



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, 2011 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, 2011, 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 11, 2012

Wilde & Company

Chartered Accountants

MACKENZIE COUNTY
Consolidated Statement of Financial Position
As at December 31, 2011

	2011	2010
	\$	\$
ASSETS		
Financial Assets		
Cash and temporary investments (Note 3)	15,259,277	13,077,495
Receivables		
Taxes receivable (Note 4)	740,391	541,986
Due from governments	396,322	2,793,080
Trade and other receivables	475,439	328,138
Land held for resale	52,917	60,202
Investments (Note 5)	4,608,706	4,443,645
	21,533,052	21,244,546
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	4,146,247	4,474,429
Deposit liabilities	76,338	72,518
Deferred revenue (Note 7)	2,066,070	519,709
Long term debt (Note 8)	11,543,933	11,549,801
	17,832,588	16,616,457
NET FINANCIAL ASSETS	3,700,464	4,628,089
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	160,460,809	155,385,397
Inventory for consumption (Note 10)	2,611,808	1,655,685
Prepaid expenses	240,852	209,122
Deposit assets	24,596	24,596
	163,338,065	157,274,800
ACCUMULATED SURPLUS (Note 12)	167,038,529	161,902,889
Contingent liability (Note 15)		

MACKENZIE COUNTY
Consolidated Statement of Operations
Year Ended December 31, 2011

	Budget \$ (Unaudited)	2011 \$	2010 \$
Revenues			
Net municipal taxes (Schedule 3)	22,567,980	22,494,860	23,283,095
User fees and sales of goods	2,278,969	2,327,164	1,969,856
Government transfers for operating (Schedule 4)	1,111,088	1,296,307	1,711,897
Investment income	250,000	422,701	288,412
Penalties and costs on taxes	115,000	115,552	141,654
Licenses, permits and fines	261,000	354,142	313,221
Rentals	63,087	74,858	64,542
Gain on disposal of capital assets	-	-	421,655
Other	222,000	390,618	604,512
Total revenue	26,869,124	27,476,202	28,798,844
Expenses			
Legislative	673,490	669,581	532,990
Administration	4,765,910	4,663,362	4,898,194
Protective services	1,162,102	993,996	1,018,074
Transportation	12,583,907	11,893,107	12,125,195
Environmental use and protection	4,502,172	3,958,855	3,978,636
Family and community support	681,367	622,969	594,579
Planning, development and agriculture	2,334,589	1,593,852	1,861,192
Recreation and culture	1,684,171	1,545,554	1,596,870
Loss on disposal of capital assets	-	91,364	-
Total expenses	28,387,708	26,032,640	26,605,730
Excess of revenue over expenses before Government transfers	(1,518,584)	1,443,562	2,193,114
Government transfers for capital (Schedule 4)	11,497,860	2,193,446	6,337,197
Other capital contributions	1,481,557	1,498,632	409,699
Excess of revenues over expenses	11,460,833	5,135,640	8,940,010
Accumulated surplus - beginning of the year	161,902,889	161,902,889	152,962,879
Accumulated surplus - end of the year	173,363,722	167,038,529	161,902,889

MACKENZIE COUNTY
Consolidated Statement of Change in Net Financial Assets
Year Ended December 31, 2011

	Budget \$ (Unaudited)	2011 \$	2010 \$
Excess of revenue over expenses	11,460,833	5,135,640	8,940,010
Acquisition of tangible capital assets	(39,379,806)	(11,128,734)	(15,693,498)
Contributed tangible capital assets	-	(1,442,832)	(334,140)
Proceeds on disposal of tangible capital assets	1,001,040	1,003,616	1,160,660
Amortization of tangible capital assets	6,430,184	6,401,174	6,010,706
(Gain) loss on sale of tangible capital assets	-	91,364	(421,655)
	(31,948,582)	(5,075,412)	(9,277,927)
Use of (acquisition of) prepaid assets	-	(31,730)	50,476
Use of supplies inventories	(1,014,139)	(956,123)	167,357
Acquisition of deposit assets	-	-	(24,596)
	(1,014,139)	(987,853)	193,237
(Increase) decrease in net assets	(21,501,888)	(927,625)	(144,680)
Net financial assets, beginning of year	4,628,089	4,628,089	4,772,769
Net financial assets, end of year	(16,873,799)	3,700,464	4,628,089

