Vulcan County

FINANCIAL STATEMENTS DECEMBER 31, 2015

FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2015

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April 6, 2016

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To the Reeve and Council Members of Vulcan County

Re: Management's Responsibility for Reporting

Management of Vulcan County is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying financial statements and the notes thereto. Management believes that the financial statements present fairly the County's financial position as at December 31, 2015, and the results of its operations for the year then ended.

The financial statements have been prepared in accordance with the Canadian Public Sector Accounting Standards. Financial statements are not precise, since they include certain amounts based on estimates and judgements. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintained a system of internal controls to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained and assets are properly accounted for and safeguarded.

County Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for authorizing the appointment of the County's external auditors.

The financial statements have been audited by the independent firm of BDO Canada, LLP. Their report to the members of Vulcan County Council, stating the scope of their examination and opinion on the financial statements follows.

Respectfully,

Leo Ludwig, CLGM

Chief Administrative Officer

Mark DeBoer, CPA, CA

When OBEN

Director of Corporate Services



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BDO Canada LLP 600 Lethbridge Centre Tower 400 - 4 Avenue South Lethbridge AB T1J 4E1 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, 2015, 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 public sector accounting standards, 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, 2015 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.

BDO Canada LLP

Chartered Professional Accountants

Lethbridge, Alberta April 6, 2016

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015

	2015	2014
FINANCIAL ASSETS Cash and investments (note 2) Taxes and grants in lieu receivables (note 3) Trade and other receivables (note 4) Inventory held for resale Long term investments (note 5) Loans and notes receivable (note 6) Other	\$ 12,354,971 1,439,354 2,308,259 179,809 8,979,929 456,364 346,701	\$ 10,424,813 846,191 1,868,997 237,490 13,714,432 565,031 315,910
	26,065,387	27,972,864
Accounts payable and accrued liabilities Deferred revenue (note 7) Employee benefit obligations (note 8) Other liabilities	844,864 1,313,451 203,216 554,178 2,915,709	1,224,736 1,896,359 205,410 435,049 3,761,554
NET FINANCIAL ASSETS	23,149,678	24,211,310
NON-FINANCIAL ASSETS Tangible capital assets (schedule 2, note 9) Inventory for consumption (note 10) Prepaid expenses	107,791,397 6,939,867 201,591 114,932,855	104,637,218 4,385,346 183,792 109,206,356
ACCUMULATED SURPLUS (schedule 1, note 11)	\$ 138,082,533	\$ 133,417,666

Contingencies and commitments - See note 20 and 21

APPROVED BY:

STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 31, 2015

		Budget	2015		2014
		(note 12)			
REVENUE	Φ	4F CFF 000 &	15 500 207	\$	10 /10 677
Net municipal taxes (schedule 3)	\$	15,655,960 \$	15,593,397	Φ	12,419,677
Government transfers (schedule 4)		1,002,741	723,092 405,743		903,191 395,617
Return on investments		413,250	and the second s		1,295,239
Sale of goods, rents, and user charges		1,055,593	1,299,235 259,213		282,789
Community aggregate levy		120,000 68,407	125,916		299,051
Other revenue		200000 ACC-004	254,299		163,343
Penalties and costs of taxes		107,800	254,299	-	103,343
TOTAL REVENUE		18,423,751	18,660,895	-	15,758,907
EXPENSES					
Legislative		389,153	365,768		287,864
Administration		2,017,898	1,763,226		1,927,001
Protection services		1,883,584	1,466,953		1,381,614
Transportation services		12,468,744	10,441,137		9,803,242
Environmental use and protection		621,017	628,794		615,296
Family and community support		217,839	214,943		186,720
Community planning and development		495,762	342,962		305,813
Economic and agricultural development		1,351,796	1,188,958		1,029,299
Parks and recreation		582,416	684,775		500,852
Other		190,000	791,715		65,993
TOTAL EXPENSES		20,218,209	17,889,231		16,103,694
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER		(1,794,458)	771,664		(344,787)
OTHER					
Contributed tangible capital assets		無為	-		-
Government transfers for capital (schedule 4)		4,016,134	3,893,203		2,524,342
EXCESS OF REVENUE OVER EXPENSES		2,221,676	4,664,867		2,179,555
ACCUMULATED SURPLUS, BEGINNING OF YEAR		133,417,666	133,417,666		131,238,111
ACCUMULATED SURPLUS, END OF YEAR	\$	135,639,342 \$	138,082,533	\$	133,417,666

