

TOWN OF VULCAN

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

TOWN OF VULCAN

DECEMBER 31, 2015

CONTENTS

	<u>Page</u>
AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidates Statement of Changes in Net Assets (Debt)	5
Consolidated Statement of Cash Flows	6
Schedules	7 - 12
Notes to Financial Statements	13- 22
Management Report	23



Scase & Partners

Professional Accountants

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COUNCIL TOWN OF VULCAN

We have audited the accompanying financial statements of Town of Vulcan, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, changes in net financial assets (debt) 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Town of Vulcan as at December 31, 2015, the results of its operations, changes in its net financial assets (debt), and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

April 21, 2016
Calgary, Alberta



Professional Accountants

TOWN OF VULCAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash and investments (Note 2)	\$ 1,896,018	\$ 1,810,712
Receivables:		
Taxes and grants in lieu receivable (Note 3)	147,056	116,758
Trade and other receivables	246,522	304,051
Due from other governments	30,777	43,088
Land held for resale	1,068,163	1,298,163
	<u>3,388,536</u>	<u>3,572,772</u>
LIABILITIES		
Accounts payable and accrued liabilities	185,146	86,660
Deposit liabilities	91,375	98,200
Deferred revenue (Note 6)	874,635	1,193,327
Employee benefit obligations (Note 11)	80,658	75,385
Long term debt (Note 5)	2,620,572	2,927,891
	<u>3,852,386</u>	<u>4,381,463</u>
NET FINANCIAL ASSETS (DEBT)	<u>(463,850)</u>	<u>(808,691)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 4)	20,637,918	20,869,848
Inventory for consumption	5,685	7,473
Prepaid expenses	88,636	92,284
	<u>20,732,239</u>	<u>20,969,605</u>
ACCUMULATED SURPLUS (Schedule 1, (Note 10))	<u>\$20,268,389</u>	<u>\$20,160,914</u>

APPROVED:

_____ Mayor

_____ Councilor

TOWN OF VULCAN

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2015

	BUDGET (Unaudited)	2015	2014
REVENUE			
Net municipal taxes (Schedule 3)	\$ 2,090,086	\$ 2,195,734	\$ 2,099,254
User fees and sales	1,748,436	1,931,181	1,678,005
Penalties and costs of taxes	20,000	29,880	33,208
Government transfers (Schedule 4)	244,231	367,942	296,383
Fines	50,000	23,749	49,597
Franchise and concession contracts	424,000	423,438	397,321
Investment income	2,000	19,181	8,805
Rentals	80,069	87,039	80,427
Licences and permits	26,600	33,272	38,822
Other	-	125,132	31,712
Net gain(loss) on sale of capital assets	-	(6,206)	(7,500)
	4,685,422	5,230,342	4,706,034
EXPENSES			
Legislative	123,000	101,634	101,991
Administration	812,145	841,614	821,027
Fire	133,623	133,661	124,305
Ambulance	7,500	-	-
Bylaws enforcement	116,400	107,946	106,126
Common service	223,914	280,057	280,238
Roads, streets, walks, lighting	335,508	767,967	838,857
Airport	8,000	8,000	8,000
Storm sewers	20,015	95,113	577,227
Water supply and distribution	645,561	948,451	854,155
Wastewater treatment and disposal	198,470	378,006	469,011
Waste management	380,397	371,345	359,211
Family and community support	176,908	220,841	208,898
Land use, planning, zoning and development	119,608	90,622	169,907
Subdivision land development	99,392	329,649	87,655
Parks and recreation	833,970	863,889	831,009
Culture	124,385	143,994	139,989
Cemeteries	22,810	17,665	12,534
	4,381,606	5,700,454	5,990,140
(SHORTFALL) OF REVENUE OVER EXPENSES			
BEFORE OTHER	303,816	(470,112)	(1,284,106)
Government transfers for capital (Schedule 4)	-	577,587	626,811
(SHORTFALL) EXCESS OF REVENUE OVER			
EXPENSES	303,816	107,475	(657,295)
ACCUMULATED SURPLUS, beginning of year	73,231,718	20,160,914	20,818,209
ACCUMULATED SURPLUS, end of year	\$73,535,534	\$20,268,389	\$20,160,914

