Vulcan County

FINANCIAL STATEMENTS DECEMBER 31, 2017

FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

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April 18, 2018

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, 2017, 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

Nick Fai, CPA

Director of Corporate Services



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Independent Auditor's Report

To the Reeve and Members of Council of Vulcan County

We have audited the accompanying financial statements of Vulcan County, which comprise the statement of financial position as at December 31, 2017, 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 qualified audit opinion.

Basis for Qualified Opinion

During the year, a County rate payer entered into receivership. The rate payer currently owes the County outstanding property taxes and arrears totaling \$3,216,763 at December 31, 2017. As at the audit report date, there is insufficient information available for management to reasonably estimate the amount of any valuation provision that may be necessary. Therefore, we were not able to determine whether any adjustment might be necessary to bad debt expense for the year ended December 31, 2017, and taxes and grants in lieu receivables and accumulated surplus as at December 31, 2017.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Vulcan County as at December 31, 2017 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 18, 2018

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

	2017	2016
FINANCIAL ACCETO		
FINANCIAL ASSETS Cash and investments (note 2)	\$ 23,327,089	\$ 20,914,575
Taxes and grants in lieu receivables (note 3)	3,969,857	2,716,399
Trade and other receivables (note 4)	3,969,657 772,552	737,428
Inventory held for resale	41,876	42,083
Long term investments (note 5)		
Loans and notes receivable (note 6)	4,830,418 277,245	5,342,000 356,473
Other (note 7)	294,509	286,368
	33,513,546	30,395,326
LIABILITIES		*
Accounts payable and accrued liabilities	759,087	675,846
Deferred revenue (note 8)	2,724,815	951,782
Employee benefit obligations (note 9)	238,964	223,429
Obligations to other organizations (note 10)	2,775,781	2,084,731
Obligations under capital lease (note 11)	40,949	52,650
Long term debt (note 12)	1,874,157	1,989,579
Other liabilities	640,666	692,648
	9,054,419	6,670,665
NET FINANCIAL ASSETS	24,459,127	23,724,661
NON-FINANCIAL ASSETS		
	407 650 702	100:407 202
Tangible capital assets (schedule 2, note 13) Inventory for consumption (note 14)	107,659,792	108,487,392
Prepaid expenses	8,522,618 182,065	7,570,991 232,196
Prepaid expenses	182,003	232,190
	116,364,475	116,290,579
ACCUMULATED SURPLUS (schedule 1, note 16)	\$140,823,602	\$140,015,240
Contingencies and commitments - See note 25 & 26)		
APPROVED BY:		

STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 31, 2017

	Budget	2017	2016
	(note 17)		
REVENUE			
Net municipal taxes (schedule 3)	\$ 14,717,913	\$ 14,658,890	\$ 15,491,243
Government transfers (schedule 4)	694,241	624,347	839,002
Return on investments	393,236	579,400	733,530
Sale of goods, services and user charges	712,786	1,052,435	864,215
Rental income	357,029	352,634	355,410
Community aggregate levy	120,000	222,955	149,287
Penalties and costs of taxes	100,500	484,573	497,496
Gain on disposal of tangible capital assets	•	101,059	26,813
Other revenues	374,287	676,208	752,963
TOTAL REVENUE	17,469,992	18,752,501	19,709,959
EXPENSES			
Legislative	362,554	324,110	285,775
Administration	1,947,785	1,806,441	1,962,577
Protection services	1,943,767	2,746,165	1,720,869
Transportation services	11,302,813	9,948,597	10,863,798
Agricultural services	965,737	803,018	810,091
Planning and development services	467,349	414,237	534,207
Family and community support	1,183,542	956,894	2,338,374
Parks and recreation	661,639	671,616	733,948
Tourism and economic development	253,460	236,010	243,172
Utility Services	791,809	768,346	740,853
Other	82,595	36,083	313,069
TOTAL EXPENSES	19,963,050	18,711,517	20,546,733
EXCESS (SHORTFALL) OF REVENUE			
OVER EXPENSES - BEFORE OTHER	(2,493,058)	40,984	(836,774)
OTHER			
Government transfers for capital (schedule 4)	2,959,774	767,378	2,769,481
EXCESS OF REVENUE OVER EXPENSES	466,716	808,362	1,932,707
ACCUMULATED SURPLUS, BEGINNING OF YEAR	140,015,240	140,015,240	138,082,533
ACCUMULATED SURPLUS, END OF YEAR	\$140,481,956	\$140,823,602	\$140,015,240

