



Wilde and Company

Chartered Accountants

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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 the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Vegreville, AB
April 28, 2014

Wilde & Company

Chartered Accountants

MACKENZIE COUNTY
Consolidated Statement of Financial Position
As at December 31, 2013

	2013	2012
	\$	\$
ASSETS		
Financial Assets		
Cash and temporary investments (Note 4)	22,076,042	19,280,544
Receivables		
Taxes receivable (Note 5)	1,303,028	801,675
Due from governments	2,530,298	4,878,774
Trade and other receivables	317,163	674,674
Land held for resale	23,001	48,488
Investments (Note 6)	4,629,142	4,792,855
	30,878,674	30,477,010
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	6,719,717	6,756,945
Deposit liabilities	127,628	101,183
Deferred revenue (Note 8)	3,452,608	3,353,866
Long term debt (Note 9)	19,996,101	11,422,673
	30,296,054	21,634,667
NET FINANCIAL ASSETS	582,620	8,842,343
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	180,090,804	164,401,735
Inventory for consumption (Note 11)	1,647,847	1,898,730
Prepaid expenses	289,821	224,971
Deposit assets	-	24,596
	182,028,472	166,550,032
ACCUMULATED SURPLUS (Note 15)	182,611,092	175,392,375
Contingent liability (Note 18)		

MACKENZIE COUNTY
Consolidated Statement of Operations
As at December 31, 2013

	Budget \$ (Unaudited)	2013 \$	2012 \$
Revenues			
Net municipal taxes (Schedule 3)	24,514,938	24,506,114	23,637,475
User fees and sales of goods	3,522,472	3,279,255	3,439,360
Government transfers for operating (Schedule 4)	1,223,479	1,821,614	3,241,960
Investment income	326,000	377,428	454,041
Penalties and costs on taxes	115,000	240,452	140,171
Licenses, permits and fines	328,600	404,161	428,969
Rentals	80,128	107,152	77,848
Other	334,625	853,925	759,999
Total revenue	30,445,242	31,590,101	32,179,823
Expenses			
Legislative	735,150	699,307	602,342
Administration	5,482,167	5,199,528	4,825,783
Protective services	1,606,571	1,265,344	2,719,063
Transportation	12,701,363	12,949,016	12,443,160
Environmental use and protection	4,764,579	4,567,188	4,211,296
Family and community support	693,241	611,618	728,839
Planning, development and agriculture	3,123,968	2,446,643	1,731,867
Recreation and culture	2,035,490	1,789,699	1,632,634
Loss on disposal of capital assets	11,992	5,477	190,904
Total expenses	31,154,521	29,533,820	29,085,888
Excess of revenue over expenses before Government transfers	(709,279)	2,056,281	3,093,935
Government transfers for capital (Schedule 4)	14,553,894	4,954,981	5,103,229
Contributed assets	-	150,000	-
Other capital contributions	380,103	57,455	156,682
Excess of revenues over expenses	14,224,718	7,218,717	8,353,846
Accumulated surplus - beginning of the year	175,392,375	175,392,375	167,038,529
Accumulated surplus - end of the year	189,617,093	182,611,092	175,392,375

MACKENZIE COUNTY
Consolidated Statement of Change in Net Financial Assets
As at December 31, 2013

	Budget \$ (Unaudited)	2013 \$	2012 \$
Excess of revenue over expenses	14,224,718	7,218,717	8,353,846
Acquisition of tangible capital assets	(45,029,407)	(22,909,309)	(11,564,803)
Contributed tangible capital assets	(325,000)	-	-
Proceeds on disposal of tangible capital assets	-	1,523	663,234
Amortization of tangible capital assets	7,376,914	7,213,240	6,769,738
(Gain) loss on sale of tangible capital assets	-	5,477	190,904
	(37,977,493)	(15,689,069)	(3,940,927)
Use (acquisition) of prepaid assets	-	(64,850)	15,881
Use of supplies inventories	550,648	250,883	713,078
Use of deposit assets	-	24,596	-
	550,648	210,629	728,959
(Increase) decrease in net assets	(23,202,127)	(8,259,723)	5,141,878
Net financial assets, beginning of year	8,842,343	8,842,343	3,700,465
Net financial assets, end of year	(14,359,784)	582,620	8,842,343

