

	Budget	2007	2006
	\$	\$	\$
	[note 14]		
Net interfund transfers:			
Transfers from operating fund [Schedule 1]	931,175	4,954,333	5,468,571
Transfers to capital fund [Schedule 2]	(8,873,813)	(2,722,041)	(2,247,799)
Change in fund balance	(7,942,638)	2,232,292	3,220,772
Reserve fund, opening balance	11,638,393	11,638,393	8,417,621
Reserve fund, closing balance [note 11]	3,695,755	13,870,685	11,638,393

See accompanying notes

SCHEDULE OF NET MUNICIPAL PROPERTY TAXES

Year ended December 31

	Budget	2007	2006
	\$	\$	\$
	[note 14]		
LEVIES			
Residential land and improvements	3,343,011	3,335,655	2,926,440
Non-residential land and improvements	26,574,292	26,603,960	22,855,744
Farmland	384,197	384,195	399,096
Federal grants in lieu of taxes	43,256	16,053	17,246
Provincial grants in lieu of taxes	37,091	74,478	36,278
Special assessments and local improvement taxes	296,070	282,886	242,966
Total taxes and grants in lieu	30,677,917	30,697,227	26,477,770
REQUISITIONS			
Alberta School Foundation Fund	7,008,894	7,008,894	6,776,568
Seniors lodge	612,105	612,104	436,896
Net municipal property taxes	23,056,918	23,076,229	19,264,306

See accompanying notes

SCHEDULE OF GOVERNMENT TRANSFERS

Year ended December 31

	Budget	2007	2006
	\$	\$	\$
	[note 14]		
Federal transfers			
Shared-cost agreements and grants	—	17,658	—
	—	17,658	—
Provincial transfers			
Shared-cost agreements and grants	24,045,300	6,279,360	5,265,547
Total government transfers	24,045,300	6,297,018	5,265,547

See accompanying notes

SCHEDULE OF TOTAL EXPENDITURES BY OBJECT

Year ended December 31

	Budget	2007	2006
	\$	\$	\$
	[note 14]		
Salaries, wages and benefits	6,147,101	6,046,900	5,254,184
Contracted and general services	12,771,961	6,676,918	7,654,617
Materials, goods, supplies and utilities	4,724,191	6,070,661	2,860,411
Transfers to other governments	1,308,859	1,465,603	1,265,299
Transfers to local boards and agencies	1,233,912	1,354,456	1,173,636
Interest on long-term debt <i>[note 9]</i>	349,806	345,030	368,130
Physical assets acquired	35,961,076	9,404,524	5,713,042
Other operating expenditures	117,200	16,885	40,803
Total expenditures	62,614,106	31,380,977	24,330,122

See accompanying notes

**SCHEDULE OF CHIEF ADMINISTRATIVE OFFICER AND
COUNCILOR SALARY AND BENEFITS**

December 31, 2007

	2007		2006	
	Salary/ Per Diems \$	Benefits \$	Total \$	Total \$
Ed Froese	27,100	721	27,821	23,385
Greg Newman (Reeve)	24,268	627	24,895	19,944
Jim Thompson	15,490	367	15,857	16,897
Ray Toews	5,210	114	5,324	—
John W. Driedger	34,500	—	34,500	31,725
Lisa Wardley	24,700	642	25,342	20,254
Peter Braun	38,900	1,110	40,010	33,322
Stuart Watson	21,200	512	21,712	15,644
Walter Sarapuk	30,500	818	31,318	26,728
William Neufeld	43,968	—	43,968	40,125
Willie Neudorf	5,200	143	5,343	29,706
Diedrich Driedger	8,110	210	8,320	—
Chief Administrative Officer (1 individual in 2007 and 3 individuals in 2006)	133,752	20,371	154,123	153,336
	412,898	25,635	438,533	411,066

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and other direct cash remuneration.
2. Benefits include employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, medical and vision coverage, group life insurance, dependent life insurance, accidental disability and dismemberment, and long and short-term disability.

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Mackenzie County [the “County”] are prepared by the County's administration in accordance with Canadian generally accepted accounting principles [“GAAP”] which includes financial reporting standards appropriate for local governments recommended by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants [“CICA”].

The preparation of financial statements in conformity with Canadian GAAP requires administration 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 revenues and expenditures during the reporting period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Schedule 4 - Net Municipal Property Taxes includes requisitions for education and other external organizations that are not part of the municipal reporting entity.

Basis of accounting

Revenues and expenditures are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenditures are recognized in the period goods and services are acquired and a liability is incurred or transfers are due.

