Financial Statements
For the Year Ended December 31, 2009

Vulcan County For the Year Ended December 31, 2009

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Tel: 403 328 5292 Fax: 403 328 9534 www.bdo.ca BDO Canada LLP 200 Commerce Court 220 - 3rd Avenue S Lethbridge AB T1J 0G9 Canada

AUDITOR'S REPORT

To the Members of Council:

We have audited the statement of financial position of Vulcan County as at December 31, 2009, and the statements of operations, change in net financial assets, and cash flows for the year then ended. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The County offers sick leave benefits to its employees that accumulate of which a portion vests. Under generally accepted accounting principles for public sector organizations, the County should recognize a liability and an expense for both accumulated and vested compensated absences in the period in which employees render services to the County in return for the benefits. The County has recorded only the vested portion of the liability based on conditions as at December 31, 2009. The estimates for liabilities for compensated absences and for expenses should use an actuarial cost method and actuarial assumptions that ensure essential information be used for fair presentation of the financial statements. As the liability and expenses for compensated absences has not been accrued, as explained above, we were unable to determine the amount of the adjustments necessary to expenses, excess of revenue over expenses, opening accumulated surplus, and liabilities.

In our opinion, except for the effect of adjustments to the sick leave liability and except for the effect of adjustments which would be necessary had we been able to obtain sufficient information regarding the matter, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Vulcan County as at December 31, 2009 and the results of its operations, the change in its financial assets and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

BDO Canada CCP

Lethbridge, Alberta September 16, 2010

Vulcan County Statement of Financial Position As At December 31, 2009

2009 2008 \$ \$
Sample
FINANCIAL ASSETS Cash and temporary investments (Note 2) 10,745,563 13,736,267 Receivables 377,892 250,733 Trade and other receivables 2,191,611 1,224,786 Land held for resale 61,343 61,343
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Receivables Taxes and grants in lieu receivables (Note 3) Trade and other receivables Land held for resale 377,892 250,733 250,733 1,224,786 61,343
Taxes and grants in lieu receivables (Note 3) 377,892 250,733 Trade and other receivables 2,191,611 1,224,786 Land held for resale 61,343 61,343
Trade and other receivables 2,191,611 1,224,786 Land held for resale 61,343 61,343
Land held for resale 61,343 61,343
Long term investments (Note 4) 6.558.155 3.770.953
Loans and notes receivable (Note 5) 979,336 1,085,328
Other financial assets 265,836 131,025
21,179,736 20,260,435
LIABILITIES
Accounts payable and accrued liabilities 1,877,657 1,287,146
Deferred income/revenue (Note 6) 1,173,390 957,575
Accrued vacation payable (Note 7) 158,469 168,070
Vested sick leave benefits (Note 7) 118,120 118,120
Other liabilities 321,893 276,395
3,649,529 2,807,306
NET FINANCIAL ASSETS (DEBT) 17,530,207 17,453,129
NON-FINANCIAL ASSETS
Tangible capital assets, net of accumulated amortization (Note 8) 99,128,256 92,632,767
Inventory for consumption (Note 10) 4,113,862 4,148,264
Prepaid expenses 45,742 121,556
103,287,860 96,902,587
ACCUMULATED SURPLUS [Note 11] 120,818,067 114,355,716

Contingencies - See Notes 20

Statement of Operations

For the Year Ended December 31, 2009

	Budget	2009	2008
	\$	\$	\$
	(note 14)		(Restated)
			*
REVENUE	10 100 550	44.004.000	44 400 040
Net municipal taxes [Schedule 3]	12,122,552	11,884,258	11,433,313
Government transfers [Schedule 2]	2,464,097	491,118	1,981,610
Returns on investment	270,000	414,265	465,739
Sale of goods, rents, and user charges	381,200	375,113	328,530
Community aggregate levy	120,000	109,198	131,838
Other revenue	2,072,352	102,363	324,385
Penalties and costs of taxes	45,000	71,798	62,912
Total revenue	17,475,201	13,448,113	14,728,327
EXPENSES			
Legislative	195,251	248,648	201,573
Administration	1,844,555	2,041,445	1,544,919
Protective Services	828,135	777,667	868,295
Transportation Services	8,883,336	7,427,696	5,193,301
Environmental Use and Protection	452,500	532,906	305,062
Family and Community Support	46,407	50,148	52,136
Community Planning and Development	206,253	94,478	264,429
Economic and Agricultural Development	839,542	650,330	448,932
Parks and Recreation	140,000	292,733	139,458
Other	41,681	136,392	131,335
	40.477.000	40.050.440	0.440.440
Total expenses	13,477,660	12,252,443	9,149,440
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	3,997,541	1,195,670	5,578,887
OTHER			
Government transfers for capital [Schedule 2]		5,266,681	1,337,542
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	3,997,541	6,462,351	6,916,429
	444 000 040	AA ACA 31.5	05 447 050
Accumulated surplus, beginning of year, as previously stated	114,355,716	36,690,548	35,117,650
Prior period adjustment [Note 13]		77,665,168	72,321,637
ACCUMULATED SURPLUS, BEGINNING OF YEAR, RESTATED	114,355,716	114,355,716	107,439,287
ACCUMULATED SURPLUS, END OF YEAR	118,353,257	120,818,067	114,355,716