The accompanying notes form an integral part of these financial statements

TOWN OF VULCAN

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT) FOR THE YEAR ENDED DECEMBER 31, 2015

	BUDGET (Unaudited)	2015	2014
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ 303,816	\$ 107,475	\$ (657,295)
Acquisition of tangible capital assets	-	(851,854)	(260,883)
Proceeds on disposal of tangible capital assets	-	47,300	10,000
Amortization of tangible capital assets	-	1,030,278	1,061,217
(Gain) loss on sale of tangible capital assets	-	6,206	7,500
	-	231,930	817,834
Acquisition of supplies inventories	-	(5,685)	(7,473)
Acquisition of prepaid assets	-	(88,637)	(92,284)
Use of supplies inventories	-	7,473	5,500
Use of prepaid assets	-	92,284	151,208
	-	5,435	56,951
DECREASE (INCREASE) IN NET DEBT	303,816	344,840	217,490
NET FINANCIAL ASSETS (DEBT), beginning of year	772,672	(808,690)	(1,026,180)
NET FINANCIAL ASSETS (DEBT), end of year	\$ 1,076,488	\$ (463,850)	\$ (808,690)

The accompanying notes form an integral part of these financial statements

TOWN OF VULCAN

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	\$ 107,475	\$ (657,295)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization	1,030,278	1,061,217
(Gain) loss on disposal of tangible capital assets	6,206	7,500
Current year adjustment	-	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place receivable	(30,297)	50,584
Decrease (increase) in due from government and other trade receivables	69,840	38,110
Decrease (increase) in prepaid expenses	3,648	58,924
Decrease (increase) in land held for resale and inventories	231,788	(231,973)
Increase (decrease) in accounts payable and accrued liabilities	103,760	(52,966)
Increase (decrease) in deferred revenue and deposits	(325,517)	525,078
CASH PROVIDED BY OPERATING TRANSACTIONS	1,197,181	799,179
CAPITAL		
Acquisition of tangible capital assets	(851,854)	(260,883)
Sale of tangible capital assets	47,300	10,000
CASH APPLIED TO CAPITAL TRANSACTIONS	(804,554)	(250,883)
FINANCING		
Long-term debt issued	-	230,000
Long-term debt repaid	(307,319)	(215,965)
CASH APPLIED TO FINANCING TRANSACTIONS	(307,319)	14,035
CHANGE IN CASH AND CASH EQUIVALENTS	85,308	562,331
CASH AND CASH EQUIVALENTS, beginning of year	1,810,710	1,248,379
CASH AND CASH EQUIVALENTS, end of year	\$ 1,896,018	\$ 1,810,710
CASH AND CASH EQUIVALENTS IS REPRESENTED BY:		
Cash and temporary investments (Note 2)	\$ 1,896,018	\$ 1,810,712
INTEREST PAID ON LONG-TERM DEBT	\$ <u>136,395</u>	\$ <u>145,535</u>

The accompanying notes form an integral part of these financial statements

TOWN OF VULCAN

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2015	2014
BALANCE , beginning of year	\$ 1,580,938	\$ 638,021	\$17,941,955	\$20,160,914	\$20,818,208
Excess (deficiency) of revenues over expenses	107,475	-	-	107,475	(657,294)
Unrestricted funds designated for future use	(596,532)	596,532	-	-	-
Restricted funds used for operations	88,207	(88,207)	-	-	-
Restricted funds used for tangible capital assets	-	(256,507)	256,507	-	-
Current year funds used for tangible capital assets	(595,347)	-	595,347	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets net of amortization	53,506	-	(53,506)	-	-
Annual amortization expense	1,030,278	-	(1,030,278)	-	-
New long term debt	-	-	-	-	-
Long term debt decrease	(307,319)	-	307,319	-	-
Change in accumulated surplus	(219,732)	251,818	75,389	107,475	(657,294)
BALANCE , end of year	\$ 1,361,206	\$ 889,839	\$18,017,344	\$20,268,389	\$20,160,914

