



Wilde and Company

Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Reeve and Council of Mackenzie County

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Mackenzie County, which comprise the statement of financial position as at December 31, 2014, and the statements of operations, change 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, 2014 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 29, 2015

Wilde + Company
Chartered Accountants

MACKENZIE COUNTY
Consolidated Statement of Financial Position
As at December 31, 2014

	2014	2013
	\$	\$
ASSETS		
Financial Assets		
Cash and temporary investments (Note 3)	9,124,124	22,076,042
Receivables		
Taxes receivable (Note 4)	480,919	1,303,028
Due from governments	3,448,833	2,530,298
Trade and other receivables	1,048,261	317,163
Land held for resale	3,445	23,001
Investments (Note 5)	16,923,478	4,629,142
	31,029,060	30,878,674
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	6,575,233	6,719,717
Deposit liabilities	498,764	127,628
Deferred revenue (Note 7)	1,148,657	3,452,608
Long term debt (Note 8)	17,905,171	19,996,101
	26,127,825	30,296,054
NET FINANCIAL ASSETS	4,901,235	582,620
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	186,226,079	180,090,804
Inventory for consumption (Note 10)	2,427,612	1,647,847
Prepaid expenses	295,815	289,821
	188,949,506	182,028,472
ACCUMULATED SURPLUS (Note 14)	193,850,741	182,611,092

Contingent liability (Note 17)

MACKENZIE COUNTY
Consolidated Statement of Operations
As at December 31, 2014

	Budget \$ (Unaudited)	2014 \$	2013 \$
Revenues			
Net municipal taxes (Schedule 3)	26,516,454	27,163,414	24,506,114
User fees and sales of goods	4,212,096	4,317,992	3,279,255
Government transfers for operating (Schedule 4)	1,433,905	1,867,856	1,821,614
Investment income	326,000	422,686	377,428
Penalties and costs on taxes	140,000	444,838	240,452
Licenses, permits and fines	338,000	527,160	404,161
Rentals	77,591	124,928	107,152
Other	457,020	757,181	853,925
Total revenue	33,501,066	35,626,055	31,590,101
Expenses			
Legislative	770,981	616,187	699,307
Administration	5,827,549	6,368,493	5,199,528
Protective services	1,836,706	1,659,804	1,265,344
Transportation	16,565,674	15,381,422	12,949,016
Environmental use and protection	5,581,392	4,864,383	4,567,188
Family and community support	693,841	693,797	611,618
Planning, development and agriculture	3,239,424	2,454,154	2,446,643
Recreation and culture	2,334,789	2,011,984	1,789,699
Loss on disposal of capital assets	216,891	218,676	5,477
Total expenses	37,067,247	34,268,900	29,533,820
Excess of revenue over expenses before Government transfers	(3,566,181)	1,357,155	2,056,281
Government transfers for capital (Schedule 4)	16,461,583	8,481,362	4,954,981
Contributed assets	646,970	1,401,132	150,000
Other capital contributions	-	-	57,455
Excess of revenues over expenses	13,542,372	11,239,649	7,218,717
Accumulated surplus - beginning of the year	182,611,092	182,611,092	175,392,375
Accumulated surplus - end of the year (Schedule 1)	196,153,464	193,850,741	182,611,092

MACKENZIE COUNTY
Consolidated Statement of Change in Net Financial Assets
As at December 31, 2014

	Budget \$ (Unaudited)	2014 \$	2013 \$
Excess of revenue over expenses	13,542,372	11,239,649	7,218,717
Acquisition of tangible capital assets	(32,028,115)	(13,757,970)	(22,909,309)
Contributed tangible capital assets	(646,970)	(1,401,132)	-
Proceeds on disposal of tangible capital assets	556,000	553,000	1,523
Amortization of tangible capital assets	8,241,398	8,252,151	7,213,240
Loss on sale of tangible capital assets	216,891	218,676	5,477
	(23,660,796)	(6,135,275)	(15,689,069)
Acquisition of prepaid assets	-	(5,994)	(64,850)
Use (acquisition) of supplies inventories	(979,509)	(779,765)	250,883
Use of deposit assets	-	-	24,596
	(979,509)	(785,759)	210,629
(Increase) decrease in net assets	(11,097,933)	4,318,615	(8,259,723)
Net financial assets, beginning of year	582,620	582,620	8,842,343
Net financial assets, end of year	(10,515,313)	4,901,235	582,620