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

•			
a a	Budget	2009	2008
	\$	\$	\$
*			(Restated)
EXCESS (SHORTFALL) OF REVENUES OVER EXPENS	ES 3,997,541	6,462,351	6,916,429
Acquisition of tangible capital assets	(8,832,447)	(9,974,401)	(8,415,010)
Proceeds on disposal of tangible capital assets	200,500	101,516	281,967
Amortization of tangible capital assets	-	3,129,657	2,858,119
Loss (gain) on sale of tangible capital assets		247,738	(145,188)
	(8,631,947)	(6,495,490)	(5,420,112)
Acquisition of consumable inventories	:	(4,113,862)	(4,148,264)
Acquisition of prepaid expenses	6 -	(45,741)	(121,556)
Use of consumable inventories	-	4,148,264	3,666,296
Use of prepaid expenses	V	121,556	96,807
	-	110,217	(506,717)
(INCREASE) DECREASE IN NET DEBT	(4,634,406)	77,078	989,600
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	17,453,129	17,453,129	16,463,529
NET FINANCIAL ASSETS (DEBT), END OF YEAR	12,818,723	17,530,207	17,453,129

Statement of Cash Flows

For the Year Ended December 31, 2009

		• .
	2009 \$	2008 \$ (Restated)
OPERATING Excess (shortfall) of revenues over expenses before other	6,462,351	6,916,429
Non-cash items included in excess (shortfall) of revenues over expenses: Amortization of tangible capital assets	3,129,657	2,858,119 (145,188)
Loss (gain) on disposal of tangible capital assets	247,738	(140,100)
Non-cash charges to operations (net change): Decrease (increase) in taxes and grants in lieu receivable Decrease (increase) in trade and other receivables	(127,159) (966,824)	(77,550) (653,932)
Decrease (increase) in loans receivable	105,992	(503,385)
Decrease (increase) in other financial assets	(134,811)	(8,642)
Decrease (increase) in inventory	34,402	(481,968)
Decrease (increase) in prepaid expenses	75,814	(24,749)
Increase (decrease) in accounts payable and accrued liabilities	590,511	423,160
Increase (decrease) in deferred revenue	215,815	67,667
Increase (decrease) in accrued vacation pay	(9,601)	2,751
Increase (decrease) in sick leave benefits		(5,569)
Increase (decrease) in other liabilities	45,498	83,832
Cash provided by operating transactions	9,669,383	8,450,975
CAPITAL	(0.074.404)	(0.44E.040)
Acquisition of tangible capital assets	(9,974,401) 101,516	(8,415,010) 276,789
Sale of tangible capital assets	- 111500X33112 - 373	
Cash applied to operating and capital transactions	(203,502)	312,754
INVESTING Decrease (increase) in investments	(2,787,202)	(45,715)
Cash provided by (applied to) investing transactions	(2,787,202)	(45,715 <u>)</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(2,990,704)	267,039
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,736,267	13,469,228
CASH AND CASH EQUIVALENTS, END OF YEAR	10,745,563	13,736,267
Cash and cash equivalents consist of the following:		4 400 000
Cash Short term investments	1,289,910 9,455,653	1,167,552 12,568,715
Cash and cash equivalents	10,745,563	13,736,267

