Vulcan County

FINANCIAL STATEMENTS DECEMBER 31, 2013

FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2013

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 Change 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 - 2013 Schedule of Segmented Disclosure	11
Schedule 7 - 2012 Schedule of Segmented Disclosure	12
Notes to Financial Statements	13-27



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, 2013, 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, 2013 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.

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Chartered Accountants

Lethbridge, Alberta April 16, 2014

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2013

	2013	2012
		(Restated)
FINANCIAL ASSETS Cash and investments (note 2)	\$ 3,092,054	\$ 6,293,359
Taxes and grants in lieu receivables (note 3)	\$ 5,092,054 965,511	¢ 0,293,339 617,724
Trade and other receivables	2,713,186	1,549,043
Inventory held for resale	289,418	61,343
Long term investments (note 4)	18,176,035	14,910,482
Loans and notes receivable (note 5)	652,514	824,853
Other	191,535	173,862
Guidi	101,000	170,002
	26,080,253	24,430,666
LIABILITIES		
Accounts payable and accrued liabilities	645,211	1,152,346
Deferred revenue (note 6)	1,327,001	1,166,724
Accrued vacation payable	210,228	184,540
Employee benefit obligations (note 7)	190,000	180,400
Other liabilities	701,473	532,171
		under Spenert in untradicted
	3,073,913	3,216,181
NET FINANCIAL ASSETS	23,006,340	21,214,484
NON - FINANCIAL ASSETS		
Tangible capital assets (note 8)	102,951,507	103,110,604
Inventory for consumption (note 9)	5,110,680	4,847,187
Prepaid expenses	169,585	123,994
	108,231,772	108,081,785
ACCUMULATED SURPLUS (schedule 1, note 10)	\$ 131,238,112	\$ 129,296,269

Contingencies and commitments - See note 18 and 19

APPROVED BY:

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

STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 31, 2013

	 Budget	2013		2012
	(note 12)		3	(Restated)
REVENUE				
Net municipal taxes (schedule 3)	\$ 12,163,967 \$	12,132,072	\$	11,958,936
Government transfers (schedule 4)	969,168	851,863		738,649
Returns on investment	112,794	434,653		509,692
Sale of goods, rents, and user charges	772,197	1,152,643		1,657,255
Community aggregate levy	120,000	127,522		224,683
Other revenue Penalties and costs of taxes	50,570	105,592		60,499
Penalties and costs of taxes	 98,800	134,472	0	144,952
TOTAL REVENUE	 14,287,496	14,938,816		15,294,666
EXPENSES				
Legislative	346,121	284,849		248,944
Administration	2,008,188	1,992,911		2,004,810
Protection services	1,224,349	1,182,050		1,185,357
Transportation services	10,190,173	10,764,909		8,317,267
Environmental use and protection	717,714	601,140		563,412
Family and community support	174,329	178,870		106,574
Community planning and development	506,327	295,493		308,858
Economic and agricultural development	990,808	898,635		914,326
Parks and recreation	406,575	405,422		384,409
Other	 70,000	811,035	-	9,313
TOTAL EXPENSES	 16,634,584	17,415,313		14,043,271
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - BEFORE OTHER	(2,347,088)	(2,476,497)		1,251,394
OVER EXTENDED - DEFORE OTHER	(2,347,000)	(2,470,497)		1,201,004
OTHER				
Contributed tangible capital assets	-	836,725		379,230
Government transfers for capital (schedule 4)	4,425,256	3,581,616		3,107,459
	0.070.400			
EXCESS OF REVENUE OVER EXPENSES	2,078,168	1,941,843		4,738,083
ACCUMULATED SURPLUS, BEGINNING OF YEAR	 129,296,269	129,296,269		124,558,186
ACCUMULATED SURPLUS, END OF YEAR	\$ 131,374,437 \$	131,238,112	\$	129,296,269

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

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS YEAR ENDED DECEMBER 31, 2013

