### **Vulcan County**

FINANCIAL STATEMENTS DECEMBER 31, 2012

# FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2012

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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, 2012, 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, 2012 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

BDO Canada LCP

Lethbridge, Alberta June 19, 2013

# STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2012

	2012	2011
FINANCIAL ASSETS		
Cash and investments (note 2)	\$ 6,293,359	\$ 5,659,191
Taxes and grants in lieu receivables (note 3)	617,723	378,472
Trade and other receivables	1,549,044	1,043,536
Land held for resale	61,343	61,343
Long term investments (note 4)	14,910,482	15,595,501
Loans and notes receivable (note 5)	824,853	941,221
Other	173,862	182,252
	24,430,666	23,861,516
LIABILITIES		
Accounts payable and accrued liabilities	1,517,286	3,376,847
Deferred revenue (note 6)	1,166,724	1,903,078
Accrued vacation payable	184,540	160,448
Employee benefit obligations (note 7)	180,400	181,900
Other liabilities	167,231	148,894
	3,216,181	5,771,167
NET FINANCIAL ASSETS	21,214,485	18,090,349
NON - FINANCIAL ASSETS		
Tangible capital assets (note 8)	103,110,604	101,549,801
Inventory for consumption (note 9)	5,117,654	4,859,463
Prepaid expenses	123,994	58,574
	108,352,252	106,467,838
ACCUMULATED SURPLUS (schedule 1, note 10)	\$ 129,566,737	\$ 124,558,187

Contingencies and commitments - See note 18 and 19

# STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 31, 2012

		Budget (note 12)	2012		2011
REVENUE		(11018 12)			
Net municipal taxes (schedule 3)	\$	11,891,856 \$	11,958,936	\$	11,420,450
Government transfers (schedule 4)	•	889,568	738,649		1,322,407
Returns on investment		86,134	509,692		368,977
Sale of goods, rents, and user charges		1,974,784	1,548,470		1,313,399
Community aggregate levy		120,000	224,683		290,903
Other revenue		81,235	170,417		205,489
Penalties and costs of taxes		93,700	143,818		114,784
TOTAL REVENUE		15,137,277	15,294,665		15,036,409
EXPENSES					
Legislative		335,546	248,944		263,247
Administration		1,786,751	2,005,043		2,372,100
Protection services		1,192,678	1,185,600		1,029,103
Transportation services		11,495,180	8,041,807		7,957,029
Environmental use and protection		693,388	563,412		857,823
Family and community support		133,500	106,574		55,087
Community planning and development		426,254	308,858		125,946
Economic and agricultural development		975,283	883,369		538,167
Parks and recreation		443,369	420,116		220,316
Other			9,080		38,704
TOTAL EXPENSES		17,481,949	13,772,803	-	13,457,522
EXCESS (DEFICIENCY) OF REVENUE					
OVER EXPENSES - BEFORE OTHER		(2,344,672)	1,521,862		1,578,887
OTHER					
Contributed tangible capital assets		-	379,230		515,786
Government transfers for capital (schedule 4)		3,814,278	3,107,458		2,093,560
EXCESS OF REVENUE OVER EXPENSES		1,469,606	5,008,550		4,188,233
ACCUMULATED SURPLUS, BEGINNING OF YEAR		124,558,187	124,558,187		120,369,954
ACCUMULATED SURPLUS, END OF YEAR	\$	126,027,793 \$	129,566,737	\$	124,558,187