MACKENZIE COUNTY
Consolidated Statement of Cash Flows
Year Ended December 31, 2011

	2011	2010
	\$	\$
Operating		
Excess of revenue over expenses	5,135,640	8,940,010
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	6,401,174	6,010,706
(Gain) loss on disposal of tangible capital assets	91,364	(421,655)
Tangible capital assets received as contributions	(1,442,832)	(334,140)
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	(198,405)	(48,735)
Decrease (increase) in government receivables	2,396,758	(1,241,348)
Decrease (increase) in trade and other receivables	(147,301)	205,573
Decrease (increase) in inventory for consumption	(956,123)	167,356
Decrease (increase) in land held for resale	7,285	4,429
Decrease (increase) in prepaid expenses	(31,730)	50,476
Decrease (increase) in deposit assets	-	(24,596)
Increase (decrease) in accounts payable and accrued liabilities	(328,182)	778,748
Increase (decrease) in deposit liabilities	3,820	8,080
Increase (decrease) in deferred revenue	1,546,361	(382,471)
<i>Net cash provided by operating transactions</i>	12,477,829	13,712,433
Capital		
Acquisition of tangible capital assets	(11,128,734)	(15,693,498)
Proceeds on sale of tangible capital assets	1,003,616	1,160,660
<i>Net cash applied to capital transactions</i>	(10,125,118)	(14,532,838)
Investing		
Decrease (increase) in restricted cash or cash equivalents	(1,546,361)	382,471
Decrease (increase) in investments	(165,061)	1,096,113
<i>Net cash provided by investing transactions</i>	(1,711,422)	1,478,584
Financing		
Long term debt issued	2,180,164	1,546,602
Long term debt repaid	(2,186,032)	(1,709,972)
<i>Net cash provided by investing transactions</i>	(5,868)	(163,370)
Change in cash and cash equivalents during the year	635,421	494,809
Cash and cash equivalents, beginning of year	12,557,786	12,062,977
Cash and cash equivalents, end of year	13,193,207	12,557,786
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	15,259,277	13,077,495
Less: restricted portion of cash and temporary investments (Note 3)	(2,066,070)	(519,709)
	13,193,207	12,557,786

See accompanying notes

MACKENZIE COUNTY
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2011
Schedule 1

	Unrestricted Surplus	Restricted Operating	Restricted Capital	Equity in Capital Assets	2011 \$	2010 \$
Balance, beginning of year	2,540,994	5,374,210	10,152,088	143,835,597	161,902,889	152,962,879
Excess of revenues over expenses	5,135,640	-	-	-	5,135,640	8,940,010
Unrestricted funds designated for future use	(4,553,154)	2,024,829	2,528,325	-	-	-
Restricted funds used for operations	183,642	(157,190)	(26,452)	-	-	-
Restricted funds used for TCA	-	(465,863)	(4,701,614)	5,167,477	-	-
Current year funds used for TCA	(5,961,257)	-	-	5,961,257	-	-
Contributed to TCA	(1,442,832)	-	-	1,442,832	-	-
NBV of TCA disposed of	1,094,980	-	-	(1,094,980)	-	-
Annual amortization expense	6,401,174	-	-	(6,401,174)	-	-
TCA long term debt issued	2,180,164	-	-	(2,180,164)	-	-
TCA long term debt repaid	(2,186,032)	-	-	2,186,032	-	-
Balance, end of year	3,393,319	6,775,986	7,952,347	148,916,877	167,038,529	161,902,889

MACKENZIE COUNTY
Schedule of Tangible Capital Assets
Year Ended December 31, 2011
Schedule 2

