



Wilde and Company

Chartered Accountants

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

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

INDEPENDENT AUDITOR'S REPORT

To the Reeve and Council of Mackenzie County

We have audited the accompanying consolidated financial statements of Mackenzie County, which comprise of the consolidated statement of financial position as at December 31, 2010 and the consolidated statements of changes in net financial assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Mackenzie County as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Vegreville, AB
April 28, 2011

Wilde • Company
Chartered Accountants

MACKENZIE COUNTY
Consolidated Statement of Financial Position
As at December 31, 2010

	2010	2009
	\$	\$
ASSETS		
Financial Assets		
Cash and temporary investments (Note 3)	13,077,495	12,965,157
Receivables		
Taxes receivable (Note 4)	541,986	493,251
Due from governments	2,793,080	1,551,732
Trade and other receivables	328,138	533,711
Land held for resale	60,202	64,631
Investments (Note 5)	4,443,645	5,539,758
	21,244,546	21,148,240
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	4,474,429	3,695,682
Deposit liabilities	72,518	64,438
Deferred revenue (Note 7)	519,709	902,180
Long term debt (Note 8)	11,549,801	11,713,171
	16,616,457	16,375,471
NET FINANCIAL ASSETS	4,628,089	4,772,769
NON-FINANCIAL ASSETS		
Tangible capital assets	155,385,397	146,107,470
Inventory for consumption (Note 10)	1,655,685	1,823,042
Prepaid expenses	209,122	259,598
Deposit assets	24,596	-
	157,274,800	148,190,110
ACCUMULATED SURPLUS (Note 12)	161,902,889	152,962,879

Contingent liability (Note 15)

MACKENZIE COUNTY
Consolidated Statement of Operations
Year Ended December 31, 2010

	Budget \$ (Unaudited)	2010 \$	2009 \$
Revenues			
Net municipal taxes (Schedule 3)	23,311,309	23,283,095	25,111,480
User fees and sales of goods	2,022,398	1,969,856	1,939,122
Government transfers for operating (Schedule 4)	1,254,523	1,711,897	1,448,984
Investment income	250,000	288,412	240,668
Penalties and costs on taxes	115,000	141,654	111,547
Licenses, permits and fines	177,250	313,221	266,293
Rentals	34,218	64,542	29,434
Gain on disposal of capital assets	-	421,655	-
Other	217,002	604,512	340,858
Total revenue	27,381,700	28,798,844	29,488,386
Expenses			
Legislative	539,618	532,990	559,407
Administration	4,515,159	4,898,194	3,686,983
Protective services	1,004,041	1,018,074	1,438,041
Transportation	11,077,571	12,125,195	11,128,746
Environmental use and protection	4,150,999	3,978,636	3,568,954
Family and community support	635,053	594,579	583,771
Planning, development and agriculture	2,515,177	1,861,192	2,153,706
Recreation and culture	1,865,965	1,596,870	1,462,816
Loss on disposal of capital assets	115,460	-	343,331
Total expenses	26,419,043	26,605,730	24,925,755
Excess of revenue over expenses before Government transfers	962,657	2,193,114	4,562,631
Government transfers for capital (Schedule 4)	6,681,557	6,337,197	9,072,364
Other capital contributions	409,798	409,699	115,502
Excess of revenues over expenses	8,054,012	8,940,010	13,750,497
Accumulated surplus - beginning of the year	152,962,879	152,962,879	139,212,382
Accumulated surplus - end of the year	161,016,891	161,902,889	152,962,879

MACKENZIE COUNTY
Consolidated Statement of Change in Net Financial Assets
Year Ended December 31, 2010

	Budget \$ (Unaudited)	2010 \$	2009 \$
Excess of revenue over expenses	8,054,011	8,940,010	13,750,497
Acquisition of tangible capital assets	(24,128,450)	(15,693,498)	(16,599,372)
Contributed tangible capital assets	-	(334,140)	
Proceeds on disposal of tangible capital assets	571,585	1,160,660	320,517
Amortization of tangible capital assets	5,297,221	6,010,706	4,616,513
(Gain) loss on sale of tangible capital assets	115,460	(421,655)	343,331
	(18,144,184)	(9,277,927)	(11,319,011)
Use of (acquisition of) prepaid assets	-	50,476	(43,331)
Use of supplies inventories	77,290	167,357	844,729
Acquisition of deposit assets	-	(24,596)	-
	77,290	193,237	801,398
(Increase) decrease in net assets	(10,012,883)	(144,680)	3,232,884
Net financial assets, beginning of year	4,772,769	4,772,769	1,539,885
Net financial assets, end of year	(5,240,114)	4,628,089	4,772,769