MACKENZIE COUNTY
Consolidated Statement of Cash Flows
As at December 31, 2014

	2014 \$	2013 \$
Operating		
Excess of revenue over expenses	11,239,649	7,218,717
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	8,252,151	7,213,240
Loss on disposal of tangible capital assets	218,676	5,477
Tangible capital assets received as contributions	(1,401,132)	-
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	822,109	(501,353)
Decrease (increase) in government receivables	(918,535)	2,348,476
Decrease (increase) in trade and other receivables	(731,098)	357,511
Decrease (increase) in inventory for consumption	(779,764)	250,883
Decrease in land held for resale	19,556	25,487
Increase in prepaid expenses	(5,994)	(64,850)
Decrease in deposit assets	-	24,596
Decrease in accounts payable and accrued liabilities	(144,486)	(37,228)
Increase in deposit liabilities	371,136	26,445
Increase (decrease) in deferred revenue	(2,303,951)	98,742
<i>Net cash provided by operating transactions</i>	14,638,317	16,966,143
Capital		
Acquisition of tangible capital assets	(13,757,970)	(22,909,309)
Proceeds on sale of tangible capital assets	553,000	1,523
<i>Net cash applied to capital transactions</i>	(13,204,970)	(22,907,786)
Investing		
Decrease (increase) in restricted cash or cash equivalents	2,303,951	(98,742)
Decrease (increase) in investments	(12,294,336)	163,713
<i>Net cash provided by investing transactions</i>	(9,990,385)	64,971
Financing		
Long term debt issued	-	10,400,000
Long term debt repaid	(2,090,929)	(1,826,572)
<i>Net cash provided by investing transactions</i>	(2,090,929)	8,573,428
Change in cash and cash equivalents during the year	(10,647,967)	2,696,756
Cash and cash equivalents, beginning of year	18,623,434	15,926,678
Cash and cash equivalents, end of year	7,975,467	18,623,434
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	9,124,124	22,076,042
Less: restricted portion of cash and temporary investments (Note 3)	(1,148,657)	(3,452,608)
	7,975,467	18,623,434

See accompanying notes

MACKENZIE COUNTY
Schedule of Changes in Accumulated Surplus
As at December 31, 2014
Schedule 1

	Unrestricted Surplus	Restricted Operating	Restricted Capital	Equity in Capital Assets	2014 \$	2013 \$
Balance, beginning of year	2,636,989	7,761,877	12,117,523	160,094,703	182,611,092	175,392,375
Excess of revenues over expenses	11,239,649	-	-	-	11,239,649	7,218,717
Unrestricted funds designated for future use	(6,411,501)	1,502,508	4,908,993	-	-	-
Restricted funds used for operations	1,612,874	(1,605,110)	(7,764)	-	-	-
Restricted funds used for TCA	-	(1,452,023)	(1,159,094)	2,611,117	-	-
Current year funds used for TCA	(11,146,854)	-	-	11,146,854	-	-
Contributed TCA	(1,401,132)	-	-	1,401,132	-	-
NBV of TCA disposed of	771,676	-	-	(771,676)	-	-
Annual amortization expense	8,252,151	-	-	(8,252,151)	-	-
TCA long term debt repaid	(2,090,929)	-	-	2,090,929	-	-
Balance, end of year	3,462,923	6,207,252	15,859,658	168,320,908	193,850,741	182,611,092

MACKENZIE COUNTY
Schedule of Tangible Capital Assets
As at December 31, 2014
Schedule 2