		2013		2012 (Restated)
EXCESS OF REVENUE OVER EXPENSES	\$	1,941,843	\$	4,738,083
Acquisition of tangible capital assets Contributed tangible capital assets		(4,311,744) (836,725)		(5,128,970) (379,230)
Proceeds on disposal of tangible capital assets Amortization of tangible capital assets		1,241,346 3,663,080		206,862 3,603,576
Loss on disposal of tangible capital assets		403,140	-	136,959
	· · · · · · · ·	159,097		(1,560,803)
Net change in inventory for consumption		(263,493)		12,277
Acquisition of prepaid expenses Use of prepaid expenses		(169,586) 123,994	-	(123,994) 58,574
		(309,085)		(53,143)
INCREASE IN NET FINANCIAL ASSETS		1,791,855		3,124,137
NET FINANCIAL ASSETS, BEGINNING OF YEAR		21,214,484		18,090,348
NET FINANCIAL ASSETS, END OF YEAR	\$	23,006,340	\$	21,214,484

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

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STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2013

		2013	2012
NET INFLOW OF CASH RELATED TO			(Restated)
THE FOLLOWING ACTIVITIES:			
OPERATING			
OPERATING		4 0 4 4 0 4 0	¢ 4 700 000
Excess of revenue over expenses	\$	1,941,843	\$ 4,738,083
Non-cash items included in excess of revenue over expenses:			
Amortization of tangible capital assets		3,663,080	3,603,576
Loss on disposal of tangible capital assets		403,140	136,959
Tangible capital assets received as contributions		(836,725)	(379,230)
Non-cash charges to operations (net change):			
Increase in taxes and grants in lieu receivable		(347,788)	(239,251)
Increase in trade and other receivables		(1,164,143)	(91,382)
Increase in inventory held for resale		(228,075)	-
Decrease in loans receivable		172,339	116,367
Decrease (increase) in other financial assets		(17,674)	8,390
Decrease (increase) in inventory for consumption		(263,493)	12,277
Increase in prepaid expenses		(45,590)	(65,420)
Decrease in accounts payable		(507,135)	(2,296,278)
Increase (decrease) in deferred revenue		160,277	(736,355)
Increase in accrued vacation pay		25,689	24,091
Increase (decrease) in employee benefit obligations		9,600	(1,500)
Increase in other liabilities		169,303	40,928
Cash provided by operating transactions		3,134,647	4,871,257
Cash provided by operating transactions	-	3,134,047	4,071,237
CAPITAL			
Acquisition of tangible capital assets		(4,311,744)	(5,128,970)
Proceeds on disposal of tangible capital assets		1,241,346	206,862
Cash applied to capital transactions	-	(3,070,398)	(4,922,108)
INVESTING			
Decrease (increase) in investments, being			
cash provided by (applied to) investing transactions		(3,265,553)	685,018
cash provided by (applied to) investing transactions		(3,203,333)	005,010
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR		(3,201,304)	634,167
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		6,293,359	5,659,192
CASH AND CASH EQUIVALENTS, END OF YEAF		3,092,055	6,293,359

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, 2013

SCHEDULE 1

	0 1	Unrestricted Surplus	Restricted E Surplus	Equity in Tangible Capital Assets	2013		2012
							(Restated)
BALANCE, BEGINNING OF YEAR	69	7,898,893	18,557,239	103,110,604 \$	129,566,736	\$	124,558,186
Prior period error correction (note 20)		(270,467)	t		(270,467)		
RESTATED BALANCE, BEGINNING OF YEAR	Ь	7,628,426 \$	18,557,239 \$	103,110,604 \$	129,296,269	Ь	124,558,186
Excess of revenues over expenses		1,941,843	a.	à	1,941,843		4,738,083
Unrestricted funds designated for future use		(5,068,774)	5,068,774	1			1
Restricted funds used for operations		2,488,796	(2,488,796)	•			1
Restricted funds used for tangible capital assets			(759,307)	759,307	B		1
Current year funds used for tangible capital assets		(3,552,437)	ı	3,552,437			r
Contributed tangible capital assets		(836,725)	ı	836,725			r
Disposal of tangible capital assets		1,644,486	9	(1,644,486)			ı
Annual amortization expense		3,663,080	3	(3,663,080)			Y
č					010 010		600 062 1
Change in accumulated surplus		280,269	1,820,671	(159,097)	1,941,843		4,730,003
BALANCE, END OF YEAR	ь	7,908,695 \$	20,377,910 \$	20,377,910 \$ 102,951,507 \$	131,238,112	Ь	129,296,269

