

FOR THE YEAR ENDED DECEMBER 31, 2016 VULCAN COUNTY, ALBERTA, CANADA





ANNUAL FINANCIAL REPORT 2016

FOR THE YEAR ENDED DECEMBER 31, 2016 VULCAN COUNTY, ALBERTA, CANADA

PREPARED BY VULCAN COUNTY: CORPORATE SERVICES DEPARTMENT





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WELCOME TO VULCAN COUNTY

Vulcan County is a rural municipality within Southern Alberta with a population of approximately 3,984 and is conveniently located one hour from both Calgary and Lethbridge. The County covers an area of 556,342 hectares and encompasses the following:

- Town of Vulcan
- Villages of Carmangay, Champion, Lomond, Milo and Arrowwood
- Hamlets of Brant, Ensign, Kirkcaldy, Shouldice, Queenstown, Mossleigh, Herronton, and Travers

GEOGRAPHICAL INFORMATION:

Location: Southern Alberta

Major Highways: Highway 23 & 24

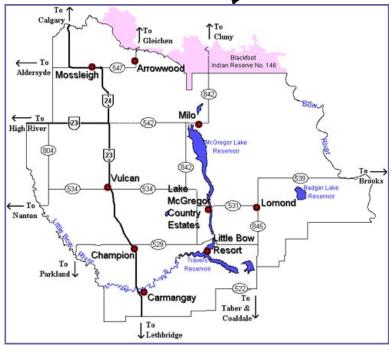
Secondary Highways: Highway 529, 531, 534, 539, 542, 547, 804, 842, 845

Distance to Major Areas:

- 129 km (81 miles) to Calgary
- 94 km (59 miles) to Lethbridge
- 200 km (125 miles) to Coutts / Sweetgrass USA Border Crossing







COUNTY PROFILE

COUNTY SERVICES:

Vulcan County provides a number of services, directly or jointly with other municipalities and commissions, to the residents of the rural area and the County's hamlets. These services include the following:

- General Government including general administration and legislation;
- Protective Services including fire protection, bylaw enforcement and safety;
- Transportation Services including road maintenance, fleet repairs, road/ bridge construction;
- Agricultural Services including weed/pest control, campground, AG rentals, county lands and other general agricultural services;
- Planning and Development Services including development permits, zoning, subdivision and land-use bylaws;
- Community Services including supporting FCSS, recreational and cultural activities, Tourism and economical development (VBDS);
- Utility Services—including garbage disposal (with the Vulcan and District Waste Commission) and water services (with Twin Valley Regional Water Commission and Mossleigh Water Coop).



ECONOMICS OF THE COUNTY:

The largest industry in Vulcan County is agriculture, encompassing approximately 444,000 hectares of farmland. The County is a member of the Foothills Little Bow Association and is part of the Bow River Irrigation District. There are three (3) operational grain elevators in Vulcan County; two (2) just south of the Town of Vulcan, and one (1) in the Town of Vulcan.

Geophysical drilling and pipeline activity have become increasingly important, with many oil and gas deposits put into production.

RECREATION AND ATTRACTIONS:

Throughout the County, communities have a wide range of recreational facilities, including playgrounds, community centres, senior citizens drop-in centres, golf courses, ice arenas, swimming pools, and rodeo arenas.

Several water recreation areas in the County include the Travers Dam, Lake McGregor, Williams Lake and Badger Lake. Provincial Parks include the Little Bow Provincial Park, Little Bow Reservoir Provincial Recreation Area, McGregor Reservoir Provincial Recreation Area, Travers Reservoir Provincial Recreation area, and the Wyndham-Carseland Provincial Park.

County historical attractions that focus on the First Nations heritage are the Carmangay Tipi Rings and the Majorville Medicine Wheel; while the aviation related attractions include the Royal Canadian Air Force Monument at the Vulcan Industrial Airport.

VISION, MISSION STATEMENT, & VALUES

VISION

Striving towards innovation in agriculture and development while respecting our roots and history

MISSION STATEMENT

To provide collaborative leadership, governance and municipal services

VALUES

- Fairness & Equality
- Respect & Trust
- Ethics
- Honesty

It is important to the Council of Vulcan County that these statements reflect the collaborative spirit that will enhance their own and their neighbours' initiatives and prospects for the future, and support the cooperative initiatives that will provide more cost effective municipal and other services within the region. (2014-2017 Strategic Plan)



COUNTY COUNCIL AND THE CAO



(left to right)

FRONT: Mark DeBoer, Director of Corporate Services

Nels Petersen, Chief Administrative Officer (effective October 2016) Jason Schneider (Division 3), Councillor / Reeve (effective August 2016)

BACK:

Shane Cockwell (Division 2), Councillor (started in October 2016) Michael Monner (Division 5), Councillor Glen Gateman (Division 1), Councillor / Deputy Reeve (effective October 2016) Murray McLean (Division 6), Councillor

ABSENT: Roy Lucas (Division 7), Councillor / Deputy Reeve (up to October 2016)

Derrick Annable (Division 4), Councillor

Vulcan County Council consists of Councillors elected from each of the seven (7) divisions of Vulcan County. As of 2013, Municipal elections are held every four (4) years in the month of October. October 2017 will be the upcoming Municipal elections. The position of Reeve and Deputy Reeve are determined at each of the annual Organizational Meetings held in October of each year.

The position of Chief Administrative Officer (CAO) is the administrative head of the organization and reports directly to Council.

During the year, there were some changes in the CAO and Council:

- Leo Ludwig was in the position of CAO up until July 2016
- Nels Petersen (previously the County's Director of Operations) was appointed the acting CAO from July 2016 to October 2016
- Rod Ruark was the Division 2 Councillor and Reeve up until August 2016
- As there was a vacancy in Division 2, a by-election was held and Shane Cockwell was acclaimed as the Councillor for that division.

Council holds two types of meetings: Council Meetings and Governance & Priorities Committee Meetings.

- Council Meetings are more formal and where Council makes the actual decisions on important matters in the community. These Council Meetings are typically held the 1st and 3rd Wednesday of each month.
- Governance & Priorities Committee Meetings are typically less formal and provide Administration opportunities to share information, discuss issues, and obtain direction from Council. This can include, but is not limited to, Budget Committee Meetings and Organizational Meetings.

ADMINISTRATION

The Chief Administrative Officer (CAO) is the administrative head of the organization and reports directly to Council. Reporting to the CAO were five (5) directors (as at the end of 2016) of each of the County's departments and the Executive Assistant position.

The following are the departments of the County:

- Operations department includes road construction, road maintenance, graveling, bridges, and fleet maintenance.
- Corporate Services department includes information technology, geographical integrated systems (GIS), and finances (i.e. assessment, taxation, receivables, payables, payroll, etc.).
- Protective Services department includes fire protection services and bylaw enforcement.
- Agricultural Services department includes seeding, weed control / spraying, pest control, agricultural rentals, and operations of the County's campground.
- Human Resources department includes both the human resources for the County staff and manages the planning/development for the County. Subsequent to the 2016 yearend this position was eliminated and these responsibilities were allocated back to the CAO until further review.



Vacant (July 2016) (Nels Petersen) Director of Operations



Mark DeBoer, Director of Corporate Services



Stuart Larson, Director of Protective Services

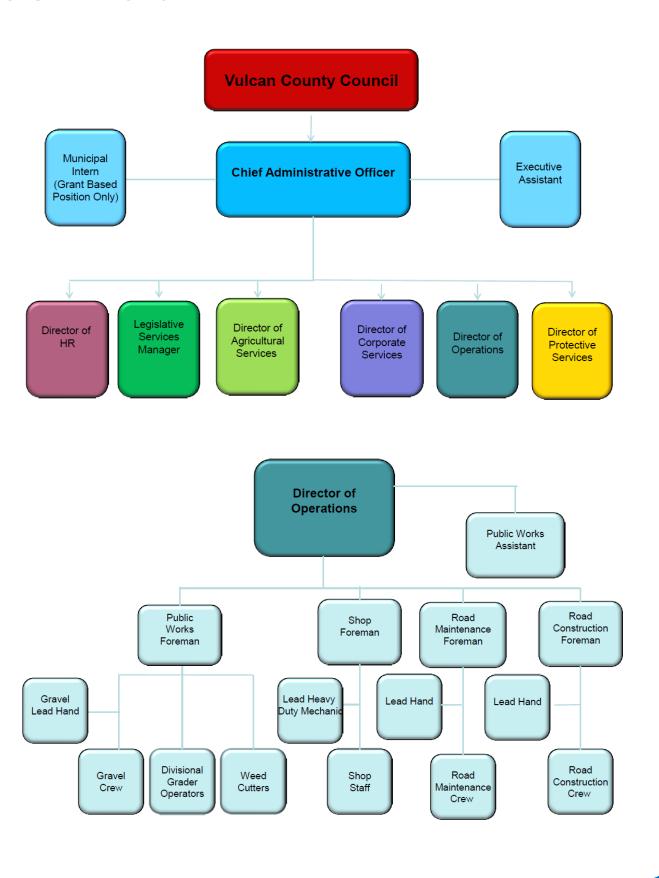


Kelly Malmberg, Director of Agricultural Services

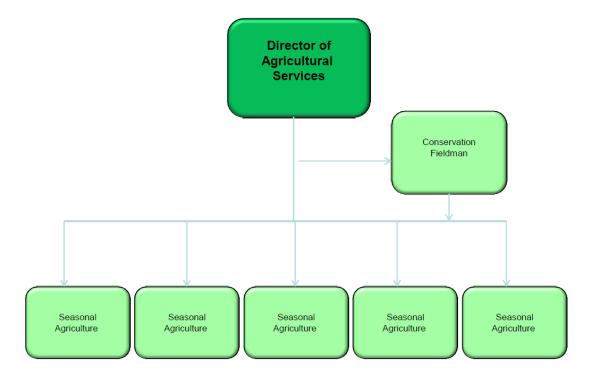


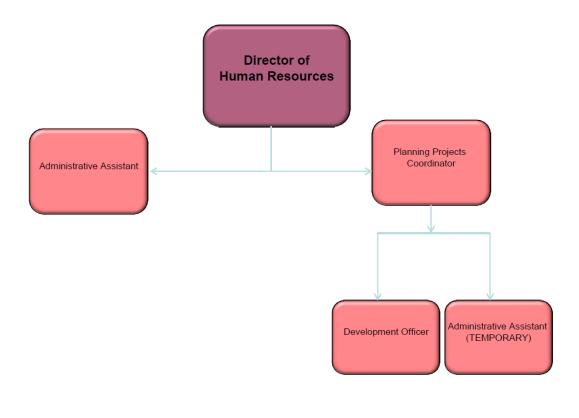
Tara Linklater, Director of Human Resources

ORGANIZATION CHART:



ORGANIZATION CHART (CONTINUED):





STRATEGIC PLAN

The purpose of Vulcan County's Strategic Plan is to create a "blue print" for the future. Putting the right strategy together and developing a clear action plan aligned with effective implementation is vital to the success of Vulcan County. To achieve this, Vulcan County developed the 2014-2017 Strategic Plan, including the following seven (7) key goals:

1) TRANSPORTATION NETWORKS

Long-term cost effective road maintenance and rehabilitation plan, including the following strategies:

- Investigate new funding for bridge repair/replacement
- Bylaw enforcement of roadway irrigation
- Continue with the shoulder pull program
- Maintain equipment replacement program
- Long-term plan for road rebuilding and rehabilitation
- Qualified operators

