

Financial Statements

Mackenzie County
December 31, 2008

AUDITORS' REPORT

To the Members of Council of
Mackenzie County

We have audited the statement of financial position of **Mackenzie County** as at December 31, 2008 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, 2008 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.

Edmonton, Canada,
April 1, 2009.

Ernst & Young LLP

Chartered Accountants

STATEMENT OF FINANCIAL POSITION

As at December 31

	2008	2007
	\$	\$
ASSETS		
Financial assets		
Cash and term deposits	15,185,085	4,767,384
Temporary investments	—	13,500,000
Trust asset	23,769	19,630
Taxes receivable [note 3]	463,996	512,550
Grants and other accounts receivable	6,212,948	5,213,479
Land held for resale	77,919	81,615
Prepaid expenses	216,267	191,193
	<u>22,179,984</u>	<u>24,285,851</u>
Physical assets		
Inventories [note 4]	2,667,771	1,734,389
Land, structures and equipment [note 5]	124,967,282	93,666,604
	<u>127,635,053</u>	<u>95,400,993</u>
	<u>149,815,037</u>	<u>119,686,844</u>
LIABILITIES AND MUNICIPAL POSITION		
Liabilities		
Accounts payable and accrued liabilities [note 6]	8,535,911	5,028,108
Trust liability	23,769	19,630
Deposit liabilities [note 7]	58,960	52,731
Deferred revenue [note 8]	3,214,480	4,579,390
Long-term debt [note 9]	8,590,716	6,634,864
	<u>20,423,836</u>	<u>16,314,723</u>
Contingencies [note 10]		
Municipal position		
Equity in physical assets	119,044,337	88,766,129
Operating fund [Schedule 1]	785,307	735,307
Capital fund [Schedule 2]	—	—
Reserve fund [Schedule 3]	9,561,557	13,870,685
	<u>129,391,201</u>	<u>103,372,121</u>
	<u>149,815,037</u>	<u>119,686,844</u>

See accompanying notes

On behalf of the County:

Reeve

Chief Administrative Officer

STATEMENT OF FINANCIAL ACTIVITIES AND CHANGES IN FUND BALANCES

Year ended December 31

	Budget	2008	2007
	\$	\$	\$
	[note 14]		
REVENUES			
Property taxes	31,948,723	32,055,309	30,697,227
Less: Education requisition	7,149,735	7,149,792	7,008,894
Lodge requisition	627,268	627,268	612,104
Net municipal property taxes [Schedule 4]	24,171,720	24,278,249	23,076,229
User fees and sales of goods	2,112,169	2,052,777	2,101,816
Government transfers [Schedule 5]	33,077,011	19,561,678	6,297,018
Investment income	597,390	836,363	939,387
Penalties and costs on taxes	95,000	137,938	93,221
Licenses, permits and fines	112,550	79,959	139,908
Rentals	19,905	30,849	32,330
Insurance proceeds	—	1,430	—
Development levies	—	26,212	85,592
Proceeds on sale of physical assets	101,000	217,186	586,143
Other	729,100	404,075	586,143
Total revenues	61,015,845	47,626,716	33,937,787
EXPENDITURES [Schedule 6]			
Operating			
Legislative	481,952	514,653	450,270
Administration	4,149,313	3,684,380	3,390,482
Protective services	3,376,388	2,745,279	2,712,108
Transportation	8,406,523	9,114,026	9,639,078
Environmental use and protection	3,088,205	2,450,254	2,636,108
Public health and welfare	580,719	585,853	591,129
Planning and development	1,863,813	1,703,996	1,464,866
Recreation and culture	1,009,867	1,095,644	1,092,412
Total operating expenditures	22,956,780	21,894,085	21,976,453
Capital			
Administration	10,339,804	694,728	116,424
Protective services	298,115	—	216,259
Transportation	25,069,854	18,319,150	4,902,143
Environmental use and protection	19,935,402	12,472,687	4,093,279
Planning and development	620,123	355,824	—
Recreation and culture	212,551	105,222	76,419
Total capital expenditures	56,475,849	31,947,611	9,404,524
Total expenditures	79,432,629	53,841,696	31,380,977
Surplus (deficiency) of revenues over expenditures	(18,416,784)	(6,214,980)	2,851,173
Debenture proceeds	9,096,177	2,887,848	408,702
Long-term debt repayments	(1,166,435)	(931,996)	(977,583)
Changes in fund balances	(10,487,042)	(4,259,128)	2,282,292