	Land and Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2011 \$	2010 \$
Cost							
Balance, beginning of year	8,192,279	15,507,111	283,518,431	6,836,716	3,387,324	317,441,861	302,566,338
Acquisition of tangible capital assets	485,154	2,295,237	3,926,519	2,590,765	277,122	9,574,797	8,445,889
Construction in progress	18,205	-	2,978,564	-	-	2,996,769	7,581,749
Disposal of tangible capital assets	(4,500)	-	-	(1,368,462)	(32,925)	(1,405,887)	(1,152,115)
Balance, end of year	8,691,138	17,802,348	290,423,514	8,059,019	3,631,521	328,607,540	317,441,861
Accumulated amortization							
Balance, beginning of year	-	-	156,704,660	1,869,535	1,330,517	162,056,464	156,458,868
Annual amortization	193,327	203,948	5,322,444	488,072	193,383	6,401,174	6,010,706
Accumulated amortization on disposals	-	-	-	(302,380)	(8,527)	(310,907)	(413,110)
Balance, end of year	193,327	2,355,700	162,027,104	2,055,227	1,515,373	168,146,731	162,056,464
Net book value of tangible capital assets	8,497,811	15,446,648	128,396,410	6,003,792	2,116,148	160,460,809	155,385,397
2010 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

MACKENZIE COUNTY
Schedule of Property and Other Taxes
Year Ended December 31, 2011
Schedule 3

	Budget \$ (Unaudited)	2011 \$	2010 \$
Taxation			
Real property taxes	12,313,393	12,205,618	12,274,987
Linear property	16,917,302	16,957,424	17,879,884
Government grants in place of property taxes	86,212	98,889	110,630
Special assessments and local improvement taxes	265,273	247,129	297,071
	29,582,180	29,509,060	30,562,572
Requisitions			
Alberta School Foundation Fund	6,295,112	6,295,112	6,559,007
Homestead Seniors Lodge	719,088	719,088	720,470
	7,014,200	7,014,200	7,279,477
Net Municipal Taxes	22,567,980	22,494,860	23,283,095

MACKENZIE COUNTY
Schedule of Government Transfers
Year Ended December 31, 2011
Schedule 4

	Budget \$ (Unaudited)	2011 \$	2010 \$
Transfers for Operating			
Federal Government	-	-	50,369
Provincial Government	1,111,088	1,296,307	1,661,528
	1,111,088	1,296,307	1,711,897
Transfers for Capital			
Federal Government	4,500,000	103,235	1,005,031
Provincial Government	6,997,860	2,090,211	5,332,166
	11,497,860	2,193,446	6,337,197
Total Government Transfers	12,608,948	3,489,753	8,049,094

MACKENZIE COUNTY
Schedule of Consolidated Expenses by Object
Year Ended December 31, 2011
Schedule 5

	Budget \$ (Unaudited)	2011 \$	2010 \$
Consolidated Expenses by Object			
Salaries, wages and benefits	6,599,571	5,910,180	5,371,092
Contracted and general services	6,279,586	5,366,114	6,195,232
Materials, goods, supplies and utilities	5,146,584	4,616,680	5,006,710
Transfers to other governments	1,600,000	1,598,790	1,948,168
Transfers to local boards and agencies	1,686,282	1,517,852	1,531,052
Bank charges and short term interest	20,097	32,457	20,762
Interest of long term debt	556,404	484,236	449,220
Amortization of tangible capital assets	6,430,184	6,401,174	6,010,706
Loss (gain) on disposal of tangible capital assets	-	91,364	-
Other operating expenditures	69,000	13,793	72,788
	28,387,708	26,032,640	26,605,730

