# **Vulcan County**

FINANCIAL STATEMENTS DECEMBER 31, 2011

# FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2011

# CONTENTS

| Auditors' Report   | 1     |
|--|-------|
| Financial Statements                                     |       |
| Statement of Financial Position                          | 2     |
| Statement of Operations                                  | 3     |
| Statement of Changes in Net Financial Assets             | 4     |
| Statement of Cash Flows                                  | 5     |
| Schedule 1 - Schedule of Changes in Accumulated Surplus  | 6     |
| Schedule 2 - Schedule of Tangible Capital Assets         | 7     |
| Schedule 3 - Schedule of Property and Other Taxes        | 8     |
| Schedule 4 - Schedule of Government Transfers            | 9     |
| Schedule 5 - Schedule of Consolidated Expenses by Object | 10    |
| Schedule 6 - 2011 Schedule of Segmented Disclosure       | 11    |
| Schedule 7 - 2010 Schedule of Segmented Disclosure       | 12    |
| Notes to Financial Statements                            | 13-26 |



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

# 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, 2011, 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, 2011 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.

B.DO Camada CLP
Chartered Accountants

Lethbridge, Alberta April 18, 2012

# STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2011

|   | 2011             | 2010           |
|---|------------------|----------------|
| FINANCIAL ASSETS                              |                  |                |
| Cash and investments (Note 2)                 | \$ 5,659,191     | \$ 2,432,021   |
| Taxes and grants in lieu receivables (Note 3) | 378,472          | 356,201        |
| Trade and other receivables                   | 1,043,536        | 987,000        |
| Land held for resale                          | 61,343           | 61,343         |
| Long term investments (Note 4)                | 15,595,501       | 14,829,900     |
| Loans and notes receivable (Note 5)           | 941,221          | 803,839        |
| Other   | 182,252          | 175,433        |
| Total Financial Assets                        | 23,861,516       | 19,645,737     |
| LIABILITIES                                   |                  |                |
| Accounts payable and accrued liabilities      | 3,376,847        | 3,232,955      |
| Deferred revenue (Note 6)                     | 1,903,078        | 361,164        |
| Accrued vacation payable (Note 7)             | 160,448          | 149,347        |
| Employee benefit obligations (Note 7)         | 181,900          | 196,500        |
| Other liabilities                             | 148,894          | 141,505        |
|   | <u>5,771,167</u> | 4,081,471      |
| NET FINANCIAL ASSETS                          | 18,090,349       | 15,564,266     |
| NON - FINANCIAL ASSETS                        |                  |                |
| Tangible capital assets (Note 8)              | 101,549,801      | 100,064,576    |
| Inventory for consumption (Note 9)            | 4,859,463        | 4,650,169      |
| Prepaid expenses                              | 58,574           | 90,943         |
|   | 106,467,838      | 104,805,688    |
| ACCUMULATED SURPLUS (Schedule 1, Note 10)     | \$ 124,558,187   | \$ 120,369,954 |

Contingencies and commitments - See Note 18 and 19

APPROVED BY:

//and A. dreid

# STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 31, 2011

|   | -  | Budget<br>(unaudited)<br>(note 12) | 2011              |    | 2010        |
|---|----|------------------------------------|-------------------|----|-------------|
| REVENUE                                       |    | , ,                                |                   |    |             |
| Net municipal taxes (schedule 3)              | \$ | 11,441,189                         | \$<br>11,420,450  | \$ | 11,540,812  |
| Government transfers (schedule 4)             |    | 1,312,904                          | 1,322,407         |    | 759,346     |
| Returns on investment                         |    | 65,000                             | 368,977           |    | 409,011     |
| Sale of goods, rents, and user charges        |    | 308,272                            | 909,661           |    | 586,339     |
| Community aggregate levy                      |    | 145,000                            | 290,903           |    | 139,124     |
| Other revenue                                 |    | 370,500                            | 574,697           |    | 652,232     |
| Penalties and costs of taxes                  |    | 145,000                            | 149,314           |    | 119,572     |
| TOTAL REVENUE                                 |    | 13,787,865                         | 15,036,409        |    | 14,206,436  |
| EXPENSES                                      |    |                                    |                   |    |             |
| Legislative                                   |    | 322,100                            | 263,247           |    | 264,516     |
| Administration                                |    | 2,601,581                          | 2,372,100         |    | 2,910,252   |
| Protection services                           |    | 765,467                            | 1,029,103         |    | 862,577     |
| Transportation Services                       |    | 8,297,300                          | 7,957,029         |    | 9,898,846   |
| Environmental Use and Protection              |    | 819,511                            | 857,823           |    | 841,179     |
| Family and Community Support                  |    | 65,554                             | 55,087            |    | 35,472      |
| Community Planning and Development            |    | 131,000                            | 125,946           |    | 151,124     |
| Economic and Agricultural Development         |    | 451,930                            | 538,167           |    | 496,520     |
| Parks and Recreation                          |    | 257,890                            | 220,316           |    | 245,177     |
| Other   |    | 70,500                             | 38,704            |    | 977,514     |
| TOTAL EXPENSES                                | _  | 13,782,833                         | 13,457,522        |    | 16,683,177  |
| EXCESS (DEFICIENCY) OF REVENUE                |    |                                    |                   |    |             |
| OVER EXPENSES - BEFORE OTHER                  |    | 5,032                              | 1,578,887         |    | (2,476,741) |
| OTHER   |    |                                    |                   |    |             |
| Contributed tangible capital assets           |    | -                                  | 515,786           |    | -           |
| Government transfers for capital (schedule 4) | _  | 1,426,566                          | 2,093,560         | _  | 2,028,628   |
| EXCESS (DEFICIENCY) OF REVENUE                |    |                                    |                   |    |             |
| OVER EXPENSES                                 |    | 1,431,598                          | 4,188,233         |    | (448,113)   |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR        | _  | 120,369,954                        | 120,369,954       |    | 120,818,067 |
| ACCUMULATED SURPLUS, END OF YEAR              | \$ | 121,801,552                        | \$<br>124,558,187 | \$ | 120,369,954 |