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SCHEDULE 2

SCHEDULE OF TANGIBLE CAPITAL ASSETS YEAR ENDED DECEMBER 31, 2013

VULCAN COUNTY

	Land	Land Improvement	Buildings	Equipment	Vehicles	Engineered Structures	2013	2	2012
COST:									
BALANCE, BEGINNING OF YEAR	5,626,762	1,226,249	9,749,548	14,296,759	3,529,421	144,629,186 \$	179,057,926	\$ 174,	174,652,939
Acquisition of tangible capital assets	ł	•	37,535	2,129,784	891,555	1,848,702	4,907,575	4	4,427,093
New construction-in-progress		•	195,586	1,725		43,583	240,894	1,	1,081,107
Disposition of tangible capital assets	ł	r	¢	(3,251,142)	(526,324)	(2,948)	(3,780,414)	(1,	(1,103,213)
BALANCE, END OF YEAR	5,626,762	1,226,249	9,982,668	13,177,126	3,894,652	146,518,523	180,425,981	179,	179,057,926
ACCUMULATED AMORTIZATION BALANCE, BEGINNING OF YEAR		87,567	1,767,021	6,722,697	1,731,032	65,639,003	75,947,322	73,	73,103,138
Annual amortization	ŗ	33,725	259,840	1,044,706	279,786	2,045,023	3,663,080	с,	3,603,576
Accumulated amortization on disposal	•	·		(1,627,937)	(507,991)	н	(2,135,928)		(759,392)
BALANCE, END OF YEAR	,	121,292	2,026,861	6,139,466	1,502,827	67,684,026	77,474,474	75,	75,947,322
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	5,626,762	1,104,957	7,955,807	7,037,660	2,391,824	78,834,497 \$	102,951,507	\$ 103,	103,110,604
2012 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	E 5,626,762	1,138,682	7,982,527	7,574,062	1,798,389	78,990,183	103,110,604		

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SCHEDULE OF PROPERTY AND OTHER TAXES YEAR ENDED DECEMBER 31, 2013

SCHEDULE 3

	-	Budget	2013		2012
TAXATION					
Real property taxes	\$	6,133,247 \$	7,051,005	\$	6,786,378
Linear taxes		7,473,768	7,470,436		7,240,449
Commercial taxes		942,030	921,755		911,334
Government grants in lieu of taxes		942,030	13,458		5,611
Special levy		566,277	565,369		600,451
Well drilling tax	1	60,000	60,837		131,373
		16,117,352	16,082,860	-	15,675,596
REQUISITIONS					
School requisitions		3,757,688	3,755,091		3,552,355
Seniors foundation		195,697	195,697	-	164,305
		3,953,385	3,950,788		3,716,660
NET MUNICIPAL TAXES	\$	12,163,967 \$	12,132,072	\$	11,958,936

SCHEDULE OF GOVERNMENT TRANSFERS YEAR ENDED DECEMBER 31, 2013

SCHEDULE 4

		Budget	 2013	 2012
TRANSFERS FOR OPERATING Provincial government transfers	\$	969,168	\$ 851,863	\$ 738,649
TRANSFERS FOR CAPITAL Provincial government transfers	3 	4,425,256	 3,581,616	 3,107,459
TOTAL GOVERNMENT TRANSFERS	\$	5,394,424	\$ 4,433,479	\$ 3,846,108

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT YEAR ENDED DECEMBER 31, 2013

SCHEDULE 5

	 Budget	 2013	 2012 (Restated)
EXPENSES			(Residied)
Salaries, wages and benefits	\$ 6,111,430	\$ 5,385,996	\$ 5,009,245
Contracted and general services	4,454,789	3,720,869	2,124,337
Materials, goods and utilities	4,624,918	3,282,721	3,442,775
Transfers to local boards and agencies	1,354,947	1,401,961	1,525,834
Bank charges and short term interest	1,000	52,535	58,318
Other expenses	87,500	925,915	10,015
Amortization of tangible capital assets	-	3,663,080	3,603,576
Loss on disposal of tangible capital assets	-	403,140	136,959
Machine expenses capitalized for road construction	 -	 (1,420,904)	 (1,867,787)
	\$ 16,634,584	\$ 17,415,313	\$ 14,043,271

