Vulcan County

FINANCIAL STATEMENTS DECEMBER 31, 2010

FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2010

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Independent Auditor's Report

To the Reeve and Members of Council of Vulcan County

We have audited the accompanying financial statements of Vulcan County, which comprise the statement of financial position as at December 31, 2010, 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Vulcan County as at December 31, 2010 and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

BDD lanuda LCP

Lethbridge, Alberta October 26, 2011

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2010

	**************************************	2010	***************************************	2009
FINANCIAL ASSETS				
Cash and investments (Note 2)	\$	2,432,021	\$	10,745,563
Taxes and grants in lieu receivables (Note 3)	·	356,201	•	377,892
Trade and other receivables		987,000		2,191,611
Land held for resale		61,343		61,343
Long term investments (Note 4)		14,829,900		6,558,155
Loans and notes receivable (Note 5)		803,839		979,336
Other		175,433		265,836
Total Financial Assets	***************************************	19,645,737		21,179,736
LIABILITIES				
Accounts payable and accrued liabilities		3,232,955		1,877,657
Deferred revenue (Note 6)		361,164		1,173,390
Accrued vacation payable (Note 7)		149,347		158,469
Employee benefit obligations (Note 7)		196,500		118,120
Other liabilities	***************************************	141,505		321,893
		4,081,471		3,649,529
NET FINANCIAL ASSETS		15,564,266		17,530,207
NON - FINANCIAL ASSETS				
Tangible capital assets (Note 8)		100 064 576		00 400 050
Inventory for consumption (Note 9)		100,064,576 4,650,169		99,128,256
Prepaid expenses		90,943		4,113,862 45,742
spana oxpanioso		30,343	***************************************	45,742
	***************************************	104,805,688		103,287,860
ACCUMULATED SURPLUS (Schedule 1, Note 10)	\$	120,369,954	\$	120,818,067

Contingencies and commitments - See Note 18 and 19

APPROVED BY:

//an/A./chierd

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 31, 2010

REVENUE		Budget (unaudited) (note 12)	2010		2009
Net municipal taxes (schedule 3)	•	44 000 007 6		_	
Government transfers (schedule 4)	\$	11,829,637 \$	11,540,812	\$	11,884,258
Returns on investment		987,340 75,000	759,346		491,118
Sale of goods, rents, and user charges		882,000	409,011		414,265
Community aggregate levy		*	586,339		375,113
Other revenue		120,000	139,124		109,198
Penalties and costs of taxes		129,500	652,232		102,363
i enames and costs of taxes		50,000	119,572		71,798
Total Revenue		14,073,477	14,206,436		13,448,113
EXPENSES					
Legislative		271,050	264,516		248,648
Administration		2,577,263	2,910,252		2,041,445
Protection services		1,285,476	862,577		777,667
Transportation Services		8,930,900	9,898,846		7,427,696
Environmental Use and Protection		613,588	841,179		532,906
Family and Community Support		56,600	35,472		50,148
Community Planning and Development		194,875	151,124		94,478
Economic and Agricultural Development		739,378	496,520		650,330
Parks and Recreation		250,470	245,177		292,733
Other		10,000	977,514		136,392
Total Expenses		14,929,600	16,683,177		12,252,443
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER		(856,123)	(2,476,741)		1,195,670
OTHER					
Government transfers for capital (schedule 4)		2,378,127	2,028,628		5,266,681
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES		1,522,004	(448,113)		6,462,351
ACCUMULATED SURPLUS, BEGINNING OF YEAR	***************************************	120,818,067	120,818,067		114,355,716
ACCUMULATED SURPLUS, END OF YEAR	\$	122,340,071 \$	120,369,954	\$	120,818,067

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS YEAR ENDED DECEMBER 31, 2010