MACKENZIE COUNTY
Consolidated Statement of Cash Flows
As at December 31, 2013

	2013 \$	2012 \$
Operating		
Excess of revenue over expenses	7,218,717	8,353,846
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	7,213,240	6,769,738
(Gain) loss on disposal of tangible capital assets	5,477	190,904
Tangible capital assets received as contributions	-	-
Net changes in non-cash charges to operation		
Increase in taxes and grants in lieu receivable	(501,353)	(61,284)
Decrease (increase) in government receivables	2,348,476	(4,482,452)
Increase in trade and other receivables	357,511	(199,235)
Decrease in inventory for consumption	250,883	713,078
Decrease in land held for resale	25,487	4,429
Decrease (increase) in prepaid expenses	(64,850)	15,881
Decrease in deposit assets	24,596	-
Increase (decrease) in accounts payable and accrued liabilities	(37,228)	2,610,698
Increase in deposit liabilities	26,445	24,845
Increase in deferred revenue	98,742	1,287,796
<i>Net cash provided by operating transactions</i>	16,966,143	15,228,244
Capital		
Acquisition of tangible capital assets	(22,909,309)	(11,564,803)
Proceeds on sale of tangible capital assets	1,523	663,234
<i>Net cash applied to capital transactions</i>	(22,907,786)	(10,901,569)
Investing		
Increase in restricted cash or cash equivalents	(98,742)	(1,287,796)
Increase in investments	163,713	(184,149)
<i>Net cash provided by investing transactions</i>	64,971	(1,471,945)
Financing		
Long term debt issued	10,400,000	2,000,000
Long term debt repaid	(1,826,572)	(2,121,261)
<i>Net cash provided by investing transactions</i>	8,573,428	(121,261)
Change in cash and cash equivalents during the year	2,696,756	2,733,469
Cash and cash equivalents, beginning of year	15,926,678	13,193,209
Cash and cash equivalents, end of year	18,623,434	15,926,678
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 4)	22,076,042	19,280,544
Less: restricted portion of cash and temporary investments (Note 4)	(3,452,608)	(3,353,866)
	18,623,434	15,926,678

See accompanying notes

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MACKENZIE COUNTY
Schedule of Changes in Accumulated Surplus
As at December 31, 2013
Schedule 1

	Unrestricted Surplus	Restricted Operating	Restricted Capital	Equity in Capital Assets	2013 \$	2012 \$
Balance, beginning of year	2,884,038	7,948,527	11,580,745	152,979,065	175,392,375	167,038,529
Excess of revenues over expenses	7,218,717	-	-	-	7,218,717	8,353,846
Unrestricted funds designated for future use	(4,469,356)	1,579,524	2,889,832	-	-	-
Restricted funds used for operations	356,928	(302,021)	(54,907)	-	-	-
Restricted funds used for TCA	-	(1,464,153)	(2,298,147)	3,762,300	-	-
Current year funds used for TCA	(19,147,006)	-	-	19,147,006	-	-
NBV of TCA disposed of	7,000	-	-	(7,000)	-	-
Annual amortization expense	7,213,240	-	-	(7,213,240)	-	-
TCA long term debt issued	10,400,000	-	-	(10,400,000)	-	-
TCA long term debt repaid	(1,826,572)	-	-	1,826,572	-	-
Balance, end of year	2,636,989	7,761,877	12,117,523	160,094,703	182,611,092	175,392,375

MACKENZIE COUNTY
Schedule of Tangible Capital Assets
As at December 31, 2013
Schedule 2

	Land and Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2013 \$	2012 \$
Cost							
Balance, beginning of year	9,128,213	18,007,461	298,628,719	8,826,337	4,042,793	338,633,523	328,607,540
Acquisition of tangible capital assets	1,043,545	348,434	19,609,271	780,143	97,226	21,878,619	4,678,978
Construction in progress	1,607	16,817	1,012,266	-	-	1,030,690	6,885,825
Disposal of tangible capital assets	-	-	-	(5,448)	(48,978)	(54,426)	(1,538,820)
Balance, end of year	10,173,365	18,372,712	319,250,256	9,601,032	4,091,041	361,488,406	338,633,523
Accumulated amortization							
Balance, beginning of year	410,831	2,765,937	167,406,090	2,202,190	1,446,740	174,231,788	168,146,731
Annual amortization	242,616	414,967	5,757,321	568,819	229,517	7,213,240	6,769,738
Accumulated amortization on disposals	-	-	-	(5,448)	(41,978)	(47,426)	(684,681)
Balance, end of year	653,447	3,180,904	173,163,411	2,765,561	1,634,279	181,397,602	174,231,788
Net book value of tangible capital assets							
	9,519,918	15,191,808	146,086,845	6,835,471	2,456,762	180,090,804	164,401,735
2012 Net book value of tangible capital assets	8,717,382	15,241,524	131,222,629	6,624,147	2,596,053	164,401,735	164,401,735