Schedule of Expenses by Object

For the Year Ended December 31, 2009 Schedule 1

	Budget \$	2009 \$	2008 \$ (restated)
CONSOLIDATED EXPENSES BY OBJECT			
Salaries and wages	3,796,389	3,741,540	3,431,561
Contracted and general services	3,470,880	1,921,868	2,657,471
Materials, good, supplies, and utilities	4,861,143	3,962,683	3,860,423
Provision for allowances	2,000	148	712
Requisitions and grants issued	1,340,248	1,287,108	1,086,328
Bank charges and short term interest	7,000	14,891	18,667
Road costs transferred to capital assets	*	(2,053,190)	(4,618,653)
Amortization of tangible capital assets	-	3,129,657	2,858,119
Loss (gain) on disposal of assets	Ma.	247,738	(145,188)
	13,477,660	12,252,443	9,149,440

Schedule of Government Transfers For the Year Ended December 31, 2009

Schedule 2

		Budget	2009	2008
		\$	\$	\$ (restated)
TRANSFERS FOR OPERATING				
Provincial government transfers		2,464,097	464,954	1,980,510
Federal government transfers			26,164	1,100
		2,464,097	491,118	1,981,610
TRANSFERS FOR CAPITAL PURCHASES				
Provincial government transfers	(3)		5,266,681	1,337,542
		-	5,266,681	1,337,542
TOTAL GOVERNMENT TRANSFERS		2,464,097	5,757,799	3,319,152

Vulcan County Schedule of Property and Other Taxes For the Year Ended December 31, 2009 Schedule 3

	Budget \$	2009 \$	2008 \$ (restated)
TAXATION	-		
Real property taxes	6,914,376	6,515,420	6,692,591
Linear taxes	7,774,500	7,696,388	7,334,434
Commercial taxes	732,323	835,244	708,666
Grants in lieu of taxes	9,415	8,045	8,882
Special levy	522,971	542,189	522,607
Well drilling tax	45,000	14,585	50,154
	15,998,585	15,611,871	15,317,334
REQUISITIONS			
School requisitions	3,730,776	3,589,002	3,730,775
Seniors foundation	145,257	138,611	145,257
Other adjustments to tax	-	-	7,989
	3,876,033	3,727,613	3,884,021
NET MUNICIPAL TAXES	12,122,552	11,884,258	11,433,313

Vulcan County Schedule of Tangible Capital Assets For the Year Ended December 31, 2009 Schedule 4

	Land	Land	Buildings	Equipment	Vehicles	Engineered Structures	\$ \$	2008 \$ (restated)
COST BALANCE, BEGINNING OF YEAR Acquisition of tangible capital assets Construction-in-progress Disposal of fangible capital assets	5,150,436	126,901 - 688,457	2,914,165	10,525,784 2,525,453 - (606,640)	2,311,742 204,123	137,142,362 3,340,108 768,025 (597,828)	158,171,390 6,069,684 3,904,719 (1,207,246)	150,754,302 8,161,494 253,516 (997,922)
BALANCE, END OF YEAR	5,147,658	815,358	5,362,402	12,444,597	2,515,865	140,652,667	166,938,547	158,171,390
ACCUMULATED AMORTIZATION BALANCE, BEGINNING OF YEAR Annual amortization		26,714 2,914	1,088,868 68,324	4,231,126 981,694	1,311,984	58,879,931 1,900,604	65,538,623 3,129,657	63,541,646 2,858,119
Accumulated amortization on disposals		1	1	(386,106)	1,2	(471,883)	(857,989)	(861,142)
BALANCE, END OF YEAR		29,628	1,157,192	4,826,714	1,488,105	60,308,652	67,810,291	65,538,623
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	5,147,658	785,730	4,205,210	7,617,883	1,027,760	80,344,015	99,128,256	92,632,767
2008 NET BOOK VALUE (restated)	5,150,436	100,187	1,825,296	6,294,657	999,759	78,262,432	ı	92,632,767

The accompanying notes are an integral part of these financial statements.

Vulcan County
Schedule of Segmented Reporting 2009
For the Year Ended December 31, 2009
Schedule 5