		2010	 2009
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$	(448,113)	\$ 6,462,351
Acquisition of tangible capital assets Contributed tangible capital assets		(5,299,127)	(9,974,401)
Proceeds on disposal of tangible capital assets Amortization of tangible capital assets Disposal of water line		243,219 3,318,674 903,743	101,516 3,129,657
Loss (gain) on disposal of tangible capital assets		(102,829)	 247,738
		(936,320)	 (6,495,490)
Net change in inventory for consumption Acquisition of prepaid expenses Use of prepaid expenses		(536,307) (142,176) 96,975	34,402 (45,741) 121,556
	***************************************	(581,508)	 110,217
INCREASE (DECREASE) IN NET FINANCIAL ASSETS		(1,965,941)	77,078
NET FINANCIAL ASSETS, BEGINNING OF YEAR		17,530,207	 17,453,129
NET FINANCIAL ASSETS, END OF YEAR	\$	15,564,266	\$ 17,530,207

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2010

		2010	2009
NET INFLOW OF CASH RELATED TO			
THE FOLLOWING ACTIVITIES:			
OPERATING			
Excess (deficiency) of revenue over expenses	\$	(448,113)	\$ 6,462,351
Non-cash items included in excess of revenue over expenses:			-
Amortization of tangible capital assets		3,318,674	3,129,657
Loss (gain) on disposal of tangible capital assets		(102,829)	247,738
Disposal of water line		903,743	
Tangible capital assets received as contributions Non-cash charges to operations (net change):		-	**
Decrease (increase) in taxes and grants in lieu receivable		04.004	/
Decrease (increase) in trade and other receivables		21,691	(127,159)
Decrease (increase) in trade and other receivables Decrease (increase) in loans receivable		1,204,611	(966,824)
Decrease (increase) in other financial assets		175,497 90,403	105,992 (134,811)
Decrease (increase) in inventory for consumption		(536,307)	34,402
Decrease (increase) in prepaid expenses	•	(45,201)	75,814
Increase (decrease) in accounts payable		1,355,298	590,511
Increase (decrease) in deferred revenue		(812,226)	215,815
Increase (decrease) in accrued vacation pay		(9,122)	(9,601)
Increase (decrease) in employee benefit obligations		78,380	-
Increase (decrease) in other liabilities		(180,388)	45,498
Cash provided by operating transactions		5,014,111	9,669,383
CAPITAL			
Acquisition of tangible capital assets		(5,299,127)	(9,974,401)
Proceeds on disposal of tangible capital assets		243,219	101,516
Cash applied to capital transactions		(5,055,908)	(9,872,885)
INVESTING			
Decrease (increase) in investments	***************************************	(8,271,745)	(2,787,202)
Cash applied to investing transactions	***************************************	(8,271,745)	(2,787,202)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR		(0.242.E40)	(0.000.704)
		(8,313,542)	(2,990,704)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	***************************************	10,745,563	13,736,267
CASH AND CASH EQUIVALENTS, END OF YEAR		2,432,021	10,745,563
Cash and cash equivalents consist of the following:			
Cash		(220,361)	1,289,910
Short-Term Investments		2,652,382	9,455,653
	<u>\$</u>	2,432,021	\$ 10,745,563
The accompanying notes and supporting schedules to which the financial statements are cross-information	4 !		

Schedule of Changes in Accumulated Surplus YEAR ENDED DECEMBER 31, 2010

		Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2010		2009
BALANCE, BEGINNING OF YEAR	8	2,050,868 \$	19,638,943 \$	99,128,256 \$	120,818,067	8	114,355,716
Excess (deficiency) of revenues over expenses		(448,113)		. •	(448,113)		6,462,351
Unrestricted funds designated for future use		(154,615)	154,615	•	•		•
Restricted funds used for operations		53,302	(53,302)	•	•		•
Restricted funds used for tangible capital assets			(3,380,180)	3,380,180	•		•
Current year funds used for tangible capital assets		(1,918,949)	•	1,918,949	•		•
Disposal of tangible capital assets		1,044,135	•	(1,044,135)	•		•
Annual amortization expense		3,318,674	•	(3,318,674)			•
Change in accumulated surplus		1,894,434	(3,278,867)	936,320	(448,113)		6,462,351
BALANCE, END OF YEAR	ક્ર	3,945,302 \$		16,360,076 \$ 100,064,576 \$	120,369,954	(A)	\$ 120,818,067