2) RECRUITMENT AND RETAIN QUALIFIED STAFF

Improve recruitment and retention of qualified staff, including the following strategies:

- Participate in the Municipal Intern Program
- Continue in the Apprenticeship Program with Operations
- Partner with high schools and colleges
- Bi-annual benefit and salary review
- Social interaction across organization
- Mutual respect between Council and Administration

3) GROWTH AND DEVELOPMENT

To support the development of a business park with hotel/restaurant and waterfront development, including the following strategies:

Business park with hotel/restaurant

- Collaborate with an urban municipality or developer (or independently)
- Business assessment: communicate with possible hotels and restaurants to find interest
- Investigate potential loans or tax breaks

Waterfront development

- Streamline the development process
- Have sufficient staff for planning and development
- Potential collaboration with other group or groups for staffing
- Marketing

4) COLLABORATION FOR DOCTOR RECRUITMENT AND RETENTION

Doctor recruitment and retention, including the following strategies:

- Lobby provincial and federal governments
- Investigate communities with success stories
- Consider a specialty hospital
- Rural physician training program

5) PROTECTIVE SERVICES

Regionalization of fire services and to provide timely protective services to stakeholders, including the following strategies:

Regionalization of fire services

- Complete the transition with those already regionalized
- Build confidence with existing departments to help ease frustration with the other departments not regionalized

Provide timely protective services to stakeholders

- Hire qualified personnel
- Orientate personnel as to the mandate of the program as it relates to the County and other municipal partner needs

6) GOVERNANCE

Timely communication to ratepayers and consolidation of shop and administration in new building and yard, including the following strategies:

Timely communication to ratepayers

- Improve Website
- More timely information
- Utilize social media
- Newspaper advertisement
- Quarterly newsletter

Consolidation of shop and administration in new building

- Financial Plan
- External Stakeholders to have agreements
- Establishing working committee

7) WATER AND WASTE MANAGEMENT, SUPPLY AND INNOVATION

To forward the Southern Alberta Energy from Waste Association (SAEWA) Project, connect Kirkcaldy to the waterline by 2017, and develop a feasibility study for the northern part of the County, including the following strategies:

To forward the SAEWA Project

 Meet with Council and communities to get buy-in to forward SAEWA host community proposal

Connect Kirkcaldy to the waterline by 2017

Get buy-in from the residents of Kirkcaldy and the existing water commission

<u>Develop feasibility study for the northern part of the County</u> (Milo, Mossleigh, Arrowwood, & Brant)

- Research grant funding for the feasibility study
- Get buy-in from landowners
- Talk to the villages to find their interest in project

In October 2017, the Alberta Municipal Elections will occur; subsequently County Council and Administration will review the Strategic Plan. At this time, the Strategic Plan will be updated and/or new goals will be established.



REPORT FROM THE DIRECTOR OF CORPORATE SERVICES

It is our pleasure to submit Vulcan County's Annual Financial Report for the year ended December 31, 2016. The purpose of this Annual Financial Report is to provide our ratepayers with a clear and transparent insight into the financial information and results of the County. It also provides an opportunity to analyze and comment on the financial highlights and information of the County.

INTERNAL ACCOUNTING CONTROLS

Vulcan County maintains a system of internal accounting controls designed to provide reasonable assurances for the safeguarding of assets and the reliability of the financial records. The controls are subject to regular reviews and revisions (if required). These controls include, but are not limited to, the financial policies set by Council, administrative procedures, external audits, and the budget process.

FINANCIAL POLICIES

Vulcan County has a number of policies relating to the financials that are reviewed and approved by Council. These policies are designed to ensure that there are appropriate controls in place to safeguard the County and to ensure that the County is compliant with the Alberta Municipal Government Act, the Canadian Public Sector Accounting Standards, and other related legislation. The following are some of the policies that are in place:

- Signing Authority
- Tender Process Policy
- Purchasing Authority
- Investment Policy
- Corporate Credit Card
- Tangible Capital Assets
- Reserves Policy

There are multiple other policies in place in which, all of these policies are publically available on our website.



ADMINISTRATIVE PROCEDURES

Vulcan County has a number of internal procedures that are used to document the steps and methods required to perform many of the financial tasks in the County's administration. These internal procedures allow for ensuring that the proper steps are taken for recording financial transactions to ensure accuracy, consistency, and that policies are being followed appropriately.



The County utilizes a centralized accounting process; where the Corporate Services department is responsible for the common financial and computer systems used to record the financial transactions and information. The Corporate Services department, in conjunction with all other departments, provides the annual financial statements and financial reporting to Council and the management of the County.

EXTERNAL AUDITS

In accordance with the Municipal Government Act, Section 280; County Council appoints an independent auditor, BDO Canada Ltd, to report on the annual financial statements of the County. The auditors' responsibility is to express an opinion on whether or not the financial statements are presented fairly, in all material respects, in accordance with the Canadian Public Sector Accounting Standards.



The auditors have full access to all of the County's financial records and information and they meet with staff, management, and the Reeve to discuss matters relating to the audit. The auditors also provide the County with a management letter providing comments on the internal controls.

For the 2016 Financial Statement audit, our auditors expressed a "clean" audit opinion, indicating that the financial statements are presented fairly. The auditors also did not have any management letter points for recommendations of improvements on the internal controls of the County for the 2016 audit; thus, indicating the effectiveness of the improvements that the County has implemented over the prior years.

BUDGET PROCESS

In accordance with the Municipal Government Act, Sections 242 and 245; County Council approves an operating and capital budget on an annual basis. Typically, the majority of the budget is developed in September to November of the year prior to the budget, and approved as the Interim Budget. The Final Budget is usually approved in April as the final budget items are received, property assessments are finalized, and requisitions for schools and senior foundations are received.

There is currently a 20-year Capital Plan, which assists in the development of the annual capital budget, outlining the capital replacement plan during the 20-year period. This 20-year Capital Plan is currently funded by capital reserves and projected contributions to the capital reserves. This methodology of long-term budgeting allows for stable tax rates to fund capital purchases, compared to significant highs and lows required to fund the capital projects and equipment.

The operating budget is currently done on an annual basis, taking into account up-coming operating projects and is calculated on a line-by-line item basis, compared to using gross figures to determine the budget. The budget takes into account the current economic conditions, provincial policy changes, and service needs within the County. Starting in 2017, the County has implement a 3-year operating budget plan.

After the budget is approved by Council, expenditures are controlled against the budget by formal purchasing policies, financial systems, and financial reporting designed to prevent budget overruns.



GFOA CANADIAN AWARD FOR FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award for Financial Reporting to Vulcan County for its annual Report for the fiscal year ended December 31, 2015. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principals and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Canadian Award for Financial Reporting program requirements, and are submitting it to GFOA.



Government Finance Officers Association

Canadian Award for Financial Reporting

Presented to

Vulcan County Alberta

For its Annual Financial Report for the Year Ended

December 31, 2015

Giffray R. Ener

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

The County's 2016 financial statements are prepared by management in accordance with the Canadian Public Sector Accounting Standards. Management is responsible for the preparation, accuracy, objectivity, and integrity of the financial statements and notes thereto. Management believes that the financial statements present fairly the County's financial position as at December 31, 2016, and the results of its operations for the year then ended.

The following Financial Statement Discussion and Analysis is also prepared by management and is intended to expand on and explain information in the financial statements. The discussion & analysis is not part of the actual financial statement and therefore is not specifically audited.

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position highlights the financial assets / liabilities, the non-financial assets, and the accumulated surplus. This statement is used to evaluate the County's ability to finance its financial liabilities and commitments.

	2016	2015	Change
FINANCIAL ASSETS			
Cash and investments	20,914,575	13,862,103	7,052,472
Taxes and grants in lieu receivables	2,716,399	1,439,354	1,277,045
Trade and other receivables	737,428	2,308,259	(1,570,831)
Inventory held for resale	42,083	179,809	(137,726)
Long term investments	5,342,000	7,472,797	(2,130,797)
Loans and notes receivable	356,473	456,364	(99,891)
Other	286,368	346,701	(60,333)
	30,395,326	26,065,387	4,329,939
FINANCIAL LIABILITIES			
Accounts payable and accrued liabilities	675,846	844,864	(169,018)
Deferred revenue	951,782	1,313,451	(361,669)
Employee benefit obligations	223,429	203,216	20,213
Obligations to other organizations	2,084,731	-	2,084,731
Obligations under capital lease	52,650	-	52,650
Long term debt	1,989,579	-	1,989,579
Other liabilities	692,648	554,178	138,470
	6,670,665	2,915,709	3,754,956
NET FINANCIAL ASSETS	23,724,661	23,149,678	574,983
NON-FINANCIAL ASSETS			
Tangible capital assets	108,487,392	107,791,397	695,995
Inventory for consumption	7,570,991	6,939,867	631,124
Prepaid expenses	232,196	201,591	30,605
	116,290,579	114,932,855	1,357,724
ACCUMULATED SURPLUS	140,015,240	138,082,533	1,932,707

STATEMENT OF FINANCIAL POSITION - continued

FINANCIAL ASSETS:

Overall, there has been an increase in the financial assets of the County; whereas some of the following were the changes:

- Change in investment strategies; whereas the long-term bonds were sold and reinvested in a combination of guaranteed investment certificates (GICs) and term deposits as higher effective interest rates were able to be realized with the change in strategy. This created a reduction in long-term investments and increases in the short-term investments.
- The short-term investments include approx. \$2.1 million dedicated for the Vulcan Hospital Expansion Project.
- Increase in tax receivables is mostly due to increases in taxes owed by oil & gas companies due to the current economic climate.
- Decrease in trade/other receivables as the prior year included approx. \$1.5 million receivable from the Province for disaster recovery funding.

FINANCIAL LIABILITIES:

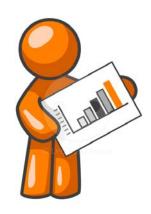
Overall, there has been an increase in the financial liabilities of the County; whereas some of the following were the changes:

- In March 2016, the County acquired approx. \$2.0 million debenture debt to fund the County's share of the Vulcan Hospital Expansion Project; which is included in the long-term debt.
- At yearend there was a total of approximately \$2.1 million set aside from both the Town of Vulcan and the County as matching contributions for the Vulcan Hospital Expansion Project. This amount is an obligation to the Vulcan County Health and Wellness Foundation.
- Decrease in deferred revenue as many of the grant funded projects were able to be completed during the year.
- The County entered into a capital lease during the year for the Peace Officer vehicle, whereas this created a lease obligation.
- Increase in other liabilities relates mostly relates to the increases in the gravel pit reclamation liability to approx. \$419,000 (2015 - \$223,000)

NON-FINANCIAL ASSETS:

Non-financial assets are assets that are not available to "pay off" existing liabilities and are held to provide services for the County, such as the capital assets (road/bridge infrastructure, vehicles/equipment, etc.) and gravel inventory. Overall, there has been an increase in the non-financial assets of the County; whereas some of the following were the changes:

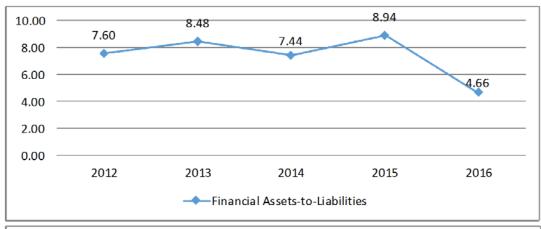
- The capital assets have had an overall increase in the year; whereas, there was an approx. \$6.0 million of additions in the construction of road/bridge infrastructure, additions to buildings, and the acquisition of vehicles/equipment. These additions are somewhat offset by approx. \$1.0 million in assets disposals/replacement and \$4.3 million in amortization of these assets.
- Inventory for consumption includes the gravel inventory and parts/supplies; whereas the majority of the increase relates to the additional gravel that was crushed during the year.

