



**Wilde and Company**

*Chartered Accountants*

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## AUDITORS' REPORT

To the Reeve and Council of Mackenzie County

We have audited the consolidated statement of financial position as at December 31, 2009, the consolidated statement of change in net financial assets (debt), the consolidated statement of operations and the consolidated statement of cash flows for the year then ended. These consolidated financial statements are the responsibility of the municipality's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the municipality as at December 31, 2009 and the change in its net financial assets (debt), the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Vegreville, AB  
March 12, 2010

*Wilde & Company*  
Chartered Accountants

**MACKENZIE COUNTY**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2009**

	2009 \$	2008 \$ (Restated)
<b>Financial Assets</b>		
Cash and temporary investments (Note 2)	12,965,157	15,185,087
Receivables		
Taxes receivable (Note 3)	493,251	463,996
Due from governments	1,551,732	5,940,157
Trade and other receivables	533,711	272,791
Land held for resale	64,631	77,919
Investments (Note 4)	5,539,758	-
	<b>21,148,240</b>	<b>21,939,950</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	3,695,682	8,535,910
Deposit liabilities	64,438	58,960
Deferred revenue - (Note 6)	902,180	3,214,480
Long term debt (Note 7)	11,713,171	8,590,715
	<b>16,375,471</b>	<b>20,400,065</b>
<b>Net Financial Assets (Debt)</b>	<b>4,772,769</b>	<b>1,539,885</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (Schedule 1)	146,107,470	134,788,459
Inventory for consumption (Note 10)	1,823,042	2,667,771
Prepaid expenses	259,598	216,267
	<b>148,190,110</b>	<b>137,672,497</b>
<b>Accumulated Surplus (Note 12)</b>	<b>152,962,879</b>	<b>139,212,382</b>

*Contingencies (Note 15)*

**MACKENZIE COUNTY**  
**Consolidated Statement of Operations**  
**For the Year Ended December 31, 2009**

	Budget \$ (Unaudited)	2009 \$	2008 \$ (Restated)
<b>Revenue</b>			
Net municipal taxes (Schedule 3)	25,109,427	<b>25,111,480</b>	24,278,249
User fees and sales of goods	2,092,513	<b>1,939,122</b>	2,052,777
Government transfers for operating (Schedule 4)	1,306,259	<b>1,448,984</b>	1,941,217
Investment income	651,067	<b>240,668</b>	836,363
Penalties and costs on taxes	100,000	<b>111,547</b>	137,938
Rentals	27,650	<b>29,434</b>	30,849
Licenses, permits and fines	68,550	<b>266,293</b>	79,959
Other	478,493	<b>340,858</b>	369,513
<b>Total revenue</b>	<b>29,833,959</b>	<b>29,488,386</b>	<b>29,726,865</b>
<b>Expenses</b>			
Legislative	529,887	<b>559,407</b>	514,653
Administration	4,341,121	<b>3,686,983</b>	3,757,705
Protective Services	1,640,266	<b>1,438,041</b>	2,901,641
Transportation	8,554,636	<b>11,128,746</b>	10,235,877
Environmental use and protection	3,009,398	<b>3,568,954</b>	3,367,711
Family and community support	613,340	<b>583,771</b>	585,853
Planning, development and agriculture	2,112,405	<b>2,153,706</b>	1,780,761
Recreation and culture	1,521,182	<b>1,462,816</b>	1,235,888
Loss on disposal of capital assets	-	<b>343,331</b>	161,294
<b>Total expenses</b>	<b>22,322,235</b>	<b>24,925,755</b>	<b>24,541,383</b>
<b>Excess of revenue over expenses</b>			
<b>before other</b>	7,511,724	<b>4,562,631</b>	5,185,482
<b>Other</b>			
Government transfers for capital (Schedule 4)	11,633,560	<b>9,072,364</b>	17,620,461
Other capital contributions	40,000	<b>115,502</b>	62,204
<b>Excess of revenue over expenses</b>	<b>19,185,284</b>	<b>13,750,497</b>	<b>22,868,147</b>
<b>Accumulated surplus - beginning of the year</b>	<b>139,212,382</b>	<b>139,212,382</b>	<b>116,344,235</b>
<b>Accumulated surplus - end of the year</b>	<b>158,397,666</b>	<b>152,962,879</b>	<b>139,212,382</b>