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS YEAR ENDED DECEMBER 31, 2015

	Budget 2015				2014
		(note 12)			
EXCESS OF REVENUE OVER EXPENSES	\$	2,221,676 \$	4,664,867	\$	2,179,555
Acquisition of tangible capital assets Contributed tangible capital assets Proceeds on disposal of tangible capital assets Amortization of tangible capital assets		(10,528,032) - 185,020 3,722,578	(7,896,176) - 316,510 4,014,425		(6,371,336) - 786,854 3,722,577
Loss on disposal of tangible capital assets			411,062		176,194
		(6,620,434)	(3,154,179)		(1,685,711)
Net change in inventory for consumption		<u> </u>	(2,554,521)		725,334
Acquisition of prepaid expenses		-	(201,591)		(183,792)
Use of prepaid expenses	_	-	183,792		169,585
		:-	(2,572,320)	-	711,127
INCREASE (DECREASE) IN NET FINANCIAL ASSETS		(4,398,758)	(1,061,632)		1,204,971
NET FINANCIAL ASSETS, BEGINNING OF YEAR		24,211,310	24,211,310		23,006,339
NET FINANCIAL ASSETS, END OF YEAR	\$	19,812,552 \$	23,149,678	\$	24,211,310

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2015

NET INC. ON (OUTE OWO) OF OACH DELATED TO	2015			
NET INFLOW (OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
Excess of revenue over expenses	\$	4,664,867	\$	2,179,555
Non-cash items included in excess of revenues over expenses:	20			X-2
Amortization of tangible capital assets		4,014,425		3,722,577
Loss on disposal of tangible capital assets		411,062		176,194
Tangible capital assets received as contributions		-		
Non-cash charges to operations (net change):				
Decrease (increase) in taxes and grants in lieu receivable		(593,163)		119,320
Decrease (increase) in trade and other receivables		(439,262)		824,189
Increase in inventory held for resale		57,681		51,928
Decrease in loans receivable		108,667		107,483
Increase in other financial assets		(30,791)		(124,375)
Decrease (increase) in inventory for consumption		(2,554,521)		725,334
Increase in prepaid expenses		(17,799)		(14,207)
Increase (decrease) in accounts payable		(379,872)		389,525
Increase (decrease) in deferred revenue		(582,908)		569,358
Decrease in employee benefit obligations		(2,194)		(4,818)
Increase (decrease) in other liabilities	-	119,129		(266,425)
Cash provided by operating transactions		4,775,321		8,455,638
CAPITAL				
Acquisition of tangible capital assets		(7,896,176)		(6,371,336)
Proceeds on disposal of tangible capital assets		316,510		786,854
Cash applied to capital transactions		(7,579,666)		(5,584,482)
INVESTING				
Decrease in investments, being				
cash provided by investing transactions		4,734,503		4,461,603
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR		1,930,158		7,332,759
				90 NO.
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		10,424,813		3,092,054
CASH AND CASH EQUIVALENTS, END OF YEAR	\$	12,354,971	\$	10,424,813

SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS YEAR ENDED DECEMBER 31, 2015

	Unrestricted Surplus		Restricted Surplus	Equity in Tangible Capital Assets	2015		2014
BALANCE, BEGINNING OF YEAR	\$	896,650	27,883,798	104,637,218 \$	133,417,666	\$	131,238,111
Excess of revenues over expenses		4,664,867	-	•	4,664,867		2,179,555
Unrestricted funds designated for future use		(9,738,958)	9,738,958	•	-		= 0
Restricted funds used for operations		5,095,630	(5,095,630)	-	-		-
Restricted funds used for tangible capital assets			(3,133,399)	3,133,399	-		-
Current year funds used for tangible capital assets		(4,762,777)		4,762,777	-		-
Contributed tangible capital assets		3	-	-	=		=
Disposal of tangible capital assets		727,572	-	(727,572)	~		-
Annual amortization expense		4,014,425	i a .	(4,014,425)		_	
Change in accumulated surplus		759	1,509,929	3,154,179	4,664,867		2,179,555
BALANCE, END OF YEAR	\$	897,409	29,393,727	107,791,397 \$	138,082,533	\$	133,417,666