#### STATEMENT OF CHANGES IN NET FINANCIAL ASSETS YEAR ENDED DECEMBER 31, 2012

	 2012		2011
EXCESS OF REVENUE OVER EXPENSES	\$ 5,008,550	\$	4,188,233
Acquisition of tangible capital assets Contributed tangible capital assets	(5,128,970) (379,230)		(4,687,181) (515,786)
Proceeds on disposal of tangible capital assets	206,862		176,250
Amortization of tangible capital assets	3,603,576		3,532,280
Loss on disposal of tangible capital assets	 136,959	-	9,212
	 (1,560,803)	3	(1,485,225)
Net change in inventory for consumption	(258,191)		(209,294)
Acquisition of prepaid expenses	(123,994)		(58,574)
Use of prepaid expenses	58,574		90,943
	(323,611)		(176,925)
INCREASE IN NET FINANCIAL ASSETS	3,124,136		2,526,083
NET FINANCIAL ASSETS, BEGINNING OF YEAR	18,090,349	_	15,564,266
NET FINANCIAL ASSETS, END OF YEAR	\$ 21,214,485	\$	18,090,349

#### STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2012

		2012		2011
NET INFLOW OF CASH RELATED TO				
THE FOLLOWING ACTIVITIES:				
OPERATING				
Excess of revenue over expenses	\$	5,008,550	\$	4,188,233
Non-cash items included in excess of revenue over expenses:		0,000,000	Ψ.	1,100,200
Amortization of tangible capital assets		3,603,576		3,532,280
Loss on disposal of tangible capital assets		136,959		9,212
Tangible capital assets received as contributions		(379,230)		(515,786)
Non-cash charges to operations (net change):		(010,200)		(010,100)
Increase in taxes and grants in lieu receivable		(239,251)		(22,271)
Increase in trade and other receivables		(505,508)		(56,536)
Decrease (increase) in loans receivable		116,368		(137,382)
Decrease (increase) in other financial assets		8,390		(6,819)
Increase in inventory for consumption		(258,191)		(209,294)
Decrease (increase) in prepaid expenses		(65,420)		32,369
Increase (decrease) in accounts payable		(1,859,561)		143,892
Increase (decrease) in deferred revenue		(736,354)		1,541,914
Increase in accrued vacation pay		24,092		11,101
Increase in employee benefit obligations		(1,500)		(14,600)
Increase in other liabilities		18,337		7,389
Cash provided by operating transactions		4,871,257		8,503,702
CAPITAL				
Acquisition of tangible capital assets		(5,128,970)		(4,687,181)
Proceeds on disposal of tangible capital assets	-	206,862		176,250
Cash applied to capital transactions		(4,922,108)		(4,510,931)
INVESTING				
Decrease (increase) in investments, being				
cash provided by (applied to) investing transactions		685,019		(765,601)
cash provided by (applied to) infecting named and				(. 55,55.7
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR		624 460		2 227 470
CHANGE IN CASH AND EQUIVALENTS DURING THE TEAR		634,168		3,227,170
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		5,659,191		2,432,021
The second secon				
CASH AND CASH EQUIVALENTS, END OF YEAR		6,293,359		5,659,191

# SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS YEAR ENDED DECEMBER 31, 2012

	Unr	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2012		2011
BALANCE, BEGINNING OF YEAR	s	5,687,250 \$	- 1	17,321,136 \$ 101,549,801 \$	124,558,187	69	120,369,954
Excess of revenues over expenses		5,008,550	•	,	5,008,550		4,188,233
Unrestricted funds designated for future use	_	(1,731,925)	1,731,925	1	ï		•
Restricted funds used for operations		100,407	(100,407)	1	•		•
Restricted funds used for tangible capital assets		•	(395,415)	395,415			
Current year funds used for tangible capital assets	•	(4,733,555)	•	4,733,555	ï		•
Contributed tangible capital assets	•	(379,230)		379,230	ì		
Disposal of tangible capital assets		343,821	•	(343,821)	•		i
Annual amortization expense		3,603,576	3	(3,603,576)	•		•
Change in accumulated surplus		2,211,644	1,236,103	1,560,803	5,008,550		4,188,233
	6	7 809 904 4	18 557 230 C	102 110 604 C	129 566 737	6	124 558 187
DALANCE, END OF TEAR	Ð	, and, one,		Ш	160,000,101	<b>∍</b> ∥	141,000,101