**Consolidated Statement of Change in Net Financial Assets (Debt)  
For the Year Ended December 31, 2009**

	Budget \$ (Unaudited)	2009 \$	2008 \$ (Restated)
<b>Excess of revenue over expenses</b>	19,185,284	<b>13,750,497</b>	22,868,147
Acquisition of tangible capital assets	(25,722,470)	<b>(16,580,142)</b>	(32,444,355)
Contributed tangible capital assets		<b>(19,230)</b>	-
Proceeds on disposal of tangible capital assets		<b>320,517</b>	591,372
Amortization of tangible capital assets	-	<b>4,616,513</b>	3,541,947
(Gain) loss on sale of tangible capital assets	979,345	<b>343,331</b>	161,294
	(24,743,125)	<b>(11,319,011)</b>	(28,149,742)
Acquisition of supplies inventories		-	(933,382)
Acquisition of prepaid assets		<b>(43,331)</b>	(25,074)
Use of supplies inventories	600,000	<b>844,729</b>	-
Use of prepaid assets		-	-
	600,000	<b>801,398</b>	(958,456)
<b>(Increase) Decrease in net debt</b>	(4,957,841)	<b>3,232,884</b>	(6,240,051)
<b>Net Financial Assets (Debt), beginning of year</b>	1,539,885	<b>1,539,885</b>	7,779,936
<b>Net Financial Assets (Debt), end of year</b>	(3,417,956)	<b>4,772,769</b>	1,539,885

**MACKENZIE COUNTY**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2009**

	2009 \$	2008 \$ (Restated)
<b>Operating</b>		
Excess of revenue over expenses	13,750,497	22,868,147
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	4,616,513	3,541,947
Loss on disposal of tangible capital assets	343,331	161,294
Tangible capital assets received as contributions	(19,230)	-
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	(29,255)	48,554
Decrease (increase) in government receivables	4,388,425	(1,021,720)
Decrease (increase) in trade and other receivables	(260,920)	22,251
Decrease (increase) in inventory for consumption	844,729	(933,383)
Decrease (increase) in land held for resale	13,288	3,696
Decrease (increase) in prepaid expenses	(43,331)	(25,074)
Increase (decrease) in accounts payable and accrued liabilities	(4,840,227)	3,507,803
Increase (decrease) in deposit liabilities	5,478	6,229
Increase (decrease) in deferred revenues	(2,312,300)	(1,364,910)
<i>Cash provided by operating transactions</i>	<b>16,456,998</b>	26,814,834
<b>Capital</b>		
Acquisition of tangible capital assets	(16,580,142)	(32,444,355)
Proceeds from sale of tangible capital assets	320,517	591,372
<i>Cash applied to capital transactions</i>	<b>(16,259,625)</b>	(31,852,983)
<b>Investing</b>		
Decrease (increase) in investments	(5,539,758)	13,500,000
<i>Cash provided by investing transactions</i>	<b>(5,539,758)</b>	13,500,000
<b>Financing</b>		
Long term debt issued	4,438,504	2,887,848
Long term debt repaid	(1,316,049)	(931,996)
<i>Cash used in financing transactions</i>	<b>3,122,455</b>	1,955,852
<b>Change in cash and cash equivalents during the year</b>	<b>(2,219,930)</b>	10,417,703
Cash and cash equivalents, beginning of year	15,185,087	4,767,384
<b>Cash and cash equivalents, end of year</b>	<b>12,965,157</b>	15,185,087
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	12,965,157	15,185,087

See accompanying notes

**MACKENZIE COUNTY**  
**Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2009**  
**Schedule 1**

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2009 \$	2008 \$ (Restated)
<b>Cost</b>							
Balance, beginning of year	3,613,615	7,100,141	267,307,977	5,512,698	3,520,061	287,054,492	255,703,441
Acquisition of tangible capital assets	143,655	2,929,836	11,842,345	1,490,914	192,622	16,599,372	32,444,355
Disposal of tangible capital assets	-	-	-	(501,012)	(586,515)	(1,087,527)	(1,093,304)
Balance, end of year	3,757,270	10,029,977	279,150,322	6,502,600	3,126,168	302,566,337	287,054,492
<b>Accumulated amortization</b>							
Balance, beginning of year	-	1,882,864	147,605,305	1,329,209	1,448,655	152,266,033	149,064,724
Annual amortization	-	191,942	3,913,293	346,373	164,905	4,616,513	3,541,947
Accumulated amortization on disposals	-	-	-	(93,694)	(329,984)	(423,678)	(340,638)
Balance, end of year	-	2,074,806	151,518,598	1,581,888	1,283,576	156,458,868	152,266,033
<b>Net book value of tangible capital assets</b>	3,757,270	7,955,171	127,631,724	4,920,712	1,842,592	146,107,469	134,788,459
2008 Net book value of tangible capital assets (restated)	3,613,615	5,217,277	119,702,672	4,183,489	2,071,406	134,788,459	