MACKENZIE COUNTY
Schedule of Segmented Disclosure
Year Ended December 31, 2011
Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total \$
Revenue								
Net municipal taxes	22,247,731	-	167,709	79,420	-	-	-	22,494,860
Government transfers	25,764	-	2,524,361	208,162	251,910	244,883	234,673	3,489,753
User fees and sales of goods	34,093	96,512	87,229	2,064,249	2,735	42,346	-	2,327,164
Investment income	422,701	-	-	-	-	-	-	422,701
Other revenues	268,817	73,911	143,502	205,749	1,571,160	170,413	250	2,433,802
	22,999,106	170,423	2,922,801	2,557,580	1,825,805	457,642	234,923	31,168,280
Expenses								
Salaries, wages and benefits	2,011,021	150,932	2,489,310	662,532	433,421	162,964	-	5,910,180
Contracted and general services	1,195,549	558,158	1,539,077	899,894	911,298	257,568	4,570	5,366,114
Materials, goods, supplies and utilities	284,126	162,927	3,406,986	579,607	116,304	66,730	-	4,616,680
Transfers to local boards and agencies	-	45	-	-	35,250	864,158	618,399	1,517,852
Interest on long term debt	102,084	-	48,684	333,468	-	-	-	484,236
Other expenses	1,665,737	-	66,127	-	4,539	-	-	1,736,403
	5,258,517	872,062	7,550,184	2,475,501	1,500,812	1,351,420	622,969	19,631,465
Net revenue before amortization	17,740,589	(701,639)	(4,627,383)	82,079	324,993	(893,778)	(388,046)	11,536,815
Amortization of tangible capital assets	95,624	121,935	4,408,587	1,483,355	97,540	194,134	-	6,401,175
Net revenue	17,644,965	(823,574)	(9,035,970)	(1,401,276)	227,453	(1,087,912)	(388,046)	5,135,640

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

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, 2011

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, 2011

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, 2011

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

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

a) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

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

Annual amortization is not charged in the year of acquisition 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, 2011

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.

Section PS 3450 - Financial Instruments

This new section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. In conjunction with this new section, section PS 1201 and section PS 2601 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, 2015.

For government organizations, as defined in Section PS 1300, the new section and related amendments are effective for fiscal periods beginning on or after April 1, 2012.

3. Cash and temporary investments

	2011	2010
Cash	\$ 4,311,215	\$ (378,592)
Temporary investments	10,948,062	13,456,087
	\$ 15,259,277	\$ 13,077,495

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

Council has designated funds of \$1,922,464 (2010 - \$368,419) included in the above amounts for capital projects.

Included in temporary investments is a restricted amount of \$143,606 (2010 – \$151,290) held exclusively for local improvements.

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

4. Taxes receivable

	2011	2010
Taxes receivable - current	\$ 523,651	\$ 446,141
Taxes receivable - arrears	226,057	143,016
	749,708	589,157
Less: allowance for doubtful accounts	(9,317)	(47,171)
	\$ 740,391	\$ 541,986

5. Investments

	2011		2010	
	Cost	Market value	Cost	Market value
Short term notes and deposits	\$ 1,809,440	\$ 1,811,776	\$ 2,379,685	\$ 2,390,681
Government and government guaranteed bonds	2,799,266	2,917,823	2,063,960	2,077,515
	\$ 4,608,706	\$ 4,729,599	\$ 4,443,645	\$ 4,468,196

Short term notes and deposits have effective interest rates of 4.71% to 5.14% with maturity dates between September 2012 and December 2014. Government and government guaranteed bonds have effective interest rates of 3.05% to 4.80% with maturity dates between December 2014 and June 2019.

6. Accounts payables and accrued liabilities

	2011	2010
Trade payables and accruals	\$ 1,589,779	\$ 2,300,295
Holdback payables	662,390	894,418
Gravel pit reclamation liability	1,513,584	891,681
Employee payable (wages and accrued overtime)	325,367	345,542
Long term debt interest payable	55,127	42,493
	\$ 4,146,247	\$ 4,474,429

7. Deferred revenue

	2011	2010
Prepaid local improvements	\$ 143,606	\$ 151,290
Restricted grant funding	1,922,464	368,419
	\$ 2,066,070	\$ 519,709

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, 2011

8. Long term debt

	2011	2010
Tax supported debentures	\$ 11,543,933	\$ 11,549,801

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,133,991	\$ 417,328	\$ 2,551,319
2013	1,764,130	329,612	2,093,742
2014	1,664,887	263,608	1,928,495
2015	1,228,357	205,438	1,433,795
2016	1,122,001	162,065	1,284,066
Thereafter	3,630,567	277,975	3,908,542
	<u>\$ 11,543,933</u>	<u>\$ 1,656,026</u>	<u>\$ 13,199,959</u>

The current portion of the long term debt amounts to \$2,133,991 (2010 - \$1,940,539).