# STATEMENT OF CHANGES IN NET FINANCIAL ASSETS YEAR ENDED DECEMBER 31, 2011

|  | 2011 |  |           | 2010   |
|--|------|--|-----------|--|
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES   | \$   | 4,188,233  | <u>\$</u> | (448,113)  |
| Acquisition of tangible capital assets Contributed tangible capital assets Proceeds on disposal of tangible capital assets Amortization of tangible capital assets Disposal of water line Loss (gain) on disposal of tangible capital assets |      | (4,687,181)<br>(515,786)<br>176,250<br>3,532,280<br>-<br>9,212 |           | (5,299,127)<br>-<br>243,219<br>3,318,674<br>903,743<br>(102,829) |
| Net change in inventory for consumption Acquisition of prepaid expenses Use of prepaid expenses  |      | (1,485,225)<br>(209,294)<br>(58,574)<br>90,943<br>(176,925)    | _         | (936,320)<br>(536,307)<br>(142,176)<br>96,975<br>(581,508)       |
| INCREASE (DECREASE) IN NET FINANCIAL ASSETS  |      | 2,526,083  |           | (1,965,941)  |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR  |      | 15,564,266   | _         | 17,530,207   |
| NET FINANCIAL ASSETS, END OF YEAR  | \$   | 18,090,349   | \$        | 15,564,266   |

# STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2011

|   |    | 2011        | 2010         |  |  |
|---|----|-------------|--------------|--|--|
| NET INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES:     |    |             |              |  |  |
|   |    |             |              |  |  |
| OPERATING  Excess (deficiency) of revenue over expenses     | \$ | 4,188,233   | \$ (448,113) |  |  |
| Non-cash items included in excess of revenue over expenses: | Ψ  | 4,100,233   | ψ (440,113)  |  |  |
| Amortization of tangible capital assets                     |    | 3,532,280   | 3,318,674    |  |  |
| Loss (gain) on disposal of tangible capital assets          |    | 9,212       | (102,829)    |  |  |
| Disposal of water line                                      |    | -           | 903,743      |  |  |
| Tangible capital assets received as contributions           |    | (515,786)   | -            |  |  |
| Non-cash charges to operations (net change):                |    | (51,5,155)  |              |  |  |
| Decrease (increase) in taxes and grants in lieu receivable  |    | (22,271)    | 21,691       |  |  |
| Decrease (increase) in trade and other receivables          |    | (56,536)    | 1,204,611    |  |  |
| Decrease (increase) in loans receivable                     |    | (137,382)   | 175,497      |  |  |
| Decrease (increase) in other financial assets               |    | (6,819)     | 90,403       |  |  |
| Decrease (increase) in inventory for consumption            |    | (209,294)   | (536,307)    |  |  |
| Decrease (increase) in prepaid expenses                     |    | 32,369      | (45,201)     |  |  |
| Increase (decrease) in accounts payable                     |    | 143,892     | 1,355,298    |  |  |
| Increase (decrease) in deferred revenue                     |    | 1,541,914   | (812,226)    |  |  |
| Increase (decrease) in accrued vacation pay                 |    | 11,101      | (9,122)      |  |  |
| Increase (decrease) in employee benefit obligations         |    | (14,600)    | 78,380       |  |  |
| Increase (decrease) in other liabilities                    |    | 7,389       | (180,388)    |  |  |
| Cash provided by operating transactions                     |    | 8,503,702   | 5,014,111    |  |  |
| CAPITAL   |    |             |              |  |  |
| Acquisition of tangible capital assets                      |    | (4,687,181) | (5,299,127)  |  |  |
| Proceeds on disposal of tangible capital assets             |    | 176,250     | 243,219      |  |  |
| Cash applied to capital transactions                        | _  | (4,510,931) | (5,055,908)  |  |  |
| INVESTING   |    |             |              |  |  |
| Decrease (increase) in investments                          |    | (765,601)   | (8,271,745)  |  |  |
| Cash applied to investing transactions                      |    | (765,601)   | (8,271,745)  |  |  |
|   |    |             |              |  |  |
| CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR              |    | 3,227,170   | (8,313,542)  |  |  |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR                |    | 2,432,021   | 10,745,563   |  |  |
| CASH AND CASH EQUIVALENTS, END OF YEAR                      |    | 5,659,191   | 2,432,021    |  |  |
| Cash and cash equivalents consist of the following:         |    |             |              |  |  |
| Cash Cash   |    | 2,515,078   | (220,361)    |  |  |
| Short-Term Investments                                      |    | 3,144,113   | 2,652,382    |  |  |
|   |    | <u> </u>    |              |  |  |
|   | \$ | 5,659,191   | \$ 2,432,021 |  |  |