**MACKENZIE COUNTY**  
**Schedule of Changes in Accumulated Surplus**  
**For the Year Ended December 31, 2009**  
**Schedule 2**

	Unrestricted Surplus	Restricted Operating Reserves	Restricted Capital Reserves	Equity in Capital Assets	2009 \$	2008 \$ (Restated)
Balance, beginning of year	3,453,079	3,552,922	6,008,637	126,197,744	<b>139,212,382</b>	116,344,235
Excess of revenues over expenses	13,750,497				<b>13,750,497</b>	22,868,147
Unrestricted funds designated for future use	(8,652,543)	1,784,578	6,867,965		-	-
Restricted funds used for operations	108,339	(108,339)			-	-
Restricted funds used for TCA	(14,403,839)		(2,195,533)	2,195,533	-	-
Current year funds used for TCA	663,848			14,403,839	-	-
NBV of TCA disposed of	4,616,513			(663,848)	-	-
Annual amortization expense	4,438,504			(4,616,513)	-	-
TCA long term debt issued	(1,316,048)			(4,438,504)	-	-
TCA long term debt repaid				1,316,048	-	-
Balance, end of year	2,658,350	5,229,161	10,681,069	134,394,299	<b>152,962,879</b>	139,212,382
<b>2008 Accumulated Surplus (restated)</b>						
Balance, end of year - before restatement	785,308	3,552,922	6,008,637	119,044,338		129,391,205
Adjustment to net book value of TCA				7,153,406		7,153,406
Unexpended debenture funds						-
TCA long term debt repaid						-
Prior period adjustment - inventory	2,667,771					2,667,771
Balance, end of year - after restatement	3,453,079	3,552,922	6,008,637	126,197,744		139,212,382

**MACKENZIE COUNTY**  
**Schedule of Property and Other Taxes**  
**For the Year Ended December 31, 2009**  
**Schedule 3**

	Budget \$ (Unaudited)	2009 \$	2008 \$
<b>Taxation</b>			
Real property taxes	10,362,895	<b>12,597,685</b>	12,521,608
Linear property	21,755,366	<b>19,537,364</b>	19,260,931
Government grants in place of property taxes	148,279	<b>101,674</b>	90,570
Special assessments and local improvement taxes	180,021	<b>211,891</b>	182,200
	<b>32,446,561</b>	<b>32,448,614</b>	32,055,309
<b>Requisitions</b>			
Alberta School Foundation Fund	6,768,922	<b>6,768,922</b>	7,149,792
Heimstaed Seniors Lodge	568,212	<b>568,212</b>	627,268
	<b>7,337,134</b>	<b>7,337,134</b>	7,777,060
<b>Net Municipal Taxes</b>	<b>25,109,427</b>	<b>25,111,480</b>	24,278,249



**MACKENZIE COUNTY**  
**Schedule of Government Transfers**  
**For the Year Ended December 31, 2009**  
**Schedule 4**

	Budget \$ (Unaudited)	2009 \$	2008 \$ (Restated)
<b>Transfers for operating</b>			
Federal Government	-	-	-
Provincial Government	1,306,259	<b>1,448,984</b>	1,941,217
	1,306,259	<b>1,448,984</b>	1,941,217
<b>Transfers for Capital</b>			
Federal Government	1,099,829	<b>335,908</b>	397,871
Provincial Government	10,533,731	<b>8,736,456</b>	17,222,590
	11,633,560	<b>9,072,364</b>	17,620,461
<b>Total Government Transfers</b>	12,939,819	<b>10,521,348</b>	19,561,678

**MACKENZIE COUNTY**  
**Schedule of Consolidated Expenses by Object**  
**For the Year Ended December 31, 2009**  
**Schedule 5**

	Budget \$ (Unaudited)	2009 \$	2008 \$ (Restated)
<b>Consolidated Expenses by Object</b>			
Salaries, wages and benefits	5,914,367	<b>5,469,173</b>	6,643,899
Contracted and general services	8,001,338	<b>6,704,827</b>	6,055,767
Materials, goods, supplies and utilities	4,793,712	<b>4,518,218</b>	5,107,063
Transfers to local governments	1,700,000	<b>1,298,329</b>	1,303,952
Transfers to local boards and agencies	1,434,241	<b>1,482,496</b>	1,401,338
Bank charges and short term interest	16,800	<b>17,731</b>	9,885
Interest on long term debt	387,077	<b>395,863</b>	302,126
Net loss on sale of tangible capital assets	-	<b>343,332</b>	161,294
Amortization of tangible capital assets	-	<b>4,616,513</b>	3,541,947
Other operating expenditures	74,700	<b>79,273</b>	14,112
	22,322,235	<b>24,925,755</b>	24,541,383