See accompanying notes

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31

	2008	2007
	\$	\$
OPERATING ACTIVITIES		
Surplus (deficiency) of revenues over expenditures	(6,214,980)	2,851,173
Changes in operating assets and liabilities		
Decrease (increase) in taxes receivable	48,554	(171,287)
Increase in grants and other accounts receivable	(999,469)	(3,929,743)
Increase in prepaid expenses	(25,074)	(106,788)
Decrease in land held for resale	3,696	—
Increase in accounts payable and accrued liabilities	3,507,803	680,684
Increase in deposit liabilities	6,229	2,522
Increase (decrease) in deferred revenue	(1,364,910)	3,439,800
	<u>(5,038,151)</u>	<u>2,766,361</u>
INVESTING ACTIVITIES		
Purchases of temporary investments	—	(13,500,000)
Proceeds from temporary investments	13,500,000	—
	<u>13,500,000</u>	<u>(13,500,000)</u>
FINANCING ACTIVITIES		
Debenture proceeds	2,887,848	408,702
Long-term debt repayments	(931,996)	(977,583)
	<u>1,955,852</u>	<u>(568,881)</u>
Increase (decrease) in cash	10,417,701	(11,302,520)
Cash and term deposits, beginning of year	4,767,384	16,069,904
Cash and term deposits, end of year	15,185,085	4,767,384

See accompanying notes

SCHEDULE OF OPERATING FUND ACTIVITIES AND CHANGE IN FUND BALANCE

Year ended December 31

	Budget	2008	2007
	\$	\$	\$
	[note 14]		
Revenues			
Net municipal property taxes [Schedule 4]	24,171,720	24,278,249	23,076,229
User fees and sales of goods	2,112,169	2,052,777	2,101,816
Government transfers	2,040,913	1,941,217	1,657,167
Investment income	597,390	732,275	933,806
Penalties and costs of taxes	95,000	137,938	93,221
Licenses, permits and fines	112,550	79,959	139,908
Rentals	19,905	30,849	32,330
Insurance proceeds	—	1,430	—
Proceeds on sale of physical assets	—	72,186	—
Other	229,100	368,083	558,384
	<u>29,378,747</u>	<u>29,694,963</u>	<u>28,592,861</u>
Expenditures			
Legislative	481,952	514,653	450,270
Administration	4,149,313	3,684,380	3,390,482
Protective services	3,376,388	2,745,279	2,712,108
Transportation	8,406,523	9,114,026	9,639,078
Environmental use and protection	3,088,205	2,450,254	2,636,108
Public health and welfare	580,719	585,853	591,129
Planning and development	1,863,813	1,703,996	1,464,866
Recreation and culture	1,009,867	1,095,644	1,092,412
	<u>22,956,780</u>	<u>21,894,085</u>	<u>21,976,453</u>
Surplus of revenues over expenditures	<u>6,421,967</u>	<u>7,800,878</u>	<u>6,616,408</u>
Net inter-fund transfers			
To capital fund [Schedule 2]	(690,202)	(689,330)	(634,492)
To reserve fund [Schedule 3]	(4,565,328)	(6,129,552)	(4,954,333)
Long-term debt repayment	(1,166,435)	(931,996)	(977,583)
	<u>(6,421,966)</u>	<u>(7,750,878)</u>	<u>(6,566,408)</u>
Change in fund balance	—	50,000	50,000
Operating fund, opening balance	735,307	735,307	685,307
Operating fund, closing balance	<u>735,307</u>	<u>785,307</u>	<u>735,307</u>