MACKENZIE COUNTY
Consolidated Statement of Cash Flows
Year Ended December 31, 2010

	2010	2009
	\$	\$
Operating		
Excess of revenue over expenses	8,940,010	13,750,497
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	6,010,706	4,616,513
(Gain) loss on disposal of tangible capital assets	(421,655)	343,331
Tangible capital assets received as contributions	(334,140)	(19,230)
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	(48,735)	(29,255)
Decrease (increase) in government receivables	(1,241,348)	4,388,425
Decrease (increase) in trade and other receivables	205,573	(260,920)
Decrease (increase) in inventory for consumption	167,356	844,729
Decrease (increase) in land held for resale	4,429	13,288
Decrease (increase) in prepaid expenses	50,476	(43,331)
Decrease (increase) in deposit assets	(24,596)	-
Increase (decrease) in accounts payable and accrued liabilities	778,748	(4,840,227)
Increase (decrease) in deposit liabilities	8,080	5,478
Increase (decrease) in deferred revenue	(382,471)	(2,312,300)
<i>Net cash provided by operating transactions</i>	13,712,433	16,456,998
Capital		
Acquisition of tangible capital assets	(15,693,498)	(16,580,142)
Proceeds on sale of tangible capital assets	1,160,660	320,517
<i>Net cash applied to capital transactions</i>	(14,532,838)	(16,259,625)
Investing		
Decrease (increase) in restricted cash or cash equivalents	382,471	(902,180)
Decrease (increase) in investments	1,096,113	(5,539,758)
<i>Net cash provided by investing transactions</i>	1,478,584	(6,441,938)
Financing		
Long term debt issued	1,546,602	4,438,504
Long term debt repaid	(1,709,972)	(1,316,049)
<i>Net cash provided by investing transactions</i>	(163,370)	3,122,455
Change in cash and cash equivalents during the year	494,809	(3,122,110)
Cash and cash equivalents, beginning of year	12,062,977	15,185,087
Cash and cash equivalents, end of year	12,557,786	12,062,977
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	13,077,495	12,965,157
Less: restricted portion of cash and temporary investments (Note 3)	(519,709)	(902,180)
	12,557,786	12,062,977

See accompanying notes

MACKENZIE COUNTY
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2010
Schedule 1

	Unrestricted Surplus	Restricted operating	Restricted Capital	Equity in Capital Assets	2010 \$	2009 \$
Balance, beginning of year	2,658,349	5,229,161	10,681,069	134,394,300	152,962,879	139,212,382
Excess of revenues over expenses	8,940,010	-	-	-	8,940,010	13,750,497
Unrestricted funds designated for future use	(4,064,700)	1,509,306	2,555,394	-	-	-
Restricted funds used for operations	789,140	(495,282)	(293,858)	-	-	-
Restricted funds used for TCA	-	(868,975)	(2,790,517)	3,659,492	-	-
Current year funds used for TCA	(12,034,006)	-	-	12,034,006	-	-
Contributed to TCA	(334,140)	-	-	334,140	-	-
NBV of TCA disposed of	739,005	-	-	(739,005)	-	-
Annual amortization expense	6,010,706	-	-	(6,010,706)	-	-
TCA long term debt issued	1,546,602	-	-	(1,546,602)	-	-
TCA long term debt repaid	(1,709,972)	-	-	1,709,972	-	-
Balance, end of year	2,540,994	5,374,210	10,152,088	143,835,597	161,902,889	152,962,879

MACKENZIE COUNTY
Schedule of Tangible Capital Assets
Year Ended December 31, 2010
Schedule 2