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SCHEDULE OF SEGMENTED DISCLOSURE YEAR ENDED DECEMBER 31, 2013

SCHEDULE 6

2013 Total	\$ 12,132,072 1,152,643 4,433,479 1,638,963	19,357,157	5,385,996	7,003,535 52,535	1,401,961 3,663,080	(1,420,904)	925,915
Environmental Planning	\$ 507,235 4,441 -	511,676	21,920	49,877	521,787 7,556	ĩ	
Economic and Agricultural Services	\$ 369,014 177,666 20,003	566,683	355,913	550,210 -	163,000 103,041		21'a04
Transportation Services	\$ 178,610 3,658,332 142,245	3,979,186	3,766,978	4,809,636	21,000 3,086,941	(1,420,904)	360,379 114,880
Protective Services	\$ 368,974 342,610 303,495 847,176	1,862,255	326,891	339,177 -	195,380 325,804		(5U2,C) -
General Government	\$ 11,255,863 257,968 293,986 629,540	12,437,357	914,293	1,254,691 52,535	500,794 139,738		811,035
	REVENUE Net taxes Sales of services and regulatory fees Government transfers Other	,	EXPENSES Salaries, wages and benefits	Goods and services Interest	Transfers to local boards and agencies Amortization	enses capitalized for ro	Loss on disposal of tangible capital assets Other

11.

\$ 1,941,843

(89,463)

(627,445) \$

680,205 \$ (6,785,723) \$

\$ 8,764,270 \$

NET REVENUE

17,415,313

601,140

1,194,128

10,764,909

1,182,050

3,673,087

SCHEDULE OF SEGMENTED DISCLOSURE YEAR ENDED DECEMBER 31, 2012

RESTATED SCHEDULE 7

				Economic		
	General Government	Protective Services	Protective Transportation Agricultural Environmental Services Services Planning	and Agricultural Services	Environmental Planning	2012 Total
Taxation Color of condition force	\$ 11,060,040	\$ 11,060,040 \$ 402,833 \$ 130,365 610,065	\$ - 377 361	\$	\$ 496,063 123 868	\$ 11,958,936 1.657,255
balles or goods, services and regulatory rees Government transfers Other	190,798 672,640	1,251,587	2,043,826 224,683	337,525 406,417	22,371	3,846,108
	12,062,833	2,279,831	2,645,870 1,150,518	1,150,518	642,302	18,781,354
EXPENSES Salaries, wages and benefits Goods and services	992,476 925,664	266,188 327,497	3,303,113 3,705,016	326,996 681,391	120,471 (72,457)	5,009,245 5,567,112

Salaries, wages and benefits	992,476	266,188	3,303,113	326,996	120,471	5,009,245
Goods and services	925,664	327,497	3,705,016	681,391	(72,457)	5,567,112
Interest	58,318		r	·		58,318
Transfers to local boards and agencies	518,612	334,380	10,000	155,000	507,842	1,525,834
Amortization	248,964	257,535	3,024,973	64,547	7,556	3,603,576
Machine expenses capitalized for road constructior	1		(1,867,787)	20 20	1	(1, 867, 787)
Loss on disposal of tangible capital assets	1	(243)	141,952	(4,750)	ī	136,959
Other	10,014	•	×		ı	10,014
•						
	2,754,050	1,185,357	8,317,267	1,223,185	563,412	14,043,271
NET REVENUE	\$ 9,308,783	\$ 1,094,473	9,308,783 \$ 1,094,473 \$(5,671,397) \$ (72,667) \$	(72,667) \$	78,890	\$ 4,738,083

NET REVENUE

12.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

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 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, 2013

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 as 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, 2013

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, 2013

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

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. There is uncertainty with respect to the measurement, where there may be a significant variance between the amount recognized in the financial statements and the actual future reclaimation

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 and by the Municipal Government Act to set aside funds for future operations and capital expenditures.

I) 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, 2013

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

	\$ 3,092,054	\$ 6,293,359
Cash Temporary investments	\$ 1,303,188 1,788,866	\$ 1,419,277 4,874,082
	 2013	 2012

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 1.25% (2012 - 0.95% to 1.43%).

Included in temporary investments is a restricted amount of \$1,327,001 (2012 - \$1,166,724) 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, 2013 the balance owing on these facilities is \$nil (2012 - \$nil).