	i i i i i i i i i i i i i i i i i i i			Economic				2009
	Municipal Revenues	Protective Services	Transportation Services	ural nent	Administrative Services	Legislative Services	Planning	\$ Total
Revenue Net taxes	11,884,258		ı	1		ī	ť	11,884,258
Sales of services and regulatory fees	Ĭ	39,835	292,083	14,538	28,655		•	375,111
Government transfers	ï	. 1	133,441	166,519	191,158	1	ĭ	491,118
Other	1	1 (348,693	i	270,620		78,313	697,626
	11,884,258	39,835	774,217	181,057	490,433		78,313	13,448,113
Expenses Salaries, wages and benefits	i	132,991	2,539,095	188,146	816,953	23,555	40,800	3,741,540
Good and Services	ũ	112,238	1,843,564	397,660	783,511	224,547	64,061	3,425,581
Requisitions and grants	751,883	88,895	1	8,613	437,716	ı	ŗ	1,287,107
Amortization of tangible capital assets	Ĭ	35,355	2,792,926	46,043	255,333			3,129,657
Other	ř	410,387	250,482		689,7	•	'	668,558
	751,883	779,866	7,426,067	640,462	2,301,202	248,102	104,861	12,252,443
Other Governmental transfers for capital	ĩ	2,562,538	1,660,843	•	1,043,300	22	ı	5,266,681
Excess (shortfall) of revenues over expenses	11,132,375	1,822,507	(4,991,007)	(459,405)	(767,469)	(248,102)	(26,548)	6,462,351

The accompanying notes are an integral part of these financial statements.

Vulcan County
Schedule of Segmented Reporting 2008
For the Year Ended December 31, 2008
Schedule 6

	General Municipal Revenues	Protective Services	Transportation Services	Economic and Agricultural Development	Administrative Services	Legislative Services	Planning	2008 \$ Total
Revenue Net taxes	11,433,313		j	ģ.	ŧ	£	ats	11,433,313
Sales of services and regulatory fees	3	26,861	228,545	49,114	24,010	1	ī	328,530
Government transfers	ĩ	98,404	995,622	235,521	652,063	1	1	1,981,610
Other	•	1	318,236	280	573,943	1	92,415	984,874
	11,433,313	125,265	1,542,403	284,915	1,250,016	1	92,415	14,728,327
Expenses Salaries, wages and benefits	ı	123,400	2,426,253	178,987	625,031	25,038	52,852	3,431,561
Goods and services		92,910	317,166	343,738	496,152	176,534	85,701	1,512,201
Requisitions and grants	764,611	1	1	9,914	311,803	·	Ē	1,086,328
Amortization of tangible capital assets	1	8,986	2,608,470	41,970	198,693		3	2,858,119
Other	1	383,143	191	(145,188)	23,085	1	1	261,231
	764,611	608,439	5,352,080	429,421	1,654,764	201,572	138,553	9,149,440
Other Governmental transfers for capital	C 22	31	1,337,542	,	•	ï	ı	1,337,542
Excess (shortfall) of revenues over expenses	10,668,702	(483,174)	(483,174) (2,472,135)	(144,506)	(404,748)	(201,572)	(46,138)	6,916,429

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

For the Year Ended December 31, 2009

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Vulcan County are prepared by management in accordance with Canadian 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 County are as follows:

a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity.

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.

b) 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.

c) 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.

d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

e) 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.

Notes to the Financial Statements For the Year Ended December 31, 2009

e) Requisition Over-levy and Under-levy (continued)

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.

f) Land Held 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.

g) 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.

h) 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.

I. Inventories

Inventories of materials and supplies held for consumption are valued at the lower of cost or net realizable value with cost determined by the average cost method.

ii. 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.

Notes to the Financial Statements For the Year Ended December 31, 2009

h) Non-Financial Assets (continued)

III. 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 - 25
Buildings	25 - 50
Engineered structures	
Roads	20 - 75
Bridges	40 - 100
Communication towers	38
Machinery and equipment	2 - 25
Vehicles	10

The annual amortization is charged starting in the month of acquisition and ceases in the month of disposal. Assets under construction are not amortized until the asset is available for productive use.

i) Reserve for Future Expenditures

Reserves are established at the discretion of council to set aside funds for future operating and capital expenditures.

j) Taxes and Grants-in-lieu Receivables

Current taxes and grants-in-lieu receivables consist of current tax levies which remain outstanding at December 31. Tax arrears and grants-in-lieu receivables consist of taxes that remain outstanding after December 31 of the year in which they were imposed.

k) Pension Expense

Contributions for current and past service pension benefits are recorded as expenditures in the year which they become due.