	Land and Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2010	2009
						\$	\$
Cost							
Balance, beginning of year	3,757,270	10,029,977	279,150,322	6,502,600	3,126,169	302,566,338	287,054,492
Acquisition of tangible capital assets	4,450,778	1,055,660	1,640,114	845,982	453,355	8,445,889	16,599,372
Construction in progress	-	4,853,754	2,727,995	-	-	7,581,749	-
Disposal of tangible capital assets	(15,769)	(432,280)	-	(511,866)	(192,200)	(1,152,115)	(1,087,527)
Balance, end of year	8,192,279	15,507,111	283,518,431	6,836,716	3,387,324	317,441,861	302,566,337
Accumulated amortization							
Balance, beginning of year	-	2,074,806	151,518,598	1,581,888	1,283,576	156,458,868	152,266,033
Annual amortization	-	193,048	5,186,062	459,855	171,741	6,010,706	4,616,513
Accumulated amortization on disposals	-	(116,102)	-	(172,208)	(124,800)	(413,110)	(423,678)
Balance, end of year	-	2,151,752	156,704,660	1,869,535	1,330,517	162,056,464	156,458,868
Net book value of tangible capital assets	8,192,279	13,355,359	126,813,771	4,967,181	2,056,807	155,385,397	146,107,469
2009 Net book value of tangible capital assets	3,757,270	7,955,171	127,631,724	4,920,712	1,842,592		146,107,469

MACKENZIE COUNTY
Schedule of Property and Other Taxes
Year Ended December 31, 2010
Schedule 3

	Budget	2010	2009
	\$	\$	\$
	(Unaudited)		
Taxation			
Real property taxes	12,366,975	12,274,987	12,597,685
Linear property	17,879,553	17,879,884	19,537,364
Government grants in place of property taxes	80,038	110,630	101,674
Special assessments and local improvement taxes	264,220	297,071	211,891
	30,590,786	30,562,572	32,448,614
Requisitions			
Alberta School Foundation Fund	6,559,007	6,559,007	6,768,922
Heimstead Seniors Lodge	720,470	720,470	568,212
	7,279,477	7,279,477	7,337,134
Net Municipal Taxes	23,311,309	23,283,095	25,111,480

MACKENZIE COUNTY
Schedule of Government Transfers
Year Ended December 31, 2010
Schedule 4

	Budget \$ (Unaudited)	2010 \$	2009 \$
Transfers for Operating			
Federal Government	39,768	50,369	-
Provincial Government	1,214,755	1,661,528	1,448,984
	1,254,523	1,711,897	1,448,984
Transfers for Capital			
Federal Government	975,144	1,005,031	335,908
Provincial Government	5,706,413	5,332,166	8,736,456
	6,681,557	6,337,197	9,072,364
Total Government Transfers	7,936,080	8,049,094	10,521,348

MACKENZIE COUNTY
Schedule of Consolidated Expenses by Object
Year Ended December 31, 2010
Schedule 5

	Budget \$ (Unaudited)	2010 \$	2009 \$
Consolidated Expenses by Object			
Salaries, wages and benefits	5,650,925	5,371,092	5,469,173
Contracted and general services	6,686,219	6,195,232	6,704,827
Materials, goods, supplies and utilities	4,952,641	5,006,710	4,518,218
Transfers to other governments	1,500,000	1,948,168	1,298,329
Transfers to local boards and agencies	1,681,080	1,531,052	1,482,496
Bank charges and short term interest	16,800	20,762	17,731
Interest of long term debt	456,697	449,220	395,863
Amortization of tangible capital assets	5,297,221	6,010,706	4,616,513
Loss (gain) on disposal of tangible capital assets	115,460	-	343,332
Other operating expenditures	62,000	72,788	79,273
	26,419,043	26,605,730	24,925,755

MACKENZIE COUNTY
Schedule of Segmented Disclosure
Year Ended December 31, 2010
Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total \$
Revenue								
Net municipal taxes	22,986,025	-	183,000	114,070	-	-	-	23,283,095
Government transfers	1,035,235	364,715	5,015,924	929,917	158,367	310,263	234,673	8,049,094
User fees and sales of goods	32,078	29,192	84,428	1,808,911	4,675	10,572	-	1,969,856
Investment Income	288,412	-	-	-	-	-	-	288,412
Other revenues	291,406	291,444	340,071	265,055	539,854	225,603	1,850	1,955,283
	24,633,156	685,351	5,623,423	3,117,953	702,896	546,498	296,523	35,545,740
Expenses								
Salaries, wages and benefits	1,635,526	56,879	2,318,755	756,288	476,799	126,845	-	5,371,092
Contracted and general services	1,332,627	748,518	1,782,188	929,851	1,185,166	200,023	16,860	6,195,233
Materials, goods, supplies and utilities	257,865	93,179	3,852,822	539,369	70,621	192,852	-	5,006,708
Transfers to local boards and agencies	5,600	-	-	-	35,000	912,732	577,719	1,531,051
Interest on long term debt	86,042	-	70,344	292,834	-	-	-	449,220
Other expenses	2,030,391	11,329	-	-	-	-	-	2,041,720
	5,348,051	909,905	8,024,109	2,518,342	1,767,586	1,432,452	594,579	20,595,024
Net revenue before amortization	19,285,105	(224,554)	(2,400,686)	599,611	(1,064,690)	(886,014)	(358,056)	14,950,716
Amortization of tangible capital assets	83,133	108,170	4,101,085	1,460,294	93,606	164,418	-	6,010,706
Net revenue	19,201,972	(332,724)	(6,501,771)	(860,683)	(1,158,296)	(1,050,432)	(358,056)	8,940,010