See accompanying notes

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

Year ended December 31

	Budget	2008	2007
	\$	\$	\$
	[note 14]		
Revenues			
Government transfers	31,036,098	17,620,461	4,639,851
Investment income	—	104,088	5,581
Development levies	—	26,212	85,592
Proceeds on sale of physical assets	101,000	145,000	880,506
Other	500,000	35,992	27,759
	31,637,098	17,931,753	5,639,289
Expenditures			
Administration	10,339,804	694,728	116,424
Protective services	298,115	—	216,259
Transportation	25,069,854	18,319,150	4,902,143
Environmental use and protection	19,935,402	12,472,687	4,093,279
Planning and development	620,123	355,824	—
Recreation and culture	212,551	105,222	76,419
	56,475,849	31,947,611	9,404,524
Deficiency of revenues over expenditures	(24,838,751)	(14,015,858)	(3,765,235)
Net inter-fund transfers			
From reserve fund [Schedule 3]	15,052,372	10,438,680	2,722,041
From operating fund [Schedule 1]	690,202	689,330	634,492
Increase in long-term debt	9,096,177	2,887,848	408,702
	24,838,751	14,015,858	3,765,235
Change in fund balance	—	—	—
Capital fund, opening balance	—	—	—
Capital fund, closing balance	—	—	—

See accompanying notes

SCHEDULE OF RESERVE FUND ACTIVITIES AND CHANGE IN FUND BALANCE

Year ended December 31

	Budget	2008	2007
	\$	\$	\$
	[note 14]		
Net inter-fund transfers			
Transfers from operating fund [Schedule 1]	4,565,328	6,129,552	4,954,333
Transfers to capital fund [Schedule 2]	(15,052,372)	(10,438,680)	(2,722,041)
Change in fund balance	(10,487,044)	(4,309,128)	2,232,292
Reserve fund, opening balance	13,870,685	13,870,685	11,638,393
Reserve fund, closing balance [note 11]	3,383,641	9,561,557	13,870,685

See accompanying notes

SCHEDULE OF NET MUNICIPAL PROPERTY TAXES

Year ended December 31

	Budget	2008	2007
	\$	\$	\$
	[note 14]		
TAXATION			
Residential land and improvements	3,647,744	3,726,338	3,335,655
Non-residential land and improvements	27,621,305	27,672,328	26,603,960
Farmland	383,637	383,873	384,195
Federal grants in lieu of taxes	48,030	46,633	52,690
Provincial grants in lieu of taxes	51,261	43,937	37,841
Special assessments and local improvement taxes	196,746	182,200	282,886
Total taxes and grants in lieu	31,948,723	32,055,309	30,697,227
REQUISITIONS			
Alberta School Foundation Fund	7,149,735	7,149,792	7,008,894
Seniors lodge	627,268	627,268	612,104
Net municipal property taxes	24,171,720	24,278,249	23,076,229

See accompanying notes

SCHEDULE OF GOVERNMENT TRANSFERS

Year ended December 31

	Budget	2008	2007
	\$	\$	\$
	[note 14]		
Federal transfers			
Shared-cost agreements and grants	—	—	17,658
	—	—	17,658
Provincial transfers			
Shared-cost agreements and grants	33,077,011	19,561,678	6,279,360
Total government transfers	33,077,011	19,561,678	6,297,018

See accompanying notes

SCHEDULE OF TOTAL EXPENDITURES BY OBJECT

Year ended December 31

	Budget	2008	2007
	\$	\$	\$
	[note 14]		
Salaries, wages and benefits	7,225,371	6,643,899	6,046,900
Contracted and general services	7,176,733	6,784,580	6,676,918
Materials, goods, supplies and utilities	5,250,615	5,316,002	6,070,661
Transfers to other governments	1,515,500	1,303,952	1,465,603
Transfers to local boards and agencies	1,261,118	1,401,338	1,354,456
Interest on long-term debt	427,945	302,126	345,030
Physical assets acquired	56,475,849	31,947,611	9,404,524
Other operating expenditures	99,498	142,188	16,885
Total expenditures [Statement 2]	79,432,629	53,841,696	31,380,977