SCHEDULE OF TANGIBLE CAPITAL ASSETS YEAR ENDED DECEMBER 31, 2010

1	Land	Land Improvement	Buildings	Equipment	Vehicles	Engineered Structures	2010		2009
COST:									
BALANCE, BEGINNING 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
Acquisition of tangible capital assets	•	303,677	3,310,624	1,349,150	254,207		5,217,658		6,069,684
New construction-in-progress	ŧ	•	81,469	•	•	ı	81,469		3,904,719
Disposition of tangible capital assets	•	•	t	(886,923)	(119,772)	(903,743)	(1,910,438)		(1,207,246)
BALANCE, END OF YEAR	5,147,658	1,119,035	8,754,495	12,906,824	2,650,300	139,748,924	170,327,236		166,938,547
ACCUMULATED AMORTIZATION BEGINNING BALANCE	ı	29,628	1,157,192	4,826,714	1,488,105	60,308,652	67,810,291		65,538,623
Annual amortization	•	8,988	148,999	1,040,500	183,663	1,936,524	3,318,674		3,129,657
Accumulated amortization on disposal	1	1	ı	(746,532)	(119,773)		(866,305)		(857,989)
BALANCE, END OF YEAR	•	38,616	1,306,191	5,120,682	1,551,995	62,245,176	70,262,660		67,810,291
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	5,147,658	1,080,419	7,448,304	7,786,142	1,098,305	77,503,748 \$	100,064,576	9	99,128,256
2009 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		

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

SCHEDULE OF PROPERTY AND OTHER TAXES YEAR ENDED DECEMBER 31, 2010

	************	Budget	2010		2009
TAXATION					
Real property taxes	\$	6,583,743 \$	6,616,346	\$	6,515,420
Linear taxes		7,225,710	7,241,679		7,696,388
Commercial taxes		842,688	810,166		835,244
Government grants in lieu of taxes		8,000	7,435		8,046
Special levy		810,000	516,949		542,189
Well drilling tax	***************************************	45,000	52,380		14,585
		15,515,141	15,244,955		15,611,872
REQUISITIONS					
School requisitions		3,540,144	3,540,143		3,589,002
Seniors foundation		145,360	164,000		138,612
Other adjustments to tax		-	=		
		3,685,504	3,704,143	*****	3,727,614
NET MUNICIPAL TAXES	\$	11,829,637 \$	11,540,812	\$	11,884,258

SCHEDULE OF GOVERNMENT TRANSFERS YEAR ENDED DECEMBER 31, 2010

		Budget	2010		2009
TRANSFERS FOR OPERATING					
Provincial government transfers	\$	974,590 \$	729,884	\$	464,954
Federal government transfers	***************************************	12,750	29,462		26,164
		987,340	759,346	************	491,118
TRANSFERS FOR CAPITAL					
Provincial government transfers		2,378,127	2,028,628		5,266,681
TOTAL GOVERNMENT TRANSFERS	\$	3,365,467 \$	2,787,974	\$	5,757,799

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT YEAR ENDED DECEMBER 31, 2010

-	 Budget (unaudited)	***************************************	2010	eries raignas	2009
EXPENSES					
Salaries, wages and benefits	\$ 4,346,307	\$	4,806,306	\$	3,741,540
Contracted and general services	5,735,525	-	3,330,681	•	1,921,868
Materials, goods and utilities, contracted and general services	3,141,593		2,660,137		3,962,683
Provision for allowances	175		183,067		148
Transfers to local boards and agencies	1,687,000		1,563,772		1,287,108
Bank charges and short term interest	19,000		19,625		14,891
Road costs transferred to capital assets	-		-		(2,053,190)
Other expenses	-		903,744		-
Amortization of tangible capital assets	-		3,318,674		3,129,657
Loss (gain) on disposal of tangible capital assets	 -		(102,829)	************	247,738
	\$ 14,929,600	\$	16,683,177	\$	12,252,443