Notes to the Financial Statements For the Year Ended December 31, 2009

2. CASH AND TEMPORARY INVESTMENTS		Sec. 1		
			2009	2008
			2009 \$	\$
Cook		9=	1,289,910	1,167,552
Cash Short term investments			9,455,653	12,568,715
Short term investments		°=	- A A A A A A A A A A A A A A A A A A A	
		: =	10,745,563	13,736,267
Temporary investments are short-term deposits with original managing from 0.20% to 0.57% (2008 - 1.30% to 2.25%)	aturities	of six months	or less, with	interest rates
Included in temporary investments is a restricted amount of eligible projects.	\$1,100,53	30 (2008 -\$88	5,015) held 6	exclusively for
The County has available a revolving line of credit facility up 0.25%. As at December 31, 2009, the balance owing on this fac	to \$345,0 lity is \$0	000, with inter (2008-\$0)	est payable a	t prime minus
3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABL	E	-	-	
			2009	2008
		, <u>-</u>	\$	 \$
Taxes and grants in lieu receivables - current			297,606	204,957
Taxes and grants in lieu receivables - arrears		·	80,286	45,776
		02	377,892	250,733
4. INVESTMENTS				
	200	9	20	08
			(resta	ated)
		Market	Coot	Market Value
,	ost \$	Value \$	Cost \$	warket value
Bonds and other investments 6,5	58,155	6,768,553	3,770,953	4,069,350
Bolids and other investments			0,770,000	
Investments have stated interest rates of 3.75% to 6.375% wind June 18, 2037, and held at amortized cost.	th maturi	ty dates rangi	ng from Augu	st 23, 2010 to
5. LOANS RECEIVABLE				
			2009	2008
			\$	\$

Notes to the Financial Statements For the Year Ended December 31, 2009

5. Loans Receivable (continued)		
Champion Fire Association - annual payment of \$10,000, matures 2015	60,000	70,000
Lomond Fire Association - annual payment \$15,500, matures 2015	77,500	93,000
Milo Fire Association - annual payment \$10,000, matures 2015	60,000	70,000
Vulcan Fire Co-op	60,000	70,000
Northwest Fire Protection Assoc annual payment \$25,000, matures 2018	250,000	250,000
Marquis Foundation - annual payment \$26,899.68, matures 2012	74,419	101,319
Blackie & District Seed Cleaning Assoc annual payment of \$15,565, matures 2018	114,685	125,000
Mossleigh Water Co-op - semi annual payment \$3,277, matures 2025	102,732	106,009
	979,336	1,085,328

Loans receivable from the various Fire Associations within the County are for assistance in the purchase of equipment, the loans are interest free and repayable over 10 year terms.

Loan receivable from Marquis Foundation, is interest free and has annual payments of \$26,700, maturing in 2012.

Loans receivable from Mossleigh Water Co-op, are interest free and have combined semi-annual payments of \$3,277. Loans are repayable over 20 years.

Loan receivable from Blackie & District Seed Cleaning Association, has an annual blended loan payments of \$15,565, maturing in 2018, carrying interest at 4.2%.

6. DEFERRED REVENUE

is a second of the second of t	2009	2008
	\$	\$
		(restated)
Agreements for sale of CPR lands	72,560	72,560
Street Improvement Grant	9,920	9,920
Alberta Municipal Sustainability Initiative - Capital	894,903	275,673
Alberta Municipal Infrastructure Program	H .	450,662
Alberta Municipal Sponsorship Program	=	148,760
Fire Training grant	17,000	-
Adult Learning rent	300	=
New Deal for Cities and Communities	178,707	
	1,173,390	957,575

Notes to the Financial Statements For the Year Ended December 31, 2009

Agreements for sale of CPR lands

" " in the continues " "

These monies represent the amount of deferred revenue as a result of CPR lands being held by the County and scheduled for sale. This amount is offset by deferred receivables for the sale of CPR lands.

Street Improvement grant

The Government of Alberta provides funds through the Street Improvement Program that assists with road work in qualifying hamlets. The SIP is a 75% provincial and 25% municipal matching program. The County was the recipient of \$36,198 in 2007 for road work in the hamlet of Mossleigh. A surplus of \$9,920 including interest gathered is invested in a short term deposit of which principal and interest is re-invested on an ongoing basis.

Alberta Municipal Sustainability Initiative

The Government of Alberta provides funds through the Alberta Municipal Sustainability Captial Program to assist with various capital projects in the County. In 2008 the County had carry forward of \$275,673 for 2009. In 2009, \$747,299 was received in funding and \$128,069 was spend in 2009 on the Rescue Squad Truck and Motor Grader leaving a carry forward of \$894,903 for 2009.