	Land and Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2014 \$	2013 \$
Cost							
Balance, beginning of year	10,173,365	18,372,712	319,250,256	9,601,032	4,091,041	361,488,406	338,633,523
Acquisition of tangible capital assets	13,782	14,575	6,729,285	2,411,034	37,880	9,206,556	21,878,619
Construction in progress	5,332	16,921	5,623,260	307,033	-	5,952,546	1,030,690
Disposal of tangible capital assets	-	-	-	(1,018,920)	-	(1,018,920)	(54,426)
Balance, end of year	10,192,479	18,404,208	331,602,801	11,300,179	4,128,921	375,628,588	361,488,406
Accumulated amortization							
Balance, beginning of year	653,447	3,180,904	173,163,411	2,765,561	1,634,279	181,397,602	174,231,788
Annual amortization	285,447	421,920	6,691,243	624,257	229,284	8,252,151	7,213,240
Accumulated amortization on disposals	-	-	-	(247,244)	-	(247,244)	(47,426)
Balance, end of year	938,894	3,602,824	179,854,654	3,142,574	1,863,563	189,402,509	181,397,602
Net book value of tangible capital assets							
2013 Net book value of tangible capital assets	9,253,585	14,801,384	151,748,147	8,157,605	2,265,358	186,226,079	180,090,804
2014 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	180,090,804

MACKENZIE COUNTY
Schedule of Property and Other Taxes
As at December 31, 2014
Schedule 3

	Budget	2014	2013
	\$	\$	\$
	(Unaudited)		
Taxation			
Real property taxes	14,995,665	15,124,893	13,381,644
Linear property	17,920,920	18,384,128	17,396,117
Government grants in place of property taxes	127,340	96,224	94,060
Special assessments and local improvement taxes	267,599	354,999	248,707
	33,311,524	33,960,244	31,120,528
Requisitions			
Alberta School Foundation Fund	6,306,111	6,306,111	6,222,152
Homestead Seniors Lodge	488,959	490,719	392,262
	6,795,070	6,796,830	6,614,414
Net Municipal Taxes	26,516,454	27,163,414	24,506,114

MACKENZIE COUNTY
Schedule of Government Transfers
As at December 31, 2014
Schedule 4

	Budget	2014	2013
	\$	\$	\$
	(Unaudited)		
Transfers for Operating			
Provincial Government	1,433,905	1,867,856	1,821,614
	1,433,905	1,867,856	1,821,614
Transfers for Capital			
Provincial Government	16,461,583	8,481,362	4,954,981
	16,461,583	8,481,362	4,954,981
Total Government Transfers	17,895,488	10,349,218	6,776,595

MACKENZIE COUNTY
Schedule of Consolidated Expenses by Object
As at December 31, 2014
Schedule 5

	Budget	2014	2013
	\$	\$	\$
	(Unaudited)		
Consolidated Expenses by Object			
Salaries, wages and benefits	8,840,706	7,605,577	7,284,930
Contracted and general services	8,207,240	6,556,867	6,176,668
Materials, goods, supplies and utilities	6,973,285	5,751,203	4,875,434
Transfers to other governments (Note 12)	1,811,810	1,711,647	1,786,210
Transfers to local boards and agencies	1,948,759	2,020,466	1,745,667
Bank charges and short term interest	36,000	39,831	17,865
Interest on long term debt	733,658	687,928	396,044
Amortization of tangible capital assets	8,241,398	8,252,151	7,213,240
Loss on disposal of tangible capital assets	216,891	218,676	5,477
Other operating expenditures	57,500	1,424,554	32,285
	37,067,247	34,268,900	29,533,820