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS YEAR ENDED DECEMBER 31, 2017

	Budget (note 17)	2017	2016
EXCESS OF REVENUE OVER EXPENSES	\$ 466,716	\$ 808,362	\$ 1,932,707
Acquisition of tangible capital assets Proceeds on disposal of tangible capital assets Amortization of tangible capital assets Loss on disposal of tangible capital assets	(9,796,881) 64,000 4,328,196	(3,753,883) 14,182 4,480,221 87,080	(6,013,042) 151,629 4,328,198 837,220
Net change in inventory for consumption Acquisition of prepaid expenses Use of prepaid expenses	(5,404,685) 	(951,627) (182,065) 232,196 (901,496)	(695,995) (631,124) (232,196) 201,591 (661,729)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(4,937,969)	734,466	574,983
NET FINANCIAL ASSETS, BEGINNING OF YEAR	23,724,661	23,724,661	23,149,678
NET FINANCIAL ASSETS, END OF YEAR	\$ 18,786,692	\$ 24,459,127	\$ 23,724,661

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2017

	2017	2016
NET INFLOW (OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	\$ 808,362	\$ 1,932,707
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	4,480,221	4,328,198
Loss on disposal of tangible capital assets	87,080	837,220
Non-cash charges to operations (net change):		
Increase in taxes and grants in lieu receivable	(1,253,458)	(1,277,045)
Decrease (increase) in trade and other receivables	(35,124)	1,570,831
Decrease in inventory held for resale	207	137,726
Decrease in loans receivable	79,228	99,891
Decrease (increase) in other financial assets	(8,141)	60,333
Increase in inventory for consumption	(951,627)	(631,124)
Decrease (increase) in prepaid expenses	50,131	(30,605)
Increase (decrease) in accounts payable Increase (decrease) in deferred revenue	83,241	(169,018)
Increase in employee benefit obligations	1,773,033	(361,669)
Increase in obligations to other organizations	15,535 691,050	20,213 2,084,731
Increase (decrease) in obligations under capital lease	(11,701)	2,064,731 52,650
Increase (decrease) in other liabilities	(51,982)	138,470
increase (decrease) in other labilities	(31,302)	130,470
Cash provided by operating transactions	5,756,055	8,793,509
CAPITAL		
Acquisition of tangible capital assets	(3,753,883)	(6,013,042)
Proceeds on disposal of tangible capital assets	14,182	151,629
Cash applied to capital transactions	(3,739,701)	(5,861,413)
.,	(3), 30), 31)	(0,001)110)
INVESTING		
Decrease in long term investments	511,582	2,130,797
Cash provided by investing transactions	511,582	2,130,797
FINANCING		
Long term debt issued	-	2,046,224
Long term debt repaid	(115,422)	(56,645)
Cash provided by (applied to) financing transactions	(115,422)	1,989,579
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	2,412,514	7,052,472
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	20,914,575	13,862,103
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 23,327,089	\$ 20,914,575

SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS YEAR ENDED DECEMBER 31, 2017

	⇒	Unrestricted	Restricted	Equity in Tangible		
	I	Surplus	Surplus	Capital Assets	2017	2016
			(note 18)	(note 15)		
BALANCE, BEGINNING OF YEAR	↔	1,187,942	30,392,556	- !	108,434,742 \$140,015,240	\$138,082,533
Excess of revenues over expenses	69	808,362	į.	Þ	\$ 808,362	\$ 1,932,707
Unrestricted funds designated for future use		(7,998,816)	7,998,816	٠	•	•
Restricted funds used for operations		3,097,216	(3,097,216)	4	•	•
Restricted funds used for tangible capital assets		•	(3,181,165)	3,181,165	•	•
Current year funds used for tangible capital assets		(584,419)	•	584,419	1	•
Contributed tangible capital assets			1	1	٠	,
Disposal of tangible capital assets		101,262	•	(101,262)	•	•
Annual amortization expense		4,480,221	•	(4,480,221)	-	-
Change in accumulated surplus	49	(96,174)	1,720,435	(815,899) \$	\$ 808,362	\$ 1,932,707
BALANCE, END OF YEAR	49	1,091,768	32,112,991	107,618,843	107,618,843 \$140,823,602	\$140,015,240