TOWN OF VULCAN

SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE 2

	LAND	BUILDINGS	ROADS AND STREETS	ENGINEERED STRUCTURES		STORM SYSTEM	MACHINERY AND EQUIPMENT	VEHICLES	2015	2014
				WATER SYSTEM	WASTE SYSTEM					
COST:										
BALANCE, beginning of year	\$ 1,296,888	\$ 12,206,989	\$ 36,850,117	\$ 9,363,835	\$ 16,362,335	\$ 2,606,045	\$ 1,606,012	\$ 532,594	\$ 80,824,815	\$ 80,588,932
Acquisition of tangible capital assets	59,588	99,375	181,993	-	-	-	510,898	-	851,854	260,883
Disposal of tangible capital assets	-	(46,190)	-	-	-	-	(77,356)	-	(123,546)	(25,000)
BALANCE, end of year	1,356,476	12,260,174	37,032,110	9,363,835	16,362,335	2,606,045	2,039,554	532,594	81,553,123	80,824,815
ACCUMULATED AMORTIZATION:										
BALANCE, beginning of year	-	9,782,723	33,727,592	7,023,024	6,720,472	1,586,246	920,664	194,246	59,954,967	58,901,250
Annual amortization	-	69,164	450,598	98,611	201,740	32,787	143,512	33,864	1,030,276	1,061,217
Accum amortization on disposals	-	(13,282)	-	-	-	-	(56,757)	-	(70,039)	(7,500)
BALANCE, end of year	-	9,838,605	34,178,190	7,121,635	6,922,212	1,619,033	1,007,419	228,110	60,915,204	59,954,967
NET BOOK VALUE OF										
TANGIBLE CAPITAL ASSETS	\$ 1,356,476	\$ 2,421,569	\$ 2,853,920	\$ 2,242,200	\$ 9,440,123	\$ 987,012	\$ 1,032,135	\$ 304,484	\$ 20,637,919	\$ 20,869,848
2014 NET BOOK VALUE OF										
TANGIBLE CAPITAL ASSETS	\$ 1,296,888	\$ 2,424,266	\$ 3,122,525	\$ 2,340,811	\$ 9,641,863	\$ 1,019,799	\$ 685,348	\$ 338,348	\$ 20,869,848	

TOWN OF VULCAN

STATEMENT OF PROPERTY AND OTHER TAXES FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE 3

	BUDGET (Unaudited)	2015	2014
TAXATION			
Real property taxes	\$ 2,692,586	\$ 2,678,159	\$ 2,610,516
Linear property taxes	-	48,663	46,680
Government grants in place of property taxes	-	40,501	40,551
	<u>2,692,586</u>	<u>2,767,323</u>	<u>2,697,747</u>
REQUISITIONS			
Alberta School Foundation Fund	566,500	539,138	566,213
Seniors Lodge	36,000	32,451	32,280
	<u>602,500</u>	<u>571,589</u>	<u>598,493</u>
NET MUNICIPAL TAXES	<u>\$ 2,090,086</u>	<u>\$ 2,195,734</u>	<u>\$ 2,099,254</u>

TOWN OF VULCAN

SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE 4

	BUDGET (Unaudited)	2015	2014
TRANSFERS FOR OPERATING:			
Provincial Government	\$ 122,148	\$ 165,874	\$ 113,012
Federal Government	-	5,641	5,506
Other Local Governments	122,083	196,427	177,865
	244,231	367,942	296,383
TRANSFERS FOR CAPITAL:			
Provincial Government	-	577,587	626,811
Federal Government	-	-	-
	-	577,587	626,811
TOTAL GOVERNMENT TRANSFERS	\$ 244,231	945,529	\$ 923,194

TOWN OF VULCAN

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE 5

	BUDGET (Unaudited)	2015	2014
CONSOLIDATED EXPENDITURES BY OBJECT			
Salaries, wages and benefits	\$ 1,357,819	\$ 1,330,865	\$ 1,379,087
Contracted and general services	1,468,113	1,212,526	1,214,426
Materials, goods and utilities	1,027,244	1,090,165	1,546,156
Transfers to local boards and agencies	371,656	654,914	624,977
Bank charges and short-term interest	31,500	7,575	7,385
Interest on long-term debt	125,274	136,395	145,535
Other expenses	-	237,736	11,355
Amortization of tangible capital assets	-	1,030,278	1,061,217
	\$ 4,381,606	5,700,454	\$ 5,990,138

TOWN OF VULCAN

STATEMENT OF OPERATIONS SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE 6