# SCHEDULE OF TANGIBLE CAPITAL ASSETS YEAR ENDED DECEMBER 31, 2012

'	Land	Land Improvements	Buildings	Equipment	Vehicles	Engineered Structures	2012		2011
COST:									
BALANCE, BEGINNING OF YEAR	5,147,323	1,127,650	9,554,872	14,138,783	2,349,550	142,334,766 \$	174,652,944	69	170,327,236
Acquisition of tangible capital assets	480,894	104,239	6,508	1,096,492	367,066	2,371,894	4,427,093		4,920,216
New construction-in-progress	) See	٠	508,695	315,588	<b>C</b>	256,824	1,081,107		282,751
Disposition of tangible capital assets	(1,455)	•	(3,559)	(600,592)	(78,895)	(418,712)	(1,103,213)		(877,259)
BALANCE, END OF YEAR	5,626,762	1,231,889	10,066,516	14,950,271	2,637,721	144,544,772	179,057,931		174,652,944
ACCUMULATED AMORTIZATION BALANCE, BEGINNING OF YEAR	3	54,156	1,619,309	5,968,290	1,477,850	63,983,538	73,103,143		70,262,660
Annual amortization	•	33,527	323,746	946,892	323,540	1,975,871	3,603,576		3,532,280
Accumulated amortization on disposal	1	•	(3,559)	(357,269)	(54,138)	(344,426)	(759,392)		(691,797)
BALANCE, END OF YEAR		87,683	1,939,496	6,557,913	1,747,252	65,614,983	75,947,327		73,103,143
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	5,626,762	1,144,206	8,127,020	8,392,358	890,469	78,929,789 \$	103,110,604	<b>↔</b>	101,549,801
2011 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	5,147,323	1,073,494	7,935,563	8,170,493	871,700	78,351,228 \$	101,549,801		

# SCHEDULE OF PROPERTY AND OTHER TAXES YEAR ENDED DECEMBER 31, 2012

		Budget	2012	_	2011
TAXATION					
Real property taxes	\$	7,059,087	\$ 6,997,722	\$	6,770,189
Linear taxes		6,978,343	7,029,104		6,917,153
Commercial taxes		919,866	911,334		832,696
Government grants in lieu of taxes		7,190	5,611		7,466
Special levy		601,035	600,451		535,987
Well drilling tax		45,000	131,373		56,043
	-	15,610,521	15,675,595		15,119,534
REQUISITIONS					
School requisitions		3,519,700	3,517,697		3,534,775
Seniors foundation	-	198,965	198,962		164,309
		3,718,665	3,716,659		3,699,084
NET MUNICIPAL TAXES	\$	11,891,856	\$ 11,958,936	\$	11,420,450

#### SCHEDULE OF GOVERNMENT TRANSFERS YEAR ENDED DECEMBER 31, 2012

	10 <del></del>	Budget	 2012		2011
TRANSFERS FOR OPERATING Provincial government transfers	\$	889,568	\$ 738,649	\$	1,322,407
TRANSFERS FOR CAPITAL Provincial government transfers		3,814,278	 3,107,458	-	2,093,560
TOTAL GOVERNMENT TRANSFERS	\$	4,703,846	\$ 3,846,107	\$	3,415,967

# SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT YEAR ENDED DECEMBER 31, 2012

	-	Budget	2012	 2011
EXPENSES				
Salaries, wages and benefits	\$	5,257,765	\$ 5,009,245	\$ 4,859,448
Contracted and general services		4,599,476	1,511,887	1,090,404
Materials, goods and utilities		5,920,245	3,914,791	3,520,986
Transfers to local boards and agencies		1,663,463	1,525,834	1,347,953
Bank charges and short term interest		1,000	58,318	29,664
Other expenses		40,000	(120,020)	887
Amortization of tangible capital assets			3,603,576	3,532,280
Loss on disposal of tangible capital assets			136,959	9,212
Machine expenses capitalized for road construction		-	(1,867,787)	(933,312)
	\$	17,481,949	\$ 13,772,803	\$ 13,457,522