SCHEDULE OF TANGIBLE CAPITAL ASSETS YEAR ENDED DECEMBER 31, 2017

							•	SCHEDULE 2
	Land	Land Improvements	Buildings	Equipment	Vehicles	Engineered Structures	2017	2016
COST:								
BALANCE, BEGINNING OF YEAR	\$ 5,738,535	1,167,964	10,330,386	16,144,663	5,865,766	154,685,079	154,685,079 \$ 193,932,393	\$ 189,999,202
Acquisition of tangible capital assets New construction-in-progress Disposition of tangible capital assets	1 1 1	29,105	552,127	629,588	524,315	1,597,453 421,295 (276,064)	3,332,588 421,295 (886,689)	5,873,841 139,201 (2,079,851)
BALANCE, END OF YEAR	5,738,535	1,197,069	10,882,513	16,472,787	6,080,920	156,427,763	196,799,587	193,932,393
ACCUMULATED AMORTIZATION:						-		
BALANCE, BEGINNING OF YEAR	ι (9	184,917	2,880,305	7,877,329	2,511,527	71,990,923 \$	\$ 85,445,001	\$ 82,207,805
Annual amortization Accumulated amortization on disposal	• •	33,686	278,602	1,520,918 (237,586)	480,931 (196,059)	2,166,084 (351,782)	4,480,221 (785,427)	4,328,198 (1,091,002)
BALANCE, END OF YEAR		218,603	3,158,907	9,160,661	2,796,399	73,805,225	89,139,795	85,445,001
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 5,738,535	978,466	7,723,606	7,312,126	3,284,521	82,622,538	\$ 107,659,792	\$ 108,487,392
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 5,738,535	983,047	7,450,081	8,267,334	3,354,239	82,694,156	\$ 108,487,392	

SCHEDULE OF PROPERTY AND OTHER TAXES YEAR ENDED DECEMBER 31, 2017

	Budget (2014)	2017	2016
TAXATION	(note 17)		
Real property taxes	\$ 7,640,992	\$ 7,635,879	\$ 7,440,491
Linear taxes	8,420,354	8,418,268	9,786,327
Commercial taxes	1,258,966	1,258,669	1,127,686
Government grants in lieu of taxes	16,500	19,714	19,141
Special levy	1,295,686	1,295,214	1,124,276
Well drilling tax	55,000	1,119	9,618
	18,687,498	18,628,863	19,507,539
REQUISITIONS			
School requisitions	3,717,487	3,717,875	3,789,172
Seniors foundation	252,098	252,098	227,124
	3,969,585	3,969,973	4,016,296
NET MUNICIPAL TAXES	\$ 14,717,913	\$ 14,658,890	\$ 15,491,243

SCHEDULE OF GOVERNMENT TRANSFERS YEAR ENDED DECEMBER 31, 2017

	Budget (17)	2017	2016
TRANSFERS FOR OPERATING Local government transfers Provincial government transfers Federal government transfers	(note 17) \$ 69,082 414,305 210,854 694,241	\$ 63,498 350,280 210,569 624,347	\$ 78,489 550,630 209,883 839,002
TRANSFERS FOR CAPITAL Provincial government transfers	2,959,774	767,378	2,769,481
TOTAL GOVERNMENT TRANSFERS	\$ 3,654,015	\$ 1,391,725	\$ 3,608,483

SCHEDULE OF EXPENSES BY OBJECT YEAR ENDED DECEMBER 31, 2017

	Budget (note 17)	2017	2016
EXPENSES BY OBJECT	(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
Salaries, wages and benefits	\$ 6,603,690	\$ 6,158,349	\$ 6,503,365
Contracted and general services	3,216,804	2,960,101	2,960,984
Materials, goods and utilities	4,488,891	2,987,785	3,008,920
Transfers to local boards and agencies	2,820,420	3,150,296	4,055,775
Interest and bank charges	75,033	65,821	76,968
Amortization of tangible capital assets	4,328,196	4,480,221	4,328,198
Machine expenses capitalized for construction	(1,657,578)	(1,174,071)	(1,846,498)
Loss on disposal of tangible capital assets	• • • • • • • • • • • • • • • • • • • •	87,080	837,220
Other expenses	87,594	(4,065)	621,801
	\$ 19,963,050	\$ 18,711,517	\$ 20,546,733

