

Vulcan County

**FINANCIAL STATEMENTS
DECEMBER 31, 2023**

VULCAN COUNTY
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

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April 17, 2024

To the Reeve and Council Members of Vulcan County

Re: Management's Responsibility for Reporting

The management of Vulcan County acknowledges its responsibility for the preparation, accuracy, objectivity, and integrity of the accompanying financial statements and the accompanying notes. Management holds the belief that the financial statements present a fair representation of the County's financial position as of December 31, 2023, and the results of its operations for the year then ended.

These financial statements have been prepared in compliance with legislation and in accordance with the Canadian Public Sector Accounting Standards. A summary of the significant accounting policies is outlined in Note 1 to the financial statements. It is important to note that financial statements inherently include certain amounts based on estimates and judgments, which have been determined on a reasonable basis to ensure fair presentation in all material aspects.

In the discharge of its responsibilities and cognizant of the inherent limitations of any system, management has devised and upheld a system of internal controls to produce reliable information meeting reporting requirements. This system is crafted to provide management with reasonable assurance regarding proper authorization of transactions, maintenance of reliable financial records, and appropriate accounting and safeguarding of assets. Regular monitoring and evaluation of these systems by management ensure the availability of reliable financial information for the preparation of financial statements.

County Council is entrusted with the oversight of management in fulfilling its financial reporting responsibilities and approving the financial statements. Council executes these duties by reviewing the financial information provided by management and engaging in discussions with the Audit Committee, management, and external auditors on pertinent matters. Council convenes meetings with management and external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approving the financial statements. Furthermore, Council is responsible for authorizing the appointment of the County's external auditors. The external auditors have unrestricted access to the Audit Committee, with or without the presence of management.

The financial statements have undergone an audit conducted by KPMG LLP, independent external auditors appointed by County Council. Their accompanying Auditor's Report to the members of Vulcan County Council delineates their responsibilities, stating the scope of their examination and their opinion on the financial statements.

Respectfully,

A handwritten signature in blue ink, appearing to read "Nels Petersen".

Nels Petersen
Chief Administrative Officer

A handwritten signature in blue ink, appearing to read "Mark DeBoer".

Mark DeBoer
Director of Corporate Services



KPMG LLP
3410 Fairway Plaza Road South
Lethbridge, AB T1K 7T5
Canada
Telephone 403 380 5700

INDEPENDENT AUDITOR'S REPORT

To the Reeve and Members of Council of Vulcan County

Opinion

We have audited the financial statements of Vulcan County (the "County"), which are presented in the format prescribed by Alberta Education and comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations for the year then ended
- re-measurement gains and losses for the year then ended;
- the statement of change in net financial assets and cash flows for the year then ended;
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the County as at December 31, 2023, and its results of operations, its re-measurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report.

We are independent of the County in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the County's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the County or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the County's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 County's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the County to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matters

The financial statements of the Municipality as at and for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on these financial statements on April 19, 2023.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Lethbridge, Canada

April 17, 2024

VULCAN COUNTY

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2023

	2023	2022 (Restated)
FINANCIAL ASSETS		
Cash and equivalents (note 3)	\$ 1,047,378	\$ 1,932,025
Taxes and grants in lieu receivables (note 4)	4,531,347	763,379
Trade and other receivables (note 5)	882,094	619,150
Portfolio investments (note 6)	27,125,041	36,862,064
Inventory held for resale	67,111	72,337
Long term investments (note 7)	14,855,537	2,056,265
Loans and notes receivable (note 8)	179,439	219,500
Other	17,071	16,430
	48,705,018	42,541,150
LIABILITIES		
Accounts payable and accrued liabilities	1,332,939	660,961
Deferred revenue (note 9)	1,252,204	1,840,432
Employee benefit obligations (note 10)	330,337	278,408
Long term debt (note 11)	1,118,084	1,252,044
Asset retirement obligations (note 12)	525,354	522,882
Other liabilities (note 14)	906,255	506,723
	5,465,173	5,061,450
NET FINANCIAL ASSETS	43,239,845	37,479,700
NON-FINANCIAL ASSETS		
Tangible capital assets (schedule 2, note 15)	107,687,527	108,086,239
Inventory for consumption (note 16)	8,720,764	9,103,226
Prepaid expenses	402,198	428,289
	116,810,489	117,617,754
ACCUMULATED SURPLUS	\$ 160,050,334	\$ 155,097,454
ACCUMULATED SURPLUS:		
Accumulated surplus (schedule 1, note 18)	160,050,334	155,097,454
Accumulated remeasurement gains (losses)	-	-
	\$ 160,050,334	\$ 155,097,454

Contingencies and commitments - See note 25 & 26.