See accompanying notes

SCHEDULE OF CHIEF ADMINISTRATIVE OFFICER AND COUNCILOR SALARY AND BENEFITS

Year ended December 31

	2008			2007
	Salary/ Per Diems	Benefits	Total	Total
	\$	\$	\$	\$
Ed Froese	25,600	686	26,286	27,821
Greg Newman (Reeve)	32,600	902	33,502	24,895
Jim Thompson	—	—	—	15,857
Ray Toews	22,600	558	23,158	5,324
John W. Driedger	46,100	—	46,100	34,500
Lisa Wardley	28,800	763	29,563	25,342
Peter Braun	37,900	1,077	38,977	40,010
Stuart Watson	20,800	484	21,284	21,712
Walter Sarapuk	28,400	735	29,135	31,318
William Neufeld	39,100	—	39,100	43,968
Willie Neudorf	—	—	—	5,343
Diedrich Driedger	38,200	1,086	39,286	8,320
Chief Administrative Officer	151,677	8,882	160,559	154,123
	471,777	15,173	486,950	438,533

See accompanying notes

Mackenzie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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 amounts 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.

Mackenzie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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 consist of cash and term deposits with initial maturity dates of less than 90 days.

Temporary investments

Temporary investments, consisting of term deposits with initial maturity dates of between 90 and 365 days, are recorded at the lower of cost and market value.

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.

Mackenzie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

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.

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 recorded 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.

Mackenzie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Tangible capital assets [continued]

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.

During 2008, the County continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As at December 31, 2008, the County has substantially completed its capital asset accounting for the following asset classes:

- Land
- Buildings
- Vehicles
- Machinery and equipment
- Recreation boards

Capital asset accounting for the asset class Engineered Structures is still in progress at December 31, 2008. This asset class includes roads, bridges, pipelines and streetlights.

At December 31, 2008, 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># of Years</u>
Engineered structures	10 – 75
Buildings	25 – 50
Vehicles	10 – 25
Machinery and equipment	5 – 40
Land improvements	10 – 25

Recent accounting pronouncements

Effective January 1, 2009, the County will be required to adopt Section PS 1200, "Financial Statement Presentation", of the CICA Public Sector Accounting Handbook. This section establishes general reporting principles and standards for disclosure of information in government financial statements. It is expected that adoption of this section will affect various financial statement presentation and disclosure matters only.

Mackenzie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

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 in 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.

2. BANK LINE OF CREDIT

During 2008, the County had an operating line of credit of \$6,000,000 [2007 - \$5,950,000] of which nil [2007 - nil] was utilized at December 31, 2008. The County cancelled this line of credit on December 31, 2008.

3. TAXES RECEIVABLE

	2008	2007
	\$	\$
Taxes receivable -		
Current	359,799	420,113
Arrears	124,197	102,437
	483,996	522,550
Allowance for uncollectible taxes	(20,000)	(10,000)
	463,996	512,550

Mackenzie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

4. INVENTORIES

	2008	2007
	\$	\$
Gravel	1,673,041	413,727
Parts and supplies	375,575	410,339
Gravel pit reserves	619,155	910,323
	<u>2,667,771</u>	<u>1,734,389</u>

5. LAND, STRUCTURES AND EQUIPMENT

	2008	2007
	\$	\$
Engineered structures	108,274,376	79,409,497
Buildings	4,028,115	3,803,326
Vehicles	4,574,371	4,503,352
Machinery and equipment	6,206,810	4,507,235
Land and parks	1,883,610	1,443,194
	<u>124,967,282</u>	<u>93,666,604</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
	\$	\$
Trade payables and accruals	7,390,938	3,940,824
Gravel pit reclamation	671,138	689,948
Employee payables	432,650	354,445
Long-term debt interest payable	41,185	42,891
	<u>8,535,911</u>	<u>5,028,108</u>

7. DEPOSIT LIABILITIES

	2008	2007
	\$	\$
Utilities	58,291	52,062
Land lot sales	669	669
	<u>58,960</u>	<u>52,731</u>