SCHEDULE OF SEGMENTED DISCLOSURE YEAR ENDED DECEMBER 31, 2017

Utility 2017 Services Total	622,971 \$ 14,658,890 - 624,347 - 579,400 2,107 1,052,435 - 352,634 - 222,955 - 484,573 - 101,059 - 676,208	625,078 18,752,501	14,671 6,158,349 71,640 2,960,101 841 2,981,785 655,771 3,150,296 - 65,821 25,424 4,480,221 - (1,174,071) - 87,080	768,347 18,711,517 (143,269) 40,984	767,378	(143,269) \$ 808,362
Community Utility Services Service	390,026 6 163,783 23,378 14,400	811,289 6	156,996 9,255 1,650,131 68,138	1,864,520 7 (1,053,231) (1	1 1	(1,053,231)
Planning and Development Services	85,689	85,689	234,246 177,791 2,200 -	414,237	1 1	(328,548)
Agricultural Services	176,759 424,533 1,142	602,434	348,823 180,455 175,046 6,000 - 92,693	803,017		(200.583)
Transportation Services	210,569 314,714 222,955 95,412	843,650	3,951,222 1,020,877 2,364,557 8,000 3,759,436 (1,174,071) 84,905 (66,329)	9,948,597	767,378	(8.337.569)
Protective Services	893,763 46,500 145,665 335,630 5,647 448,411	1,875,616	552,127 719,052 185,570 779,244 6,976 501,021	2,746,165	1 1	(870,549)
General	\$ 12,752,130 26,736 556,022 79,727 1,462 484,573 8,095	13,908,745	1,057,260 633,290 250,316 51,150 10,707 101,647	2,166,634	, .	\$ 11.742.111
	REVENUE Net municipal taxes Government transfers (operating) Return on investment Sale of goods, services and user charges Rental income Community aggregate levy Penalties and other costs of taxes Gain on disposal of tangible capital assets Other revenues		EXPENSES Salaries, wages and benefits Contracted and general services Material, goods and utilities Transfers to local boards and agencies Interest and bank charges Amortization of tangible capital assets Machine expenses capitalized for construction Loss on disposal of tangible capital assets Other expenses	EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	OTHER Contributed tangible capital assets Government transfers (capital)	EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES

SCHEDULE OF SEGMENTED DISCLOSURE YEAR ENDED DECEMBER 31, 2016

	General	Protective	Transportation	Agricultural	Planning and Development	Community	Utility	2016
	Government	Services	Services	Services	Services	Services	Services	Total
REVENUE	4 42 000 220	727 120	1	,	•	375 722	578 063	\$ 15 491 243
Net municipal taxes	55000,51	137,123	0000	470 750	000 000	240 477		630 000
Government transfers (operating)	39,214	050,111	209,000	607,073	000,00	20,000	1	100,000
Return on investment	713,244	•	•			Z0,280		133,330
Sale of goods, services and user charges	76,459	102,351	186,773	406,092	90,434	•	2,106	864,215
Rental income	ŀ	335,629	•	5,381	•	14,400	•	355,410
Community and regate levy		•	149,287	, ,	•	•		149,287
Departies and other costs of taxes	497 496		'	•	•		1	497,496
Coin on disposal of taxaible capital assets	Opt. 101	•	20.363	6.450			•	26.813
Other revenues	r	51,417	1	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	1,185,809	553,910	4,194,085	316,054	235,993	•	17,514	6,503,365
Contracted and general services	605,394	299,306	1,286,646	230,849	295,583	162,622	80,584	2,960,984
Material coods 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			(1,846,498)
Loss on disposal of tangible capital assets	•	•	837,220	•	•	•	•	837,220
Other expenses	425,711		196,090	•	1	•		621,801
	2,561,421	1,720,869	10,863,798	810,091	534,207	3,315,494	740,853	20,546,733
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	12,565,321	(382,707)	(10,297,492)	(171,189)	(360,440)	(2,029,583)	(160,684)	(836,774)
OTHER		ı	•	,	,	•	,	•
Contibuted tanging capital assets Government transfers (capital)	78,962		2,690,019				200	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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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:

a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenses, and changes in net financial assets and cash flows of the reporting entity. This entity is comprised of the County operations plus all of the organizations that are owned or controlled by the County and are, therefore, accountable to County Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances have been eliminated.