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

# SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS YEAR ENDED DECEMBER 31, 2011

|  |    |              | Restricted<br>Surplus | Equity in Tangible<br>Capital Assets | 2011        | <br>2010          |
|--|----|--------------|-----------------------|--------------------------------------|-------------|-------------------|
| BALANCE, BEGINNING OF YEAR                         | \$ | 3,945,302 \$ | 16,360,076 \$         | 100,064,576 \$                       | 120,369,954 | \$<br>120,818,067 |
| Excess (deficiency) of revenues over expenses      |    | 4,188,233    | -                     | - ·                                  | 4,188,233   | (448,113)         |
| Unrestricted funds designated for future use       |    | (1,112,966)  | 1,112,966             | -                                    | -           | -                 |
| Restricted funds used for operations               |    | -            | -                     | -                                    | -           | -                 |
| Restricted funds used for tangible capital assets  |    | -            | (151,906)             | 151,906                              | -           | -                 |
| Current year funds used for tangible capital asset | S  | (4,535,275)  | -                     | 4,535,275                            | -           | -                 |
| Contributed tangible capital assets                |    | (515,786)    |                       | 515,786                              | -           |                   |
| Disposal of tangible capital assets                |    | 185,462      | _                     | (185,462)                            | -           | -                 |
| Annual amortization expense                        |    | 3,532,280    | <del>-</del>          | (3,532,280)                          |             | <u> </u>          |
| Change in accumulated surplus                      |    | 1,741,948    | 961,060               | 1,485,225                            | 4,188,233   | <br>(448,113)     |
| BALANCE, END OF YEAR                               | \$ | 5,687,250 \$ | 17,321,136 \$         | 101,549,801 \$                       | 124,558,187 | \$<br>120,369,954 |

## SCHEDULE OF TANGIBLE CAPITAL ASSETS YEAR ENDED DECEMBER 31, 2011

|  | Land      | Land<br>Improvements | Buildings | Equipment  | Vehicles Engineered Structures |                | 2011        | _   | 2010        |
|--|-----------|----------------------|-----------|------------|--------------------------------|----------------|-------------|-----|-------------|
| COST:  |           |                      |           |            |                                |                |             |     |             |
| BALANCE, BEGINNING 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 |
| Acquisition of tangible capital assets                 | -         | 8,615                | 800,377   | 1,480,794  | 52,104                         | 2,578,326      | 4,920,216   |     | 5,217,658   |
| New construction-in-progress                           | -         | -                    | -         | -          | -                              | 282,751        | 282,751     |     | 81,469      |
| Disposition of tangible capital assets                 | (335)     |                      |           | (248,835)  | (352,854)                      | (275,235)      | (877,259)   | _   | (1,910,438) |
| BALANCE, END OF YEAR                                   | 5,147,323 | 1,127,650            | 9,554,872 | 14,138,783 | 2,349,550                      | 142,334,766    | 174,652,944 |     | 170,327,236 |
| ACCUMULATED AMORTIZATION<br>BALANCE, BEGINNING OF YEAR | -         | 38,616               | 1,306,191 | 5,120,682  | 1,551,995                      | 62,245,176     | 70,262,660  |     | 67,810,291  |
| Annual amortization                                    | -         | 15,540               | 313,118   | 1,079,710  | 170,116                        | 1,953,796      | 3,532,280   |     | 3,318,674   |
| Accumulated amortization on disposal                   |           |                      |           | (232,102)  | (244,261)                      | (215,434)      | (691,797)   |     | (866,305)   |
| BALANCE, END OF YEAR                                   |           | 54,156               | 1,619,309 | 5,968,290  | 1,477,850                      | 63,983,538     | 73,103,143  |     | 70,262,660  |
| NET BOOK VALUE OF<br>TANGIBLE CAPITAL ASSETS           | 5,147,323 | 1,073,494            | 7,935,563 | 8,170,493  | 871,700                        | 78,351,228 \$  | 101,549,801 | \$_ | 100,064,576 |
| 2010 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 |     |             |