## MACKENZIE COUNTY

### Notes to Consolidated Financial Statements

Year Ended December 31, 2009

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#### 1. 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, 2009**

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1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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 recognised 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, 2009**

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1. 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 (Debt) 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:

	<b>YEARS</b>
Land improvements	15-20
Buildings	25-50
Engineered structures	
Water system	45-75
Wastewater system	45-75
Other engineered structures	10-50
Machinery and equipment	5-15
Vehicles	10-25

Annual amortization is not charged in the year of acquisition on the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

c) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

d) Inventories

Inventories consist of parts and supplies held for consumption, and gravel. Inventories of parts and supplies are carried at the lower of cost and replacement cost, with cost determined by the average cost method. Gravel pit reserves are recorded at cost and allocated to gravel supplies on a unit of production basis.

**MACKENZIE COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2009**

2. CASH AND TEMPORARY INVESTMENTS

	2009	2008
Cash	\$ 3,534,410	\$ 15,185,086
Temporary investments	9,430,747	-
	<b>\$ 12,965,157</b>	<b>\$ 15,185,086</b>

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

Council has designated funds of \$761,441 (2008 - \$3,075,590) included in the above amounts for capital projects.

Included in temporary investments is a restricted amount of \$140,739 (2008 - \$138,889) held exclusively for local improvements.

3. TAXES RECEIVABLE

	2009	2008
Taxes receivable - current	\$ 383,801	\$ 359,799
Taxes receivable - arrears	169,387	124,197
	<b>553,188</b>	483,996
Less: allowance for doubtful accounts	(59,937)	(20,000)
	<b>\$ 493,251</b>	<b>\$ 463,996</b>

4. INVESTMENTS

	2009		2008	
	Cost	Market value	Cost	Market Value
Short term notes and deposits	\$ 3,000,766	\$ 3,000,766	\$ -	\$ -
Government and government guaranteed bonds	2,538,992	2,538,995	-	-
	<b>\$ 5,539,758</b>	<b>\$ 5,539,761</b>	<b>\$ -</b>	<b>\$ -</b>

Short term notes and deposits have effective interest rates of 4.53% to 4.92% with maturity dates between September 2011 and March 2013. Government and government guaranteed bonds have effective interest rates of 4.5% to 5.5% with maturity dates between June 2010 and June 2014.

**MACKENZIE COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2009**

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5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
Trade payables and accruals	\$ 1,567,397	\$ 3,914,098
Holdback payables	1,052,028	3,476,839
Gravel pit reclamation liability	712,169	671,138
Employee payable (wages and accrued overtime)	314,117	432,650
Long term debt interest payable	49,970	41,185
	<b>\$ 3,695,681</b>	<b>\$ 8,535,910</b>

6. DEFERRED REVENUE

	2009	2008
Prepaid local improvements	\$ 140,739	\$ 138,889
Restricted grant funding	761,441	3,075,590
	<b>\$ 902,180</b>	<b>\$ 3,214,479</b>

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, 2009**

7. LONG TERM DEBT

	2009	2008
Tax supported debentures	<b>\$ 11,713,171</b>	\$ 8,590,716

Principal and interest repayments are as follows:

	Principal	Interest	Total
2010	\$ 1,709,972	\$ 456,697	\$ 2,166,669
2011	1,783,858	382,811	2,166,669
2012	1,777,986	305,625	2,083,611
2013	1,396,272	229,763	1,626,035
2014	1,284,770	176,017	1,460,787
Thereafter	3,760,313	373,955	4,134,268
	<u>\$ 11,713,171</u>	<u>\$ 1,924,868</u>	<u>\$ 13,638,039</u>

The current portion of the long term debt amounts to \$1,709,972 (2008 - \$1,271,320).

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.046% to 5.75% per annum and matures in periods 2011 through 2027. The average annual interest rate is 4.033% for 2009 (4.365% for 2008).

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

Interest on long term debt amounted to \$395,863 (2008 - \$302,126).

The municipality's total cash payments for interest in 2009 were \$387,078 (2008 - \$303,832).



**MACKENZIE COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2009**

8. 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:

	2009	2008
		(restated)
Total debt limit	\$ 44,232,579	\$ 44,590,298
Total debt	(11,713,171)	(8,590,716)
<b>Amount of debt limit unused</b>	<b>\$ 32,519,408</b>	<b>\$ 35,999,582</b>
Debt servicing limit	\$ 7,372,097	\$ 7,431,716
Debt servicing	(2,166,669)	(1,638,477)
<b>Amount of debt servicing limit unused</b>	<b>\$ 5,205,428</b>	<b>\$ 5,793,239</b>

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.