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

c) Use of Estimates

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Cash and cash equivalents

Cash and cash equivalents include cash and investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition, or are redeemable, and are held for the purpose of meeting short-term cash commitments rather than for investing.

e) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investment. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

f) Land Held for Resale

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

g) Taxes and Grants-in-lieu Receivables

Current taxes and grants-in-lieu receivables consist of current tax levies which remain outstanding at December 31. Tax arrears and grants-in-lieu receivables consist of taxes that remain outstanding after December 31 of the year in which they were imposed.

h) 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.

i) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

i) Government Transfers

Government transfers are the transfers of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributed to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Years
15 - 45
25 - 50
40 - 100
38
5 - 75
2 - 25
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, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

I) 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, 2017

2. CASH AND INVESTMENTS

	2017	2016
Cash High interest savings Temporary investments	\$ 2,618,756 2,034,836 18,673,497	\$ 1,999,501 1,722,325 17,192,749
	\$ 23,327,089	\$ 20,914,575

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 2.22% (2016 - 1.60% to 1.80%). High interest savings include investment savings accounts held at ATB Securities Inc.

Included in temporary investments is a restricted amount of \$2,724,815 (2016 - \$951,782) held exclusively for eligible projects and \$2,775,781 (2016 - \$2,084,731) 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, 2017 the balance owing on these facilities is \$23,309 (2016 - \$nii).

3. TAX AND GRANTS IN LIEU RECEIVABLES

		2017		2016
	Current taxes and grants in lieu of taxes Arrears Allowance for doubtful accounts	\$ 1,230,347 2,766,618 (27,108)	\$ 	1,610,544 1,134,691 (28,836)
		\$ 3,969,857	\$	2,716,399
4.	TRADE AND OTHER RECEIVABLES	0047		2042
		2017	· —	2016
	Trade receivables	347,480		147,191
	Requisition under-levies	109,003		152,344
	Interest receivable	74,170		72,260
	GST receivable	59,638		92,125
	Other receivables	182,834		274,081
	Allowance for doubtful accounts	(573)	· —	(573)
		\$ 772,552	\$	737,428

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

5. LONG TERM INVESTMENTS

 Z017
 2016

 Guaranteed Investment Certificates
 \$ 4,830,418
 \$ 5,342,000

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

		2017	 2016
Carmangay Fire Association - annual pmt \$10,000, matures 2020	\$	30,000	\$ 40,000
Carmangay Curling Association - annual pmt \$13,000, matures in 2026		117,000	-
Vulcan Fire Co-op - annual pmt \$10,000, matures 2021		40,000	50,000
Northwest Fire Protection Association - annual pmt \$25,000, matures 2018		25,000	50,000
Mile Seed Cleaning Association		-	133,616
Blackie & District Seed Cleaning Association		14,937	29,274
Mossleigh Water Co-op		50,308	 53,584
	<u> </u>	277,245	\$ 356,474

Loans receivable from the various Fire Associations within the County are for assistance in the purchase of equipment and the construction of buildings. These loans 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%.

Loan receivable from Mossleigh Water Co-op is interest free and has a semi-annual payment of \$3,277. Loan is repayable over 20 years.

Loan receivable from Carmangay Curling Association is interest free (contributed by Vulcan County) and has an annual payment of \$13,000. Loan is repayable over 10 years.

7. OTHER ASSETS

Included in other assets are two trust bank accounts:

		2017	 2016
Vulcan County Public Reserves Trust Vulcan County Tax Sale Trust	\$	140,932 137,354	\$ 137,528 133,069
Both accounts are earning interest at prime less 1.9% (2016 prime less 1.9%).	<u>\$</u>	278,286	\$ 270,597

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

8. DEFERRED REVENUE

	 2016	Externally Restricted Inflows	 Revenues Earned	2017
Alberta Municipal Sustainability Initiative - Capital Alberta Municipal Sustainability Initiative - Operating	\$ 631,768 2,460	\$ 2,352,200 183,480	\$ (767,377) (172,021)	\$ 2,216,591 13,919
Inter-Municipal Development Plan - RCP Flood Mitigation - SAFRP	119,834	174,279	-	174,279 119,834
Surface Rights Other	 126,505 71,215	 126,640 20,087	 (126,505) (17,750)	126,640 73,552
Total, invested in short term investments	\$ 951,782	\$ 2,856,686	\$ (1,083,653)	\$ 2,724,815

Alberta Municipal Sustainability Initiative - Capital

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

Alberta Municipal Sustainability initiative - Operating

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

Inter-Municipal Development Plan - RCP

This 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 is expected to begin in 2018.