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.046% to 5.375% per annum and matures in periods 2012 through 2030. The weighted average annual interest rate is 3.746% for 2011 (3.803% for 2010).

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

Interest on long term debt amounted to \$484,236 (2010 - \$449,220).

The municipality's total cash payments for interest in 2011 were \$471,603 (2010 - \$456,697).

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

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:

	2011	2010
Total debt limit	\$ 41,214,303	\$ 43,198,266
Total debt	(11,543,933)	(11,549,801)
Amount of debt limit unused	\$ 29,670,370	\$ 31,648,465
Debt servicing limit	\$ 6,869,051	\$ 7,199,711
Debt servicing	(2,551,319)	(2,373,296)
Amount of debt servicing limit unused	\$ 4,317,732	\$ 4,826,415

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

	2011	2010
Parts and supplies	\$ 779,947	\$ 579,869
Gravel	1,831,861	1,075,816
Total	\$ 2,611,808	\$ 1,655,685

11. Equity in tangible capital assets

	2011	2010
Tangible capital assets (Schedule 2)	\$ 328,607,541	\$ 317,441,862
Accumulated amortization (Schedule 2)	(168,146,731)	(162,056,464)
Long term debt (Note 8)	(11,543,933)	(11,549,801)
Total	\$ 148,916,877	\$ 143,835,597

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

12. Reserves and accumulated surplus

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

	2011	2010
Equity in tangible capital assets (Note 11)	\$148,916,877	\$143,835,597
Operating reserves	6,775,986	5,374,210
Capital reserves	7,952,347	10,152,088
Accumulated operating fund	3,393,319	2,540,994
	\$167,038,529	\$161,902,889

The total reserve balances include approximately \$842,161 committed to projects commenced and or tendered in 2011.

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

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:

	2011		2010	
	Salary	Benefits & allowances (1)	Salary	Benefits & allowances (2)
Ed Froese - Former Councilor	\$ -	\$ -	\$ -	\$ 27,617
William Neufeld - Reeve	50,100	209	50,309	37,133
Greg Newman - Former Councilor	-	-	-	22,969
Ray Toews - Former Councilor	-	-	-	19,717
John W. Driedger	54,500	209	54,709	51,417
Lisa Wardley	34,500	1,706	36,206	29,317
Peter Braun	41,900	1,706	43,606	41,217
Stuart Watson - Former Councilor	-	-	-	19,317
Walter Sarapuk	29,200	1,706	30,906	26,824
Diedrich Driedger	42,400	1,585	43,985	37,485
Jacque Bateman	31,300	209	31,509	4,501
Odell Flett	44,800	840	45,640	4,201
Eric Jorgensen	35,100	209	35,309	4,304
Elmer Derksen	46,600	209	46,809	5,401
Chief Administrative Officer	204,029	18,308	222,337	195,446
Designated Officers (2)	278,341	39,557	317,898	312,183
	\$ 892,770	\$ 66,453	\$ 959,223	\$ 839,049

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, 2011

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 9.49% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.13% on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 8.49% of pensionable salary up to the year's maximum pensionable salary and 12.13% on pensionable salary above this amount.

Total current service contributions by the municipality to the LAPP in 2011 were \$315,227 (2010 - \$277,075). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2011 were \$285,025 (2010 - \$249,211).

At December 31, 2010, the LAPP disclosed an actuarial deficiency of \$4.635 billion.

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, 2011

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.