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

Fund accounting

Funds are recorded within the financial statements as described below. Transactions between funds are recorded as inter-fund transfers.

i) Operating fund

The operating fund reflects the financial activities associated with the provision of general municipal services during the year.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund accounting (continued)

ii) Capital fund

The capital fund reflects the financial activities associated with the acquisition, construction and funding of land, structures and equipment.

iii) Reserve fund

The reserve fund reflects funds authorized by the County to be set aside for the funding of future operating or capital expenditures.

Cash and cash equivalents

Cash and cash equivalents consists of cash and term deposits with original periods to maturity of less than 90 days.

Land held for resale

Land held for resale is recorded at the lower of cost and 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 their respective function. Proceeds from the sale of land held for resale are recorded as operating fund revenues.

Over-levies and under-levies

Over-levies and under-levies arise from the difference between the actual 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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.

Land, structures and equipment

Land, structures and equipment are recognized as expenditures in the period they are acquired. Land, structures and equipment are carried on the statement of financial position at cost. Adjustments are made to relieve the cost of assets for the original cost of assets sold, lost or scrapped where such costs are determinable.

Government contributions for the acquisition of land, structures and equipment are recorded as capital revenue and do not reduce the related land, structures and equipment costs.

Land, structures and equipment for government purposes are not depreciated.

Tangible capital assets

Effective January 1, 2007, the County adopted Accounting Guideline 7 ["PSG-7"] of the Public Sector Accounting Handbook of the CICA with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150, Tangible Capital Assets, of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2007, the County continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2007, although the County is unable to provide detailed disclosures about its tangible capital asset categories, a listing of assets and values for the engineered structures, buildings, machinery and equipment, vehicles and land is in progress and is expected to be substantially completed by December 31, 2008.

The County has determined that historical cost accounting records do not exist for all identified tangible capital assets and it is therefore developing other methods to estimate the cost and accumulated amortization of these assets.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tangible capital assets (continued)

At December 31, 2007, the County has determined that its tangible capital assets will include the following categories, with amortization expected to be provided on a straight-line basis over the assets' estimated useful lives as below:

	<u>Years</u>
Land improvements	10 – 25 Years
Buildings	25 – 50 Years
Engineered structures	10 – 75 Years
Machinery and equipment	5 – 40 Years
Vehicles	10 – 25 Years

Gravel pit reclamation

Estimated future costs for gravel pit reclamation and site restoration are charged to expenditures over the life of each pit based on the amount of material expected to be extracted. Amounts charged to expenditures but not yet paid are included in accounts payable and accrued liabilities. Due to the long-term nature of assumptions made, it is possible that estimates could prove to be materially incorrect and accordingly, the impact on the financial statements for future periods could be material.

Equity in physical assets

Equity in physical assets represents the County's net investment in its total physical assets after deducting the portion financed by third parties through debenture, bond and mortgage debts, long-term capital borrowing, capitalized leases and other capital liabilities.

Pension expenditure

The County participates in a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan, whereby contributions are expensed when due.

Mackenzie County
(formerly Municipal District of Mackenzie No. 23)

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

2. BANK LINE OF CREDIT

The County has an operating line of credit of \$5,950,000 [2006 - \$6,000,000] of which nil [2006 – nil] was utilized at December 31, 2007. The line of credit bears interest at prime less 0.25% [6.25%; 2006 – 6.00%].

3. TAXES RECEIVABLE

	2007	2006
	\$	\$
Taxes receivable -		
Current	420,113	250,693
Arrears	102,437	100,570
	522,550	351,263
Allowance for uncollectible taxes	(10,000)	(10,000)
	512,550	341,263

4. INVENTORIES

	2007	2006
	\$	\$
Gravel	413,727	496,490
Parts and supplies	410,339	552,227
Gravel pit reserves	910,323	—
	1,734,389	1,048,717

5. LAND, STRUCTURES AND EQUIPMENT

	2007	2006
	\$	\$
Engineering structures	79,409,497	71,495,980
Buildings	3,803,326	4,246,068
Vehicles	4,503,352	4,400,893
Machinery and equipment	4,507,235	5,333,527
Land	1,443,194	658,394
	93,666,604	86,134,862

Mackenzie County
(formerly Municipal District of Mackenzie No. 23)

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007	2006
	\$	\$
Trade payables and accruals	3,940,824	3,538,366
Gravel pit reclamation	689,948	442,975
Employee payable	354,445	318,886
Long-term debt interest payable	42,891	47,197
	5,028,108	4,347,424

7. DEPOSIT LIABILITIES

	2007	2006
	\$	\$
Utilities	52,062	49,540
Land lot sales	669	669
	52,731	50,209

8. DEFERRED REVENUE

	2007	2006
	\$	\$
Prepaid local improvements	131,371	84,773
Restricted grant funding	4,448,019	1,054,817
	4,579,390	1,139,590