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, 2017

9.	EMPLOYEE BENEFIT OBLIGATIONS	2017		2016
	Accrued vacation payable	\$ 238,964	_\$_	223,429
		\$ 238,964	\$	223,429

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.

10. OBLIGATIONS TO OTHER ORGANIZATIONS

		2016
VCHWF - Hospital Expansion Project - County contributions VCHWF - Hospital Expansion Project - Town contributions	\$ 1,893,290 882,491	\$ 1,421,942 662,789
	\$ 2,775,781	\$ 2,084,731

During 2016, Vulcan County and the Town of Vulcan agreed to contribute to the Vulcan Hospital Expansion Project. 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 released.

11. OBLIGATIONS UNDER CAPITAL LEASE

	2017	2016
Capital lease obligation	\$ 40,949	\$ 52,650
	\$ 40,949	\$ 52,650

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

	\$ 40,949
Less: imputed interest	(3,880)
Total minimum lease payments	44,829
2021	1,212_
2020	14,539
2019	14,539
2018	14,539

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

12. LONG TERM DEBT

 Z017
 2016

 Tax supported debentures
 \$ 1,874,157
 \$ 1,989,579

 \$ 1,874,157
 \$ 1,989,579

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

Principal and interest repayments are as follows:

	Principal Principal	Interest	Total
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
2022	130,676	33,729	164,405
Thereafter	1,252,044	145,398	1,397,442
	\$ 1,874,157	\$ 345,309	\$ 2,219,466

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, 2017 (2016 - \$nil).

interest on long term debt amounted to \$48,138 (2016 - \$40,127)

The Municipality's total cash payment for interest in 2017 was \$48,983 (2016 - \$25,557)

13. TANGIBLE CAPITAL ASSETS

		2016
Tangible capital assets (schedule 2) Accumulated amortization (schedule 2)	\$196,799,587 (89,139,795)	\$193,932,393 (85,445,001)
	\$107,659,792	\$108,487,392

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 (2016 - \$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. In 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, 2017, the leased tangible capital asset had \$12,027 of total accumulated amortization.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

14.	INVENTORIES FOR CONSUMPTION						
	NOTE OF THE PARTY	_	2017	_	2016		
	inventory for consumption - gravel inventory for consumption - parts	\$	8,031,787 490,831	\$	7,118,460 452,531		
		<u>\$</u>	8,522,618	\$	7,570,991		
	Gravel inventory includes purchased deposits not yet crushed, with a cost of \$4,351,891 (20	16 ~	\$4,686,220).				
15.	EQUITY IN TANGIBLE CAPITAL ASSETS						
		_	2017		2016		
	Tangible capital assets (note 13) Capital lease obilgation (note 11)	\$1	07,659,792 (40,949)	\$1	08,487,392 (52,650)		
		\$1	07,618,843	\$1	08,434,742		
16.	ACCUMULATED SURPLUS Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:						
		_	2017	***************************************	2016		
	Unrestricted surplus Restricted surplus (note 18) Equity in tangible capital assets (note 15)	·	1,091,768 32,112,987 07,618,843		1,187,942 30,392,554 08,434,742		
		\$1	40,823,598	\$1	40,015,238		
17.	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.						
		_	2017		2016		
	EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$	466,716	\$	2,389,118		
	ADD: Proceeds from sale of capital assets		64,000		198,250		
	ADD: Transfer from restricted surplus to operations		8,455,540		7,715,746		
	ADD: Amortization of tangible capital assets		4,328,196		4,014,425		
	LESS: Transfers to restricted surplus		(3,517,571)		(6,621,154)		
	LESS: Capital expenditures		(9,796,881)		(7,694,537)		
	Budget approved by Council	\$		\$	1,848		