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

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 Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the municipality are as follows:

Reporting entity

The consolidated 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.

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.

(continues)

MACKENZIE COUNTY

Notes to Consolidated Financial Statements

Year Ended December 31, 2010

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

Cash and cash equivalents

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

Investments

Long term investments are recorded using the cost method. Under the cost method, the investment is initially recorded at cost, and earnings are recognized only to the extent received or receivable. In the case of a permanent loss in value, the investment is written down to the market value.

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 levelling 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.

(*continues*)

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

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

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 Consolidated Financial Statements
Year Ended December 31, 2010

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	15-20
Buildings	25-50
Engineered structures	
Water system	45-75
Wastewater system	45-75
Other engineered structures	10-50
Machinery and equipment	5-15
Vehicles	10-25

Annual amortization is not charged in the year of acquisition on 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 Consolidated Financial Statements
Year Ended December 31, 2010

2. Recent accounting pronouncements published but not yet adopted

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

Section PS 3410 - Government Transfers

This section establishes standards on how to account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective. This section is effective for fiscal periods beginning on or after April 1, 2012.

Section PS 3510 – Tax Revenue

This new standard establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in financial statements. This section is effective for fiscal periods beginning on or after April 1, 2012.

Section PS 3260 – Liability for Contaminated Sites

This new section establishes recognition, measurement, and disclosure standards for liabilities relating to contaminated sites of governments and those organizations applying the CICA Public Sector Accounting Handbook. This section is effective for fiscal periods beginning on or after April 1, 2014.

3. Cash and temporary investments

	2010	2009
Cash	\$ (378,592)	\$ 3,534,410
Temporary investments	13,456,087	9,430,747
	\$ 13,077,495	\$ 12,965,157

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

Council has designated funds of \$368,419 (2009 - \$761,441) included in the above amounts for capital projects.

Included in temporary investments is a restricted amount of \$151,290 (2009 – \$140,739) held exclusively for local improvements.

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

4. Taxes receivable

	2010	2009
Taxes receivable - current	\$ 446,141	\$ 383,801
Taxes receivable - arrears	143,016	169,387
	589,157	553,188
Less: allowance for doubtful accounts	(47,171)	(59,937)
	\$ 541,986	\$ 493,251

5. Investments

	2010		2009	
	Cost	Market value	Cost	Market value
Short term notes and deposits	\$ 2,379,685	\$ 2,390,681	\$ 3,000,766	\$ 3,000,766
Government and government guaranteed bonds	2,063,960	2,077,515	2,538,992	2,538,995
	\$ 4,443,645	\$ 4,468,196	\$ 5,539,758	\$ 5,539,761

Short term notes and deposits have effective interest rates of 3.05% to 5.14% with maturity dates between September 2012 and June 2015. Government and government guaranteed bonds have effective interest rates of 3.75% to 4.80% with maturity dates between December 2014 and June 2019.

6. Accounts payables and accrued liabilities

	2010	2009
Trade payables and accruals	\$ 2,300,295	\$ 1,567,398
Holdback payables	894,418	1,052,028
Gravel pit reclamation liability	891,681	712,169
Employee payable (wages and accrued overtime)	345,542	314,117
Long term debt interest payable	42,493	49,970
	\$ 4,474,429	\$ 3,695,682

7. Deferred revenue

	2010	2009
Prepaid local improvements	\$ 151,290	\$ 140,739
Restricted grant funding	368,419	761,441
	\$ 519,709	\$ 902,180

The use of these funds are restricted to eligible projects as approved under the agreements. Unexpended funds are supported by cash in the bank.