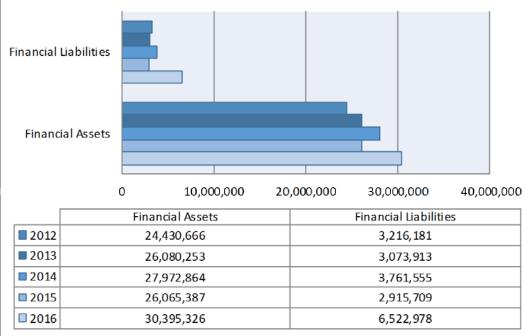


STATEMENT OF FINANCIAL POSITION - continued

Overall, the County maintains a positive net financial position (financial assets exceeding financial liabilities) of approx. \$23.8 million. This is a increase from the prior year of approx. \$23.1 million. The positive net financial position allows the County to cover the financial liabilities and commitments with the financial assets.

The following is a 5-year trend analysis on the net financial assets:





As shown above, although there was an overall increase in the net financial position, there was a reduction in the Financial Assets to Liabilities ratio as there were similar increases in both the financial assets and liabilities. This mostly relates to the acquisition of the debenture debt and obligations for the Vulcan Hospital Expansion project.

STATEMENT OF FINANCIAL POSITION - continued

ACCUMULATED SURPLUS:

The accumulated surplus is made up of three (3) components; Unrestricted Surplus, Restricted Surplus (Reserves), and the Equity in Tangible Capital Assets as outlined in Schedule 1 of the Financial Statements.

Schedule 1	2016	2015
Unrestricted Surplus	1,187,942	897,409
Restricted Surplus (Reserves)	30,392,556	29,393,727
Equity in Tangible Capital Assets	108,434,742	107,791,397
Accumulative Surplus	140,015,240	138,082,533

The Restricted Surplus is the combination of both the capital and operating reserves:

	2016	2015
Capital Reserves	14,780,939	12,524,474
Operating Reserves	15,611,617	16,869,253
Total Restricted Surplus (Reserves)	30,392,556	29,393,727
Net Financial Assets	23,872,348	23,149,678
Inventory for Consumption	7,570,991	6,939,867
Total Funding Available	31,443,339	30,089,545

As shown in the above, the combination of the net financial assets and the inventory for consumption are sufficient to cover both of the capital and operating reserves; therefore, the County's reserves are considered to be "fully funded" reserves.

The Equity in Tangible Capital Assets equates to the net book value (NBV) of the Tangible Capital Assets as described in Schedule 2 (Schedule of Tangible Capital Assets) less the capital debt (Capital Lease Obligation):

	2016	2015
Tangible Capital Assets - cost	193,932,393	189,999,202
Tangible Capital Assets - amortization	(85,445,001)	(82,207,805)
Tangible Capital Asset (NBV)	108,487,392	107,791,397
Capital Lease Obligation	(52,650)	0
Equity in Tangible Capital Assets	108,434,742	107,791,397

Note: the long-term debt acquired does not relate to the acquisition of tangible capital assets and therefore is not included in the capital debt amount in determining the equity in tangible capital assets.

STATEMENT OF OPERATIONS

The Statement of Operations highlights the revenues and expenses of the County. This statement is mostly used to evaluate these revenues and expenses to the approved budget. It also provides the prior year data for comparative purposes.

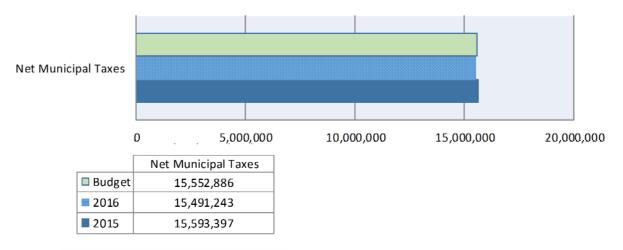
	2016 - Budget	2016	2015
OPERATING REVENUE			
Net municipal taxes	15,552,886	15,491,243	15,593,397
Government transfers	879,126	839,002	778,748
Return on investments	389,736	733,530	405,743
Sale of goods, services and user charges	670,811	864,215	903,222
Rental income	357,029	355,410	346,232
Community aggregate levy	120,000	149,287	259,213
Penalties and costs of taxes	100,500	497,496	254,299
Gain on disposal of tangible capital assets	+	26,813	43,431
Other revenues	77,800	752,963	120,041
	18,147,888	19,709,959	18,704,326
OPERATING EXPENSES	.		
Legislative	364,131	285,775	365,768
Administration	2,085,599	1,962,577	1,763,226
Protection services	1,839,095	1,720,869	1,466,953
Transportation services	11,187,590	10,863,798	10,484,568
Agricultural services	986,930	810,091	823,176
Planning and development services	589,086	534,207	442,352
Family and community support	293,291	2,338,374	214,943
Parks and recreation	642,737	733,948	684,775
Tourism and economic development	256,945	243,172	266,392
Utility Services	717,286	740,853	628,794
Other	188,861	313,069	791,715
	19,151,551	20,546,733	17,932,662
OPERATING NET INCOME	(1,003,663)	(836,774)	771,664
CAPITAL REVENUES			
Government transfers for capital	3,392,781	2,769,481	3,893,203
TOTAL NET INCOME	2,389,118	1,932,707	4,664,867
ADD:			
Proceeds from sale of capital assets	198,250	178,442	316,510
Transfers from reserves to operations	7,715,746	7,233,665	8,229,029
Amortization of capital assets	4,014,425	4,328,198	4,014,425
Net loss on disposal of capital assets	-	810,407	411,062
LESS:			
Transfer to reserves	(6,621,154)	(8,232,494)	(9,738,958)
Capital expenditures/purchases	(7,694,537)	(5,960,392)	(7,896,176)
TOTAL NET EFFECT OF INCOME	1,848	290,533	759

The total net effect of income represents the allocation to the Unrestricted Surplus. As shown above, this is determined by taking the total net income and take into account the effects of the transfers to/from reserves and the contributions to/from capital.

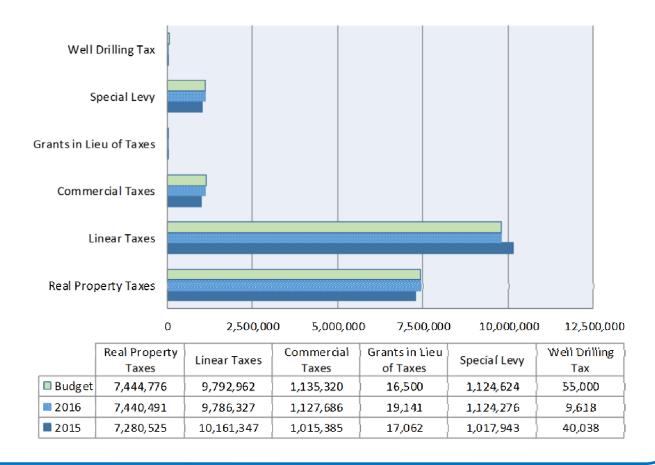
OPERATING REVENUES

The operating revenues include all of the revenues for the County other than capital grants and contributions. The majority of the operating revenues includes the net municipal tax revenues (net of requisitions), operating grants, and other revenues from the operations of the County (i.e. investment, user charges, rental, etc.).

The following is an analysis on the net municipal taxes (net of requisitions) compared to the budget and the prior year:

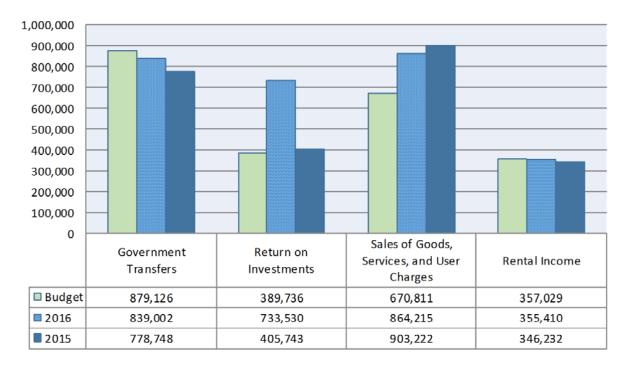


The overall net municipal taxes are relatively comparable to the budget and the prior year. The following are the details of the tax revenues as displayed in Schedule 3 (Schedule of Property and other taxes):



OPERATING REVENUES - continued

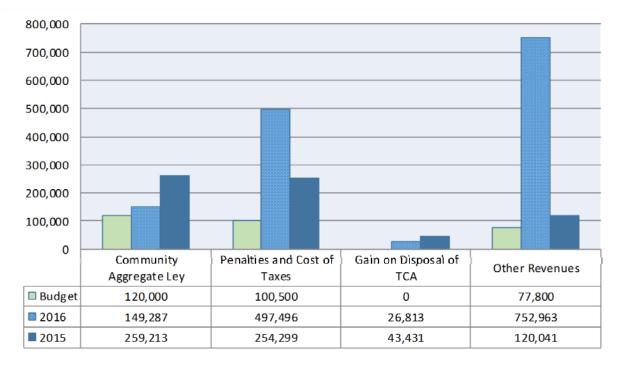
The following is an analysis on the operating grants and some of the other revenues from operations compared to the budget and the prior year:



- Government Transfers were less than budget is mostly due to that the Council Governance project of \$50,000 was not done in the year. The revenues were greater than the prior year mostly due to increases in the local government transfers for shared services in IT and emergency management, and increases in fire training grants.
- Return on Investments were significantly higher than both the budget and the prior year mostly due to the changes in the investment strategies; whereas there was an approx. \$340,000 gain on the sale of the bond accounts.
- Sales of Goods, Services, and User charges were greater than budget as the budget is done on a conservative basis; whereas some of the significant increases from budget include additional surface rights revenues received and increases in other cost recoveries (i.e. dust abatement, WCB rebate, etc.). The revenues were slightly less than the prior year mostly due to the cost recoveries reduced from prior years (i.e. inter-municipal road project).
- Rental Income was comparable to both the budget and the prior year. Slight increase from prior year is due to renegotiating a building lease in the prior year.