SCHEDULE OF TANGIBLE CAPITAL ASSETS YEAR ENDED DECEMBER 31, 2015

		Land	Land Improvements	Buildings	Equipment	Vehicles	Engineered Structures	2015		2014
COST:										
BALANCE, BEGINNING OF YEAR	\$	5,635,375	1,226,249	10,198,174	14,185,317	3,979,929	149,103,067 \$	184,328,111	\$	180,425,981
Acquisition of tangible capital assets		110,160	-	16,907	2,265,763	536,482	4,326,907	7,256,219		5,374,300
New construction-in-progress		•	•	s a	173,228	-	466,729	639,957		997,036
Disposition of tangible capital assets	7	(7,449)		(14,558)	(980,112)	(189,401)	(1,033,565)	(2,225,085)	3	(2,469,206)
BALANCE, END OF YEAR	9	5,738,086	1,226,249	10,200,523	15,644,196	4,327,010	152,863,138	189,999,202		184,328,111
ACCUMULATED AMORTIZATION:										
BALANCE, BEGINNING OF YEAR	\$	S	155,017	2,295,743	6,431,240	1,717,496	69,091,397 \$	79,690,893	\$	77,474,474
Annual amortization		-	33,725	274,296	1,242,479	382,113	2,081,812	4,014,425		3,722,577
Accumulated amortization on disposal		_	-	(11,306)	(561,253)	(180,544)	(744,410)	(1,497,513)	-	(1,506,158)
BALANCE, END OF YEAR	7	-	188,742	2,558,733	7,112,466	1,919,065	70,428,799	82,207,805	(79,690,893
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$	5,738,086	1,037,507	7,641,790	8,531,730	2,407,945	82,434,339 \$	107,791,397	\$_	104,637,218
2014 NET BOOK VALUE OF TANGIB CAPITAL ASSETS	LE \$	5,635,375	1,071,232	7,902,431	7,754,077	2,262,433	80,011,670 \$	104,637,218		

SCHEDULE OF PROPERTY AND OTHER TAXES YEAR ENDED DECEMBER 31, 2015

		Budget	2015	 2014
TAXATION				
Real property taxes	\$	6,918,501 \$	6,908,469	\$ 6,977,022
Linear taxes		10,587,729	10,544,750	7,478,257
Commercial taxes		1,017,583	1,004,038	950,972
Government grants in lieu of taxes		5,500	17,062	16,750
Special levy		1,020,550	1,017,943	847,893
Well drilling tax		45,000	40,038	 75,897
	,	19,594,863	19,532,300	 16,346,791
REQUISITIONS				
School requisitions		3,718,658	3,718,658	3,715,034
Seniors foundation		220,245	220,245	 212,080
		3,938,903	3,938,903	 3,927,114
NET MUNICIPAL TAXES	\$	15,655,960 \$	15,593,397	\$ 12,419,677

SCHEDULE OF GOVERNMENT TRANSFERS YEAR ENDED DECEMBER 31, 2015

		Budget 2015						
TRANSFERS FOR OPERATING Provincial government transfers	\$	791,174 \$	519,010	\$	691,624			
Federal government transfers	Annea an	211,567 1,002,741	204,082 723,092		211,567 903,191			
TRANSFERS FOR CAPITAL Provincial government transfers		4,016,134	3,893,203	7.	2,524,342			
TOTAL GOVERNMENT TRANSFERS	\$	5,018,875 \$	4,616,295	\$	3,427,533			

SCHEDULE OF EXPENSES BY OBJECT YEAR ENDED DECEMBER 31, 2015

	-	Budget	 2015	2014
EXPENSES BY OBJECT Salaries, wages and benefits Contracted and general services Materials, goods and utilities Transfers to local boards and agencies Interest and bank charges Other expenses Amortization of tangible capital assets Loss on disposal of tangible capital assets Machine expenses capitalized for construction	\$	6,977,167 3,597,940 5,763,140 1,784,758 39,550 204,500 3,722,578	\$ 6,230,936 3,150,492 3,558,148 1,890,906 38,930 965,005 4,014,425 411,062 (2,370,673)	\$ 5,774,452 2,935,673 3,417,437 1,531,577 50,626 207,959 3,722,577 176,194 (1,712,801)
	\$	20,218,209	\$ 17,889,231	\$ 16,103,694