# SCHEDULE OF SEGMENTED DISCLOSURE YEAR ENDED DECEMBER 31, 2012

	General Government	Protective Services	Transportation Services	Economic and Agricultural Services	Planning	2012 Total
REVENUE  Net taxes  Sales of services and regulatory fees  Government transfers  Other	\$ 11,958,936 618,536 209,554 743,146	\$ 184,082 1,251,587 15,316	\$ 362,376 2,043,826 618,898	\$ 266,671 278,296 32,484	\$ 116,805 62,844 17,996	\$ 11,958,936 1,548,470 3,846,107 1,427,840
•	13,530,172	1,450,985	3,025,100	577,451	197,645	18,781,353
EXPENSES Salaries wages and benefits	1 009 212	266.188	3.303.113	310,261	120,471	5,009,245
Goods and services	944,635	327,497	3,434,549	662,419	57,578	5,426,678
Interest	58,318	700 700	, 000	155,000	507 842	58,318
Transfers to local boards and agencies Amortization	248,965	257,535	3,024,973	64,547	7,556	3,603,576
Machine expenses capitalized for road construction	•	•	(1,867,787)	<b>ā</b> 1 :	1	(1,867,787)
Loss on disposal of tangible capital assets	. 0	Ļ	136,959	î i	(130 035)	130,939
Other	0.01	•			(00,001)	
	2,789,757	1,185,600	8,041,807	1,192,22/	503,412	13,772,003
NET REVENUE	\$ 10,740,415	\$ 265,385	\$ (5,016,707) \$		(614,776) \$ (365,767)	\$ 5,008,550

# SCHEDULE OF SEGMENTED DISCLOSURE YEAR ENDED DECEMBER 31, 2011

TEAR	reak ended december 31, 2011	IBER 31, 2011				SCHEDULE 7
				Economic		
				and		
	General	Protective	Transportation	Agricultural		2011
	Government	Services	Services	Services	Planning	Total
RFVENUE						
Taxation	\$ 11,420,450	- -	ا د	· ·	,	\$ 11,420,450
Sales of goods, 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	3.	595,247	6,620	4,000	1,520,843
	12 671 464	129 090	4.147.019	283.628	414.554	17,645,755
EXPENSES						
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	1	<b>■</b> ×	1	•	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		î	(933,312)	1	1	(933,312)
Other	•	1	9,212	5 <b>1</b>	j	9,212
	2,949,454	1,029,103	7,957,029	664,113	857,823	13,457,522
NET REVENUE	\$ 9,722,010	\$ (900,013)	(900,013) \$ (3,810,010) \$	\$ (380,485) \$	(443,269)	\$ 4,188,233

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

#### 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Vulcan County are the representations of management prepared in accordance with generally accepted accounting principles 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, 2012

#### 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, 2012

#### 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.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

#### 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, useful life of capital assets, rates of amortization 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) Restricted Surplus Funds for Future Expenditures

Restricted surplus funds 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, 2012

#### 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

		2012	-	2011
Cash	\$	1,419,277	\$	2,515,078
Short term investments	-	4,874,082		3,144,113
	\$	6,293,359	\$	5,659,191

Temporary investments are short-term deposits with original maturities of three months or less, or are redeemable, with interest rates ranging from 0.95% to 1.43% (2011 - 1.25% to 1.31%).

Included in temporary investments is a restricted amount of \$1,166,724 (2011 - \$1,903,079) 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, 2012 the balance owing on these facilities is \$0 (2011 - \$0).

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

	-	2012	2011
Taxes and grants in lieu receivables - current Taxes and grants in lieu receivables - arrears	\$ 460,06 157,65	460,065 157 658	\$ 200,545 177,927
Taxes and grants in hed receivables arrears	3	137,030	 177,527
	\$	617,723	\$ 378,472

#### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

#### 4. INVESTMENTS

	20	012	2011			
	Cost	Market Value	Cost	Market Value		
High interest savings Bonds and other investments	\$ 7,510,155 7,400,327	\$ 7,510,155 7,290,762	\$ 8,545,162 7,050,339	\$ 8,545,162 7,506,392		
	\$ 14,910,482	\$ 14,800,917	\$ 15,595,501	\$ 16,051,554		

Bonds and other investments have stated interest rates ranging from 2.55% to 6.02% with maturity dates ranging from 2013 to 2022 and held at amortized cost. High interest savings include investment savings accounts held at ATB Securities Inc.