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

18. RESTRICTED SURPLUS

RESTRICTED SURPLUS				
One But Death to d Occupies		2017	_	2016
Capital Restricted Surplus General Government	\$	100,329	\$	100,329
Protective Equipment	•	2,197,083	Ф	2,102,193
Transportation Equipment		2,127,416		1,973,156
Road Construction		1,596,465		1,380,131
Bridge Construction		911.864		1,257,067
Gravel Crushing		190,717		129,542
Mossleigh Water Treatment Plant - Recovery		(475,279)		(319,874)
Environment Development Equipment		92,968		106,130
Air Transport		20,000		-
Campground		-		7,500
Capital Acquisition		7,077,067		7,044,765
Capital Contingency	_	1,000,000	_	1,000,000
		14,838,630		14,780,939
Operating Restricted Surplus				
Assessment Appeal		72,054		107,054
Community Enhancement		50,000		50,000
General Government Service		717,888		559,375
Protective Services		1,142,991		629,455
Transportation Contingency		1,693,135		1,390,590
Road Construction		1,777,579		1,762,579
Road Maintenance		524,000		204,000
Gravel Crushing Uncrushed Gravel Inventory		4,954,281		4,677,080
Bridges		4,351,891 52,459		4,686,220 52,459
Water Management		133,774		141,774
5		•		•
Environment Treatment		1,892		1,892
Vulcan Hospital Project - Debenture Funding		152,934		624,282
Vulcan Hospital Project - Debenture Recovery		(1,932,226)		(1,989,579)
Planning and development		356,844		303,844
Agriculture Services		783,272		494,372
Campground		<u>.</u>		84,348
Recreation and Culture		415,976		305,384
Operating Contingency		2,025,617		1,526,488
		17,274,361	_	15,611,617
Total Restricted Surplus	\$	32,112,991	\$	30,392,556

In 2016, the County received a debenture for \$2,046,224 to fund the Vulcan Hospital Project. As at December 31, 2017, the County had contributed a total of \$1,893,290 of these funds towards this project (see Note 9), resulting in \$152,934 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 \$598,129 as at December 31, 2017. Council applied \$100,000 towards these upgrades, leaving \$498,129 in costs which will be recovered through an annual special water tax levy over a 20 year period. To date, there has been \$22,850 recovered by special water tax levies. The funds held in the Capital Acquistion Reserve were used to fund these upgrades and will be recoverred by the special water tax levies.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

19. 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 boards.

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, 2017

20. 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:

Vulcan Gounty be disclosed as follows.	2017	2016
Total debt limit Total debt	\$ 28,128,752 1,915,106	\$ 29,564,939 2,042,229
Amount of debt limit unused	\$ 26,213,646	\$ 27,522,710
Debt servicing limit Debt servicing	\$ 4,688,125 178,944	\$ 4,927,490 178,944
Amount of debt servicing limit unused	\$ 4,509,181	\$ 4,748,546

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.

21. 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:

	2017					2016		
	Salary / Per Diems		Benefits & Allowances		Total		Total	
Councillors								
Division 1 - Gateman	\$	12,507	\$	3,576	\$	16,083	\$	19,132
Division 1 - Donovan		5,990		853		6,843		, a
Division 2 - Cockwill		19,000		4,807		23,807		6,918
Division 3 - Schneider		37,625		5,383		43,008		36.573
Division 4 - Annable		11,531		3,522		15,053		21,325
Division 4 - Lyckman		4,716		798		5,514		
Division 5 - Monner		21,500		3,939		25,439		22,639
Division 6 - McLean		10,316		3,476		13,792		19,526
Division 6 - Smith		4,056		370		4,426		-
Division 7 - Lucas		10,700		3,490		14,190		21,221
Division 7 - Logan		5,297		823		6,120		
Chief Administrative Officer - Petersen	\$	138,002	\$	28,768	\$	166,770	\$	29,816
Designated Officer(s)		115,785		28,048		143,833		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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31. 2017

22. 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 253,862 people and 417 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 2017 were \$500,301 (2016 - \$508,420). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2017 were \$461,382 (2016 - \$468,651).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 million.

23. 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.

24. CONTAMINATED SITES LIABILITY

The County has adopted PS3260 Liability for Contaminated Sites. The County did not identify any financial liabilities in 2017 (2016 - \$nil) as a result of this standard.

25. 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

26. COMMITMENTS

Vulcan County is responsible for environmental reclamation costs of gravel pit sites. During the year, it was estimated that there was 259,433 cubic meters of exposed gravel pits for reclamation at an approximate cost of reclamation of \$2.45 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 2.95% and assuming annual inflation of 1.50%. The gravel pits have an estimated useful life ranging from 12 to 69 years depending on the quantity of gravel remaining in each pit. The gravel reclamation liability of \$352,740 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 \$925,579. This equipment was billed and received subsequent to year end.

27. PRIOR YEAR FIGURES

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

28. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.