9. TANGIBLE CAPITAL ASSETS *(at net book value)*

	2009	2008
Land	\$ 3,757,270	\$ 3,613,615
Buildings	7,955,170	5,217,277
Engineered structures		
Roadway system	61,454,031	56,460,333
Water distribution system	50,261,072	47,191,701
Wastewater treatment system	15,916,624	16,050,638
Machinery and equipment	4,920,711	4,183,489
Vehicles	1,842,592	2,071,406
	<b>\$146,107,470</b>	<b>\$134,788,459</b>

10. INVENTORY FOR CONSUMPTION

	2009	2008
Parts and supplies	\$ 431,604	\$ 375,575
Gravel	1,391,438	2,292,196
	<b>\$ 1,823,042</b>	<b>\$ 2,667,771</b>

**MACKENZIE COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2009**

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2009	2008
Tangible capital assets (Schedule 1)	\$ 302,566,337	\$ 287,054,492
Accumulated amortization (Schedule 1)	(156,458,867)	(152,266,033)
Long term debt (Note 7)	(11,713,171)	(8,590,715)
	<b>\$ 134,394,299</b>	<b>\$ 126,197,744</b>

12. RESERVES AND ACCUMULATED SURPLUS

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

	2009	2008
Equity in tangible capital assets (Note 11)	\$134,394,299	\$126,197,744
Operating reserves	5,229,161	3,552,922
Capital reserves	10,681,069	6,008,637
Accumulated operating fund	2,658,350	3,453,079
	<b>\$152,962,879</b>	<b>\$139,212,382</b>

The total reserve balances include approximately \$5,136,969 that is committed to projects commenced and or tendered in 2009.

**MACKENZIE COUNTY**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2009**

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:

			2009	2008
	Salary	Benefits & allowances		
	(1)	(2)		
Ed Froese	\$ 25,000	\$ 185	\$ <b>25,185</b>	\$ 26,286
Greg Newman, Reeve	31,400	185	<b>31,585</b>	33,502
Ray Toews	20,800	185	<b>20,985</b>	23,158
John W. Driedger	34,700	185	<b>34,885</b>	46,100
Lisa Wardley	24,600	185	<b>24,785</b>	29,563
Peter Braun	40,300	185	<b>40,485</b>	38,977
Stewart Watson	20,800	185	<b>20,985</b>	21,284
Walter Sarapuk	22,700	185	<b>22,885</b>	29,135
William Neufeld	32,200	185	<b>32,385</b>	39,100
Diedrich Driedger	32,200	185	<b>32,385</b>	39,286
Chief Administrative Officer	156,910	16,981	<b>173,891</b>	160,559
Designated Officer	138,792	19,186	<b>157,978</b>	-
	\$ 580,402	\$ 38,017	\$ <b>618,419</b>	\$ 486,950

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, 2009**

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#### 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 189,000 people and 411 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 8.46% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.66% on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 7.46% of pensionable salary up to the year's maximum pensionable salary and 10.66% on pensionable salary above this amount.

Total current service contributions by the municipality to the LAPP in 2009 were \$266,802 (2008 - \$267,067). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2009 were \$235,549 (2008 - \$235,977).

At December 31, 2008, the LAPP disclosed an actuarial deficiency of \$4,413.9 million.

#### 15. CONTINGENT LIABILITIES

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, 2009**

17. PRIOR PERIOD ADJUSTMENTS

The municipality has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook, which requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions has been included in income. These adjustments are as follows:

	2008
<b>Adjustments to opening accumulated surplus:</b>	
As previously reported	\$ 129,391,205
Adjustment to net book value of tangible capital assets	7,153,406
Prior period adjustment - inventory	2,667,771
<b>As restated</b>	<b>\$ 139,212,382</b>
<b>Adjustments to excess of revenues over expenses:</b>	
As previously reported	\$ (6,214,977)
Tangible capital assets recorded but previously expensed	32,444,355
Annual amortization expense	(3,541,947)
Proceeds on sale of land previously reported as income	(591,372)
Acquisition of inventory previously reported as expense	933,382
Loss on disposal of assets added to expenses	(161,294)
<b>As restated</b>	<b>\$ 22,868,147</b>
<b>Adjustments to tangible capital assets:</b>	
As previously reported	\$ 124,967,282
Adjustment to historical cost of tangible capital assets	162,087,210
Accumulated amortization recorded	(152,266,033)
<b>As restated</b>	<b>\$ 134,788,459</b>

18. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

19. BUDGET AMOUNTS

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

20. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.