Mackenzie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

8. DEFERRED REVENUE

	2008 \$	2007 \$
Prepaid local improvements	138,890	131,371
Restricted grant funding	3,075,590	4,448,019
	3,214,480	4,579,390

9. LONG-TERM DEBT

	2008 \$	2007 \$
Debentures -		
From Alberta Capital Finance Authority		
5.75%, due 2011 [for Fort Vermilion Water Treatment Plan Upgrade]	223,044	289,457
5.375%, due 2012 [for La Crete 100th Street Construction]	1,608,510	1,960,700
4.875%, due 2013 [for La Crete Sewer Main Extension]	227,842	267,257
4.23%, due 2014 [for La Crete Water Treatment Plant]	2,597,432	2,970,388
3.77% due 2015 [for La Crete 94th Avenue]	365,574	410,426
4.453% due 2016 [for La Crete Gravity Sewer Line]	308,431	339,893
4.311% due 2017 [for La Crete 98th Ave Curb, Gutter, Sidewalk]	129,108	141,445
4.501% due for 2027 [for Zama Tower Road Sewer]	176,307	182,312
4.311% due 2017 [for Fort Vermilion 46th Street Sewer Line Extension]	66,620	72,986
4.012% due 2018 [for Zama Water Treatment Plant]	1,589,125	—
4.012% due 2018 [for Zama Wastewater System]	779,210	—
3.046% due 2013 [for Zama Groundwater Supply and Supply Line Project]	519,513	—
	8,590,716	6,634,864

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 \$303,832 [2007 - \$349,335] for the year ended December 31, 2008.

Mackenzie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

9. LONG-TERM DEBT [CONTINUED]

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

	Principal \$	Interest \$	Total \$
2009	1,271,320	367,157	1,638,477
2010	1,329,308	309,169	1,638,477
2011	1,390,008	248,469	1,638,477
2012	1,370,493	184,927	1,555,420
2013	974,661	123,182	1,097,843
Thereafter	2,254,926	235,623	2,490,549
	8,590,716	1,468,527	10,059,243

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:

	2008 \$	2007 \$
Total debt limit	42,097,556	41,902,693
Total debt	8,590,716	6,634,864
Amount by which debt limit exceeds debt	33,506,840	35,267,829
Service on debt limit	7,016,259	6,983,782
Service on debt	1,638,477	1,235,827
Amount by which debt servicing limit exceeds debt servicing	5,377,782	5,747,955

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.

Mackenzie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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.

11. RESERVE FUND

Reserves have been established as follows:

	2008	2007
	\$	\$
Operating		
General	2,355,600	2,016,538
Gravel reserve	105,685	277,900
Prepaid local improvements and off-site levy	689,619	649,515
Recreation and parks	212,079	206,204
Subdivision development	189,937	169,103
Total operating reserves	3,552,920	3,319,260
Capital		
Emergency equipment	1,024,263	834,263
General roads	2,421,010	5,353,373
General capital	2,136,728	3,377,087
Vehicle replacement	426,636	986,702
Total capital reserves	6,008,637	10,551,425
Total reserves	9,561,557	13,870,685

Mackenzie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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 179,188 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 2008 were \$267,067 [2007 - \$222,330]. Total current service contributions by employees of the County to the LAPP in 2008 were \$235,977 [2007 - \$252,012].

At December 31, 2008, the Plan disclosed an actuarial deficiency of \$1,183,334,000.

13. FINANCIAL INSTRUMENTS

The County’s financial instruments consist of cash and term deposits, temporary investments, 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 risks arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

The County is subject to credit risk with respect to taxes, grants, and other accounts receivable. 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.

Mackenzie County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

15. SUBSEQUENT EVENTS

Subsequent to the year end, two debentures from the Alberta Capital Finance Authority totalling \$1,071,638 were received to fund water treatment and wastewater systems. These were based on existing bylaws.

On April 1, 2009, the County transferred its ambulance and emergency services department to the Province of Alberta for \$1. Included in the transfer are all the physical assets related to the department.

16. COMPARATIVE FIGURES

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

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