SCHEDULE OF SEGMENTED REPORTING YEAR ENDED DECEMBER 31, 2010

	Č	ć	;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;	Economic and		200
	Government	Protective Services	I ransportation Services	Agricultural Services	Planning	Total
	\$11,540,812	, \$, 49	\$ \$ □	,	\$ 11,540,812
Sales of goods, services and regulatory fees	76,726	45,881	456,864	15,152	336,167	930,790
Government transfers (schedule 4)	1,000,050	225,682	1,338,772	183,996	39,474	2,787,974
	464,738	1,500	505,148	4,102	***	975,488
	13,082,326	273,063	2,300,784	203,250	375,641	16,235,064
Salaries and benefits	1,206,911	204,841	2,691,757	349,513	353,284	4,806,306
Goods and services	1,024,457	174,997	4,438,910	277,005	54,112	5,969,481
	19,625	•		ı	•	19,625
Transfer to local boards and agencies	705,406	362,589	4,000	411	426,224	1,498,630
	286,807	120,150	2,855,757	48,404	7,556	3,318,674
	1,162,039	1	(91,578)	4	***	1,070,461
	4,405,245	862,577	9,898,846	675,333	841,176	16,683,177
	\$ 8,677,081	\$ (589,514)	(589,514) \$ (7,598,062) \$	\$ (472,083) \$	(465,535)	\$ (448,113)

SCHEDULE OF SEGMENTED REPORTING YEAR ENDED DECEMBER 31, 2009

						SCHEDULE 7
	General Government	Protective Services	Transportation Services	Economic and Agricultural Services	Planning	2009 Total
Net taxes Sales of services and regulatory fees Government transfers Other	\$ 11,884,258 28,655 1,234,458 270,620	\$ 39,835 2,562,538	\$ - \$ 292,083 1,794,284 348,693	\$ 14,538 166,519	\$ - - 78,313	\$ 11,884,258 375,111 5,757,799 697,626
	13,417,991	2,602,373	2,435,060	181,057	78,313	18,714,794
Expenses Salaries, wages and benefits Goods and services Transfers to local boards and agencies Amortization Other	840,508 1,008,058 1,189,599 255,333 7,689 3,301,187		132,991 2,539,095 112,238 1,843,564 88,895 - 35,355 2,792,926 410,387 250,482 779,866 7,426,067 1,822,507 \$(4,991,007) \$		188,146 40,800 397,660 64,061 8,613 - 46,043 - 640,462 104,861 (459,405) \$ (26,548)	3,741,540 3,425,581 1,287,107 3,129,657 668,558 12,252,443

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Vulcan County are the representations of management prepared in accordance with generally accepted accounting principals for local governments established by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by Vulcan County are as follows:

a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenses, and changes in net financial assets and cash flows of the reporting entity. This entity is comprised of the county operations plus all of the organizations that are owned or controlled by the county and are, therefore, accountable to county 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 have been 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 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 expenses 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.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 investment. 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.

Foreign currency accounts are translated into Canadian dollars by using the exchange rate in effect at the date of the transaction. At the year end date, the accounts are translated into Canadian dollars using the exchange rate in effect at that date. The resulting foreign exchange gain or loss is included in income in the current period.

e) 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 leveling 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.

f) Cash and cash equivalents

Cash and cash equivalents include cash and investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

g) Government Transfers

Government transfers are the transfers 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.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (deficiency) of revenue over expenses, provides the consolidated Change in Net Financial Assets for the year.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributed 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:

	<u>Years</u>
Land improvements	15 - 25
Buildings	25 - 50
Engineered structures	
Bridges	40 - 100
Communication towers	38
Roads	20 - 75
Machinery and equipment	2 - 25
Vehicles	10

Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions on Tangible Capital Assets

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

iii. 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.

iv Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost, with cost determined by the average cost method, except for gravel and fuel which is determined by the first-in, first-out method.

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Employee Benefit Obligations

The cost of sick leave benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days, long-term rates and discount rates.