SCHEDULE OF SEGMENTED DISCLOSURE YEAR ENDED DECEMBER 31, 2015

DEVENUE	General Government	Protective Services	Transportation Services	Economic and Agricultural Services	Environmental Planning	2015 Total
REVENUE Net taxes	\$ 14,418,572	\$ 641,397	\$ -	\$ -	\$ 533,428	\$ 15,593,397
Sale of goods, services and regulatory fees	123,695	398,419		425,115	2,349	1,299,235
Government transfers	145,534	511,122		329,491	336	4,616,295
Other	775,665	7,878	Control of the Contro	2,415	-	1,045,171
	1.0,000	7,0.0	200,210			
	15,463,466	1,558,816	4,238,682	757,021	536,113	22,554,098
EXPENSES						
Salaries, wages and benefits	1,046,912	460,338	4,222,122	483,338	18,226	6,230,936
Goods and services		2,000		A Committee of the Comm	46,352	6,708,640
	974,495	385,359 2		685,195	40,332	38,930
Interest and bank charges Transfers to local boards and agencies	38,928 820,308	247,450		258,488	556,660	1,890,906
Amortization	79,720				7,556	4,014,425
Machine expenses capitalized for construction	79,720	373,804		104,899	7,550	(2,370,673)
Loss on disposal of tangible capital assets	(-	(2,370,673) 411,062	-		411,062
Other	860,064	-	104,941		-	965,005
Outo	000,004		104,041			300,000
	3,820,427	1,466,953	10,441,137	1,531,920	628,794	17,889,231
NET REVENUE	\$ 11,643,039	\$ 91,863	\$ (6,202,455)	\$ (774,899)	\$ (92,681)	\$ 4,664,867

SCHEDULE OF SEGMENTED DISCLOSURE YEAR ENDED DECEMBER 31, 2014

						E	Economic				
	General	Protective	Tra	ansportation	and gricultural	vironmental		2014			
	Government		Services	Services		Services			Planning		Total
REVENUE				************						-	
Net taxes	\$ 11,348,279	\$	550,517	\$		\$		\$	520,881	\$	12,419,677
Sale of goods, services and regulatory fees	102,643		360,863		346,680		482,947		2,106		1,295,239
Government transfers	437,088		247,982		2,481,751		253,474		7,238		3,427,533
Other	831,747		11,000		282,789		15,264		-		1,140,800
	12,719,757		1,170,362		3,111,220		751,685		530,225		18,283,249
EXPENSES											
Salaries, wages and benefits	1,064,488		449,532		3,834,798		399,474		26,160		5,774,452
Goods and services	954,256		332,503		4,356,520		656,517		53,314		6,353,110
Interest and bank charges	50,626		-		:=:				1=1		50,626
Transfers to local boards and agencies	605,704		216,380		8,000		173,227		528,266		1,531,577
Amortization	88,556		383,199		3,137,372		105,894		7,556		3,722,577
Machine expenses capitalized for construction	-		-		(1,712,801)		-		-		(1,712,801)
Loss on disposal of tangible capital assets	-		= 2		176,194		5 0		1.00		176,194
Other	204,800		-		3,159		-		-		207,959
	2,968,430		1,381,614		9,803,242		1,335,112		615,296		16,103,694
NET REVENUE	\$ 9,751,327	\$	(211,252)	\$	(6,692,022)	\$	(583,427)	\$	(85,071)	\$	2,179,555

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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 Public Sector Accounting Standards 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 FOR THE YEAR ENDED DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) 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.

e) 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.

f) Land Held for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks, and street lighting are recorded as physical assets under the respective function.

g) 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.

h) 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.

i) 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 as revenues in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when stipulations give rise to a liability. Transfer revenue is recognized in the Statement of Operations as the stipulation liabilities are settled.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

SIGNIFICANT ACCOUNTING POLICIES (continued)

j) 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 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 - 45
Buildings	25 - 50
Engineered structures	
Bridges	40 - 100
Communication towers	38
Roads	5 - 75
Machinery and equipment	2 - 25
Vehicles	6 - 10

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

ii. Contributions of 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 FOR THE YEAR ENDED DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) 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. 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 reclamation costs.

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.

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.

m) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

	2.	CASH	AND	INVESTMENTS
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	2015	2014
Cash Temporary investments	\$ 2,010,001 10,344,970	\$ 866,905 9,557,908
	\$ 12,354,971	\$ 10,424,813

Temporary investments are short-term deposits with original maturities of one year or less, or are redeemable, with interest rates ranging from 1.65% to 1.75% (2014 - 1.84% to 2.05%).

Included in temporary investments is a restricted amount of \$1,313,451 (2014 - \$1,897,562) 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 \$30,000, with interest payable at 5.0%. As at December 31, 2015 the balance owing on these facilities is \$nil (2014 - \$nil).