MACKENZIE COUNTY
Schedule of Property and Other Taxes
As at December 31, 2013
Schedule 3

	Budget	2013	2012
	\$	\$	\$
	(Unaudited)		
Taxation			
Real property taxes	13,516,838	13,381,644	12,699,435
Linear property	17,249,979	17,396,117	17,038,285
Government grants in place of property taxes	89,983	94,060	93,166
Special assessments and local improvement taxes	272,552	248,707	255,668
	31,129,352	31,120,528	30,086,554
Requisitions			
Alberta School Foundation Fund	6,222,152	6,222,152	6,157,364
Homestead Seniors Lodge	392,262	392,262	291,715
	6,614,414	6,614,414	6,449,079
Net Municipal Taxes	24,514,938	24,506,114	23,637,475

MACKENZIE COUNTY
Schedule of Government Transfers
As at December 31, 2013
Schedule 4

	Budget \$ (Unaudited)	2013 \$	2012 \$
Transfers for Operating			
Federal Government	-	-	1,874
Provincial Government	1,223,479	1,821,614	3,240,086
	1,223,479	1,821,614	3,241,960
Transfers for Capital			
Federal Government	-	-	-
Provincial Government	14,553,894	4,954,981	5,103,229
	14,553,894	4,954,981	5,103,229
Total Government Transfers	15,777,373	6,776,595	8,345,189

MACKENZIE COUNTY
Schedule of Consolidated Expenses by Object
As at December 31, 2013
Schedule 5

	Budget \$ (Unaudited)	2013 \$	2012 \$
Consolidated Expenses by Object			
Salaries, wages and benefits	8,253,025	7,284,930	6,590,426
Contracted and general services	6,697,205	6,176,668	6,717,883
Materials, goods, supplies and utilities	4,650,184	4,875,434	5,087,314
Transfers to other governments (Note 13)	1,825,925	1,786,210	1,371,120
Transfers to local boards and agencies	1,765,786	1,745,667	1,690,701
Bank charges and short term interest	36,000	17,865	39,202
Interest of long term debt	469,490	396,044	426,418
Amortization of tangible capital assets	7,376,914	7,213,240	6,769,738
Loss on disposal of tangible capital assets	11,992	5,477	190,904
Other operating expenditures	68,000	32,285	202,182
	31,154,521	29,533,820	29,085,888

MACKENZIE COUNTY
Schedule of Segmented Disclosure
As at December 31, 2013
Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total \$
Revenue								
Net municipal taxes	24,257,407	-	174,332	74,375	-	-	-	24,506,114
Government transfers for operations	58,400	27,005	1,325,177	-	168,359	8,000	234,673	1,821,614
User fees and sales of goods	37,578	36,393	100,145	2,987,568	53,479	64,092	-	3,279,255
Investment income	377,428	-	-	-	-	-	-	377,428
Other revenues	548,680	38,291	249,472	188,803	579,409	35	1,000	1,605,690
	25,279,493	101,689	1,849,126	3,250,746	801,247	72,127	235,673	31,590,101
Expenses								
Salaries, wages and benefits	2,104,100	310,427	2,885,609	1,006,551	751,250	226,993	-	7,284,930
Contracted and general services	1,273,527	571,607	2,038,421	1,081,028	1,007,061	202,692	2,332	6,176,668
Materials, goods, supplies and utilities	307,125	226,975	3,168,154	664,417	422,711	86,052	-	4,875,434
Transfers to local boards and agencies	1,785,530	3,000	-	-	144,630	989,431	609,286	3,531,877
Interest on long term debt	81,772	-	76,535	237,737	-	-	-	396,044
Other expenses	50,098	-	52	-	-	5,477	-	55,627
	5,602,152	1,112,009	8,168,771	2,989,733	2,325,652	1,510,645	611,618	22,320,580
Net revenue (expenditure) before amortization	19,677,341	(1,010,320)	(6,319,645)	261,013	(1,524,405)	(1,438,518)	(375,945)	9,269,521
Amortization of tangible capital assets	296,683	153,335	4,780,245	1,577,455	120,991	284,531	-	7,213,240
Net revenue (expenditure) before Government transfers	19,380,658	(1,163,655)	(11,099,890)	(1,316,442)	(1,645,396)	(1,723,049)	(375,945)	2,056,281
Government transfers for capital	22,702	-	3,864,824	924,979	142,476	-	-	4,954,981
Contributed assets	-	-	-	-	150,000	-	-	150,000
Other capital contributions	-	-	-	24,000.00	-	33,455	-	57,455
Net revenue	19,403,360	(1,163,655)	(7,235,066)	(367,463)	(1,352,920)	(1,689,594)	(375,945)	7,218,717