Contractual rights - See note 27.

APPROVED BY:



VULCAN COUNTY
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2023

	Budget (note 23)	2023	2022 (Restated)
REVENUE			
Net municipal taxes (schedule 3)	\$ 15,555,033	\$ 17,943,837	\$ 15,079,227
Government transfers (schedule 4)	928,671	1,104,191	1,403,059
Return on investments	576,824	2,063,059	1,022,438
Sale of goods, services and user charges	982,250	1,949,632	888,685
Rental income	321,980	320,565	319,129
Community aggregate levy	140,110	193,171	212,993
Penalties and costs of taxes	194,000	350,624	228,725
Gain on disposal of tangible capital assets	-	26,523	1,430,054
Other revenues	380,000	30,518	240,385
TOTAL REVENUE	19,078,868	23,982,120	20,824,695
EXPENSES			
Legislative	506,709	478,318	447,807
Administration	2,328,823	2,267,748	2,056,167
Protective services	2,720,932	2,627,286	2,045,659
Transportation services	10,267,864	11,290,788	10,552,481
Agricultural services	830,466	720,976	650,453
Planning and development services	625,747	691,937	544,723
Family and community support	233,282	219,469	217,118
Parks and recreation	695,648	696,646	671,001
Tourism and economic development	35,027	19,922	24,040
Utility Services	1,137,224	1,140,509	1,021,944
Other	32,671	632,309	621,097
TOTAL EXPENSES	19,414,393	20,785,908	18,852,490
OPERATING SURPLUS - BEFORE OTHER	(335,525)	3,196,212	1,972,205
OTHER			
Contributed tangible capital assets	-	-	-
Government transfers for capital (schedule 4)	2,474,235	1,756,668	4,294,087
ANNUAL SURPLUS	2,138,710	4,952,880	6,266,292
ACCUMULATED SURPLUS, BEGINNING OF YEAR	155,097,454	155,097,454	148,831,162
ACCUMULATED SURPLUS, END OF YEAR	\$ 157,236,164	\$ 160,050,334	\$ 155,097,454

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

VULCAN COUNTY

STATEMENT OF REMEASUREMENT GAINS AND LOSSES YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
UNREALIZED GAINS (LOSSES) ATTRIBUTED TO:		
Bonds and other investments	\$ -	\$ -
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
AMOUNTS RECLASSIFIED TO STATEMENT OF OPERATIONS:		
Bonds and other investments realized gains	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
NET REMEASUREMENT GAINS (LOSSES) FOR THE YEAR	-	-
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF YEAR	<u>-</u>	<u>-</u>
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

VULCAN COUNTY

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS YEAR ENDED DECEMBER 31, 2023

	Budget (note 23)	2023	2022 (Restated)
ANNUAL SURPLUS	\$ 2,138,710	\$ 4,952,880	\$ 6,266,292
Acquisition of tangible capital assets	(8,230,879)	(4,704,172)	(6,521,313)
Contributed tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	500,000	216,952	1,441,515
Amortization of tangible capital assets	4,818,615	4,877,770	4,819,730
Net Loss (gain) on disposal of tangible capital assets	-	8,162	(700,976)
	(2,912,264)	398,712	(961,044)
Net change in inventory for consumption	-	382,462	(1,255,359)
Acquisition of prepaid expenses	-	(402,198)	(428,289)
Use of prepaid expenses	-	428,289	236,861
	-	408,553	(1,446,787)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(773,554)	5,760,145	3,858,461
NET FINANCIAL ASSETS, BEGINNING OF YEAR	37,479,700	37,479,700	33,621,239
NET FINANCIAL ASSETS, END OF YEAR	\$ 36,706,146	\$ 43,239,845	\$ 37,479,700