Alberta Municipal Infrastructure Program

The Government of Alberta provides funds through the Alberta Municipal Infrastructure Program to assist with infrastructure projects in the County. In 2007 the County received \$798,396 which was applied to two projects in 2008 the airport road and the Mossleigh Waterworks extension that cost a total of \$370,740 leaving a carried forward of \$427,656 for 2009. In 2009 \$1,963,115 was received in funding and \$2,313,254 was spend in 2009 on the Tri-service Building leaving no carry forward in 2009.

Alberta Municipal Sponsorship Program

The County received a grant from the Government of Alberta Municipal Sponsorship program of \$148,760 for the purchase of a new emergency radio system. The radio system was completed in 2009 and the total funds transferred to capital grant revenues.

Fire Training grant

The County was successful in its 2008/2009 application for \$17,000 under the Fire Training Initiatives grant. These funds will be spent on fire and emergency training courses to enhance fire protection personnel through out the County in 2010/2011. Grant funds are currently invested in the County's high interest savings account.

New Deal for Cities and Communities grant

This Government of Alberta Transportation grant is restricted for use on projects with in the villages and hamlets of the County. In 2009 Vulcan County received a grant of \$ 312,148. The amount of \$133,411 was applied to a prior year project to address a drainage problem in the hamlet of Brant and an application has been made to use the remaining \$178,707 to support road repair in the hamlet of Kirkaldy. Grant funds are currently invested in the County's high interest savings account.

Notes to the Financial Statements

For the Year Ended December 31, 2009

7. EMPLOYEE BENEFIT OBLIGATIONS		
	2009	2008
	\$	\$
Accrued vacation payable	158,469	168,070
Vested sick leave benefits	118,120	118,120
	270 500	000 400

The vacation and sick benefit liability is comprised of benefits that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

Under the sick leave benefit plan, certain employees can accumulate unused sick leave and may become entitled to a cash payment when they leave employment of Vulcan County.

8. TANGIBLE CAPITAL ASSETS

V. IMMODEL ONE TIME MODEL O		
	2009	2008
	\$	\$
		(restated)
Land	5,147,658	5,150,436
Land improvements	28,657	31,571
Land improvements under construction	757,073	68,616
Buildings	1,537,128	1,605,452
Buildings under construction	2,668,081	219,844
Engineered structures		
Roads	71,346,027	70,643,609
Bridges	7,735,872	7,114,307
Communication towers	97,529	100,399
Water systems	260,842	268,398
Water systems under construction	903,744	135,719
Machinery, equipment, and furnishings	7,617,883	6,294,657
Vehicles	1,027,762	999,759
	99,128,256	92,632,767

Notes to the Financial Statements

For the Year Ended December 31, 2009

9. EQUITY IN TANGIBLE CAPITAL ASSETS		
	2009	2008
	\$	\$
	(************************************	(restated)
Tangible capital assets	166,938,547	158,171,389
Accumulated amortization	(67,810,291)	(65,538,622)
	99,128,256	92,632,767
10. INVENTORIES		ē
	2009	2008
	\$	\$
		(restated)
Inventory for consumption - gravel	3,358,632	3,615,165
Inventory for consumption - parts	755,230	533,099

Gravel inventory includes purchased deposits not yet crushed, valued at \$ 1,300,330.

11. ACCUMULATED SURPLUS

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

	The state of the s	
	2009 \$	2008 \$
	9 .	(restated)
Unrestricted surplus	2,050,868	2,261,650
Restricted surplus		
Reserves	19,638,943	19,461,299
Equity in assets	99,128,256	92,632,767
	120,818,067	114,355,716

Notes to the Financial Statements

For the Year Ended December 31, 2009

12.	R	FS	FRI	/ES

12. RESERVES				
	2008	Increases	Decreases	2009
	\$	\$	\$	\$
	(restated)			
Capital Reserves				
Administration Building	1,250	-		1,250
General Govt Equipment	100,000	-	-	100,000
General Government	6,078			6,078
Protective Equipment	16,031	-	c =	16,031
Transportation Equipment	2,600,403	-	-	2,600,403
Environment Treatment	2,000,000	-	-	2,000,000
Environment Development Equipment	100,000	40,000	40,000	100,000
Capital Acquisition	3,479,157	-	_	3,479,157
Total Capital Reserves	8,302,919	40,000	40,000	8,302,919
Operating Reserves				
Debt Reduction	1,000,000	1	÷	1,000,000
CPR Discontinuance	1,646,698	-	-	1,646,698
General Govt Service	149,388	· 24	=	149,388
Protective Services	43,000	# =	=	43,000
Transportation Contingency	800,372	: -	=7	800,372
Gravel Crushing	4,118,280	770,000	a =c	4,888,280
Road Construction	1,535,385	-	592,356	943,029
Water Management	2,116	-	=:	2,116
Operating Contingency	1,863,141	-	-	1,863,141
Total Operating Reserves	11,158,380	770,000	592,356	11,336,024
Total Reserve	19,461,299	810,000	632,356	19,638,943