Mackenzie County
(formerly Municipal District of Mackenzie No. 23)

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

9. LONG-TERM DEBT

	2007	2006
	\$	\$
Debentures -		
Alberta Capital Finance Authority		
5.75%, due 2011	289,457	352,259
5.375%, due 2012	1,960,700	2,294,924
4.875%, due 2013	267,257	304,840
4.23%, due 2014	2,970,388	3,328,055
3.77%, due 2015	410,426	453,634
4.453%, due 2016	339,893	370,000
4.311%, due 2017	141,445	—
4.311%, due 2017	72,986	—
4.501%, due 2027	182,312	—
12.00%, due 2007	—	100,033
	6,634,864	7,203,745

For qualifying debentures, the Province of Alberta rebates 50% of interest in excess of 8%, 9% and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the County at large.

The County's total cash payment for interest was \$349,335 [2006 - \$373,379] for the year ended December 31, 2007.

Principal and interest repayment requirements on long-term debt over the next five years and to maturity are as follows:

	Principal	Interest	Total
	\$	\$	\$
2008	931,995	303,832	1,235,827
2009	976,820	259,007	1,235,827
2010	1,023,834	211,993	1,235,827
2011	1,073,145	162,682	1,235,827
2012	1,041,811	110,959	1,152,770
To maturity	1,587,259	149,249	1,736,508
	6,634,864	1,197,722	7,832,586

Mackenzie County
(formerly Municipal District of Mackenzie No. 23)

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

9. LONG-TERM DEBT (CONTINUED)

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

	2007	2006
	\$	\$
Total debt limit	41,902,693	38,587,697
Total debt	6,634,864	7,203,745
Amount by which debt limit exceeds debt	35,267,829	31,383,952
Service on debt limit	6,983,782	6,426,433
Service on debt	1,235,827	1,305,973
Amount by which debt servicing limit exceeds debt servicing	5,747,955	5,120,460

The debt limit is calculated at 1.5 times revenue of the County [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 County. Rather, the financial statements must be interpreted as a whole.

10. CONTINGENCIES

In the normal conduct of operations, various legal claims are pending against the County in connection with road maintenance and construction and other matters. The County carries liability insurance, subject to certain deductibles and policy limits, against such claims. Administration believes that the County has recognized adequate provisions for probable and reasonably estimable liabilities associated with these claims, and that their ultimate resolutions will not have a material adverse effect on the financial position of the County or its financial activities.

The County is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. Under the terms of the membership, the County 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 of the settlement.

Mackenzie County
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NOTES TO FINANCIAL STATEMENTS

December 31, 2007

11. RESERVE FUND

Reserves have been established as follows:

	2007	2006
	\$	\$
Operating		
General operating	2,016,538	2,199,844
Gravel reserve	277,900	810,263
Prepaid local improvements and off-site levy	649,515	545,235
Recreation and parks	206,204	106,438
Subdivision development	169,103	134,018
Total operating reserves	3,319,260	3,795,798
Capital		
Emergency equipment	834,263	387,351
General roads	5,353,373	4,418,737
General capital	3,377,087	2,896,286
Vehicle replacement	986,702	140,221
Total capital reserves	10,551,425	7,842,595
Total reserves	13,870,685	11,638,393

The total reserves balance includes approximately \$7,097,000 that is committed to projects commenced and/or tendered in 2007.

12. LOCAL AUTHORITIES PENSION PLAN

Employees of the County participate in the Local Authorities Pension Plan [“LAPP” or the “Plan”] which is covered by the Public Sector Pension Plans Act. The Plan serves approximately 159,936 employees and 407 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

The County is required to make current service contributions to the Plan of 7.75% of pensionable earnings up to the Canada Pension Plan Year’s Maximum Pensionable Earnings and 10.64% for the excess. Employees of the County are required to make current service contributions of 6.75% of pensionable salary up to the year’s maximum pensionable salary and 9.64% of the excess.

The current service contributions by the County to the LAPP in 2007 were \$222,330 [2006 - \$155,867]. Total current service contributions by the employees of the County to the LAPP in 2007 were \$252,012 [2006 - \$136,982].

At December 31, 2006, the Plan disclosed an actuarial deficiency of \$746,651,000.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

13. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and cash equivalents, taxes receivable, grants and other accounts receivable, accounts payable and accrued liabilities, deposit liabilities and long-term debt. It is administration's opinion that the County is not exposed to significant interest or currency risk arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

The County is subject to credit risk with respect to taxes and grants and other accounts receivables. Credit risk arises from the possibility that taxpayers and entities to which the County 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.

14. BUDGET FIGURES

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

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.