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

VULCAN COUNTY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	2023	2022
NET INFLOW (OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		(Restated)
OPERATING		
Annual surplus	\$ 4,952,880	\$ 6,266,292
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	4,877,770	4,819,730
Net Loss (gain) on disposal of tangible capital assets	8,162	(700,976)
Tangible capital assets received as contributions	-	-
Non-cash charges to operations (net change):		
Decrease in taxes and grants in lieu receivable	(3,767,968)	150,292
Increase in trade and other receivables	(262,944)	6,945,058
Decrease in inventory held for resale	5,226	(28,138)
Decrease (increase) in loans receivable	40,061	(12,305)
Increase in other financial assets	(641)	(1,942)
Decrease (increase) in inventory for consumption	382,462	(1,255,359)
Decrease (increase) in prepaid expenses	26,090	(191,427)
Increase in accounts payable	671,978	(559,753)
Decrease in deferred revenue	(588,228)	(2,610,045)
Increase in employee benefit obligations	51,929	12,548
Increase in obligations under asset retirement obligations	2,472	18,013
Increase (decrease) in other liabilities	399,532	(130,454)
Cash provided by operating transactions	6,798,781	12,721,534
CAPITAL		
Acquisition of tangible capital assets	(4,704,172)	(6,521,313)
Proceeds on disposal of tangible capital assets	216,952	1,441,515
Cash applied to capital transactions	(4,487,220)	(5,079,798)
INVESTING		
Decrease (increase) in portfolio investments	9,737,024	(9,848,397)
Decrease (increase) in long term investments	(12,799,272)	2,130,553
Cash applied to investing transactions	(3,062,248)	(7,717,844)
FINANCING		
Long term debt repaid	(133,960)	(130,676)
Cash applied to financing transactions	(133,960)	(130,676)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(884,647)	(206,784)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	1,932,025	2,138,809
CASH AND EQUIVALENTS, END OF YEAR	\$ 1,047,378	\$ 1,932,025

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

VULCAN COUNTY

SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS YEAR ENDED DECEMBER 31, 2023

	Unrestricted Surplus	Restricted Surplus (note 19)	Equity in Tangible Capital Assets (note 17)	2023	<i>SCHEDULE 1</i> 2022 (Restated)
BALANCE, BEGINNING OF YEAR AS REPORTED	889,414	46,636,284	108,066,893	\$ 155,592,591	\$ 149,307,171
PRIOR PERIOD ADJUSTMENTS:					
ARO prior period adjustments	8,399	-	(503,536)	(495,137)	(476,009)
RESTATED BALANCE, BEGINNING OF YEAR	\$ 897,813	46,636,284	107,563,357	\$ 155,097,454	\$ 148,831,162
Annual surplus	\$ 4,952,880	-	-	\$ 4,952,880	\$ 6,266,292
Unrestricted funds designated for future use	(8,451,102)	8,451,102	-	-	-
Restricted funds used for operations	1,001,595	(1,001,595)	-	-	-
Restricted funds used for tangible capital assets	-	(2,098,164)	2,098,164	-	-
Current year funds used for tangible capital assets	(2,606,008)	-	2,606,008	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	225,114	-	(225,114)	-	-
Annual amortization expense	4,877,770	-	(4,877,770)	-	-
Annual accretion ARO expense	19,291	-	(19,291)	-	-
ARO revision in estimates	(16,819)	-	16,819	-	-
Change in accumulated surplus	\$ 2,721	5,351,343	(401,184)	\$ 4,952,880	\$ 6,266,292
BALANCE, END OF YEAR	\$ 900,534	51,987,627	107,162,173	\$ 160,050,334	\$ 155,097,454