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	 2013	 2012
Taxes and grants in lieu receivables - current Taxes and grants in lieu receivables - arrears	\$ 495,085 470,426	\$ 460,065 157,658
	\$ 965,511	\$ 617,724

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

4. LONG TERM INVESTMENTS

	20	13	20	12
	Cost	Market Value	Cost	Market Value
High interest savings Bonds and other investments	\$ 10,509,931 7,666,104	\$ 10,509,931 7,857,953	7,510,154 7,400,328	\$ 7,510,154 7,290,762
	\$ 18,176,035	\$ 18,367,884	\$ 14,910,482	\$ 14,800,916

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 AND NOTES RECEIVABLES

	(2013	 2012
Carmangay Fire Association - annual pmt \$20,000, matures 2018	\$	70,000	\$ 90,000
Champion Fire Association - annual pmt \$10,000, matures 2015		20,000	30,000
Lomond Fire Association		-	31,000
Milo Fire Association - annual pmt \$10,000, matures 2015		20,000	30,000
Vulcan Fire Co-op - annual pmt \$10,000, matures 2021		70,000	80,000
Northwest Fire Protection Assoc annual pmt \$25,000, matures 2018	3	125,000	175,000
Milo Seed Cleaning Association	·	205,365	227,991
Blackie & District Seed Cleaning Association		68,906	81,066
Mossleigh Water Co-op		73,243	 79,796
	\$	652,514	\$ 824,853

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, 2013

6. DEFERRED REVENUE

	 2013	-	2012
Agreements for sale of CPR lands	\$ -	\$	62,634
Surface Rights	49,669		81,889
Alberta Municipal Sustainability Initiative - Capital	734,793		638,003
Alberta Municipal Sustainability Initiative - Operating	143,294		199,636
Inter-Municipal Development Plan - RCP	250,000		
Waterline funding - RCP			28,994
Federal Gas Tax Fund	149,245		149,245
Other	 -		6,323
Total, invested in short term investments	\$ 1,327,001	\$	1,166,724

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.

Inter-Municipal Development Plan - RCP

This grant is for the development of an inter-municipal development plan with municipalities that share a border. The use of these funds is restricted to eligible expenditures as approved under the funding agreement.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

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

The sick leave accrual for employee future benefits as at December 31, 2013, is based on an actuarial valuation for accounting purposes as at December 31, 2013. Significant assumptions used in the valuation include a discount rate of 2.50%, salary increases of 3.75%, retirement at age 61, and a net annual sick leave accumulation of 50%.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

8. EQUITY IN TANGIBLE CAPITAL ASSETS

		 2013	 2012
	Tangible capital assets (Schedule 2) Accumulated amortization (Schedule 2)	\$ 180,425,981 (77,474,474)	\$ 179,057,926 (75,947,322)
		\$ 102,951,507	\$ 103,110,604
9.	INVENTORIES FOR CONSUMPTION	 2013	 2012
			(Restated)
	Inventory for consumption - gravel Inventory for consumption - parts	\$ 4,437,499 673,181	\$ 4,185,706 661,481
		\$ 5,110,680	\$ 4,847,187

Gravel inventory includes purchased deposits not yet crushed, with a cost of \$2,584,545

10. ACCUMULATED SURPLUS

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

	2013	2012
	1000000000	(Restated)
Unrestricted surplus	\$ 7,908,695	\$ 7,628,426
Restricted surplus	20,377,910	18,557,239
Equity in tangible capital assets	 102,951,507	 103,110,604
	\$ 131,238,112	\$ 129,296,269

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

11. RESTRICTED SURPLUS

	2013	2012
Capital Restricted Surplus General Government Protective Equipment Transportation Equipment Road Construction Gravel Crushing Environment Treatment Environment Development Equipment Campground Capital Acquisition	\$ 282,329 234,317 2,103,313 29,500 36,750 2,000,000 77,223 22,500 760,457 5,546,389	\$ 107,329 101,281 1,968,864 - - 2,000,000 187,015 22,500 724,957 5,111,946
Operating Restricted Surplus	3,340,303	5,111,940
Debt Reduction CPR Discontinuance General Government Service Protective Services Transportation Contingency Road Construction Road Maintenance Gravel Crushing Bridges Water Management Environment Treatment Planning and development Agriculture Sevices Campground	1,000,000 1,646,698 419,476 353,469 1,631,165 1,969,329 165,000 6,109,008 82,459 126,234 1,891 75,826 178,421 30,578	1,000,000 1,646,698 247,523 145,199 888,252 1,415,740 - 6,174,507 17,491 2,115 - - - - -
Recreation Operating Contingency	175,501 866,466	- 1,907,768
	14,831,521	13,445,293
Total Restricted Surplus	\$ 20,377,910	\$ 18,557,239

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

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.