OPERATING REVENUES - continued

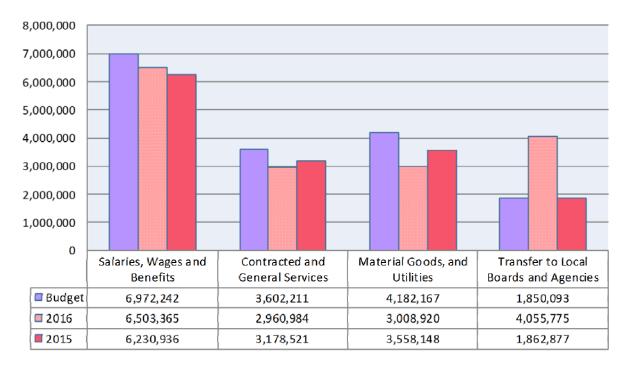
The following is an analysis on the remaining other revenues from operations compared to the budget and the prior year:



- Community Aggregate Levy was greater than budget as the budget is done on a conservative basis; whereas the revenues were less than the prior year as the amount of movement of aggregate has been reduced from prior years. These revenues fluctuate significantly from year to year.
- Penalties and Cost of Taxes were greater than budget as the budget is done
 on a conservative basis; whereas both the penalties on current taxes and tax
 arrears were significantly higher than budget due to some of the larger taxes
 owed by oil and gas companies. The revenues were higher than the prior
 year as the balances of some of these accounts have increased.
- Gain on Disposal of Tangible Capital Assets (TCA) is not budgeted. The gain is less than prior year; however, this fluctuates significantly from year to year, depending on the assets being sold/disposed.
- Other Revenues include the contributions from the Town of Vulcan for the Vulcan Hospital Expansion project, donations, fines, and other revenues. The other revenues are greater than budget and the prior year as the donations and the Contributions for the Vulcan Hospital Expansion project were not budgeted.

OPERATING EXPENSES

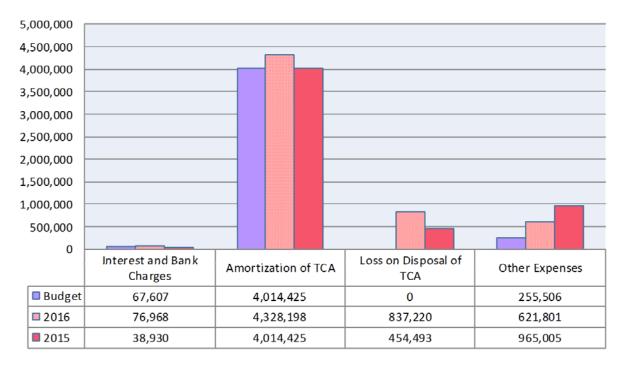
The operating expenses are presented on the Statement of Operations by each separate department; however, they are also redisplayed by the type of expense in Schedule 5 (Schedule of Expenses by Object). The following is an analysis on some of the expenses compared to budget and the prior year (excluding capitalization costs).



- Salaries, Wages and Benefits were less than budget is mostly due to that
 there were a couple of staff vacancies during the year and that the benefits
 were budgeted on a fixed percentage (greater than actual). The expenses
 were higher than the prior year due to the cost of living adjustments to
 wages and there were a couple positions filled in 2016 that were not in 2015.
- Contracted and General Services were less than budget is mostly due to these contracted costs being less than expected; including building repairs, vehicle and equipment repairs, consulting costs on projects, education/training, and other services. The expenses were less than prior year; whereas vehicle and equipment repairs were substantially higher in prior year (i.e. hitch rebuilt) and legal costs were reduced from prior year.
- Material, Goods and Utilities were less than budget is mostly due to these
 costs being less than expected; including diesel/fuel pricing, gravel costs,
 tire, herbicides, utilities, and other costs. The expenses were less than prior
 year; whereas gravel crushing costs were higher in prior year and diesel costs
 were reduced from prior year.
- Transfer to Local Boards and Agencies were significantly higher than budget and the prior year as there was approx. \$2.1 contributed to the Vulcan Hospital Expansion project as matching contributions (matching contributions included in Obligations to Other Organizations as a liability account).

OPERATING EXPENSES - continued

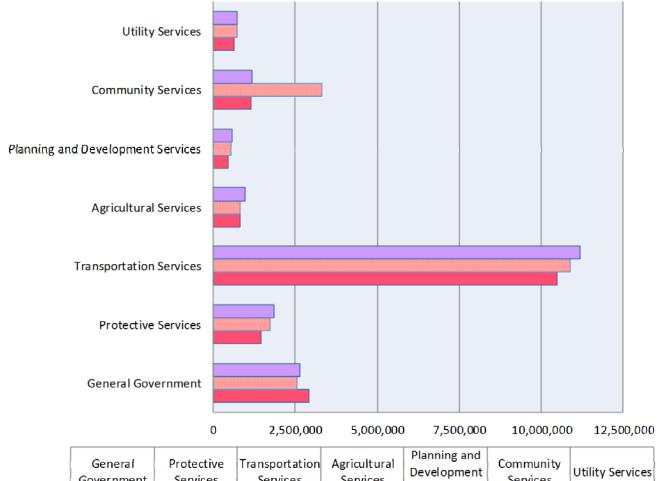
The following is an analysis on the remaining expenses compared to budget and the prior year (excluding capitalization costs).



- Interest and Bank Charges were slightly greater than budget is mostly due to setting up the accrued interest on the debenture; whereas the budgeted interest was based only on the debenture payments. The expenses were greater than the prior year as the debenture interest started in 2016.
- Amortization of the Tangible Capital Assets (TCA) is greater than both the budget and the prior year as the budget was based on the prior year. The increase relates to an overall increase in the TCA from prior years.
- Loss on Disposal of Tangible Capital Assets (TCA) is not budgeted. The loss is greater than prior year; however, this fluctuates significantly from year to year, depending on the assets being sold/disposed.
- Other Expenses include the write-off of tax accounts for insolvent companies, gravel pit reclamation increases, inventory write-downs, and contingencies. The other expenses are greater than budget as there was approx. \$147,800 in additional write-off of taxes exceeding budget, increase in the gravel pit reclamation liability of approx. \$196,000, and approx. \$104,200 reduction in the IT inventory. The expenses are less than the prior year as there was a significant amount of write-offs of tax accounts for insolvent companies in the prior year.

OPERATING EXPENSES - continued

Schedule 6 and 7 (Schedule of Segment Disclosure) presents the operating expenses by major segments, which is a combination of the separate departments that are similar in activities.



Government Services Services Services Services Services Budget 986,930 2,638,591 1,839,095 11,187,590 589,086 1,192,973 717,286 **2016** 2,561,421 10,863,798 534,207 740,853 1,720,869 810,091 3,315,494 **2015** 2,920,709 1,466,953 10,484,568 823,176 442,352 1,166,110 628,794

These segments were slightly modified from prior years to more accurately portray the departments that have similar activities:

- Agricultural and Planning/Development Services are now reported separated; whereas these were previously reported in the "Economic and Agricultural Services" (prior removed)
- Community Services are now reported separately; whereas the majority were previously reported in General Government
- Utility Services was renamed from the previous "Environmental Planning"

A detailed description and activities of each segment is included in Note 18 of the 2016 Financial Statements.

OPERATING EXPENSES - continued

The following is a breakdown of the departments included in each of the major segments, as shown in Schedule 6 and 7 (Schedule of Segment Disclosure):

	2016 - Budget	2016	2015
GENERAL GOVERNMENT			
Legislative	364,131	285,775	365,768
Administration	2,085,599	1,962,577	1,763,226
Other	188,861	313,069	791,715
	2,638,591	2,561,421	2,920,709
PROTECTIVE SERVICES	1,839,095	1,720,869	1,466,953
TRANSPORTATION SERVICES	11,187,590	10,863,798	10,484,568
AGRICULTURAL SERVICES	986,930	810,091	823,176
	500.000		
PLANNING AND DEVELOPMENT SERVICES	589,086	534,207	442,352
COMMUNITY SERVICES			
Family and community support	293,291	2,338,374	214,943
Parks and recreation	642,737	733,948	684,775
Tourism and economic development	256,945	243,172	266,392
	1,192,973	3,315,494	1,166,110
UTILITY SERVICES	717,286	740,853	628,794
TOTAL OPERATING EXPENSES	19,151,551	20,546,733	17,932,662

The variances from budget and prior year are the same as previously discussed in each of the expenses by type; whereas, it would be allocated to each of the operating Segments. See Schedule 6 and 7 (Schedule of Segment Disclosure) for the detailed breakdown of each segment by type (both revenues and expense).

The County also has been providing detailed reports on the operating revenues and expenses, which are available to the public on our website (www.vulcancounty.ab.ca). These reports are located:

Home > Departments > Corporate Services > Financial Statements

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

The Statement of Changes in Net Financial Assets summarizes the changes in the Net Financial Assets. It reconciles the Net Financial Assets of the County from the prior year using the operating revenues and expenses, capital funding and expenditures, and changes in the other non-financial assets such as inventory for consumption and prepaid expenses.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows summarizes the sources and uses of cash and cash equivalents. It reconciles the cash position of the County from the prior year using the operating revenues and expenses, capital funding and expenditures, investment and financing transactions.

As the revenues and expenses include "non-cash" transactions such as amortization expenses, these "non-cash" transactions are removed from the income to indicate the actual cash effects.

SCHEDULES OF THE FINANCIAL STATEMENTS

There are currently seven (7) schedules in the financial statements, which are used to provide details to the financial statements. These schedules include:

- Schedule 1 Schedule of Changes in Accumulative Surplus
- Schedule 2 Schedule of Tangible Capital Assets
- Schedule 3 Schedule of Property and Other Taxes
- Schedule 4 Schedule of Government Transfers
- Schedule 5 Schedule of Expenses by Object
- Schedule 6 2016 Schedule of Segmented Disclosures
- Schedule 7 2015 Schedule of Segmented Disclosures

Schedule 1—2 provides additional details on the accumulative surplus and the tangible capital assets as presented in the Statement of Financial Position.

Schedule 3—7 provides additional details on the revenues and expenses as presented in the Statement of Operations.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional details for the financial statements.

These notes can include the following:

- Significant accounting policies
- Details of Financial Statement balances
- Segment reporting details
- Disclosure of additional information not recorded in the financials
 - Debt limits
 - Council and CAO remuneration
 - Pension Plan
 - Commitments and contingencies

FUTURE OUTLOOKS

The County will continue to maintain its strong financial position. In looking ahead, the biggest challenges facing the County will be to balance fiscal responsibility with the service levels needed by our ratepayers and to collect on the tax arrears from the oil and gas companies that are struggle to pay their taxes in these difficult times.

The use of long-term budgets will assist Administration in the challenges of meeting the necessary service levels. Towards the end of 2016, the County developed a three (3) year written plan for budgeting operating activities and a five (5) year written plan for budgeting capital acquisitions.

The three (3) year operating plan effectively creates a multi-year budget for the upcoming operating activities, including large operating projects and projecting cost increases.

The five (5) year capital plan is developed out of the County's 20-year capital funding plan; which reviews assets being projected to be replaced within the upcoming 20-years and starts building reserves to fund the projected costs of replacing or acquiring these assets.

The County will continue to develop strategies and seek the necessary funding to undertake projects required to maintain the programs, services, and infrastructure provided by the County.