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

8. Long term debt

	2010	2009
Tax supported debentures	\$ 11,549,801	\$ 11,713,171

Principal and interest repayments are as follows:

	Principal	Interest	Total
2011	\$ 1,940,539	\$ 432,757	\$ 2,373,296
2012	1,939,336	350,903	2,290,239
2013	1,562,434	270,228	1,832,662
2014	1,455,894	211,521	1,667,415
2015	1,011,803	160,911	1,172,714
Thereafter	3,639,795	390,459	4,030,254
	<u>\$ 11,549,801</u>	<u>\$ 1,816,779</u>	<u>\$ 13,366,580</u>

The current portion of the long term debt amounts to \$1,940,539 (2009 - \$1,709,972).

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 2.439% to 5.75% per annum and matures in periods 2011 through 2030. The average annual interest rate is 3.803% for 2010 (4.033% for 2009).

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

Interest on long term debt amounted to \$449,220 (2009 - \$395,863).

The municipality's total cash payments for interest in 2010 were \$456,697 (2009 - \$387,078).

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

9. Debt limits

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

	2010	2009
Total debt limit	\$ 43,198,266	\$ 44,232,579
Total debt	(11,549,801)	(11,713,171)
Amount of debt limit unused	\$ 31,648,465	\$ 32,519,408
Debt servicing limit	\$ 7,199,711	\$ 7,372,097
Debt servicing	(2,373,296)	(2,166,669)
Amount of debt servicing limit unused	\$ 4,826,415	\$ 5,205,428

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

10. Inventory for consumption

	2010	2009
Parts and supplies	\$ 579,869	\$ 431,604
Gravel	1,075,816	1,391,438
Total	\$ 1,655,685	\$ 1,823,042

11. Equity in tangible capital assets

	2010	2009
Tangible capital assets (Schedule 2)	\$ 317,441,862	\$ 302,566,339
Accumulated amortization (Schedule 2)	(162,056,464)	(156,458,868)
Long term debt (Note 8)	(11,549,801)	(11,713,171)
Total	\$ 143,835,597	\$ 134,394,300

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

12. Reserves and accumulated surplus

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

	2010	2009
Equity in tangible capital assets (Note 11)	\$143,835,597	\$134,394,300
Operating reserves	5,374,210	5,229,161
Capital reserves	10,152,088	10,681,069
Accumulated operating fund	2,540,994	2,658,349
	\$161,902,889	\$152,962,879

The total reserve balances include approximately \$4,735,673 committed to projects commenced and or tendered in 2010.

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

13. 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:

			2010		2009	
	Salary	(1)	Benefits & allowances (2)			
Ed Froese	\$ 27,603	\$	14	\$ 27,617	\$	25,185
William Neufeld - Reeve	36,948		185	37,133		32,385
Greg Newman - Former Reeve	22,955		14	22,969		31,585
Ray Toews	19,703		14	19,717		20,985
John W. Driedger	51,400		17	51,417		34,885
Lisa Wardley	29,300		17	29,317		24,785
Peter Braun	41,200		17	41,217		40,485
Stuart Watson	19,303		14	19,317		20,985
Walter Sarapuk	26,700		124	26,824		22,885
Diedrich Driedger	37,300		185	37,485		32,385
Jacque Bateman	4,497		4	4,501		-
Odell Flett	4,197		4	4,201		-
Eric Jorgensen	4,300		4	4,304		-
Elmer Derksen	5,397		4	5,401		-
Chief Administrative Officer	191,995		3,451	195,446		173,891
Designated Officers (2010-2, 2009-1)	276,507		35,676	312,183		157,978
	\$ 799,305	\$	39,744	\$ 839,049	\$	618,419

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 Consolidated Financial Statements
Year Ended December 31, 2010

14. 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 Alberta Public Sector Pension Plans Act. The LAPP serves about 200,000 people and 400 employers. 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 9.06% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.53% on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 8.06% of pensionable salary up to the year's maximum pensionable salary and 11.53% on pensionable salary above this amount.

Total current service contributions by the municipality to the LAPP in 2010 were \$277,075 (2009 - \$266,802). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2010 were \$249,211 (2009 - \$235,549).

At December 31, 2009, the LAPP disclosed an actuarial deficiency of \$4,570.3 million.

15. Contingent liability

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

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 of 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.

16. Financial instruments

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

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

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

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2010

17. Approval of financial statements

Council and Management have approved these financial statements.

18. Budget amounts

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