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total
REVENUE								
Net municipal taxes	\$ 2,195,734	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,195,734
Government transfers	209,691	-	517,998	-	90,238	127,602	-	945,529
User fees & sales of goods	5,965	-	10,956	158,020	323,863	1,420,050	12,327	1,931,181
Investment income	19,181	-	-	-	-	-	-	19,181
Contributed assets	-	-	-	-	-	-	-	-
Other revenues	480,034	31,841	38,730	15,992	145,956	3,750	-	716,303
	2,910,605	31,841	567,684	174,012	560,057	1,551,402	12,327	5,807,928
EXPENSES								
Contract & general services	335,884	127,756	65,659	44,824	126,526	511,708	168	1,212,525
Salaries and wages	353,892	73,201	262,838	44,237	403,275	181,282	12,140	1,330,865
Goods and supplies	40,964	32,006	177,091	2,184	183,708	648,857	5,357	1,090,167
Transfers to local boards	343,448	-	8,000	75,000	228,466	-	-	654,914
Long-term debt interest	-	-	10,861	8,344	-	117,189	-	136,394
Other expenses	7,575	-	-	236,850	886	-	-	245,311
	1,081,763	232,963	524,449	411,439	942,861	1,459,036	17,665	4,670,176
NET REVENUE BEFORE AMORTIZATION								
Amortization Expense	1,828,842	(201,122)	43,235	(237,427)	(382,804)	92,366	(5,338)	1,137,752
	76,849	8,644	531,575		70,498	342,711		1,030,277
NET REVENUE	\$ 1,751,993	\$ (209,766)	\$ (488,340)	\$ (237,427)	\$ (453,302)	\$ (250,345)	\$ (5,338)	\$ 107,475

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

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Vulcan are the representations of management prepared in accordance with Canadian public sector accounting standards for local governments established by the Public Sector Accounting Board of the Canada. Significant aspects of the accounting policies adopted by the town are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the town and are therefore accountable to the town council for the administration of their financial affairs and resources. Included with the municipality are the following:

Vulcan Fire Department

Vulcan Family & Community Support Services

Vulcan Library

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

The statements exclude trust assets that are administered for the benefit of external parties.

(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 the 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,

(c) Government Transfers

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

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) 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 of revenues over expenses, provided the Consolidated Change in Net Financial Assets (Debt) for the year.

i. Tangible Capital Assets

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

Land Improvements	15-20 years
Buildings	25-50 years
Engineered Structures	
Water System	35-65 years
Wastewater system	35-65 years
Other engineered structures	15-40 years
Machinery and equipment	5-20 years
Vehicles	3-20 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the assets are available for productive use.

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

(f) Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowing. These levies are collectible from property owners for work performed by the municipality.

Where a taxpayer has elected to repay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by the amount equal to the debt repayment.

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

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(g) Pension Liability

The Town of Vulcan and its eligible employees participate in the Local Authorities Pension Plan, which provides pensions to the Town of Vulcan employees based on years of service and earnings. Employer, employee and Government of Alberta contributions and investment earnings of the LAPP Fund finance the plan.

The actuarial valuation was determined using the projected benefit method prorated on service. Assumptions used in the valuation are based on the Pension board's best estimate of future events. The plan's future experiences will inevitably differ, perhaps significantly from the assumptions. Any differences between actuarial assumptions and future experience will emerge as gains or losses in future valuations and will be amortized over the expected average remaining service life of the employee group.

(h) Reserves for Future Expenditures

Reserves are established at the discretion of council to set aside funds for future operating and capital expenditures. Transfers to and/or from reserves are reflected as an adjustment to the applicable fund.

(i) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards for local governments requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures 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.

(j) Fund Accounting

Management funds consists of the operating, capital, and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Capital fund debt principal and interest payments are recorded as operating fund expenditures. Proceeds from sales of land held for resale are recorded as operating fund revenues.

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

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(k) Taxes and Grants in Lieu Receivable

Taxes and grants in lieu receivable consist of current tax levies which remain outstanding at December 31, 2015.

(l) Inventories

Inventories of materials and supplies are valued at cost.

Land held for resale is recorded at cost. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges. Related development cost incurred to provide infrastructure such as water and wastewater services, roads, sidewalks, and street lighting are recorded as physical assets under their respective functions. When land is sold the inventory balance is reduced with an offsetting adjustment to equity in capital assets.