Unamortized gains and losses are amortized over the expected average remaining life of the related employee groups. Amortization commences in the year following the effective date of the related actuarial valuation.

j) <u>Measurement Uncertainty</u>

The preparation of the financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include estimated employee benefit obligations and rates for amortization.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

The county maintains a number of gravel pits to service its needs relating to road construction and maintenance. The county is responsible for reclaiming the sites where these pits are located. The liability for this reclamation has not been recorded in these financial statements because management is of the opinion that the costs are not estimable due to the uncertainty of how long these pits will remain open.

k) 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.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

4. INVESTMENTS

		2010			2009			
	Cost		Market Value \$ 8,022,639 7,113,379					
High interest savings Bonds and other investments	• • • • • • • • • • • • • • • • • • • •	- \$ 6,558,155			\$ 6,768,553			
	\$	14,829,900	\$	15,136,018	\$ 6,558,155	\$ 6,768,553		

Bonds and other investments have stated interest rates of 3.60% and 6.30% with maturity dates ranging from 2011 to 2037 and held at amortized cost. High interest savings include investment savings investments held at ATB Securities Inc.

5. LOANS RECEIVABLES

	2010	2009
Carmangay Fire Association - annual payment \$20,000, matures 2018	\$ 130,000	\$ 180,000
Champion Fire Association - annual payment of \$10,000, matures 2015	50,000	60,000
Lomond Fire Association - annual payment of \$15,500, matures 2015	62,000	77,500
Milo Fire Association - annual payment \$10,000, matures 2015	50,000	60,000
Vulcan Fire Co-op	90,000	60,000
Northwest Fire Protection Assoc annual payment \$25,000, matures 2018	225,000	250,000
Marquis Foundation	-	74,419
Blackie & District Seed Cleaning Assoc.	103,936	114,685
Mossleigh Water Co-op	92,903	102,732
	\$ 803,839	\$ 979,336

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.

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 payment of \$15,565, maturing in 2018, carrying interest at 4.2%.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

6 DEFERRED REVENUE

			2009	
Agreements for sale of CPR lands	\$	72,560	\$	72,560
Street Improvement Grant		9,920		9,920
Alberta Municipal Sustainability Initiative - Capital		-		894,903
Alberta Municipal Sustainability Initiative - Operating		60,886		-
Regional Partnership Initiative Program		56,392		-
Fire service training grant		636		17,000
Other grants		11,525		_
Adult Learning Rent		-		300
New Deal for Cities and Communities	V/1000000000000000000000000000000000000	149,245	***************************************	178,707
Total, invested in short term investments	\$	361,164	\$	1,173,390
Agreements for sale of CPR lands				

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 - Mossleigh

The Government of Alberta provides funds through the Street Improvement Program that assists with road work in qualifying hamlets. The use of these funds is restricted to eligible projects, as approved under the funding agreement.

Alberta Municipal Sustainability Initiative - Capital

The Government of Alberta provides funds through the Alberta Municipal Sustainability Program to

assist with various capital projects in the County. The County will continue to access funding for eligible projects throughout the remaining life of this multi-year program.

Alberta Municipal Infrastructure Initiative - Operating

The province provides conditional grant funding through this program to assist with various operating expenditures in the County. The use of these funds is restricted to eligible expenditures as approved under the funding agreement.

Regional Partnership Initiative Program

Vulcan County's Regional Partnership – Wayfinding Signage Project is a 75% provincial / 25% municipal conditional grant funded initiative. The project will develop a shared vision for regional signage to include a regional signage strategy and action plan.

Fire Service Training Grant

Alberta Municipal Affairs has made funding available under the Fire Services Training initiative to expand and enhance fire services training and promote increased inter-departmental cooperation. In 2010 the County's volunteer fire service personnel participated in 6 NFPA courses to meet 1001 Fire Training

Standards.
The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

6. DEFERRED REVENUE (continued)

Other Grants

Other grants includes funding for road maintenance and a Regional Municipal Disaster Exercise.

Federal Gas Tax Fund (New Deal for Cities and Communities)

This Government of Alberta Transportation grant is restricted for use on projects within the villages and hamlets of the County. The use of these funds is restricted to eligible projects as approved under the funding agreement.