	1	2013		2012
Excess of revenue over expenses	\$	2,078,168	\$	1,469,606
ADD: Proceeds from sale of capital assets		253,050		153,000
ADD: Transfer from restricted surplus to operations		1,910,010		2,652,202
LESS: Transfers to restricted surplus		(340,440)		(305,575)
LESS: Capital expenditures		(3,899,008)	-	(3,967,278)
Budget approved by Council	\$	1,780	\$	1,955

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 to planning, development and maintenance of roadway and water systems, the maintenance of parks, and open space.

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.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

13. SEGMENTED INFORMATION (continued)

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.

Environmental 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.

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:

	 2013	 2012
Total debt limit Total debt	\$ 22,408,224	\$ 22,941,999
Amount of debt limit unused	 22,408,224	 22,941,999
Debt servicing limit Debt servicing limit	 3,734,704	 3,823,666
Amount of debt servicing limit unused	\$ 3,734,704	\$ 3,823,666

The debt limit is calculated at 1.5 times the 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, 2013

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:

	2013						2012	
	Benefits &							
	Salary		Allowances		Total		Total	
Previous Councilors								
Division 1	\$	15,849	\$	2,648	\$	18,497	\$	18,255
Division 2		10,849		2,425		13,274		14,015
Division 3		19,425		1,830		21,255		27,751
Division 4		19,090		1,542		20,632		25,152
Division 5		11,299		2,800		14,099		14,052
Division 6		13,333		2,549		15,882		12,976
Division 7		11,929		2,472		14,401		17,446
Division 8		9,477		2,366		11,843		12,791
Current Councilors								
Division 1	\$	4,211	\$	584	\$	4,795		
Division 2		3,818		308		4,126		-
Division 3		4,964		376		5,340		-
Division 4		3,170		530		3,700		-
Division 5		4,814		489		5,303		-
Division 6		4,315		597		4,912		-
Division 7		2,667		510		3,177		-
Chief Administrative Officer	\$	144,210	\$	31,455	\$	175,665	\$	149,822

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

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

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 220,000 people and 428 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

16. LOCAL AUTHORITIES PENSION PLAN (continued)

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 10.43% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.47% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% on pensionable salary above this amount.

Total current service contributions by the County to the LAPP in 2013 were \$307,318 (2012 - \$279,323). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2013 were \$280,778 (2012 - \$253,750).

At December 31, 2012 the LAPP disclosed an actuarial deficiency of \$4.977 billion.

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 wrongful dismissal that occurred during the year. This claim was subsequently settled and the settlement amount has been accrued in the accounts payable and accrued liabilities in the current year.

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

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

19. COMMITMENTS

Vulcan County is responsible for environmental reclamation costs of gravel pit sites. The estimated liability is based on the total cubic meters of exposed gravel pits multiplied by the price per cubic meter to reclaim the sites. During the year it was estimated that there was 203,298 cubic meters of exposed gravel pits for reclamation at an approximate cost of reclamation of \$1.34 per cubic meter, for a total liability of \$114,880 based on the discounted future cash flows of restoring the gravel pits. The gravel pits have an estimated useful life ranging from 15 to 72 years depending on the quantity of gravel remaining in each pit. The reclamation is ongoing and the uncertainty inherent in the provision will thus be partially resolved each year. There are sufficient funded gravel reserves to cover the costs of the reclamation.

During the year, the County has committed to the purchase of equipment valued at \$878,600. This equipment will be received in the subsequent fiscal year.

20. PRIOR YEAR ERROR CORRECTION

A prior period error correction of \$270,467 was made in relation to an overstatement of inventory in the prior year. The inventory for consumption of parts have been restated to \$661,481 (note 9) where this was previously stated at \$931,948, to remove the overstatement relating to the duplication of certain types of parts that was made in error. This overstatement of the parts inventory caused an understatement in the expenses relating to the transportation services, where the total transportation services expenses have been restated to \$8,317,267 (schedule 7) where these expenses were previously stated at \$8,046,800.

21. PRIOR YEAR FIGURES

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

22. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.