(m) Reserves for Future Expenditures

Reserves are established at the discretion of council to set aside funds for future operating and capital expenditures. Transfers to and/or from reserves are reflected as an adjustment to the operating fund while transfers to and/or from capital reserves are shown as an adjustment to the respective fund.

(n) Tax revenues

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue

(o) Requisition Over-levies and Under-levies

Excess collections and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the excess collection is accrued as a liability and shown as an "other" operating expenditure. In situations where the actual levy is less than the requisition amount, the under-levy is accrued as an "other" asset and reflected as "other" operating revenue. Requisition tax rates in the subsequent year are adjusted for any excess collections to under-levies of the prior year. Amounts previously accrued for excess collections are included in "other" operating expenditures.

(p) Interest on Long Term Debt

Interest on long-term debt is recorded as an expenditure as payment is made and there is an accrual for long-term debt interest payable at the end of the year.

TOWN OF VULCAN

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

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(q) Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures. debt interest payable at the end of the year.

(r) Certain balances may not add due to formula rounding.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2015</u>	<u>2014</u>
Bank overdraft	\$ (114,950)	\$ (104,181)
Temporary investments	<u>2,010,968</u>	<u>1,914,893</u>
	<u>\$ 1,896,018</u>	<u>\$ 1,810,712</u>

Temporary investments are investments with maturities in the normal operating cycle of the municipality. Non-current investments are term deposits and other funds with maturities greater than the normal operating cycle.

	<u>2015</u>	<u>2014</u>
<u>Restricted cash</u>		
Restricted surplus	\$ 889,839	\$ 638,021
Deferred revenue	874,635	1,193,327
Deposits	<u>91,375</u>	<u>98,200</u>
	<u>\$ 1,855,849</u>	<u>\$ 1,929,548</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2015</u>	<u>2014</u>
Current taxes and grants in place of taxes	\$ 108,383	\$ 81,926
Arrears taxes	<u>38,673</u>	<u>34,832</u>
	147,056	116,758
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 147,056</u>	<u>\$ 116,758</u>

TOWN OF VULCAN

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

4. TANGIBLE CAPITAL ASSETS

NET BOOK VALUE	<u>2015</u>	<u>2014</u>
Land	\$ 1,356,476	\$ 1,296,888
Buildings	2,421,569	2,424,266
Engineered Structures		
Roadway system	2,853,919	3,122,525
Water distribution system	2,242,200	2,340,811
Wastewater treatment system	9,440,123	9,641,863
Storm system	987,012	1,019,800
Machinery and equipment	1,032,135	685,347
Vehicles	<u>304,484</u>	<u>338,348</u>
	<u>\$20,637,918</u>	<u>\$20,869,848</u>

5. LONG-TERM DEBT

	<u>2015</u>	<u>2014</u>	
AMFC debentures	\$ <u>2,620,572</u>	<u>2,927,891</u>	
Current Portion	\$ <u>123,401</u>	<u>169,319</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 123,401	\$ 130,268	\$ 253,669
2017	129,972	123,697	253,669
2018	136,898	116,771	253,669
2019	144,200	109,469	253,669
2020	151,899	101,770	253,669
Thereafter	<u>1,934,201</u>	<u>657,983</u>	<u>2,592,184</u>
	<u>\$ 2,620,571</u>	<u>\$ 1,239,958</u>	<u>\$ 3,860,529</u>

Debenture debt is payable to Alberta Municipal Financing Authority (ACFA) and bears interest at rates ranging from 2.41% to 6.25% per annum, before Provincial subsidy and mature in periods 2013 through 2034. Debenture debt is issued on the credit and security of the Town of Vulcan at large.

TOWN OF VULCAN

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

6. DEFERRED REVENUE

	<u>2015</u>	<u>2014</u>
Unearned income		
Deferred revenue	\$ 4,517	\$ 3,418
MSI grant capital	463,717	359,528
Alberta energy grant	-	405,369
Fire grant	-	-
Federal gas tax fund	210,265	208,457
Basic municipal transport grant	167,185	165,769
Regional collaboration grant	28,765	46,882
Wh Gr Ph 3-6 developer bond	<u>186</u>	<u>3,903</u>
	<u>\$ 874,635</u>	<u>\$ 1,193,326</u>

7. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials the chief administrative officer and designated officers as required by Alberta Regulation 313-2000 is as follows:

	<u>2015</u>			<u>2014</u>
	Salary (1)	Benefits and Allowances (2)	Total	Total
Mayor Grant	\$ 11,890	\$ 3,430	\$ 15,320	\$ 18,807
Councilor Armstrong	7,370	1,715	9,085	7,871
Councilor DeBolt	9,020	1,715	10,735	8,646
Councilor Dow	10,890	1,715	12,605	13,129
Councilor Howard	5,500	1,715	7,215	6,629
Councilor Seaman	7,810	1,715	9,525	10,828
Councilor Taylor	8,230	1,715	9,945	10,990
Chief Administrative Officer	-	-	-	65,601
Chief Administrative Officer	97,380	17,802	115,182	73,127

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

TOWN OF VULCAN

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

7. SALARY AND BENEFITS DISCLOSURE, continued

- (2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.
- (3) Benefits and allowance figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement services, concession loans, travel allowances, car allowances and club memberships.

8. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Vulcan be disclosed as follows:

	<u>2015</u>	<u>2014</u>
Total debt limit	\$ 7,845,513	\$ 7,059,051
Total debt	<u>(3,446,769)</u>	<u>(3,811,095)</u>
Amount of debt limit (exceeded) unused	<u>\$ 4,398,744</u>	<u>\$ 3,247,956</u>
	<u>2015</u>	<u>2014</u>
Debt servicing limit	\$ 1,307,586	\$ 1,176,509
Debt servicing	<u>(453,683)</u>	<u>(500,655)</u>
Amount of debt servicing limit (exceeded) unused	<u>\$ 853,903</u>	<u>\$ 675,854</u>

The debt limit is calculated as 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

The Town of Vulcan has guaranteed a loan payment to the Chinook Credit Union (formerly MacLeod Savings and Credit Union) for the Vulcan Golf and Country Club for construction of an additional nine holes. The total principal of the loan guarantee is \$1,300,000 amortized over a 25 year period. The Town has agreed to pay 100% of the annual payments of the loan.

TOWN OF VULCAN

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

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2015</u>	<u>2014</u>
Tangible capital assets (Schedule 2)	\$ 81,553,123	\$ 80,824,815
Accumulated amortization (Schedule 2)	<u>(60,915,204)</u>	<u>(59,954,967)</u>
	20,637,919	20,869,848
Long-term debt (Note 5)	<u>(2,620,572)</u>	<u>(2,927,891)</u>
	<u>\$ 18,017,347</u>	<u>\$ 17,941,957</u>

10. ACCUMULATED SURPLUS

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

	<u>2015</u>	<u>2014</u>
Unrestricted surplus	\$ 1,361,206	\$ 1,580,942
Restricted surplus (Schedule 1)	889,839	638,021
Equity in tangible capital assets	<u>18,017,344</u>	<u>17,941,954</u>
	<u>\$20,268,389</u>	<u>\$20,160,917</u>

11. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town 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 is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

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

Total current service contributions by the Town to the LAPP in 2015 were \$126,910 (2014 - \$112,302). Total current service contributions by the employees of the Town to the LAPP in 2015 were \$117,150 (2014 - \$103,099).

12. CONTINGENCIES

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the town 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

13. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable, deposit liabilities, accrued liabilities, and long-term debt. It is management's opinion that the town is not exposed to significant interest or currency risk arising from these financial instruments.

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

Unless otherwise noted, the stated of these financial instruments approximate fair value.

14. SEGMENTED DISCLOSURE

The Town of Vulcan provides a range of services to its ratepayers. 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. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

15. COMPARATIVE FIGURES

Certain of the comparative figures have been restated to facilitate comparison to the current years presentation.

16. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

MANAGEMENT REPORT

The accompanying consolidated financial statements and other information contained in this Financial Report as of December 31, 2015 are the responsibility of the management of the Town of Vulcan.

Management has prepared these consolidated financial statements. Financial statements are not precise since they include certain amounts based on estimated and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town of Vulcan is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Council meets regularly with management to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. The Council also approves the engagement or re-appointment of the external auditors. The Council reviews the financial reports.

The consolidated financial statements have been audited by Scase & Partners Professional Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of Council, residents and ratepayers of the Town. Scase & Partners Professional Accountants has full and free access to Council.

Mayor

Date