# SCHEDULE OF PROPERTY AND OTHER TAXES YEAR ENDED DECEMBER 31, 2011

|                                    | <br>Budget          | 2011       | 2010             |
|------------------------------------|---------------------|------------|------------------|
| TAXATION                           |                     |            |                  |
| Real property taxes                | \$<br>6,769,062 \$  | 6,770,189  | \$<br>6,616,346  |
| Linear taxes                       | 6,937,856           | 6,917,153  | 7,241,679        |
| Commercial taxes                   | 838,376             | 832,696    | 810,166          |
| Government grants in lieu of taxes | 7,000               | 7,466      | 7,435            |
| Special levy                       | 519,670             | 535,987    | 516,949          |
| Well drilling tax                  | <br>50,000          | 56,043     | <br>52,380       |
|                                    | <br>15,121,964      | 15,119,534 | <br>15,244,955   |
| REQUISITIONS                       |                     |            |                  |
| School requisitions                | 3,534,775           | 3,534,775  | 3,540,143        |
| Seniors foundation                 | <br>146,000         | 164,309    | 164,000          |
|                                    | <br>3,680,775       | 3,699,084  | 3,704,143        |
| NET MUNICIPAL TAXES                | \$<br>11,441,189 \$ | 11,420,450 | \$<br>11,540,812 |

# SCHEDULE OF GOVERNMENT TRANSFERS YEAR ENDED DECEMBER 31, 2011

|   | <br>Budget         | 2011      | <br>2010                |
|---|--------------------|-----------|-------------------------|
| TRANSFERS FOR OPERATING  Provincial government transfers Federal government transfers | \$<br>1,312,904 \$ | 1,322,407 | \$<br>729,884<br>29,462 |
|   | 1,312,904          | 1,322,407 | 759,346                 |
| TRANSFERS FOR CAPITAL Provincial government transfers                                 | 1,426,566          | 2,093,560 | 2,028,628               |
| TOTAL GOVERNMENT TRANSFERS  | \$<br>2,739,470 \$ | 3,415,967 | \$<br>2,787,974         |

## SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT YEAR ENDED DECEMBER 31, 2011

| -   | Budget (unaudited) 2011 |            |    |            | 2010 |            |
|---|-------------------------|------------|----|------------|------|------------|
| EXPENSES  |                         |            |    |            |      |            |
| Salaries, wages and benefits                                    | \$                      | 4,854,998  | \$ | 4,859,448  | \$   | 4,806,306  |
| Contracted and general services                                 |                         | 4,848,560  |    | 1,827,420  |      | 3,330,681  |
| Materials, goods and utilities, contracted and general services | i                       | 2,686,772  |    | 2,783,970  |      | 2,660,137  |
| Provision for allowances  |                         | 10,175     |    | -          |      | 183,067    |
| Transfers to local boards and agencies                          |                         | 1,359,828  |    | 1,347,953  |      | 1,563,772  |
| Bank charges and short term interest                            |                         | 22,500     |    | 29,664     |      | 19,625     |
| Other expenses  |                         | -          |    | 887        |      | 903,744    |
| Amortization of tangible capital assets                         |                         | -          |    | 3,532,280  |      | 3,318,674  |
| Loss (gain) on disposal of tangible capital assets              |                         | -          |    | 9,212      |      | (102,829)  |
| Machine expenses capitalized for road construction              |                         |            |    | (933,312)  | _    |            |
|   | \$_                     | 13,782,833 | \$ | 13,457,522 | \$   | 16,683,177 |