Notes to the Financial Statements For the Year Ended December 31, 2009

13. PRIOR PERIOD ADJUSTMENTS

The County 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.

As part of the process of reviewing the comparative figures to restate them in accordance with Section 3150, a series of items were identified that required corrections. These have been included in income.

To record a liability of \$385,070 in amounts payable to landowners for crop damages incurred as a result of County road construction projects undertaken in previous years.

To record \$ 1,902,051 in parts and gravel inventory for amounts that had previously been expensed or recorded as tangible capital assets.

To record \$119,861 in amounts receivable from another municipal government for the government's share of a jointly purchased asset paid for by the County.

To record long term investments at amortized cost that had previously been recorded at cost, resulting in a decrease in long term investments of \$92,510.

To reclassify \$726,334 in externally restricted provincial grant funding from reserves to deferred revenue.

	2008
	\$
Adjustment to net financial assets	
As previously reported	18,537,182
Long Term Investments	(92,510)
Other accounts receivable	119,861
Other accounts payables	(385,070)
Deferred Revenue	(726,334)
As restated	17,453,129
	2008
	<u></u>
Adjustments to non-financial assets	
As previously reported	19,822,427
Adjustment to historical cost of tangible capital assets	142,013,770
Adjustment to accumulated amortization	(65,538,619)
Correction of historical cost of land	(1,297,042)
Correction of cost of inventory for consumption	1,902,051
As restated	96,902,587

Notes to the Financial Statements For the Year Ended December 31, 2009

13. Prior Period Adjustments (continued)

	\
	2008
	\$
Adjustments to opening accumulated surplus:	
As previously reported	35,117,650
Adjustments to net book value of tangible capital assets	71,421,876
Adjustments to consumable inventory	1,844,617
Adjustment of grant funds from reserves to deferred revenue	(726,334)
Adjustment of receivable from municipality	108,600
Adjustments to long term investments	(68,262)
Adjustment to crop damages liability	(258,860)
As restated	107,439,287
	2008
	\$
Adjustments to aboutfull of very annual areas and annual areas	<u> </u>
Adjustments to shortfall of revenues over expenses: As previously reported	1,572,899
Tangible capital assets recorded but previously expensed	8,138,220
Investment revenue previously overstated	(24,247)
Annual amortization expense	(2,858,119)
Gain on disposal of tangible capital assets	145,188
Consumable inventory recorded but previously expensed	57,437
Crop damage expense previously not recorded	(126,210)
Receivable from municipality previously expensed	11,261
The state of the s	
As restated	6,916,429

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

The change in opening accumulated surplus of \$72,321,637 plus the change in adjustments to excess of revenue over expenses of \$5,343,530 totals \$77,665,167 which is the total prior period adjustment amount on the statement of operations.

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Notes to the Financial Statements

For the Year Ended December 31, 2009

14. BUDGET FIGURES

Budgeted information was prepared under the modified accrual method. This note provides a reconciliation between the approved budget figures and the budget figures disclosed in the financial statements.

	4
	2009
Excess (shortfall) of revenue over expenses	3,997,541
ADD: Proceeds from sale of capital assets	200,500
ADD: Transfer from reserve to operations	1,000,000
ADD: Transfers from accumulated surplus	100,000
ADD: Transfers from reserves to capital	5,221,947
LESS: Transfers to reserves	(1,687,541)
LESS: Capital expenditures	(8,832,447)
Budget suplus per financial plan	

15. SEGMENTED INFORMATION

Vulcan County provides numerous services to its citizens, including protective services, planning, public works and agricultural services. For management reporting and tracking purposes these service are separated into departments. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Protective Services

Protection is comprised of bylaw enforcement and fire services. Municipal emergency acts as the agent of Council to carry out its statutory powers and obligations under the Emergency Management Act. This department prepares and coordinates the Municipal Emergency Plan and related plans and programs. Ambulance services are provided to Vulcan County as contracted by Alberta Health Services. The primary function of the protection department is to administer and operate municipal bylaws and health and safety programs.