Respectfully submitted,

Mark DeBoer, CPA, CA

Director of Corporate Services

April 5, 2017



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FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016



VULCAN COUNTY FINANCIAL STATEMENTS

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www.vulcancounty.ab.ca

April 5, 2017

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, 2016, 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,

Nels Petersen

Chief Administrative Officer

Mark DeBoer, CPA, CA

New MIN

Director of Corporate Services



Tel: 403 328 5292 Fax: 403 328 9534 www.bdo.ca 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, 2016, 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, 2016 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 LLA

Chartered Professional Accountants

Lethbridge, Alberta April 5, 2017

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash and investments (note 2)	\$ 20,914,575	\$ 13,862,103
Taxes and grants in lieu receivables (note 3)	2,716,399	1,439,354
Trade and other receivables (note 4)	737,428	2,308,259
Inventory held for resale	42,083	179,809
Long term investments (note 5)	5,342,000	7,472,797
Loans and notes receivable (note 6)	356,473	456,364
Other	286,368	346,701
	30,395,326	26,065,387
LIABILITIES		
Accounts payable and accrued liabilities	675,846	844,864
Deferred revenue (note 7)	951,782	1,313,451
Employee benefit obligations (note 8)	223,429	203,216
Obligations to other organizations (note 9)	2,084,731	-
Obligations under capital lease (note 10)	52,650	
Long term debt (note 11)	1,989,579	
Other liabilities	692,648	554,178
	6,670,665	2,915,709
NET FINANCIAL ASSETS	23,724,661	23,149,678
NON-FINANCIAL ASSETS		
Tangible capital assets (schedule 2, note 12)	108,487,392	107,791,397
Inventory for consumption (note 13)	7,570,991	6,939,867
Prepaid expenses	232,196	201,591
	116,290,579	114,932,855
ACCUMULATED SURPLUS (schedule 1, note 15)	\$140,015,240	\$138,082,533

Contingencies and commitments - See note 24 & 25)

APPROVED BY:

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, 2016

	Budget	2016	2015
	(note 16)		
REVENUE			
Net municipal taxes (schedule 3)	\$ 15,552,886	\$ 15,491,243	\$ 15,593,397
Government transfers (schedule 4)	879,126	839,002	778,748
Return on investments	389,736	733,530	405,743
Sale of goods, services and user charges	670,811	864,215	903,222
Rental income	357,029	355,410	346,232
Community aggregate levy	120,000	149,287	259,213
Penalties and costs of taxes	100,500	497,496	254,299
Gain on disposal of tangible capital assets		26,813	43,431
Other revenues	77,800	752,963	120,041
TOTAL REVENUE	18,147,888	19,709,959	18,704,326
EXPENSES			
Legislative	364,131	285,775	365,768
Administration	2,085,599	1,962,577	1,763,226
Protection services	1,839,095	1,720,869	1,466,953
Transportation services	11,187,590	10,863,798	10,484,568
Agricultural services	986,930	810,091	823,176
Planning and development services	589,086	534,207	442,352
Family and community support	293,291	2,338,374	214,943
Parks and recreation	642,737	733,948	684,775
Tourism and economic development	256,945	243,172	266,392
Utility Services	717,286	740,853	628,794
Other	188,861	313,069	791,715
TOTAL EXPENSES	19,151,551	20,546,733	17,932,662
EXCESS (SHORTFALL) OF REVENUE			
OVER EXPENSES - BEFORE OTHER	(1,003,663)	(836,774)	771,664
OTHER			
Government transfers for capital (schedule 4)	3,392,781	2,769,481	3,893,203
EXCESS OF REVENUE OVER EXPENSES	2,389,118	1,932,707	4,664,867
ACCUMULATED SURPLUS, BEGINNING OF YEAR	138,082,533	138,082,533	133,417,666
ACCUMULATED SURPLUS, END OF YEAR	\$140,471,651	\$140,015,240	\$138,082,533

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, 2016

	Budget (note 16)	2016	2015
EXCESS OF REVENUE OVER EXPENSES	\$ 2,389,118	\$ 1,932,707	\$ 4,664,867
Acquisition of tangible capital assets Proceeds on disposal of tangible capital assets Amortization of tangible capital assets Loss on disposal of tangible capital assets	(7,694,537) 198,250 4,014,425	(6,013,042) 151,629 4,328,198 837,220	(7,896,179) 273,082 4,014,425 454,493
	(3,481,862)	(695,995)	(3,154,179)
Net change in inventory for consumption Acquisition of prepaid expenses Use of prepaid expenses	- -	(631,124) (232,196) 201,591	(2,554,521) (201,591) 183,789
	-	(661,729)	(2,572,323)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(1,092,744)	574,983	(1,061,635)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	23,149,678	23,149,678	24,211,313
NET FINANCIAL ASSETS, END OF YEAR	\$ 22,056,934	\$ 23,724,661	\$ 23,149,678

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2016

	2016	2015
NET INFLOW (OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	\$ 1,932,707	\$ 4,664,867
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	4,328,198	4,014,425
Loss on disposal of tangible capital assets	837,220	454,493
Non-cash charges to operations (net change):		
Increase in taxes and grants in lieu receivable	(1,277,045)	(593, 163)
Decrease (increase) in trade and other receivables	1,570,831	(439,262)
Decrease in inventory held for resale	137,726	57,681
Decrease in loans receivable Decrease (increase) in other financial assets	99,891 60.333	108,667 (30,791)
Increase in inventory for consumption	(631,124)	(2,554,521)
Increase in Inventory for consumption Increase in prepaid expenses	(30,605)	(17,802)
Decrease in accounts payable	(169,018)	(112,345)
Decrease in deferred revenue	(361,669)	(582,908)
Increase (decrease) in employee benefit obligations	20.213	(2,195)
Increase in obligations to other organizations	2,084,731	-
Increase in obligations under capital lease	52,650	-
Increase (decrease) in other liabilities	138,470	(148,394)
Cash provided by operating transactions	8,793,509	4,818,752
CAPITAL		
Acquisition of tangible capital assets	(6,013,042)	(7,896,179)
Proceeds on disposal of tangible capital assets	151,629	273,082
Cash applied to capital transactions	(5,861,413)	(7,623,097)
INVESTING		
Decrease in long term investments	2,130,797	393,550
Cash provided by investing transactions	2,130,797	393,550
FINANCING		
Long term debt issued	2.046.224	_
Long term debt repaid	(56,645)	
Cash provided by financing transactions	1,989,579	
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	7,052,472	(2,410,795)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,862,103	16,272,898
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 20,914,575	\$ 13,862,103

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, 2016

							SCHE	DULE 1
		Inrestricted Surplus	Restricted Surplus (note 17)	Equity in Tangible Capital Assets (note 14)		2016		2015
BALANCE, BEGINNING OF YEAR	\$	897,409	29,393,727	107,791,397	\$1	138,082,533	\$1	33,417,666
Excess of revenues over expenses	\$	1,932,707	_	_	\$	1,932,707	\$	4,664,867
Unrestricted funds designated for future use		(8,232,494)	8,232,494	-		-		-
Restricted funds used for operations		3,676,376	(3,676,376)	-		-		-
Restricted funds used for tangible capital assets		-	(3,557,289)	3,557,289		-		-
Current year funds used for tangible capital assets		(2,403,103)	-	2,403,103		-		-
Contributed tangible capital assets		-	-	-		-		-
Disposal of tangible capital assets		988,849	-	(988,849)		-		-
Annual amortization expense	_	4,328,198	-	(4,328,198)		-		-
Change in accumulated surplus	\$	290,533	998,829	643,345	\$	1,932,707	\$	4,664,867
BALANCE, END OF YEAR	\$	1,187,942	30,392,556	108,434,742	\$1	140,015,240	\$1	38,082,533

VULCAN COUNTY

SCHEDULE OF TANGIBLE CAPITAL ASSETS YEAR ENDED DECEMBER 31, 2016

SCHEDULE 2 Engineered Land Improvements Buildings Equipment Vehicles Structures 2016 2015 Land COST: BALANCE, BEGINNING OF YEAR AS REPORTED 4,327,010 152,863,138 \$189,999,202 \$ 5,738,086 1.226.249 10.200.523 15.644.196 \$184.328.112 Reclassification of capital assets (note 26) 58,285 483,052 (58, 285)(483,052)BALANCE, BEGINNING OF YEAR AS RESTATED \$ 5,738,086 1,167,964 10,258,808 15,161,144 4,810,062 152,863,138 \$189,999,202 \$184,328,112 Acquisition of tangible capital assets 449 70,264 1,584,739 1,224,426 2,993,964 5,873,842 7.256.222 New construction-in-progress 1,314 137,886 139,200 639.957 Disposition of tangible capital assets (601,220) (168,721) (1,309,910) (2,079,851) (2,225,089) BALANCE, END OF YEAR 5,738,535 1,167,964 10,330,386 16,144,663 5,865,767 154,685,078 193,932,393 189,999,202 ACCUMULATED AMORTIZATION: BALANCE, BEGINNING OF YEAR AS REPORTED 188,742 2,558,733 7,112,466 1,919,065 70,428,799 \$ 82,207,805 Reclassification of capital assets (note 26) (47,114)47,114 (217,841)217,841 BALANCE, BEGINNING OF YEAR AS RESTATED 141,628 2,605,847 6,894,625 2,136,906 70,428,799 \$ 82,207,805 \$ 79,690,894 43.289 274.458 1.386.151 500.219 2.124.081 4.328.198 4.014.425 Annual amortization Accumulated amortization on disposal (403,447)(125,598)(561,957) (1,091,002) (1,497,514) BALANCE, END OF YEAR 184,917 2,880,305 7,877,329 2,511,527 71,990,923 85,445,001 82,207,805 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS \$ 5,738,535 983,047 7,450,081 8,267,334 3,354,240 82,694,155 \$108,487,392 \$107,791,397 2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS AS RESTATED \$ 5,738,086 1,026,336 7,652,961 8,266,519 2,673,156 82,434,339 \$107,791,397

SCHEDULE OF PROPERTY AND OTHER TAXES YEAR ENDED DECEMBER 31, 2016

SCHEDULE 3

	Budget (note 16)	2016	2015
TAXATION			
Real property taxes	\$ 7,444,776	\$ 7,440,491	\$ 7,280,525
Linear taxes	9,792,962	9,786,327	10,161,347
Commercial taxes	1,135,320	1,127,686	1,015,385
Government grants in lieu of taxes	16,500	19,141	17,062
Special levy	1,124,624	1,124,276	1,017,943
Well drilling tax	55,000	9,618	40,038
	19,569,182	19,507,539	19,532,300
REQUISITIONS			
School requisitions	3,789,172	3,789,172	3,718,658
Seniors foundation	227,124	227,124	220,245
	4,016,296	4,016,296	3,938,903
NET MUNICIPAL TAXES	\$ 15,552,886	\$ 15,491,243	\$ 15,593,397

VULCAN COUNTY

SCHEDULE OF GOVERNMENT TRANSFERS YEAR ENDED DECEMBER 31, 2016

SCHEDULE 4

	Budget (note 16)	2016	2015	
TRANSFERS FOR OPERATING Local government transfers Provincial government transfers Federal government transfers	\$ 82,024 593,020 204,082 879,128	\$ 78,489 550,630 209,883 839,002	\$ 55,656 519,010 204,082 778,748	
TRANSFERS FOR CAPITAL Provincial government transfers	3,392,781	2,769,481	3,893,203	
TOTAL GOVERNMENT TRANSFERS	\$ 4,271,907	\$ 3,608,483	\$ 4,671,951	

SCHEDULE OF EXPENSES BY OBJECT YEAR ENDED DECEMBER 31, 2016

SCHEDULE 5

	Budget	2016	2015
	(note 16)		
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 6,972,242	\$ 6,503,365	\$ 6,230,936
Contracted and general services	3,602,211	2,960,984	3,178,521
Materials, goods and utilities	4,182,167	3,008,920	3,558,148
Transfers to local boards and agencies	1,850,093	4,055,775	1,862,877
Interest and bank charges	67,607	76,968	38,930
Amortization of tangible capital assets	4,014,425	4,328,198	4,014,425
Machine expenses capitalized for construction	(1,792,700)	(1,846,498)	(2,370,673)
Loss on disposal of tangible capital assets	-	837,220	454,493
Other expenses	255,506	621,801	965,005
	\$ 19,151,551	\$ 20,546,733	\$ 17,932,682