7. EMPLOYEE BENEFIT OBLIGATIONS

	2010			2009
Accrued vacation payable	\$	149,347	\$	158,469
Vested sick leave benefits	************	196,500		118,120
	<u> </u>	345,847		276,589

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.

Employees earn 1.5 days of eligible sick leave per month of actual work to a maximum of 120 sick leave days. An employee whose employment is terminating due to retirement and is fifty-five (55) years of age or older and has been continuously employed for fifteen (15) years or more, shall receive 50% of their accrued sick leave up to a maximum sixty (60) days paid at their daily rate then in force. An employee whose employment is terminating due to retirement and is fifty (50) years of age or older but is under fifty-five (55) years of age, and has been continuously employed for fifteen (15) years or more, shall receive 33 1/3% of their accrued sick leave up to a maximum forty (40) days paid at their daily rate then in force. An employee whose employment is terminated for any reason, except for disciplinary reasons, and has been continuously employed for ten (10) years or more and is not older than sixty-five (65) and is not eligible under any of the above-cited retirement allowance clauses of this policy shall receive 25% of their accrued sick leave up to a maximum of 30 days paid at their daily rate of pay then in force.

The sick leave accrual for employee future benefits as at December 31, 2010, are based on an actuarial valuation for accounting purposes as at December 31, 2010. Significant assumptions used in the valuation include a discount rate of 2.80%, salary increases of 3.75%, retirement at age 61, and a net annual sick leave accumulation of 50%.

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	2010	2009
Tangible capital assets	\$ 170,327,236	\$ 166,938,547
Accumulated amortization	(70,262,660)	(67,810,291)
	\$ 100,064,576	\$ 99,128,256

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

9. INVENTORIES

	 2010	2009
Inventory for consumption - gravel	\$ 4,057,254	\$ 3,358,632
Inventory for consumption - parts	 592,915	755,230
	\$ 4,650,169	\$ 4,113,862

Gravel inventory includes purchased deposits not yet crushed, valued at \$1,800,330.

10. ACCUMULATED SURPLUS

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

	2010		2009
Unrestricted surplus	\$ 3,945,302	\$	2,050,868
Restricted surplus			
Reserves	16,360,076		19,638,943
Equity in assets	100,064,576_	-	99,128,256
	\$ 120,369,954	\$	120,818,067

11. RESERVES

	 2009	Inci	Increases Decreases		Decreases		2010
Capital Reserves							
Administration Building	\$ 1,250	\$	-	\$	-	\$	1,250
General Government Equipment	100,000		-		-		100,000
General Government	6,078		-		-		6,078
Protective Equipment	16,031		-		-		16,031
Transportation Equipment	2,600,403		_		625,980		1,974,423
Environment Treatment	2,000,000		-		-		2,000,000
Environment Development Equipmer	100,000		-		-		100,000
Capital Acquisition	 3,479,157	·	•		2,754,200		724,957
Total Capital Reserves	 8,302,919		-		3,380,180		4,922,739
Operating Reserves							
Debt Reduction	1,000,000		-		_		1,000,000
CPR Discontinuance	1,646,698		_		_		1,646,698
General Government Service	149,388		_		_		149,388
Protective Services	43,000		_		_		43,000
Transportation Contingency	800.372		_		_		800,372
Gravy Crushing	4,888,280		-		-		4,888,280
Road Construction	943,029	15	54,615		_		1,097,644
Water Management	2,116				_		2,116
Operating Contingency	 1,863,141				53,302		1,809,839
Total Operating Reserves	 11,336,024	15	54,615		53,302		11,437,337
Total Reserve	\$ 19,638,943	\$ 15	54,615		3,433,482	\$	16,360,076

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

12. 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. Management was unable to reconcile the two figures. The unreconciled amount is noted below.

	 2010	2009
Excess (deficiency) of revenue over expenses	\$ 1,522,004	\$ 3,997,541
ADD: Proceeds from sale of capital assets	244,000	200,500
ADD: Transfer from reserve to operations	700,000	1,000,000
ADD: Transfers from accumulated surplus	-	100,000
ADD: Transfers from reserves to capital	1,937,310	5,221,947
LESS: Transfers to reserves	(40,000)	(1,687,541)
LESS: Capital expenditures	(2,181,310)	(8,832,447)
LESS: Contingency amount	(1,725,998)	_
LESS: unreconciled amount	 (456,006)	 -
Budget approved by Council	\$ _	\$ da .