MACKENZIE COUNTY
Schedule of Segmented Disclosure
As at December 31, 2014
Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total \$
Revenue								
Net municipal taxes	26,808,417	-	226,783	128,214	-	-	-	27,163,414
Government transfers for operations	100,000	50,000	1,221,786	-	261,397	-	234,673	1,867,856
User fees and sales of goods	28,199	242,393	180,681	3,767,383	8,245	91,091	-	4,317,992
Investment income	422,686	-	-	-	-	-	-	422,686
Other revenues	759,982	54,292	114,596	180,498	744,704	35	-	1,854,107
	28,119,284	346,685	1,743,846	4,076,095	1,014,346	91,126	234,673	35,626,055
Expenses								
Salaries, wages and benefits	1,868,501	383,139	3,083,896	1,096,037	886,978	287,026	-	7,605,577
Contracted and general services	1,332,557	848,782	1,759,032	1,303,491	1,114,155	195,438	3,412	6,556,867
Materials, goods, supplies and utilities	258,010	264,118	4,405,473	681,379	94,713	47,510	-	5,751,203
Transfers to local boards and agencies	1,711,647	-	-	-	185,498	1,144,583	690,385	3,732,113
Interest on long term debt	71,098	-	432,162	184,668	-	-	-	687,928
Other expenses	1,441,934	797	219,259	1,437	19,634	-	-	1,683,061
	6,683,747	1,496,836	9,899,822	3,267,012	2,300,978	1,674,557	693,797	26,016,749
Net revenue (expenditure) before amortization	21,435,537	(1,150,151)	(8,155,976)	809,083	(1,286,632)	(1,583,431)	(459,124)	9,609,306
Amortization of tangible capital assets	300,933	162,968	5,700,276	1,597,371	153,176	337,427	-	8,252,151
Net revenue (expenditure) before Government transfers	21,134,604	(1,313,119)	(13,856,252)	(788,288)	(1,439,808)	(1,920,858)	(459,124)	1,357,155
Government transfers for capital	-	-	3,299,307	5,182,055	-	-	-	8,481,362
Contributed assets	-	5,271	392,410	581,790	-	421,661	-	1,401,132
Net revenue	21,134,604	(1,307,848)	(10,164,535)	4,975,557	(1,439,808)	(1,499,197)	(459,124)	11,239,649

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

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.

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MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

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.

Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

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.

(continues)

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

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

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.

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, 2014

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, 2014

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 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 PS 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.

3. Cash and temporary investments

	2014	2013
Cash	\$ 2,486,194	\$ 8,173,462
Temporary investments	6,637,930	13,902,580
	\$ 9,124,124	\$ 22,076,042

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

Council has designated funds of \$1,148,657 (2012 - \$3,344,994) included in the above amounts for capital projects.

4. Taxes receivable

	2014	2013
Taxes receivable - current	\$ 1,067,287	\$ 963,031
Taxes receivable - arrears	917,952	472,799
	1,985,239	1,435,830
Less: allowance for doubtful accounts	(1,504,320)	(132,802)
	\$ 480,919	\$ 1,303,028

Allowance for doubtful accounts is determined by management through identification of specific accounts.

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

5. Investments

	2014		2013	
	Cost	Market value	Cost	Market value
Short term notes and deposits	\$ 15,019,739	\$ 15,047,088	\$ 2,992,399	\$ 2,947,820
Government and government guaranteed bonds	1,903,739	1,921,717	1,636,743	1,602,949
	\$ 16,923,478	\$ 16,968,805	\$ 4,629,142	\$ 4,550,769

Short term notes and deposits have effective interest rates of 2.06% to 4.10% with maturity dates between June 2015 and June 2024. Government and government guaranteed bonds have effective interest rates of 3.00% to 4.30% with maturity dates between June 2015 and September 2023.

6. Accounts payables and accrued liabilities

	2014	2013
Trade payables and accruals	\$ 3,334,621	\$ 3,768,066
Holdback payables	1,024,496	865,436
Gravel pit reclamation liability	1,684,596	1,552,221
Employee payable (wages and accrued overtime)	481,941	478,007
Long term debt interest payable	49,579	55,987
	\$ 6,575,233	\$ 6,719,717

7. Deferred revenue

	2014	2013
Prepaid local improvements	\$ -	\$ 107,614
Restricted grant funding	1,148,657	3,344,994
	\$ 1,148,657	\$ 3,452,608

The use of these funds are restricted to eligible projects as approved under the agreements. Unexpended funds are supported by cash and temporary investments. (Note 3)

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

8. Long term debt	2014	2013
Tax supported debentures	\$ 17,905,171	\$ 19,996,101

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,669,369	\$ 621,194	\$ 2,290,564
2016	1,578,512	562,323	2,140,835
2017	1,575,520	505,190	2,080,710
2018	1,618,408	448,429	2,066,837
2019	1,319,527	392,813	14,561,692
Thereafter	<u>10,143,835</u>	<u>2,645,517</u>	<u>12,789,352</u>
	<u>\$ 17,905,171</u>	<u>\$ 5,175,466</u>	<u>\$ 23,080,637</u>

The current portion of the long term debt amounts to \$1,669,369 (2013 - \$2,090,929).