#### 5. LOANS RECEIVABLES

	2012		2011
Carmangay Fire Association - annual pmt \$20,000, matures 2018	90,000	\$	110,000
Champion Fire Association - annual pmt \$10,000, matures 2015	30,000		40,000
Lomond Fire Association - annual pmt \$15,500, matures 2015	31,000		46,500
Milo Fire Association - annual pmt \$10,000, matures 2015	30,000		40,000
Vulcan Fire Co-op	80,000		80,000
Northwest Fire Protection Assoc annual pmt \$25,000, matures 2018	175,000		200,000
Milo Seed Cleaning Association	227,991		250,000
Blackie & District Seed Cleaning Association	81,066		88,371
Mossleigh Water Co-op	 79,796	_	86,350
	\$ 824,853	\$	941,221

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, 2012

#### 6. DEFERRED REVENUE

	2012		-	2011	
Agreements for sale of CPR lands	\$	62,634	\$	62,634	
Surface Rights		81,889			
Street Improvement Grant		•		9,920	
Alberta Municipal Sustainability Initiative - Capital		616,769		1,228,155	
Alberta Municipal Sustainability Initiative - Operating		199,636		256,880	
Regional Partnership Initiative Program				35,008	
Emergency Response Plan		-		18,196	
Regional Collaboration		-		80,000	
Waterline funding - RCP		28,994		51,365	
Historic MHPP		-		4,250	
Federal Gas Tax Fund		149,245		149,245	
Other		27,557		7,425	
Total, invested in short term investments	\$	1,166,724	\$	1,903,078	

#### 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.

#### **Surface Rights**

These monies represent amounts paid to the County by resource companies in exchange for surface rights in future periods.

#### Alberta Municipal Sustainability Initiative - Capital

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

#### 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.

# NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

#### 6. DEFERRED REVENUE (continued)

#### Waterline funding - RCP

This grant is for start-up costs of the water commission. The use of these funds is 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

The 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, 2012, is based on an actuarial valuation for accounting purposes as at December 31, 2012. Significant assumptions used in the valuation include a discount rate of 1.90%, salary increases of 3.75%, retirement at age 61, and a net annual sick leave accumulation of 50%.

#### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

#### 8. EQUITY IN TANGIBLE CAPITAL ASSETS

		No. of the last of	2012		
	Tangible capital assets Accumulated amortization	\$	179,057,931 (75,947,327)	\$	174,652,944 (73,103,143)
		\$	103,110,604	\$	101,549,801
9.	INVENTORIES		2012		2011
	Inventory for consumption - gravel Inventory for consumption - parts	\$	4,185,706 931,948	\$	4,217,480 641,983
		\$	5,117,654	\$	4,859,463

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

#### 10. ACCUMULATED SURPLUS

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

 2012		2011
\$ 7,898,894	\$	5,687,250
18,557,239		17,321,136
103,110,604		101,549,801
\$ 129,566,737	\$	124,558,187
\$	103,110,604	103,110,604

# NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

#### 11. RESTRICTED SURPLUS

Control Branch and Company	2012		2011	
Capital Restricted Surplus Administration Building	\$		\$	4.050
General Government	Ф	4A7 220	Ф	1,250
General Government Equipment		107,328		100,000
Protective Equipment		101,281		6,078
Transportation Equipment		1,968,865		16,031
Environment Treatment				1,822,517
Environment Development Equipment		2,000,000 187,013		2,000,000
Campground		22,500		100,000
Capital Acquisition				704 057
Capital Acquisition	-	724,957	_	724,957
		5,111,944	-	4,770,833
Operating Restricted Surplus				
Debt Reduction		1,000,000		1,000,000
CPR Discontinuance		1,646,698		1,646,698
General Government Service		247,523		227,523
Protective Services		145,199		47,511
Transportation Contingency		888,252		876,847
Gravel Crushing		6,174,507		5,788,280
Road Construction		1,415,740		1,151,489
Water Management		2,116		2,116
Bridges		17,491		-
Operating Contingency		1,907,769		1,809,839
		13,445,295	1	12,550,303
Total Restricted Surplus	\$	18,557,239	\$	17,321,136

# NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

#### 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.

	-	2012		2011	
Excess of revenue over expenses	\$	1,469,606	\$	1,431,598	
ADD: Proceeds from sale of capital assets		•		66,500	
ADD: Transfer from restricted surplus to operations		2,652,202		=	
LESS: Transfers to restricted surplus		(305,575)		•	
LESS: Capital expenditures		(3,814,278)	1	(1,493,066)	
Budget approved by Council	\$	1,955	\$	5,032	

#### 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. The municipal emergency agency 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 planning, development and maintenance of roadway and water systems, the maintenance of parks, ope 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 services such as parks, recreational services, other cultural services and family services.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

#### 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:

	 2012	2011		
Total debt limit Total debt	\$ 22,941,998	\$	22,554,614	
Amount of debt limit unused	22,941,998		22,554,614	
Debt servicing limit Debt servicing limit	 3,823,666		3,759,102	
Amount of debt servicing limit unused	\$ 3,823,666	\$	3,759,102	

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, 2012

#### 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:

	2012					2011		
			Bene	efits &				
	S	alary	Allov	ances		Total		Total
Councilors	An Estate State						75	
Division 1	\$	16,976	\$	1,279	\$	18,255	\$	19,735
Division 2		12,936		1,079		14,015		17,469
Division 3		26,607		1,144		27,751		29,756
Division 4		23,548		1,604		25,152		28,215
Division 5		12,971		1,081		14,052		17,936
Division 6		11,946		1,030		12,976		18,461
Division 7		16,191		1,255		17,446		19,335
Division 8		11,769		1,022		12,791		20,493
Division 9		705		111		816		15,248
Chief Administrative Officer	\$	127,862	\$	21,960	\$	149,822	\$	138,147

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.

Employer's 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 200,000 people and 421 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 9.81% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.74% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 8.91% of pensionable salary up to the year's maximum pensionable salary and 12.74% on pensionable salary above this amount.

Total current service contributions by the County to the LAPP in 2012 were \$279,323 (2011 - \$245,997). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2012 were \$253,750 (2011 - \$222,481).

At December 31, 2011 the LAPP disclosed an actuarial deficiency of \$4.639 billion.

#### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

#### 17. FINANCIAL INSTRUMENTS

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

The County is subject to credit risk with respect to taxes and grants in place of taxes receivables, and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the county provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates 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 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 a defendant in a claim regarding relocation of fence posts and negligence regarding drainage and flooding issues amounting to \$375,000. 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 year of reclamation.

The County is a member of the Twin Valley Regional Water Commission. The Commission is responsible for invoicing its members in relation to the capital and operating expenses incurred by the Commission. Capital expenses incurred by the Commission but not yet requisitioned to the County have not been recorded in these financial statements as no requisitions have been received from the Commission. Management has estimated the County's share of these capital expenses to be \$286,712. The County has received government funding and paid expenditures on behalf of the Commission until the Commission was organized as a legal entity, at which time the Commission took over operations. During the year, it was discovered that \$130,035 in expenses related to prior periods were recorded in error as County expenses. As this amount is not considered to have a material effect on the financial statements, this amount has been corrected in the current period as a credit to expenses.

#### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

#### 20. PRIOR YEAR FIGURES

Certain prior year figures have been reclassified to conform to the current year's presentation.

#### 21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.