Transportation Services

The transportation department is responsible for the delivery of municipal public works services related to planning, development and maintenance of roadway and water systems, the maintenance of parks and open space and street lighting.

Economic and Agricultural Services

Economic and agricultural services provide initiatives which assist in the prosperity of the County; agricultural advice and expertise, weed and pest control, and development of new services.

Legislative and Adminstration Services

Legislative and administration includes Council expenditures and administration costs required to operate Vulcan

Notes to the Financial Statements

For the Year Ended December 31, 2009

15. SEGMENTED INFORMATION (continued)

County. Also, included in the segment are community services such as parks, recreational services, other cultural services, and family services provided for the residents of Vulcan County.

Planning

The function of the planning department is to steward effective land use and orderly growth of the community, in order to sustain and enhance the quality of life for both current and future citizens of Vulcan County.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocate on a reasonable basis. Therefore, certain allocation methologies are employed in the preparation of segmented financial information. The General Revenue Fund reports on municipal services that are funded primarily by taxation such as property and business tax revenues.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Schedule of Segmented Reporting (Schedule 5).

16. DEBT LIMITS

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

	2009	2008
Total debt limit	20,172,170	22,092,490
Total debt		
Amount of debt limit unused	20,172,170	22,092,490
Debt servicing limit	3,362,028	3,682,082
Debt servicing		
Amount of debt servicing limit unused	3,362,028	3,682,082

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.

17. 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:

Notes to the Financial Statements

For the Year Ended December 31, 2009

17	Salary and	Ranafite	Disclosure	(continued)
11.	Salary and	benemis	Disclosure	(Continueu)

,,		CAN THE STATE OF T		
		2009		2008
	\$		\$	
	Salary	Benefits & Allowances	Total	Total
Councillors				
Division 1	9,817	4,625	14,442	21,048
Division 2	9,303	4,292	13,595	15,398
Division 3	14,867	6,833	21,700	26,425
Division 4	11,267	5,108	16,375	19,597
Division 5	18,793	9,292	28,085	18,914
Division 6	12,238	5,771	18,009	17,119
Division 7	16,846	8,167	25,013	22,536
Division 8	17,590	8,375	25,965	15,503
Division 9	9,012	4,208	13,220	18,606
Chief Administrative Officer	144,707	14,957	159,664	111,964

Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

Benefits/allowances figures for Councillors include mileage for travel from their place of residence to the respective regular meetings and the employer share of Canada Pension Plan and Health Care benefits.

Employers share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada Pension Plan, unemployment insurance, health care, group life insurance, accidental disability and dismemberment insurance, long term disability plans, professional memberships and tuition.

18. LOCAL AUTHORITIES PENSION PLAN

Employees of the County 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 133,000 people and 389 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 County 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 County 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 County to the LAPP in 2009 were \$170,696 (2008 - \$147,525). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2009 were \$151,906 (2008 - \$129,777).

Notes to the Financial Statements

For the Year Ended December 31, 2009

18. Local Authorities Pension Plan (continued)

At December 31, 2008, the LAPP disclosed an actuarial deficiency of \$4,413,971.

19. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and temporary investments, accounts receivable, long term investments, loans and notes receivable, accounts payable and accrued liabilities. It is management's opinion that the County is not exposed to significant interest or currency risks arising from these financial instruments.

The County 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 County 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.

20. CONTINGENCIES

The County is a member of the Alberta Municipal Authorities Reciprocal Insurance Exchange. Under the terms of the membership, the County 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.

Vulcan County is responsible for environmental reclamation costs of gravel pit sites. The related costs can not be reasonably determined due to the inability to predict when the gravel pits will be extinguished and the cost associated with reclamation at the time when the pits are reclaimed and therefore are expensed in the current year.

The County is defendant in a lawsuit related to breaches of a human rights agreement, breach of oral contract, and damage to property. At present the liability and quantum are indeterminate. The amount of any future settlement would be accounted for as a current transaction in the year of the settlement.

The County has recorded a liability for the estimated amount of crop damage compensation it expects to pay to landowners for damages the County has inflicted on their property as part of road construction occurring adjacent to their land. This was based on the best estimate, and liabilities have not been accrued for all landowners that experienced crop damages. As such, the County could be required to pay compensation in excess of what has been recorded.

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.