VULCAN COUNTY

SCHEDULE OF TANGIBLE CAPITAL ASSETS YEAR ENDED DECEMBER 31, 2023

SCHEDULE 2

	Land	Land Improvements	Buildings	Equipment	Vehicles	Engineered Structures	2023	2022 (Restated)
<u>HISTORICAL COST:</u>								
BALANCE, BEGINNING OF YEAR AS REPORTED	\$ 5,733,087	1,750,844	11,616,103	20,690,792	7,368,396	168,049,718	\$215,208,940	\$209,796,398
PRIOR PERIOD ADJUSTMENTS:								
ARO prior period adjustments	-	5,759	64,040	-	-	-	69,799	69,799
RESTATED BALANCE, BEGINNING OF YEAR	\$ 5,733,087	1,756,603	11,680,143	20,690,792	7,368,396	168,049,718	\$215,278,739	\$209,866,197
Acquisition of tangible capital assets	793,668	119,723	453,599	1,872,918	748,659	442,929	4,431,496	4,438,312
New construction-in-progress	-	-	-	-	-	272,676	272,676	2,083,001
Disposition of tangible capital assets	-	-	-	(1,262,656)	(66,259)	(211,687)	(1,540,602)	(1,108,771)
BALANCE, END OF YEAR	6,526,755	1,876,326	12,133,742	21,301,054	8,050,796	168,553,636	218,442,309	215,278,739
<u>ACCUMULATED AMORTIZATION:</u>								
BALANCE, BEGINNING OF YEAR AS REPORTED	\$ -	436,537	4,571,293	14,316,223	4,858,985	82,959,009	\$107,142,047	\$102,691,664
PRIOR PERIOD ADJUSTMENTS:								
ARO prior period adjustments	-	3,186	47,267	-	-	-	50,453	49,338
RESTATED BALANCE, BEGINNING OF YEAR	\$ -	439,723	4,618,560	14,316,223	4,858,985	82,959,009	\$107,192,500	\$102,741,002
Annual amortization	-	56,424	285,818	1,512,587	691,984	2,330,957	4,877,770	4,819,730
Accumulated amortization on disposal	-	-	-	(1,087,736)	(36,694)	(191,058)	(1,315,488)	(368,232)
BALANCE, END OF YEAR	-	496,147	4,904,378	14,741,074	5,514,275	85,098,908	110,754,782	107,192,500
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 6,526,755	1,380,179	7,229,364	6,559,980	2,536,521	83,454,728	\$107,687,527	\$108,086,239
2022 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS - RESTATED	\$ 5,733,087	1,316,880	7,061,583	6,374,569	2,509,411	85,090,709	\$108,086,239	

VULCAN COUNTY

SCHEDULE OF PROPERTY AND OTHER TAXES YEAR ENDED DECEMBER 31, 2023

SCHEDULE 3

	Budget (note 23)	2023	2022
TAXATION			
Real property taxes	\$ 7,666,843	\$ 7,661,085	\$ 8,546,195
Linear taxes	9,067,845	11,314,178	7,254,431
Commercial taxes	1,570,125	1,580,059	1,696,472
Government grants in lieu of taxes	21,507	19,745	18,594
Special levy	1,365,200	1,364,334	1,347,277
Well drilling tax	156	117	372
	19,691,676	21,939,518	18,863,341
REQUISITIONS			
School requisitions	3,299,142	3,138,040	3,054,596
Seniors foundation requisition	541,275	547,654	500,406
RCMP policing requisition	241,049	241,049	184,823
Provincial DIP assessment requisition	55,177	68,938	44,289
	4,136,643	3,995,681	3,784,114
NET MUNICIPAL TAXES	\$ 15,555,033	\$ 17,943,837	\$ 15,079,227

VULCAN COUNTY

SCHEDULE OF GOVERNMENT TRANSFERS YEAR ENDED DECEMBER 31, 2023

SCHEDULE 4

	Budget (note 23)	2023	2022
TRANSFERS FOR OPERATING			
Local government transfers	\$ 177,705	\$ 298,601	\$ 167,446
Provincial government transfers	501,561	556,185	302,495
Federal government transfers	249,405	249,405	933,118
	928,671	1,104,191	1,403,059
TRANSFERS FOR CAPITAL			
Local government transfers	-	39,016	122,189
Provincial government transfers	2,474,235	1,717,652	4,171,898
	2,474,235	1,756,668	4,294,087
TOTAL GOVERNMENT TRANSFERS	\$ 3,402,906	\$ 2,860,859	\$ 5,697,146