3. TAX AND GRANTS IN LIEU RECEIVABLES

-	2015		2014
\$	1,769,175	\$	567,652
	443,329		350,915
3 Approximate Residence	(773,150)	************	(72,376)
\$	1,439,354	\$	846,191
) consistence	\$ 1,769,175 443,329 (773,150)	443,329 (773,150)

4. TRADE AND OTHER RECEIVABLES

	2015	2014
Trade receivables	162,931	446,605
Requisition under-levies	149,724	=
Interest receivable	45,437	72,827
GST receivable	32,739	72,080
Other receivables	1,918,001	1,280,420
Allowance for doubtful accounts	(573)	(2,935)
	\$ 2,308,259	\$ 1,868,997

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

5. LONG TERM INVESTMENTS

	2015		2014					
		Cost	d sources decreased	Market Value	in a second or the second or t	Cost	***********	Market Value
High interest savings Bonds and other investments	\$	1,507,133 7,472,796	\$	1,507,133 7,789,955	\$	5,848,085 7,866,347	\$	5,848,085 8,186,584
	\$	8,979,929	\$	9,297,088	\$	13,714,432	\$	14,034,669

Bonds and other investments have stated interest rates ranging from 2.05% to 6.02% with maturity dates ranging from 2016 to 2023 and held at amortized cost. High interest savings include investment savings accounts held at ATB Securities Inc.

6. LOANS AND NOTES RECEIVABLES

	2015	 2014
Carmangay Fire Association - annual pmt \$10,000, matures 2020	\$ 50,000	\$ 60,000
Champion Fire Association - annual pmt \$10,000, matures 2016	10,000	20,000
Milo Fire Association - annual pmt \$10,000, matures 2015	**	10,000
Vulcan Fire Co-op - annual pmt \$10,000, matures 2021	60,000	70,000
Northwest Fire Protection Assoc annual pmt \$25,000, matures 2018	75,000	100,000
Milo Seed Cleaning Association	158,196	182,106
Blackie & District Seed Cleaning Association	43,031	56,235
Mossleigh Water Co-op	 60,137	 66,690
	\$ 456,364	\$ 565,031

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 FOR THE YEAR ENDED DECEMBER 31, 2015

7. DEFERRED REVENUE

	2015	2014
Alberta Municipal Sustainability Initiative - Capital Alberta Municipal Sustainability Initiative - Operating Information Technology Remote Backup - RCP Inter-Municipal Development Plan - RCP Surface Rights Other	\$ 954,456 52,297 73,771 83,332 91,035 58,560	96,439 81,503 166,666 87,747
Total, invested in short term investments	\$ 1,313,451	\$ 1,896,359

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

Information Technology Remote Backup - RCP

This grant is for the development of an information technology remote backup system with another municipality. 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.

Surface Rights

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

8. EMPLOYEE BENEFIT OBLIGATIONS

	No. of Contractions of Contrac	2015	2014
Accrued vacation payable	\$	203,216	\$ 205,410
	\$	203,216	\$ 205,410

The accrued vacation payable is comprised of the vacation that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

9.	EQUITY IN TANGIBLE CAPITAL ASSETS		
9.		2015	2014
	Tangible capital assets (schedule 2) Accumulated amortization (schedule 2)	\$ 189,999,202 (82,207,805)	\$ 184,328,111 (79,690,893)
		\$ 107,791,397	\$ 104,637,218
10.	INVENTORIES FOR CONSUMPTION	2015	2014
	Inventory for consumption - gravel Inventory for consumption - parts	\$ 6,353,160 586,707	\$ 3,704,455 680,891
		\$ 6,939,867	\$ 4,385,346
	Gravel inventory includes purchased deposits not yet crushed, with a cost of \$4	,791,508.	
11.	ACCUMULATED SURPLUS		
	Accumulated surplus consists of restricted and unrestricted amounts and equity	/ in tangible capital	assets as follows:
		2015	2014
	Unrestricted surplus Restricted surplus Equity in tangible capital assets	\$ 897,409 29,393,727 107,791,397 \$ 138,082,533	\$ 896,650 27,883,798 104,637,218
			\$ 133,417,666
12.	BUDGET FIGURES		\$ 133,417,666
12.	BUDGET FIGURES Budgeted information was prepared under the modified accrual method. This rebetween the approved budget figures and the budget figures disclosed in the firm	note provides a reco	onciliation
12.	Budgeted information was prepared under the modified accrual method. This r	note provides a reco	onciliation
12.	Budgeted information was prepared under the modified accrual method. This r	note provides a reconancial statements.	onciliation