VULCAN COUNTY

SCHEDULE OF SEGMENTED DISCLOSURE YEAR ENDED DECEMBER 31, 2016

SCHEDULE 6

	General Government	Protective Services	Transportation Services	Agricultural Services	Planning and Development Services	Community Services	Utility Services	2016 Total
REVENUE								
Net municipal taxes	\$ 13,800,329	737,129	-	-	-	375,722	578,063	\$ 15,491,243
Government transfers (operating)	39,214	111,636	209,883	176,759	83,333	218,177	-	839,002
Return on investment	713,244	-	-	-	-	20,286	-	733,530
Sale of goods, services and user charges	76,459	102,351	186,773	406,092	90,434	-	2,106	864,215
Rental income	-	335,629	-	5,381	-	14,400	-	355,410
Community aggregate levy	-	-	149,287	-	-	-	-	149,287
Penalties and other costs of taxes	497,496	-	-	-	-	-	-	497,496
Gain on disposal of tangible capital assets	-	-	20,363	6,450	-	-	-	26,813
Other revenues		51,417	-	44,220	-	657,326		752,963
	15,126,742	1,338,162	566,306	638,902	173,767	1,285,911	580,169	19,709,959
EXPENSES								
Salaries, wages and benefits	1,185,807	553,910	4,194,086	316,054	235,993	-	17,515	6,503,365
Contracted and general services	605,396	299,306	1,286,645	230,849	295,583	162,622	80,583	2,960,984
Material, goods and utilities	173,516	146,388	2,519,079	150,949	2,631	7,923	8,434	3,008,920
Transfers to local boards and agencies	47,442	262,700	8,000	12,296	-	3,104,822	620,515	4,055,775
Interest and bank charges	33,722	3,119	-	-	-	40,127	-	76,968
Amortization of tangible capital assets	89,827	455,446	3,669,176	99,943	-	-	13,806	4,328,198
Machine expenses capitalized for construction	-	-	(1,846,498)	-	-	-	-	(1,846,498)
Loss on disposal of tangible capital assets	-	-	837,220	-	-	-	-	837,220
Other expenses	425,711	-	196,090	-	-	-	-	621,801
	2,561,421	1,720,869	10,863,798	810,091	534,207	3,315,494	740,853	20,546,733
OVER EXPENSES - BEFORE OTHER	12,565,321	(382,707)	(10,297,492)	(171,189)	(360,440)	(2,029,583)	(160,684)	(836,774)
OTHER								
Contributed tangible capital assets	-	-	-	-	-	-	-	-
Government transfers (capital)	78,962	-	2,690,019	-	-	-	500	2,769,481
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ 12,644,283	(382,707)	(7,607,473)	(171,189)	(360,440)	(2,029,583)	(160,184)	\$ 1,932,707

SCHEDULE OF SEGMENTED DISCLOSURE YEAR ENDED DECEMBER 31, 2015

SCHEDULE 7

	General Government	Protective Services	Transportation Services	Agricultural Services	Planning and Development Services	Community Services	Utility Services	2015 Total
REVENUE								
Net municipal taxes	\$ 14,042,026	641,397	-	-	-	376,546	533,428	\$ 15,593,397
Government transfers (operating)	51,564	58,955	204,082	168,359	86,132	209,656	-	778,748
Return on investment	405,743	-	-	-	-	-	-	405,743
Sale of goods, services and user charges	123,968	61,015	349,657	279,112	87,121	-	2,349	903,222
Rental income	-	324,902	-	6,930	-	14,400	-	346,232
Community aggregate levy	-	-	259,213	-	-	-	-	259,213
Penalties and other costs of taxes	254,299	-	-	-	-	-	-	254,299
Gain on disposal of tangible capital assets	-	-	43,431	-	-	-	-	43,431
Other revenues	59,694	20,381	-	39,966	-	-	-	120,041
	14,937,294	1,106,650	856,383	494,367	173,253	600,602	535,777	18,704,326
EXPENSES								
Salaries, wages and benefits	1,046,913	460,338	4,222,121	309,027	174,311	-	18,226	6,230,936
Contracted and general services	673,157	274,660	1,535,655	238,608	259,393	157,107	39,941	3,178,521
Material, goods and utilities	173,067	110,699	3,081,585	175,597	3,048	7,741	6,411	3,558,148
Transfers to local boards and agencies	48,860	247,450	8,000	14,650	-	987,257	556,660	1,862,877
Interest and bank charges	38,928	2	-	-	-	-	-	38,930
Amortization of tangible capital assets	79,720	373,804	3,448,446	85,294	5,600	14,005	7,556	4,014,425
Machine expenses capitalized for construction	-	-	(2,370,673)	-	-	-	-	(2,370,673)
Loss on disposal of tangible capital assets	-	-	454,493	-	-	-	-	454,493
Other expenses	860,064	-	104,941	-	-	-	-	965,005
	2,920,709	1,466,953	10,484,568	823,176	442,352	1,166,110	628,794	17,932,662
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	12,016,585	(360,303)	(9,628,185)	(328,809)	(269,099)	(565,508)	(93,017)	771,664
OTHER								
Contributed tangible capital assets	-	-	-	-	-	-	-	-
Government transfers (capital)	14,970	452,167	3,425,730	-	-	-	336	3,893,203
EXCESS (SHORTFALL) OF REVENUE								
OVER EXPENSES	\$ 12,031,555	91,864	(6,202,455)	(328,809)	(269,099)	(565,508)	(92,681)	\$ 4,664,867

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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 Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by Vulcan County are as follows:

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.

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.

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, 2016

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) <u>Investments</u>

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.

Loans and Notes Receivables

Loan and notes receivables consist of loans provided to various non-profit organizations for the purpose of benefiting the County. Loan and notes receivables are recorded at the lower of cost and net recoverable value. Valuation allowances are determined using best estimates available and changes to these allowances are recognized as an expense in the period in which events give rise for the allowance to occur. Interest revenues are recognized when earned.

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.

j) 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 when the stipulation liabilities are settled.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) 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.

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.

Interest on debt used to purchase tangible capital assets is not capitalized.

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. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property are accounted for as capital leases. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. Assets recorded under capital lease are amortized. 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, 2016

SIGNIFICANT ACCOUNTING POLICIES (continued)

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, as 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.

m) 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.

n) 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, 2016

2. CASH AND INVESTMENTS

	2016	2015
Cash High interest savings Temporary investments	\$ 1,999,501 1,722,325 17,192,749	\$ 2,010,001 1,507,133 10,344,969
	\$ 20,914,575	\$ 13,862,103

Temporary investments are short-term deposits with original maturities of one year or less, or are redeemable, with interest rates ranging from 1.60% to 1.80% (2015 - 1.65% to 1.75%). High interest savings include investment savings accounts held at ATB Securities Inc.

Included in temporary investments is a restricted amount of \$951,782 (2015 - \$1,313,451) held exclusively for eligible projects and \$2,084,731 (2015 - \$nil) held for the obligation to the Vulcan County Heath and Wellness Foundation for the Vulcan Hospital Expansion Project.

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, 2016 the balance owing on these facilities is \$nil (2015 - \$nil).

3. TAX AND GRANTS IN LIEU RECEIVABLES

	2016	2015
Current taxes and grants in lieu of taxes Arrears Allowance for doubtful accounts	\$ 1,610,544 1,134,691 (28,836)	\$ 1,769,175 443,329 (773,150)
	\$ 2,716,399	\$ 1,439,354

4. TRADE AND OTHER RECEIVABLES

Trade receivables	147,191	162,931
Requisition under-levies	152,344	149,724
Interest receivable	72,260	45,437
GST receivable	92,125	32,739
Other receivables	274,081	1,918,001
Allowance for doubtful accounts	(573)	(573)
	\$ 737.428	\$ 2.308.259
	¥ 101,420	+ =,000,200

2016

2015

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

5. LONG TERM INVESTMENTS

	20	2016		115
	Cost	Market Value	Cost	Market Value
Guaranteed Investment Certificates Bonds and other investments	\$ 5,342,000 -	\$ 5,342,000	\$ - 7,472,797	\$ - 7,857,953
	\$ 5,342,000	\$ 5,342,000	\$ 7,472,797	\$ 7,857,953

Guaranteed Investment Certificates are long-term deposits with interest rates ranging from 2.15% to 2.40% with maturity dates ranging from 2018 to 2021. Bonds and other investments were held at amortized cost.

6. LOANS AND NOTES RECEIVABLES

	2016		2015	
Carmangay Fire Association - annual pmt \$10,000, matures 2020 Champion Fire Association - annual pmt \$10,000, repaid in 2016	\$	40,000	\$	50,000 10,000
Vulcan Fire Co-op - annual pmt \$10,000, matures 2021 Northwest Fire Protection Association - annual pmt \$25,000, matures 2018		50,000 50,000		60,000 75,000
Milo Seed Cleaning Association		133,615		158,198
Blackie & District Seed Cleaning Association		29,274		43,031
Mossleigh Water Co-op	_	53,584	_	60,137
	\$	356,473	\$	456,364

Loans receivable from the various Fire Associations within the County are for assistance in the purchase of equipment and the construction of buildings are interest free and repayable over 10 year terms. The County levies the specific fire protection area that the Fire Association operates in by way of special tax levy for the annual repayment amount of the loan.

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, 2016

7. DEFERRED REVENUE

	2015		Externally Restricted Inflows		Revenues Eamed	_	2016
Alberta Municipal Sustainability Initiative - Capital	\$ 954,456	\$	2,364,556	\$	(2,687,244)	\$	631,768
Alberta Municipal Sustainability Initiative - Operating	52,297		188,741		(236,578)		2,460
Information Technology Remote Backup - RCP	73,771		-		(73,771)		-
Inter-Municipal Development Plan - RCP	83,332		-		(83,332)		-
Flood Mitigation - SAFRP	27,834		92,000		-		119,834
Surface Rights	91,035		126,505		(91,035)		126,505
Other	30,726	_	87,500	_	(47,011)	_	71,215
Total, invested in short term investments	\$ 1,313,451	\$	2,857,302	\$	(3,218,971)	\$	951,782

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.

Information Technology Remote Backup - RCP

This Regional Collaboration Program (RCP) 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. This project was completed in 2016.

Inter-Municipal Development Plan - RCP

This Regional Collaboration Program (RCP) 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. This project was completed in 2016.

Flood Mitigation - SAFRP

This Southern Alberta Flood Response Program (SAFRP) grant is for the development of flood mitigation/diversion plans for the Bow and Little Bow rivers. 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

8. EMPLOYEE BENEFIT OBLIGATIONS

	 2016	2015
Accrued vacation payable	\$ 223,429	\$ 203,216
	\$ 223,429	\$ 203,216

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.

9. OBLIGATIONS TO OTHER ORGANIZATIONS

	2010	 .010
VCHWF - Hospital Expansion Project - County contributions VCHWF - Hospital Expansion Project - Town contributions	\$ 1,421,942 662,789	\$ -
	\$ 2,084,731	\$

2016

2015

During 2016, Vulcan County and the Town of Vulcan agreed to contribute to the Vulcan Hospital Expansion Project; in which, Vulcan County and the Town of Vulcan would jointly contribute two dollars for every one dollar raised by the Vulcan County Health and Wellness Foundation (VCHWF), up to a maximum of \$3,000,000 in aggregate. As Vulcan County is the managing municipality, the contributions are held by Vulcan County until they are to be disbursed.