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 2015 through 2033. The weighted average annual interest rate is 3.55% for 2014 (3.57% for 2013).

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

Interest on long term debt amounted to \$687,928 (2013 - \$396,044).

The municipality's total cash payments for interest in 2014 were \$694,335 (2013 - \$413,909).

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Notes to Consolidated Financial Statements
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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:

	2014	2013
Total debt limit	\$ 53,439,083	\$ 47,385,152
Total debt	(17,905,171)	(19,996,101)
Amount of debt limit unused	\$ 35,533,912	\$ 27,389,051
Debt servicing limit	\$ 8,906,514	\$ 7,897,525
Debt servicing	(2,290,564)	(2,785,263)
Amount of debt servicing limit unused	\$ 6,615,950	\$ 5,112,262

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

	2014	2013
Parts and supplies	\$ 818,333	\$ 794,700
Gravel	1,609,279	853,147
	\$ 2,427,612	\$ 1,647,847

11. Equity in tangible capital assets

	2014	2013
Tangible capital assets (Schedule 2)	\$375,628,588	\$361,488,406
Accumulated amortization (Schedule 2)	(189,402,509)	(181,397,602)
Long term debt (Note 8)	(17,905,171)	(19,996,101)
	\$168,320,908	\$160,094,703

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

12. Transfers to other governments

	2014	2013
Town of High Level	\$ 926,023	\$ 993,423
Town of Rainbow Lake	785,624	792,787
	\$ 1,711,647	\$ 1,786,210

13. 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).

14. Reserves and accumulated surplus

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

	2014	2013
Equity in tangible capital assets (Note 11)	\$168,320,908	\$160,094,703
Operating reserves (Schedule 1)	6,207,252	7,761,877
Capital reserves (Schedule 1)	15,859,658	12,117,523
Accumulated operating fund	3,462,923	2,636,989
	\$193,850,741	\$182,611,092

The total reserve balances include approximately \$1,112,798 committed to projects commenced and/or tendered in 2014.

MACKENZIE COUNTY
Notes to Consolidated Financial Statements
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15. 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:

			2014	2013
	Salary	(1) Benefits & allowances (2)		
William Neufeld - Reeve	\$ 42,350	\$ 220	\$ 42,570	\$ 53,933
John W. Driedger	42,450	220	42,670	39,633
Lisa Wardley	32,550	1,740	34,290	40,107
Peter Braun	39,450	1,740	41,190	45,107
Walter Sarapuk	26,300	1,877	28,177	34,307
Diedrich Driedger	-	-	-	38,089
Jacquie Bateman	24,750	220	24,970	31,233
Odell Flett	-	-	-	34,193
Eric Jorgensen	39,350	220	39,570	36,632
Elmer Derksen	34,650	220	34,870	39,132
Josh Knelsen	33,450	220	33,670	5,606
Ricky Paul	28,450	220	28,670	8,507
Chief Administrative Officer	209,368	29,089	238,457	225,445
	\$ 553,118	\$ 35,986	\$ 589,104	\$ 631,924

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.

16. 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 Public Sector Pension Plans Act. 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 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

Total current service contributions by the municipality to the LAPP in 2014 were \$511,425 (2013 - \$425,591). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2014 were \$471,272 (2013 - \$389,103).

At December 31, 2013, the LAPP disclosed an actuarial deficiency of \$4.86 billion.

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Notes to Consolidated Financial Statements
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17. 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.

18. Financial instruments

The municipality's financial instruments consist of cash and temporary investments, accounts receivable, investments, 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.

19. Approval of financial statements

Council and Management have approved these financial statements.

20. Budget amounts

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