# SCHEDULE OF SEGMENTED DISCLOSURE YEAR ENDED DECEMBER 31, 2011

|  |      |            |                 |     |              |                 |              | SCHEDULE 6          |
|--|------|------------|-----------------|-----|--------------|-----------------|--------------|---------------------|
|  |      |            |                 |     |              | Economic        |              |                     |
|  |      |            |                 |     |              | and             |              |                     |
|  | (    | General    | Protective      | Tra | ansportation | Agricultural    |              | 2011                |
|  | G    | overnment  | Services        |     | Services     | Services        | Planning     | Total               |
| REVENUE  |      |            |                 |     |              |                 |              |                     |
| Net taxes  | \$ 1 | 11,420,450 | \$<br>-         | \$  | -            | \$<br>-         | \$ -         | \$ 11,420,450       |
| Sales of services and regulatory fees              |      | 82,632     | 42,361          |     | 753,111      | 39,310          | 371,080      | 1,288,494           |
| Government transfers                               |      | 253,406    | 86,729          |     | 2,798,661    | 237,698         | 39,474       | 3,415,968           |
| Other  |      | 914,976    | -               |     | 595,247      | 6,620           | 4,000        | 1,520,843_          |
|  |      |            |                 |     |              |                 |              |                     |
|  | 1    | 2,671,464  | 129,090         |     | 4,147,019    | <br>283,628     | 414,554_     | <u>17,645,755</u> _ |
|  |      |            |                 |     |              |                 |              |                     |
| EVDENCES   |      |            |                 |     |              |                 |              |                     |
| EXPENSES   |      |            | 054.050         |     |              |                 | 005.455      |                     |
| Salaries, wages and benefits                       |      | 1,099,322  | 251,370         |     | 2,799,904    | 323,675         | 385,177      | 4,859,448           |
| Goods and services                                 |      | 1,014,478  | 276,958         |     | 2,999,090    | 295,671         | 26,079       | 4,612,276           |
| Interest   |      | 29,664     | -               |     | -            | -               | -            | 29,664              |
| Transfers to local boards and agencies             |      | 518,162    | 386,781         |     | 4,000        | -               | 439,011      | 1,347,954           |
| Amortization                                       |      | 287,828    | 113,994         |     | 3,078,135    | 44,767          | 7,556        | 3,532,280           |
| Machine expenses capitalized for road construction |      | -          | -               |     | (933,312)    | -               | -            | (933,312)           |
| Other  |      |            |                 |     | 9,212        |                 |              | 9,212               |
|  |      | 00101=1    |                 |     |              |                 |              |                     |
|  |      | 2,949,454  | <br>1,029,103   |     | 7,957,029    | <br>664,113     | 857,823      | 13,457,522_         |
| NET REVENUE  | \$   | 9,722,010  | \$<br>(900,013) | \$  | (3,810,010)  | \$<br>(380,485) | \$ (443,269) | \$ 4,188,233        |

# SCHEDULE OF SEGMENTED DISCLOSURE YEAR ENDED DECEMBER 31, 2010

|  | at Ended dec          | LMDLI  | ( 01, 20        |                         |        | Economic                        |    |           | sc | CHEDULE 7     |
|--|-----------------------|--------|-----------------|-------------------------|--------|---------------------------------|----|-----------|----|---------------|
|  | General<br>Government |        | ective<br>vices | Transportat<br>Services |        | and<br>Agricultural<br>Services | ı  | Planning  |    | 2010<br>Total |
| RFVENUE                                      |                       |        |                 |                         |        | •                               | •  |           |    |               |
| Taxation                                     | \$11,540,812          |        | -               | \$ -                    |        | \$ -                            | \$ | -         | \$ | 11,540,812    |
| Sales of goods, services and regulatory fees | 76,726                |        | 45,881          | 456,86                  |        | 15,152                          |    | 336,167   |    | 930,790       |
| Government transfers (schedule 4)            | 1,000,050             | 2      | 25,682          | 1,338,77                | 72     | 183,996                         |    | 39,474    |    | 2,787,974     |
| Other  | 464,738               |        | 1,500           | 505,14                  | 48     | 4,102                           |    |           | _  | 975,488       |
|  | 13,082,326            | 2      | 73,063          | 2,300,78                | 34     | 203,250                         |    | 375,641   | _  | 16,235,064    |
| EXPENSES                                     |                       |        |                 |                         |        |                                 |    |           |    |               |
| Salaries and benefits                        | 1,206,911             | 2      | 04,841          | 2,691,75                | 57     | 349,513                         |    | 353,284   |    | 4,806,306     |
| Goods and services                           | 1,024,457             | 1      | 74,997          | 4,438,91                | 10     | 277,005                         |    | 54,112    |    | 5,969,481     |
| Interest                                     | 19,625                |        | -               | _                       |        | -                               |    | -         |    | 19,625        |
| Transfer to local boards and agencies        | 705,406               | 36     | 62,589          | 4,00                    | 00     | 411                             |    | 426,224   |    | 1,498,630     |
| Amortization                                 | 286,807               | 1:     | 20,150          | 2,855,75                | 57     | 48,404                          |    | 7,556     |    | 3,318,674     |
| Other  | 1,162,039             |        |                 | (91,57                  | 78)    |                                 |    |           |    | 1,070,461     |
|  | 4,405,245             | 86     | 62,577          | 9,898,84                | 16     | 675,333                         |    | 841,176   | _  | 16,683,177    |
| NET REVENUE                                  | \$ 8,677,081          | \$ (58 | 39,514)         | \$ (7,598,06            | 32) \$ | (472,083)                       | \$ | (465,535) | \$ | (448,113)     |

# NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

#### 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, 2011

#### 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, or are redeemable, 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, 2011

#### 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:

|                         | Years    |
|-------------------------|----------|
|                         |          |
| 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 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, 2011

#### 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) Measurement Uncertainty

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 the allocation of costs for internally constructed assets.

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.

The county has internally constructed assets, a portion of the costs of which is from the use of the county's employees, machinery and equipment. A formula is used to allocate these costs to the constructed assets. The inputs into the formula are based on expected costs of construction, and are regularly assessed for accuracy. The actual costs of construction may differ from the allocated amounts.

#### k) Reserve for Future Expenditures

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

### Pension Expense

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

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

#### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### m) 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.

#### n) 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.

#### 2. CASH AND INVESTMENTS

|   | <br>2011                     | <br>2010                     |
|---|------------------------------|------------------------------|
| Cash (bank indebtedness) Short term investments | \$<br>2,515,078<br>3,144,113 | \$<br>(220,361)<br>2,652,382 |
|   | \$<br>5,659,191              | \$<br>2,432,021              |

Temporary investments are short-term deposits with original maturities of three months or less, or are redeemable, with interest rates ranging from 1.25% to 1.31% (2010 - 1.25% to 1.43%).

Included in temporary investments is a restricted amount of \$1,903,079 (2010 - \$361,164) held exclusively for eligible projects.

The County has an available revolving line of credit facility up to \$300,000 with interest payable at prime minus 0.25%, and a credit card limit of \$15,000, with interest payable at 5.0%. As at December 31, 2011 the balance owing on these facilities is \$0 (2010 - \$0).

#### 3. TAXES AND GRANTS IN LIEU RECEIVABLES

| <br>2011      |                       | 2010    |
|---------------|-----------------------|---------|
| \$<br>200,545 | \$                    | 214,819 |
| <br>177,927   |                       | 141,382 |
| \$<br>378,472 | \$                    | 356,201 |
| \$<br>        | \$ 200,545<br>177,927 | 177,927 |

\_\_..

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

#### 4. INVESTMENTS

|  | _   | 2011                   |    |                        | 2010                      |                           |  |
|--|-----|------------------------|----|------------------------|---------------------------|---------------------------|--|
|  |     | Cost                   |    | Market<br>Value        | Cost                      | Market<br>Value           |  |
| High interest savings<br>Bonds and other investments | \$  | 8,545,162<br>7,050,339 | \$ | 8,545,162<br>7,506,392 | \$ 8,022,639<br>6,807,261 | \$ 8,022,639<br>7,113,379 |  |
|  | \$_ | 15,595,501             | \$ | 16,051,554             | \$ 14,829,900             | \$ 15,136,018             |  |

Bonds and other investments have stated interest rates of 3.05% and 6.02% with maturity dates ranging from 2012 to 2020 and held at amortized cost. High interest savings include investment savings investments held at ATB Securities Inc.

#### 5. LOANS RECEIVABLES

|  | <br>2011                          | 2010                              |
|--|-----------------------------------|-----------------------------------|
| Carmangay Fire Association - annual payment \$20,000, matures 2018<br>Champion Fire Association - annual payment of \$10,000, matures 2015<br>Lomond Fire Association - annual payment of \$15,500, matures 2015 | \$<br>110,000<br>40,000<br>46,500 | \$<br>130,000<br>50,000<br>62,000 |
| Milo Fire Association - annual payment \$10,000, matures 2015 Vulcan Fire Co-op  | 40,000<br>80,000                  | 50,000<br>90,000                  |
| Northwest Fire Protection Assoc annual payment \$25,000, matures 2018 Milo Seed Cleaning Association   | 200,000<br>250,000                | 225,000                           |
| Blackie & District Seed Cleaning Association  Mossleigh Water Co-op  | <br>88,371<br>86,350              | <br>103,936                       |
|  | \$<br>941,221                     | \$<br>803,839                     |

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

Loan receivable from Milo Seed Cleaning Association, has an annual blended loan payment of \$29,009, maturing in 2021, carrying interest at 2.8%.