13. 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 services 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, 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.

General Government

General Government includes legislative and administrative matters, including Council expenditures and administration costs required to operate Vulcan County. Also, included in the segment are community such as parks, recreational services, other cultural services and family services.

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

13. SEGMENTED INFORMATION (continued)

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 allocated on a reasonable basis. Therefore, certain allocation methodologies 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. The 2009 segment disclosure figures have been reclassified to conform to 2010 segment disclosure presentation by combining general municipal revenues, administrative services and legislative services into one column called General Government. There were also some changes in the way the information was presented; the financial data was not reasonably determinable to change the 2009 figures to be consistent with 2010 figures.

14. 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:

		2010		2009
Total debt limit	\$	21,309,654	\$	20,172,170
Total debt		-		-
Amount of debt limit unused		21,309,654	~~~~~~~	20,172,170
	October State Control	eren kan de k Banda de kan	1 - Da Conspilation (Conspilation)	electric description de la constitución de la const
Debt servicing limit		3,551,609		3,362,028
Debt servicing limit		-		-
Amount of debt servicing limit unused	\$	3,551,609	\$	3,362,028

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.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

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:

	2010						2009	
			Ben	efits &	0 10-41-0-044-01-1,140-424-0		et erten bled andonesse	Printed Reported Video Control
	5	Salary	Allov	vances		Total		Total
Councilors			- marin tradition and the second	A CONTRACTOR OF THE PROPERTY O	, ACCOUNTS ACCOUNTS		d /) - mail but independent of the con-	and the second s
Division 1	\$	22,358	\$	1,682	\$	24,040	\$	25,965
Division 2		13,165		1,645		14,810		14,442
Division 3		26,744		-		26,744		28,085
Division 4		27,550		1,682		29,232		25,013
Division 5		16,854		1,683		18,537		18,009
Division 6		14,325		1,421		15,746		16,375
Division 7		22,838		1,758		24,596		21,700
Division 8		17,825		1,663		19,488		13,220
Division 9		20,000		1,682		21,682		13,595
Chief Administrative Officer	\$	122,975	\$	12,263	\$	135,238	\$	159,664

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

Benefits/allowances figures for Councilors 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, professional memberships, and tuition.

16. 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 expenses in the year in which they become due.

The County is required to make current service contributions to the LAPP of 9.06%% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.53% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 8.06% of pensionable salary up to the year's maximum pensionable salary and 11.53% on pensionable salary above this amount.

Total current service contributions by the County to the LAPP in 2010 were \$209,568 (2009 - \$170,696). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2010 were \$188,144 (2009 - \$151,906).

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

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

17. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and temporary investments, accounts receivable, long term investments, loaned 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 its fair value.

18. CONTINGENCIES

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

The County has recorded a liability for the estimated amount of crop damage compensation it expects to pay to landowners for damages the County had inflicted on their property as part of road construction occurring adjacent to their land. This is 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.

The County is a defendant in a claim for damages for an accused breach of contract, related to internet services in the County, amounting to \$2,124,100 plus interest. At present, the outcome is not determinable. The amount of any future settlement would be accounted for as a current transaction in the year of settlement.

The County is in dispute related to fees owed for the costs of the water line. The amount of any future settlement will be paid out of the grant funding for the water line project.

The County is a defendant in a complaint with the Labour Relations Board, amounting to \$23,551. At present, the outcome is not determinable. The amount of any future settlement would be accounted for as a current transaction in the year of the settlement.

19. COMMITMENTS

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

20. SUBSEQUENT EVENTS

Subsequent to year end, the County provided a loan of \$250,000 to Milo Seed Cleaning Association Ltd. The loan is not to exceed 10 years and interest is calculated at 2.8% per annum and is to be repaid in annual payments with the first payment due 2012.

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.