Budget approved by Council

2,859

\$

3,890

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

13. RESTRICTED SURPLUS			
	2015		2014
Capital Restricted Surplus			v
General Government	\$ 100,329	\$	100,329
Protective Equipment	1,283,197		271,401
Transportation Equipment	1,498,587		1,280,637
Road Construction	714,386		237,150
Bridge Construction	863,226		-
Gravel Crushing	129,542		129,542
Environment Treatment	-		1,924,862
Environment Development Equipment	107,080		50,855
Campground	22,500		22,500
Capital Acquisition	6,805,627		5,765,803
Capital Contingency	 1,000,000	,	
	12,524,474		9,783,079
	-		
Operating Restricted Surplus	407.054		
Assessment Appeal	107,054		4 000 000
Debt Reduction	-		1,000,000
CPR Discontinuance			1,646,698
Community Enhancement	50,000		25,000
General Government Service	760,575		612,575
Protective Services	741,380		823,895
Transportation Contingency	1,457,590		1,429,590
Road Construction	1,631,329		1,651,329
Road Maintenance	375,000		220,000
Gravel Crushing	5,073,761		6,115,309
Uncrushed Gravel Inventory	4,791,508		2,524,655
Bridges	82,459		82,459
Water Management	126,463		126,463
Environment Treatment	1,892		1,892
Planning and development	313,344		229,344
Agriculture Services	376,272		397,772
Campground	66,578		40,578
Recreation and Culture	289,543		271,698
Operating Contingency	 624,505		901,462
	 16,869,253		18,100,719
Total Restricted Surplus	\$ 29,393,727	\$	27,883,798

During the year, Vulcan County transferred \$2.525 million from the Capital Acquisition Reserve to the Uncrushed Gravel Inventory Reserve in relation to funding the opening balances of the uncrushed gravel inventory. The prior year figures were also reclassified to conform to the current year's presentation.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

14. 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:

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.

Protective Services

Protective services 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 protective services 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.

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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

15. 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:

	2015	2014
Total debt limit Total debt	\$ 27,991,343 	\$ 23,638,361
Amount of debt limit unused	27,991,343	23,638,361
Debt servicing limit Debt servicing limit	4,665,224	3,939,727
Amount of debt servicing limit unused	\$ 4,665,224	\$ 3,939,727

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.

16. 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:

	2015						2014	
	Salary / Per Diems		Benefits & Allowances		Total		Total	
Councillors								47.005
Division 1 - Gateman	\$	15,875	\$	4,173	\$	20,048	\$	17,925
Division 2 - Ruark		22,583		4,357		26,940		20,586
Division 3 - Schneider		26,750		4,814		31,564		23,731
Division 4 - Annable		25,167		4,455		29,622		31,831
Division 5 - Monner		14,000		3,764		17,764		23,501
Division 6 - McLean		18,125		4,213		22,338		20,771
Division 7 - Lucas		17,250		4,196		21,446		21,261
Chief Administrative Officer	\$	175,730	\$	34,222	\$	209,952	\$	191,852

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 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

17. 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 237,612 people and 423 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP

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 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount

Total current service contributions by the County to the LAPP in 2015 were \$484,166 (2014 - \$405,722). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2015 were \$446,576 (2014 - \$373,936).

At December 31, 2014, the LAPP disclosed an actuarial deficiency of \$2.455 billion.

18. 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.

19. CONTAMINATED SITES LIABILITY

On January 1, 2015, the County adopted PS3260 Liability for Contaminated Sites. The Standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets, nor accumulative surplus of the County.

20. 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 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

21. 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 512,560 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 \$222,979 based on the discounted future cash flows of restoring the gravel pits. The gravel pits have an estimated useful life ranging from 14 to 71 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 had committed to the purchase of equipment and vehicles valued at a total of \$1,698,513. This equipment will be received in the subsequent fiscal year.

22. PRIOR YEAR FIGURES

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

23. SUBSEQUENT EVENTS

Subsequent to the fiscal year end, the County has applied for \$2,046,224 of debenture funding from Alberta Capital Finance Authority for the purpose of funding Vulcan County's contribution towards the Vulcan Hospital Expansion Project.

24. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.