VULCAN COUNTY

SCHEDULE OF EXPENSES BY OBJECT YEAR ENDED DECEMBER 31, 2023

SCHEDULE 5

	Budget (note 23)	2023	2022 (Restated)
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 8,226,494	\$ 7,798,714	\$ 6,937,554
Contracted and general services	3,094,795	3,378,964	2,543,119
Materials, goods and utilities	3,240,880	3,149,977	2,820,480
Provision for allowances	12,671	625,434	602,629
Transfers to local boards and agencies	2,015,092	2,002,831	1,893,026
Interest and bank charges	45,142	40,642	48,635
Amortization of tangible capital assets	4,818,615	4,876,655	4,818,615
Amortization of ARO tangible capital assets	-	1,115	1,115
Accretion ARO expenses	-	19,291	18,012
Machine expenses capitalized for construction	(2,066,788)	(1,423,600)	(1,639,395)
Loss on disposal of tangible capital assets	-	34,685	729,078
Other expenses	27,492	281,200	79,622
	\$ 19,414,393	\$ 20,785,908	\$ 18,852,490

VULCAN COUNTY

SCHEDULE OF SEGMENTED DISCLOSURE YEAR ENDED DECEMBER 31, 2023

SCHEDULE 6

	General Government	Protective Services	Transportation Services	Agricultural Services	Planning and Development Services	Community Services	Utility Services	2023 Total
REVENUE								
Net municipal taxes	\$ 15,631,274	917,234	-	-	-	430,562	964,767	\$ 17,943,837
Government transfers (operating)	57,100	288,806	366,899	166,247	-	225,139	-	1,104,191
Return on investment	2,063,059	-	-	-	-	-	-	2,063,059
Sale of goods, services and user charges	59,514	308,473	877,279	341,910	336,172	7,800	18,484	1,949,632
Rental income	5,058	304,846	-	10,661	-	-	-	320,565
Community aggregate levy	-	-	193,171	-	-	-	-	193,171
Penalties and other costs of taxes	350,624	-	-	-	-	-	-	350,624
Gain on disposal of tangible capital assets	-	-	26,523	-	-	-	-	26,523
Other revenues	24,319	6,199	-	-	-	-	-	30,518
	18,190,948	1,825,558	1,463,872	518,818	336,172	663,501	983,251	23,982,120
EXPENSES								
Salaries, wages and benefits	1,514,480	928,768	4,569,874	363,945	392,040	5,356	24,251	7,798,714
Contracted and general services	672,880	564,814	1,536,048	65,607	298,813	168,571	72,231	3,378,964
Material, goods and utilities	262,744	283,629	2,416,792	157,935	1,084	5,881	21,912	3,149,977
Provision for allowances	625,434	-	-	-	-	-	-	625,434
Transfers to local boards and agencies	88,533	177,869	8,000	11,241	-	726,765	990,423	2,002,831
Interest and bank charges	11,178	-	-	-	-	29,464	-	40,642
Amortization of tangible capital assets	122,638	663,125	3,939,955	119,267	-	-	31,670	4,876,655
Amortization of ARO tangible capital assets	394	26	590	99	-	-	6	1,115
Accretion ARO expenses	15,018	61	3,526	670	-	-	16	19,291
Machine expenses capitalized for construction	-	-	(1,423,600)	-	-	-	-	(1,423,600)
Loss on disposal of tangible capital assets	12,890	8,994	10,589	2,212	-	-	-	34,685
Other expenses	52,186	-	229,014	-	-	-	-	281,200
	3,378,375	2,627,286	11,290,788	720,976	691,937	936,037	1,140,509	20,785,908
OPERATING SURPLUS - BEFORE OTHER	14,812,573	(801,728)	(9,826,916)	(202,158)	(355,765)	(272,536)	(157,258)	3,196,212
OTHER								
Contributed tangible capital assets	-	-	-	-	-	-	-	-
Government transfers (capital)	-	39,016	1,717,652	-	-	-	-	1,756,668
ANNUAL SURPLUS	\$ 14,812,573	(762,712)	(8,109,264)	(202,158)	(355,765)	(272,536)	(157,258)	\$ 4,952,880