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.

# NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

#### 6. DEFERRED REVENUE

|   | 2011         |     | 2010    |
|---|--------------|-----|---------|
| Agreements for sale of CPR lands                        | \$ 62,634    | \$  | 72,560  |
| Street Improvement Grant                                | 9,920        |     | 9,920   |
| Alberta Municipal Sustainability Initiative - Capital   | 1,228,155    |     | -       |
| Alberta Municipal Sustainability Initiative - Operating | 256,880      |     | 60,886  |
| Regional Partnership Initiative Program                 | 35,008       |     | 56,392  |
| Fire service training grant                             | -            |     | 636     |
| Other grants  | 7,425        |     | 11,525  |
| Emergency Response Plan                                 | 18,196       |     | -       |
| Regional Collaboration                                  | 80,000       |     | -       |
| Waterline funding - RCP                                 | 51,365       |     | -       |
| Historic MHPP   | 4,250        |     | -       |
| New Deal for Cities and Communities                     | 149,245      |     | 149,245 |
| Total, invested in short term investments               | \$ 1,903,078 | _\$ | 361,164 |

#### 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 Sustainability 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.

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, 2011

#### 6. DEFERRED REVENUE (continued)

#### Other Grants

Other grants includes funding for road maintenance.

#### **Emergency Response Plan**

This grant is to prepare the County's ability to respond to emergencies. The use of these funds are restricted to eligible projects as approved under the funding agreement.

#### Regional Collaboration

This grant is to support activities that improve the viability and long-term sustainability of municipalities. The use of these funds are restricted to eligible projects as approved under the funding agreement.

#### Waterline funding - RCP

This grant is to set up the water commission. The use of these funds are restricted to eligible projects as approved under the funding agreement.

#### Historic MHPP

This grant is to provide the County with historic points of interest. The use of these funds are restricted to eligible projects as approved under the funding agreement.

#### 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

| 2011 |                    | 2010                  |                          |  |
|------|--------------------|-----------------------|--------------------------|--|
| \$   | 160,448<br>181 900 | \$                    | 149,347<br>196,500       |  |
| \$   | 342,348            | \$                    | 345,847                  |  |
|      | \$                 | \$ 160,448<br>181,900 | \$ 160,448 \$<br>181,900 |  |

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.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

#### 7. EMPLOYEE BENEFIT OBLIGATIONS (continued)

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, 2011, are based on an actuarial valuation for accounting purposes as at December 31, 2011. 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

|    |  | 20    | 11                      | <br>2010                          |
|----|--|-------|-------------------------|-----------------------------------|
|    | Tangible capital assets Accumulated amortization                     |       | 4,652,944<br>3,103,143) | \$<br>170,327,236<br>(70,262,660) |
|    |  | \$ 10 | 1,549,801               | \$<br>100,064,576                 |
| 9. | INVENTORIES  | 20    | 211                     | <br>2010                          |
|    | Inventory for consumption - gravel Inventory for consumption - parts | \$    | 4,217,480<br>641,983    | \$<br>4,057,254<br>592,915        |
|    |  | \$    | 4,859,463               | \$<br>4,650,169                   |

Gravel inventory includes purchased deposits not yet crushed, with a cost of \$2,800,330.

# NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

## 10. ACCUMULATED SURPLUS

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

|  | 2011                      |    | 2010                      |
|--|---------------------------|----|---------------------------|
| Unrestricted surplus                         | \$ 5,687,250              | \$ | 3,945,302                 |
| Restricted surplus Reserves Equity in assets | 17,321,136<br>101,549,801 |    | 16,360,076<br>100,064,576 |
|  | \$ 124,558,187            | \$ | 120,369,954               |