10. OBLIGATIONS UNDER CAPITAL LEASE

	2016	2	U15
Capital lease obligation	\$ 52,650	\$	-
	\$ 52,650	\$	-

Interest at 6.15% per annum, blended monthly payments of \$1,212, secured by specific tangible capital asset, due January 1, 2021. The following is a schedule of future minimum lease payments under capital lease:

2017	\$ 14,539
2018	14,539
2019	14,539
2020	14,539
2021	1,212
Total minimum lease payments	59,368
Less: imputed interest	(6,718)
	\$ 52,650

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

11. LONG TERM DEBT

 2016
 2015

 Tax supported debentures
 \$ 1,989,579
 \$

 \$ 1,989,579
 \$

The current portion of long term debt amounts to \$115,422 (2015 - \$nil).

Principal and interest repayments are as follows:

	Principal	 Interest		Total	
2017	\$ 115,422	\$ 48,983	\$	164,405	
2018	118.323	46,082		164,405	
2019	121,297	43,108		164,405	
2020	124,346	40,059		164,405	
2021	127,471	36,933		164,404	
Thereafter	1,382,720	 179,127	_	1,561,847	
	\$ 1,989,579	\$ 394,292	\$	2,383,871	

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at 2.498% per annum and matures on March 15, 2031. Debenture debt is issued on the credit and security of the Municipality at large.

The Municipality has established an authorized overdraft for the purposes of financing operating expenditures with a limit of \$300,000. Interest is payable monthly at the prime rate minus 0.25%. The overdraft is secured by a general security agreement. The over draft was undrawn as at December 31, 2016 (2015 - \$nil).

Interest on long term debt amounted to \$40,127 (2015 - \$nil)

The Municipality's total cash payment for interest in 2016 was \$25,557 (2015 - \$nil)

12. TANGIBLE CAPITAL ASSETS

Tangible capital assets (schedule 2)	\$193,932,393	\$189,999,202
Accumulated amortization (schedule 2)	(85,445,001)	(82,207,805)
	\$108,487,392	\$107,791,397

Contributed tangible capital assets are recognized at fair value at the date of contribution. There were no contributions of tangible capital assets that were received during the year (2015 - \$nil).

Capital lease assets are initially recognized at the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. During 2016, the County entered into a capital lease arrangement for a vehicle where a leased tangible capital asset of \$62,764 was recognized. As at December 31, 2016, the leased tangible capital asset had \$5,756 of related accumulated amortization.

2016

2015

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

12	INV/EN	TORIES	EOR	CONSI	JMPTION

	2016	2015
Inventory for consumption - gravel Inventory for consumption - parts	\$ 7,118,460 452,531	\$ 6,353,160 586,707
	\$ 7,570,991	\$ 6,939,867

Gravel inventory includes purchased deposits not yet crushed, with a cost of \$4,686,220 (2015 - \$4,791,508).

14. EQUITY IN TANGIBLE CAPITAL ASSETS

	2016	2015
Tangible capital assets (note 12) Capital lease obilgation (note 10)	\$108,487,392 (52,650)	\$107,791,397
	\$108,434,742	\$107,791,397

15. ACCUMULATED SURPLUS

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

	2016	2015
Unrestricted surplus	\$ 1,187,942	\$ 897,409
Restricted surplus (note 17)	30,392,556	29,393,727
Equity in tangible capital assets (note 14)	108,434,742	107,791,397
	\$140,015,240	\$138,082,533

16. 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.

	2016	2015
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ 2,389,118	\$ 2,221,676
ADD: Proceeds from sale of capital assets	198,250	185,020
ADD: Transfer from restricted surplus to operations ADD: Amortization of tangible capital assets	7,715,746 4,014,425	7,853,694 3,722,578
LESS: Transfers to restricted surplus LESS: Capital expenditures	(6,621,154) (7,694,537)	(3,452,077) (10,528,032)
Budget approved by Council	\$ 1,848	\$ 2,859

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

2016

4,686,220

52,459

141,774

624,282

303,844

494,372

84,348

305.384

1,526,488

15,611,617

\$ 30,392,556

(1,989,579)

1,892

2015

4,791,508

82,459

126,463

313,344

376,272

289.543

624,508

16,869,254

66,578

1,892

17. RESTRICTED SURPLUS

Uncrushed Gravel Inventory

Vulcan Hospital Project - Debenture Funding

Vulcan Hospital Project - Debenture Recovery

Water Management

Agriculture Services

Recreation and Culture

Operating Contingency

Campground

Total Restricted Surplus

Environment Treatment

Planning and development

Bridges

	2010	
Capital Restricted Surplus		
General Government	\$ 100,329	\$ 100,329
Protective Equipment	2,102,193	1,283,197
Transportation Equipment	1,973,156	1,498,587
Road Construction	1,380,131	714,386
Bridge Construction	1,257,067	863,226
Gravel Crushing	129,542	129,542
Mossleigh Water Treatment Plant - Recovery	(319,874)	(266,802)
Environment Development Equipment	106,130	107,080
Campground	7,500	22,500
Capital Acquisition	7.044.765	7.072.428
Capital Contingency	 1,000,000	1,000,000
	14,780,939	12,524,473
Operating Restricted Surplus		
Assessment Appeal	107,054	107,054
Community Enhancement	50,000	50,000
General Government Service	559,375	760,575
Protective Services	629,455	741,380
Transportation Contingency	1,390,590	1,457,590
Road Construction	1,762,579	1,631,329
Road Maintenance	204,000	375,000
Gravel Crushing	4,677,080	5,073,761

During the year, the County received a debenture for \$2,046,224 to fund the Vulcan Hospital Project. As at December 31, 2016, the County had contributed a total of \$1,421,042 of these funds towards this project (see Note 9), resulting in \$624,282 remaining to be contributed based on the matching funds raised by the Vulcan County Health and Wellness Foundation. The debenture recovery for the Vulcan Hospital Project is a deficit from these contributions that is to be recovered by general tax levies at the same rate as the debenture principal repayments.

The upgrades to the Mossleigh Water Treatment Plant were a total of \$431,299 as at December 31, 2016; where Council applied \$100,000 towards these upgrades, resulting in \$331,299 to be recovered through annual special water tax levies over a 20 year period. To date, there has been \$11,425 recovered by special water tax levies. The funds held in the Capital Acquistion Reserve were used to fund these upgrades; whereas these funds will be recovered by the special water tax levies.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

18. SEGMENTED INFORMATION

Vulcan County provides numerous services to its citizens, including protective, transportation, agricultural, planning and development, community and utility 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. Activities within General Government include: general municipal expenditures, Council expenditures, financial statement preparation and reporting, accounts receivable and payable, payroll, information technology, GIS, and property assessment and taxation.

Protective Services

Protective Services is comprised of emergency management, health and safety, bylaw enforcement and fire services. This department prepares and coordinates the Municipal Emergency Plan and related plans and programs. The Protective Services department administers the fire districts within Vulcan County, ensuring compliance as per the Quality Management Plan. Other services with respect to fire include public education and fire prevention. Bylaw enforcement is provided by Vulcan County's Community Peace Officer. This also includes the building rentals to AHS and the RCMP and the related costs to operate these facilities.

Transportation Services

The Transportation Department is responsible for the delivery of municipal public works services relating to the maintenance and construction of roadways and bridges. This department ensures appropriate agreements are in place (i.e. access agreements, pipeline crossings, road and rural addressing signage, etc.) to minimize liability concerns.

Agricultural Services

Agricultural Services provides advice and expertise with respect to weed and pest control, as well as soil and water conservation, campground maintenance and rental of specialized equipment. Working in conjunction with Alberta Agriculture, this department also provides field trials (insect counts, disease investigations, etc.).

Planning and Development Services

Planning and Development Services facilitates development in accordance with the Land Use Bylaw as approved by Vulcan Council. This department ensures compliance of existing development applications with the Land Use Bylaw, offers recommendations to Council for amendments and assists developers with requirements of area structure plans.

Community Services

Vulcan County contributes to many community service organizations, such as: the local Family Community Support Services, daycare and public health, tourism and economic development, recreation boards, cultural programs and library

Utility Services

Vulcan County is a member of the Twin Valley Regional Water Commission and Vulcan District Waste Commission. Operations for the Mossleigh Water Treatment Plant are contracted to Rocky View Utility Corp.

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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

19. 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:

	2016	2015
Total debt limit Total debt	\$ 29,564,939 2,042,229	\$ 28,056,489
Amount of debt limit unused	\$ 27,522,710	\$ 28,056,489
Debt servicing limit Debt servicing	\$ 4,927,490 178,944	\$ 4,676,082 -
Amount of debt servicing limit unused	\$ 4,748,546	\$ 4,676,082

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.

20. 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:

2016					2015	
		Salary / r Diems		nefits & wances	Total	Total
Councillors						
Division 1 - Gateman	\$	15,000	S	4,132	\$ 19,132	\$ 20,048
Division 2 - Ruark		16,958		3,132	20,090	26,940
Division 2 - Cockwill		5,125		1,793	6,918	-
Division 3 - Schneider		31,583		4,990	36,573	31,564
Division 4 - Annable		16,500		4,825	21,325	29,622
Division 5 - Monner		18,875		3,764	22,639	17,764
Division 6 - McLean		15,375		4,151	19,526	22,338
Division 7 - Lucas		17,000		4,221	21,221	21,446
Chief Administrative Officer - Ludwig	s	211,775	\$	23,406	\$ 235,181	\$ 209,952
Chief Administrative Officer - Petersen		26,108		3,708	29,816	-
Designated Officer(s)		103,075		24,711	127,786	-

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 includes retirement pension, Canada Pension Plan, unemployment insurance, health care, group life insurance, accidental disability and dismemberment insurance, long term disability, professional memberships, workers compensation and tuition.

Effective 2016, the County established one or more positions as designated officer(s).

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

21. 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 244,621 people and 426 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenses in the year in which they become due.

The County is required to make current service contributions to the LAPP of 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 2016 were \$508,420 (2015 - \$484,166). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2016 were \$468,651 (2015 - \$446,576).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million.

22. 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.

23. CONTAMINATED SITES LIABILITY

The County has adopted PS3260 Liability for Contaminated Sites. The County did not identify any financial liabilities in 2016 (2015 - \$nil) as a result of this standard.

24. 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, 2016

25. COMMITMENTS

Vulcan County is responsible for environmental reclamation costs of gravel pit sites. During the year, it was estimated that there was 251,664 cubic meters of exposed gravel pits for reclamation at an approximate cost of reclamation of \$2.44 per cubic meter. The estimated liability is based on the sum of discounted future cash flows for restoring the gravel pit; discounted at the County's borrowing rate of 2.45% and assuming annual inflation of 1.50%. The gravel pits have an estimated useful life ranging from 13 to 70 years depending on the quantity of gravel remaining in each pit. The gravel reclamation liability of \$419,069 is accrued under the other liabilities in the Statement of Financial Position. The reclamation is ongoing and the uncertainty inherent in the provision will thus be partially resolved each year. There are sufficiently 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 \$1,164,855. This equipment will be received in the subsequent fiscal year.

26. PRIOR YEAR FIGURES

Certain prior year figures have been reclassified to conform to the current year's presentation. During the year, the County performed a detailed review of the tangible capital assets; in which, there were some specific tangible capital assets that were reclassified based on this detailed review.

27. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.



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STATISTICS

YEAR ENDED DECEMBER 31, 2016

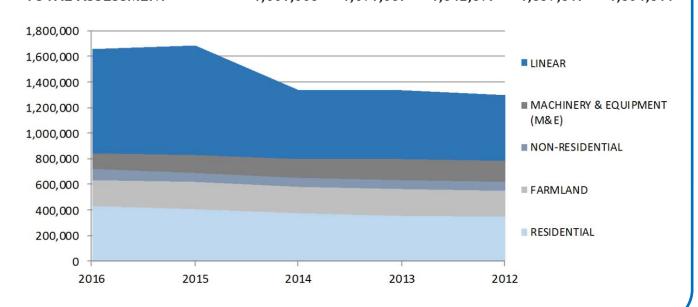


DEMOGRAPHICS, AREA, & OTHER

_	2016	2015	2014	2013	2012
POPULATION	3,984	3,893	3,893	3,893	3,893
NUMBER OF DWELLING UNITS	2,138	2,125	2,065	2,218	2,008
AREA OF MUNICIPALITY IN HECTARES	556,342	556,342	556,342	556,342	556,342
NUMBER OF HAMLETS	8	8	8	8	8
ROAD MAINTAINED (Km)	2,672	2,672	2,672	2,672	2,646
WATER PIPELINE (Km)	454	454	454	454	452
DEVELOPMENT PERMITS	69	54	66	71	54
SUBDIVISIONS APPLICATIONS	11	20	20	18	18
FULL TIME STAFF	64	59	56	57	47

PROPERTY ASSESSMENT (in thousands)

	2016	2015	2014	2013	2012
RESIDENTIAL	436,186	416,179	381,027	361,476	349,923
FARMLAND	204,013	204,199	204,147	204,178	204,173
NON-RESIDENTIAL	83,524	76,883	72,395	70,296	68,260
MACHINERY & EQUIPMENT (M&E)	123,016	135,065	144,018	163,222	166,535
LINEAR	814,329	858,761	541,310	540,645	515,921
TOTAL ASSESSMENT	1 661 068	1 691 087	1 342 897	1 339 817	1 304 811



TAX RATES (expressed in mills)

	2212				
·-	2016	2015	2014	2013	2012
MUNICIPAL					
Residential	5.7600	5.7600	5.7600	5.7600	5.7600
Farmland	9.5970	9.1400	9.1400	9.1400	9.1400
Non-Residential, M&E, and Linear	9.1400	9.1400	9.1400	9.1400	9.1400
WASTE COMMISSION	0.3412	0.3164	0.3882	0.3791	0.3796
EDUCATION REQUISITION					
Residential and Farmland	2.4130	2.3668	2.4610	2.6075	2.2396
Non-Residential and Linear	3.9729	3.6489	3.6943	3.7357	3.9606
SENIOR FOUNDATION REQUISITION	0.1387	0.1302	0.1579	0.1461	0.1260
SPECIAL LEVY - FIRE PROTECTION AREA					
Carmangay and District	1.6896	1.0661	1.3652	0.6912	0.5828
Champion and District	0.9387	0.6115	0.6509	0.2383	0.3638
Lomond and District	0.5250	0.4195	0.2987	0.1481	0.1132
Milo and District	0.5690	0.2269	0.3442	0.2536	0.1565
Vulcan and District	0.0893	0.2437	0.3378	0.1262	0.2884
Northwest	0.6910	0.6180	0.6399	0.4732	0.6551
Linear	0.3312	0.3216	0.3122	0.3031	0.2893
SPECIAL LEVY - RECREATIONAL AREA					
Carmangay and District	0.1165	0.3440	0.6478	0.0162	0.0521
Champion and District	0.6788	0.5561	0.6179	0.3357	0.2035
Lomond and District	0.1680	0.1515	0.1406	0.1082	0.1039
Milo and District	0.2566	0.3122	0.3572	0.2621	0.5076
Vulcan and District	0.5944	0.6771	0.3897	0.2389	0.1587
Northwest	0.0305	0.0000	0.0027	0.0000	0.0295
Linear	0.1309	0.1271	0.1234	0.1198	0.1198

ASSETS, LIABILITIES, & SURPLUS

	2016	2015	2014	2013	2012
TAX RECEIVABLE AS % OF TAXES					
Tax Receivables	2,716,399	1,439,354	846,191	965,511	617,723
Total Tax Levies	19,507,539	19,532,301	16,346,790	16,082,860	15,675,596
Tax Receivable as % of Taxes	13.9%	7.4%	5.2%	6.0%	3.9%
Financial Assets	30,395,326	26,065,387	27,972,864	26,080,253	24,430,666
Financial Liabilities	(6,522,978)	(2,915,709)	(3,761,555)	(3,073,913)	(3,216,181)
NET FINANCIAL ASSET	23,872,348	23,149,678	24,211,309	23,006,340	21,214,485
Tangible Capital Assets	108,487,392	107,791,397	104,637,218	102,951,507	103,110,604
Inventory Held for Consumption	7,570,991	6,939,868	4,385,348	5,110,680	5,117,653
Prepaid Expenses	232,196	201,591	183,792	169,585	123,994
ACCUMULATIVE SURPLUS	140,162,927	138,082,534	133,417,667	131,238,112	129,566,736
Unresticted Surplus	1,335,629	897,409	896,650	7,908,695	7,898,893
Restricted Surplus (Reserves)	30,392,556	29,393,728	27,883,799	20,377,910	18,557,239
Equity in Tangible Capital Assets	108,434,742	107,791,397	104,637,218	102,951,507	103,110,604
ACCUMULATIVE SURPLUS	140,162,927	138,082,534	133,417,667	131,238,112	129,566,736

REVENUES (by source)

	2016	2015	2014	2013	2012
Net Municipal Taxes	15,491,243	15,593,397	12,419,678	12,132,072	11,958,937
Government Transfers	839,002	778,748	1,183,649	907,568	756,646
Return on Investments	733,530	405,743	395,617	434,653	509,692
Sale of Goods, Services, and User Charges	864,215	903,222	959,381	810,664	1,062,159
Rental Income	355,410	346,232	294,684	294,813	533,918
Community Aggregate Levy	149,287	259,213	282,789	127,522	224,683
Penalties and Costs of Taxes	497,496	254,299	163,343	134,472	144,952
Gain on Disposal of Capital Assets	26,813	43,431	0	72,477	5,776
Other Revenue	752,963	120,041	67,783	103,454	103,681
OPERATING REVENUES	19,709,959	18,704,326	15,766,924	15,017,695	15,300,444
Contributed Tangible Capital Assets	0	0	0	836,725	379,230
Government Transfers for Capital	2,769,481	3,893,203	2,516,327	3,575,216	3,107,459
TOTAL REVENUES	22,479,440	22,597,529	18,283,251	19,429,636	18,787,133

EXPENSES (by function and object)

	2016	2015	2014	2013	2012
EXPENSES BY FUNCTION					
Legislative	285,775	365,768	287,864	284,849	248,944
Administration	1,962,577	1,763,226	1,927,001	1,992,912	2,004,109
Protection services	1,720,869	1,466,953	1,381,614	1,187,252	1,185,600
Transportation services	10,863,798	10,484,568	9,803,242	10,854,148	8,318,051
Agricultural services	810,091	823,176	775,473	624,465	608,485
Planning and development services	534,207	442,352	367,517	365,282	350,960
Family and community support	2,338,374	214,943	186,720	178,870	106,575
Parks and recreation	733,948	684,775	500,852	405,422	384,408
Tourism and economic development	243,172	266,392	192,122	182,416	268,490
Utility Services	740,853	628,794	615,296	601,140	563,411
Other	313,069	791,715	65,993	811,035	10,015
TOTAL EXPENSES	20,546,733	17,932,662	16,103,694	17,487,791	14,049,048

^{*} The term "function" refers to the grouping of expenses by department or service

EXPENSE BY OBJECT					
Salaries, wages and benefits	6,503,365	6,230,936	5,774,452	5,385,996	5,009,245
Contracted and general services	2,960,984	3,178,521	2,962,885	3,747,147	2,149,270
Materials, goods and utilities	3,008,920	3,558,148	3,417,437	3,282,721	3,442,776
Transfers to local boards and agencies	4,055,775	1,862,877	1,504,365	1,375,684	1,500,900
Interest and bank charges	76,968	38,930	50,626	52,535	58,318
Amortization of tangible capital assets	4,328,198	4,014,425	3,722,577	3,663,080	3,602,966
Machine expenses capitalized for construction	(1,846,498)	(2,370,673)	(1,712,801)	(1,420,904)	(1,867,787)
Loss on disposal of capital assets	837,220	454,493	176,194	475,617	142,735
Other expenses	621,801	965,005	207,959	925,915	10,625
TOTAL EXPENSES	20,546,733	17,932,662	16,103,694	17,487,791	14,049,048

^{*} The term "object" refers to the grouping by the nature or type of expense

Note: Some figures have been reclassified to conform with current year presentation, including gain/losses on disposals; whereas these have been reclassified separately (in prior years were reported on a net loss position).

TRANSFERS TO LOCAL BOARDS AND AGENCIES

_	2016	2015	2014	2013	2012
TRANSFERS TO OTHER LOCAL GOVERNMENTS					
Vulcan District Waste Commission	554,000	529,804	504,665	497,247	485,880
Twin Valley Regional Water Commission	66,516	26,856	23,601	24,540	21,962
Vulcan Business Development Society	146,430	154,159	89,078	75,000	75,000
Vulcan and District Tourism Society	86,595	89,679	80,000	80,000	80,000
Vulcan Library Board	91,000	79,000	76,700	76,700	25,700
Fire Area Contributions	262,700	247,450	216,380	195,380	334,380
Recreation Area Contributions	465,045	494,089	359,440	252,315	312,396
Other local governments and organizations	2,383,489	241,840	154,501	174,502	165,582
	4,055,775	1,862,877	1,504,365	1,375,684	1,500,900

Note: the 2016 transfer to other local governments and organization includes the approx. \$2.1 million matching contributed for the Vulcan Hospital Expansion project.

ANNUAL SURPLUS

_	2016	2015	2014	2013	2012
TOTAL REVENUES	22,479,440	22,597,529	18,283,251	19,429,636	18,787,133
TOTAL EXPENSES	(20,546,733)	(17,932,662)	(16,103,694)	(17,487,791)	(14,049,048)
ANNUAL SURPLUS	1,932,707	4,664,867	2,179,557	1,941,845	4,738,085
ADD: Proceeds from Sale of Tangible Capital Assets	178,443	316,510	786,854	1,236,768	343,821
ADD: Transfer from Restricted Surplus to Operations	8,044,072	8,640,091	2,991,304	3,655,821	1,027,104
ADD: Amortization of Tangible Capital Assets	4,328,198	4,014,425	3,722,577	3,663,080	3,602,966
LESS: Transfers to Restricted Surplus	(8,232,494)	(9,738,958)	(10,320,999)	(5,068,774)	(2,263,222)
LESS: Capital Expenditures	(5,960,393)	(7,896,176)	(6,371,335)	(5,148,470)	(5,508,187)
ALLOCATION TO UNRESTRICTED SURPLUS	290,533	759	(7,012,042)	280,270	1,940,567





CONTACT INFORMATION

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Special thanks to Rick Beck, EDF EN Canada, and various other photographers for providing pictures of the County used in this report.