VULCAN COUNTY

SCHEDULE OF SEGMENTED DISCLOSURE YEAR ENDED DECEMBER 31, 2022

	General Government	Protective Services	Transportation Services	Agricultural Services	Planning and Development Services	Community Services	Utility Services	Restated 2022 Total
REVENUE								
Net municipal taxes	\$ 12,885,862	849,512	-	-	-	481,227	862,626	\$ 15,079,227
Government transfers (operating)	11,168	147,835	933,118	123,907	-	187,031	-	1,403,059
Return on investment	1,022,438	-	-	-	-	-	-	1,022,438
Sale of goods, services and user charges	28,529	111,925	354,173	268,133	123,738	-	2,187	888,685
Rental income	7,100	305,641	-	6,388	-	-	-	319,129
Community aggregate levy	-	-	212,993	-	-	-	-	212,993
Penalties and other costs of taxes	228,725	-	-	-	-	-	-	228,725
Gain on disposal of tangible capital assets	1,341,933	88,121	-	-	-	-	-	1,430,054
Other revenues	2,003	18,280	220,102	-	-	-	-	240,385
	<u>15,527,758</u>	<u>1,521,314</u>	<u>1,720,386</u>	<u>398,428</u>	<u>123,738</u>	<u>668,258</u>	<u>864,813</u>	<u>20,824,695</u>
EXPENSES								
Salaries, wages and benefits	1,409,151	553,742	4,252,071	327,272	370,623	7,274	17,421	6,937,554
Contracted and general services	603,599	451,707	1,033,536	44,083	172,384	168,810	69,000	2,543,119
Material, goods and utilities	212,450	226,662	2,210,636	149,573	1,716	5,111	14,332	2,820,480
Provision for allowances	602,629	-	-	-	-	-	-	602,629
Transfers to local boards and agencies	75,114	207,972	8,000	11,872	-	698,192	891,876	1,893,026
Interest and bank charges	15,863	-	-	-	-	32,772	-	48,635
Amortization of tangible capital assets	111,922	605,491	3,954,990	116,918	-	-	29,294	4,818,615
Amortization of ARO tangible capital assets	394	26	590	99	-	-	6	1,115
Accretion ARO expenses	14,327	59	2,975	636	-	-	15	18,012
Machine expenses capitalized for construction	-	-	(1,639,395)	-	-	-	-	(1,639,395)
Loss on disposal of tangible capital assets	-	-	729,078	-	-	-	-	729,078
Other expenses	79,622	-	-	-	-	-	-	79,622
	<u>3,125,071</u>	<u>2,045,659</u>	<u>10,552,481</u>	<u>650,453</u>	<u>544,723</u>	<u>912,159</u>	<u>1,021,944</u>	<u>18,852,490</u>
OPERATING SURPLUS - BEFORE OTHER	12,402,687	(524,345)	(8,832,095)	(252,025)	(420,985)	(243,901)	(157,131)	1,972,205
OTHER								
Contributed tangible capital assets	-	-	-	-	-	-	-	-
Government transfers (capital)	1,830,354	571,320	1,892,413	-	-	-	-	4,294,087
ANNUAL SURPLUS	<u>\$ 14,233,041</u>	<u>46,975</u>	<u>(6,939,682)</u>	<u>(252,025)</u>	<u>(420,985)</u>	<u>(243,901)</u>	<u>(157,131)</u>	<u>\$ 6,266,292</u>

VULCAN COUNTY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Vulcan County (the "County") have been prepared in accordance with the Chartered Professional Accounting (CPA) Canadian Public Sector Accounting Standards (PSAS). The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

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 property and other taxes 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.

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 in derivatives and equity instruments quoted in an active market are carried at fair value with transactions costs expensed upon initial recognition. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses. When the investment is disposed of the accumulated gains or losses are reclassified to the statement of operations. Investments in interest bearing securities 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.

VULCAN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

j) Asset Retirement Obligations

Asset retirement obligations are legal obligations associated with the retirement of tangible capital assets. Asset retirement activities include all activities relating to an asset retirement obligation. These may include, but are not limited to;

- Decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed;
- Remediation of contamination of tangible capital asset created by its normal use;
- Post-retirement activities such as monitoring; and

A liability for an asset retirement obligation is recognized when, as at the financial reporting date:

- (a) There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- (b) The past transaction or event giving rise to the liability has occurred;
- (c) It is expected that future economic benefits will be given up; and
- (d) A reasonable estimate of the amount can be made.