#### 11. RESERVES

|                                   | 2010             | Inci         | reases  | De | creases | 2011             |
|-----------------------------------|------------------|--------------|---------|----|---------|------------------|
| Capital Reserves                  |                  |              |         |    |         |                  |
| Administration Building           | \$<br>1,250      | \$           | -       | \$ | -       | \$<br>1,250      |
| General Government Equipment      | 100,000          |              | _       |    | -       | 100,000          |
| General Government                | 6,078            |              | -       |    | -       | 6,078            |
| Protective Equipment              | 16,031           |              | -       |    | -       | 16,031           |
| Transportation Equipment          | 1,974,423        |              | -       |    | 151,906 | 1,822,517        |
| Environment Treatment             | 2,000,000        |              | -       |    | -       | 2,000,000        |
| Environment Development Equipment | 100,000          |              | -       |    | -       | 100,000          |
| Capital Acquisition               | <br>724,957      |              |         |    |         | <br>724,957      |
| Total Capital Reserves            | <br>4,922,739    |              |         |    | 151,906 | 4,770,833        |
| Operating Reserves                |                  |              |         |    |         |                  |
| Debt Reduction                    | 1,000,000        |              | -       |    | -       | 1,000,000        |
| CPR Discontinuance                | 1,646,698        |              | -       |    | -       | 1,646,698        |
| General Government Service        | 149,388          |              | 78,135  |    | -       | 227,523          |
| Protective Services               | 43,000           |              | 4,511   |    | -       | 47,511           |
| Transportation Contingency        | 800,372          |              | 76,475  |    | -       | 876,847          |
| Gravel Crushing                   | 4,888,280        | (            | 900,000 |    | -       | 5,788,280        |
| Road Construction                 | 1,097,644        |              | 53,845  |    | -       | 1,151,489        |
| Water Management                  | 2,116            |              | -       |    | -       | 2,116            |
| Operating Contingency             | <br>1,809,839    |              |         |    |         | 1,809,839        |
| Total Operating Reserves          | 11,437,337       | 1,           | 112,966 |    |         | <br>12,550,303   |
| Total Reserve                     | \$<br>16,360,076 | <b>\$1</b> , | 112,966 | \$ | 151,906 | \$<br>17,321,136 |

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

#### 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.

|   | 2011 |             | <br>2010        |  |
|---|------|-------------|-----------------|--|
| Excess of revenue over expenses           | \$   | 1,431,598   | \$<br>1,522,004 |  |
| ADD: Proceeds from sale of capital assets |      | 66,500      | 244,000         |  |
| ADD: Transfer from reserve to operations  |      | -           | 700,000         |  |
| ADD: Transfers from reserves to capital   |      | -           | 1,447,310       |  |
| LESS: Transfers to reserves               |      | -           | (40,000)        |  |
| LESS: Capital expenditures                |      | (1,493,066) | (2,147,316)     |  |
| LESS: Contingency amount                  |      | <u>-</u>    | (1,725,998)     |  |
| Budget approved by Council                | \$   | 5,032       | \$<br>          |  |

#### 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, 2011

#### 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.

#### 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:

|   | 2011              | 2010              |
|---|-------------------|-------------------|
| Total debt limit Total debt               | \$ 22,554,614<br> | \$ 21,309,654<br> |
| Amount of debt limit unused               | 22,554,614        | 21,309,654        |
| Debt servicing limit Debt servicing limit | 3,759,102         | 3,551,609         |
| Amount of debt servicing limit unused     | \$ 3,759,102      | \$ 3,551,609      |

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, 2011

#### 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  |         |
|------------------------------|--------|---------|------------|--------|-------|---------|-------|---------|
|                              |        |         |            |        |       |         |       |         |
|                              | Salary |         | Allowances |        | Total |         | Total |         |
| Councilors                   |        |         |            |        |       |         |       | -       |
| Division 1                   | \$     | 17,090  | \$         | 2,645  | \$    | 19,735  | \$    | 24,040  |
| Division 2                   |        | 15,013  |            | 2,456  |       | 17,469  |       | 14,810  |
| Division 3                   |        | 28,518  |            | 1,238  |       | 29,756  |       | 26,744  |
| Division 4                   |        | 24,800  |            | 3,415  |       | 28,215  |       | 29,232  |
| Division 5                   |        | 15,403  |            | 2,533  |       | 17,936  |       | 18,537  |
| Division 6                   |        | 16,325  |            | 2,136  |       | 18,461  |       | 15,746  |
| Division 7                   |        | 17,158  |            | 2,177  |       | 19,335  |       | 24,596  |
| Division 8                   |        | 17,668  |            | 2,825  |       | 20,493  |       | 19,488  |
| Division 9                   |        | 13,260  |            | 1,988  |       | 15,248  |       | 21,682  |
| Chief Administrative Officer | \$     | 114,815 | \$         | 23,332 | \$    | 138,147 | \$    | 135,238 |

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 9.49% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.13% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 8.49% of pensionable salary up to the year's maximum pensionable salary and 12.13% on pensionable salary above this amount.

Total current service contributions by the County to the LAPP in 2011 were \$245,997 (2010 - \$209,568). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2011 were \$222,481 (2010 - \$188,144).

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, 2011

#### 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, as determined by management and Council. 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 provided to the water commission for the water line project. A tentative settlement of \$700,000 has been reached.

The County is a defendant in a claim regarding relocation of fence posts and negligence regarding drainage and flooding issues amounting to \$225,000. 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. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.