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

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. Property tax revenue is recognized when the tax is levied.

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, 2013

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, 2013

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, 2013

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 or 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, 2013

2. Adoption of recent accounting pronouncements

The following accounting standards have been issued by the Canadian Institute of Chartered Accountants (CICA). These sections are effective for fiscal periods beginning on or after April 1, 2012 and have been applied retrospectively.

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. There was no significant effect of adopting this accounting policy on the current period financial results. This standard was adopted as it was issued by the Canadian Institute of Chartered Accountants (CICA).

Section PS 3510 – Tax Revenue

This new standard establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in financial statements. There was no significant effect of adopting this accounting policy on the current period financial results. This standard was adopted as it was issued by the Canadian Institute of Chartered Accountants (CICA).

3. 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 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

The new section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. In conjunction with this new section, section PS1201, section PS 2601 and section 3041 have been amended as a consequence of the introduction of new financial instruments standards. These amendments were required to present the associated gains and losses with financial instruments recognized under the new section. The new section and the related amendments are effective for fiscal periods beginning on or after April 1, 2016.

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

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

4. Cash and temporary investments

	2013	2012
Cash	\$ 8,173,462	\$ 2,927,916
Temporary investments	13,902,580	16,352,628
	\$ 22,076,042	\$ 19,280,544

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

Council has designated funds of \$3,344,994 (2012 - \$3,232,230) included in the above amounts for capital projects.

Included in temporary investments is a restricted amount of \$107,614 (2012 - \$121,636) held exclusively for local improvements.

5. Taxes receivable

	2013	2012
Taxes receivable - current	\$ 963,031	\$ 631,796
Taxes receivable - arrears	472,799	274,702
	1,435,830	906,498
Less: allowance for doubtful accounts	(132,802)	(104,823)
	\$ 1,303,028	\$ 801,675

6. Investments

	2013		2012	
	Cost	Market Value	Cost	Market Value
Short term notes and deposits	\$ 2,992,399	\$ 2,947,820	\$ 3,523,014	\$ 3,512,504
Government and government guaranteed bonds	1,636,743	1,602,949	1,269,841	1,280,626
	\$ 4,629,142	\$ 4,550,769	\$ 4,792,855	\$ 4,793,130

Short term notes and deposits have effective interest rates of 2.39% to 4.71% with maturity dates between December 2014 and May 2019. Government and government guaranteed bonds have effective interest rates of 3.05% to 4.80% with maturity dates between December 2014 and June 2021.

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

7. Accounts payables and accrued liabilities

	2013	2012
Trade payables and accruals	\$ 3,768,066	\$ 4,117,419
Holdback payables	865,436	623,176
Gravel pit reclamation liability	1,552,221	1,525,693
Employee payable (wages and accrued overtime)	478,007	442,225
Long term debt interest payable	55,987	48,432
	\$ 6,719,717	\$ 6,756,945

8. Deferred revenue

	2013	2012
Prepaid local improvements	\$ 107,614	\$ 121,636
Restricted grant funding	3,344,994	3,232,230
	\$ 3,452,608	\$ 3,353,866

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

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Notes to Consolidated Financial Statements
Year Ended December 31, 2013

9. Long term debt

	2013	2012
Tax supported debentures	\$ 19,996,101	\$ 11,422,673

Principal and interest repayments are as follows:

	Principal	Interest	Total
2014	\$ 2,090,929	\$ 694,334	\$ 2,785,263
2015	1,669,369	621,195	2,290,564
2016	1,578,511	562,324	2,140,835
2017	1,575,520	505,190	2,080,710
2018	1,618,408	448,429	2,066,837
Thereafter	11,463,364	3,098,328	14,561,692
	<u>\$ 19,996,101</u>	<u>\$ 5,929,800</u>	<u>\$ 25,925,901</u>

The current portion of the long term debt amounts to \$2,090,929 (2012 - \$1,826,572).

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 2.44% to 4.50% per annum and matures in periods 2014 through 2033. The weighted average annual interest rate is 3.57% for 2013 (3.54% for 2012).

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

Interest on long term debt amounted to \$396,044 (2012 - \$426,418).

The municipality's total cash payments for interest in 2013 were \$413,909 (2012 - \$433,113).

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

10. 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:

	2013	2012
Total debt limit	\$ 47,385,152	\$ 48,269,735
Total debt	(19,996,101)	(11,422,673)
Amount of debt limit unused	\$ 27,389,051	\$ 36,847,062
Debt servicing limit	\$ 7,897,525	\$ 8,044,956
Debt servicing	(2,785,263)	(2,215,062)
Amount of debt servicing limit unused	\$ 5,112,262	\$ 5,829,894

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.

11. Inventory for consumption

	2013	2012
Parts and supplies	\$ 794,700	\$ 809,430
Gravel	853,147	1,089,300
Total	\$ 1,647,847	\$ 1,898,730

12. Equity in tangible capital assets

	2013	2012
Tangible capital assets (Schedule 2)	\$361,488,406	\$338,633,526
Accumulated amortization (Schedule 2)	181,397,602	174,231,788
Long term debt (Note 9)	(19,996,101)	(11,422,673)
Total	\$160,094,703	\$152,979,065

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

13. Transfers to other governments

	2013	2012
Town of High Level	\$ 993,423	\$ 578,420
Town of Rainbow Lake	792,787	792,700
	\$ 1,786,210	\$ 1,371,120

14. Segmented disclosure

The municipality provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

15. Reserves and accumulated surplus

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

	2013	2012
Equity in tangible capital assets (Note 12)	\$160,094,703	\$152,979,065
Operating reserves	7,761,877	7,948,527
Capital reserves	12,117,523	11,580,745
Accumulated operating fund	2,636,989	2,884,038
	\$182,611,092	\$175,392,375

The total reserve balances include approximately \$3,036,329 committed to projects commenced and/or tendered in 2013.

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

16. 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:

	2013		2012	
	Salary (1)	Benefits & allowances (2)		
William Neufeld - Reeve	\$ 53,400	\$ 533	\$ 53,933	\$ 45,058
John W. Driedger	39,100	533	39,633	38,658
Lisa Wardley	37,700	2,407	40,107	35,888
Peter Braun	42,700	2,407	45,107	39,388
Walter Sarapuk	31,900	2,407	34,307	27,488
Diedrich Driedger	35,682	2,407	38,089	37,988
Jacque Bateman	30,700	533	31,233	29,758
Odell Flett	33,082	1,111	34,193	37,759
Eric Jorgensen	36,100	532	36,632	29,158
Elmer Derksen	38,600	532	39,132	31,058
Josh Knelsen	5,517	89	5,606	-
Ricky Paul	8,418	89	8,507	-
Chief Administrative Officer (2012-2)	198,260	27,185	225,445	309,000
	\$ 591,159	\$ 40,765	\$ 631,924	\$ 661,201

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
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17. 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 224,000 people and 428 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 10.43% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.47% on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% on pensionable salary above this amount.

Total current service contributions by the municipality to the LAPP in 2013 were \$12,702 (2012 - \$13,193). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2013 were \$10,596 (2012 - \$10,929).

At December 31, 2012, the LAPP disclosed an actuarial deficiency of \$4.635 billion.

18. 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.

19. Financial instruments

The municipality's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-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, 2013

20. Approval of financial statements

Council and Management have approved these financial statements.

21. Budget amounts

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