When a liability for asset retirement obligation is recognized, asset retirement costs related to recognized tangible capital assets in productive use are capitalized by increasing the carrying amount of the related asset and are amortized over the estimated useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

At each financial reporting date, the County reviews the carrying amount of the liability. The County recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recorded after specific thresholds are met; whereas, these changes to the liability are recognized as revenues or expenses, unless the factors for the liability increases above the original recognition, in which would create an increase to the carrying amount of the related tangible capital asset. The County continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

VULCAN COUNTY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) 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.

l) Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the County has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied.

m) Tax Revenues

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

n) 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.

o) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess (deficiency) of revenue over expenses, provides the Change in Net Financial Assets for the year.

i. Tangible Capital Assets

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

	Years
Land improvements	15 - 45
Buildings	25 - 50
Engineered structures	
Bridges	40 - 120
Communication towers	38
Roads	5 - 75
Machinery and equipment	3 - 25
Vehicles	5 - 20

VULCAN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

p) 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.

q) 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, asset retirement obligations settlement costs, timing of asset retirements, 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.

There is also measurement uncertainty relating to the estimated asset retirement obligations as they involves estimates in determining settlement amounts, discount rates used in present value techniques, and the timing of settlement. Changes in any of these estimates and assumptions may result in a change to the asset retirement obligations.

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.

VULCAN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Future Accounting Changes

The Public Sector Accounting Board has issued the following accounting standards:

PS 3400 Revenue (effective January 1, 2024)

This standard provides guidance on how to account for and report on revenue, and specifically, it addresses revenue arising from exchange transactions and non-exchange transactions.

PSG 8 Purchased Intangibles (effective January 1, 2024)

This standard provides guidance on how to account for and report on identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act.

PS 3160 Public Private Partnerships (effective January 1, 2024)

This standard provides guidance on how to account for public private partnerships between public and private sector entities, where the public sector entity procures infrastructure using a private sector partner.

PS 1202 Financial Statement Presentation (effective January 1, 2027)

This standard establishes general and specific requirements for the presentation of information in general purpose financial statements.

The County has not yet adopted these accounting standards. Management is currently assessing the impact of these standards on the financial statements.

VULCAN COUNTY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

2. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2023, the County adopted the new accounting standard PS 3450 Financial Instruments and the County determined there no material impact on the financial statements.

Effective January 1, 2023, the County adopted the new accounting standard PS 3280 Asset Retirement Obligations and applied the standard using the modified retroactive approach with restatement of prior year comparative information. On the effective date of the PS 3280 standard, the County recognized the following to conform to the new standard:

- Asset retirement obligations;
- Asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets in productive use;
- Accumulated amortization on the capitalized cost; and
- Adjustment to the opening balance of the accumulated surplus

Amounts are measured using information, assumptions and discount rates where applicable that are current on the effective date of the standard. The amount recognized as an asset retirement obligation cost is measured as of the date the asset retirement obligation was incurred. Accumulated amortization is measured for the period from the date the liability would have been recognized had the provisions of this standard been effect to the date as of which this standard is first applied.

Impact on the prior year's financial statements as a result of the change in account policy is as follows:

	2022		
	As previously reported	Adjustment recognized	As Restated
STATEMENT OF FINANCIAL POSITION			
Financial assets	42,541,150	-	42,541,150
Liabilities	4,546,967	514,483	5,061,450
Net financial assets	37,994,183	(514,483)	37,479,700
Non-financial assets	117,598,408	19,346	117,617,754
Accumulated Surplus	155,592,591	(495,137)	155,097,454
STATEMENT OF OPERATIONS			
Total Revenue	20,824,695	-	20,824,695
Total Expenses	18,833,362	19,128	18,852,490
Operating Surplus - Before Other	1,991,333	(19,128)	1,972,205
Other (<i>Capital Revenues</i>)	4,294,087	-	4,294,087
Annual Surplus	6,285,420	(19,128)	6,266,292
Accumulated Surplus, beginning of year	149,307,171	(476,009)	148,831,162
Accumulated Surplus, end of year	155,592,591	(495,137)	155,097,454
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS			
Annual Surplus	6,285,420	(19,128)	6,266,292
Amortization of tangible capital assets	4,818,615	1,115	4,819,730
Net financial assets, beginning of year	34,117,709	(496,470)	33,621,239
Net financial assets, end of year	37,994,183	(514,483)	37,479,700
STATEMENT OF CASHFLOWS			
Annual Surplus	6,285,420	(19,128)	6,266,292
Amortization of tangible capital assets	4,818,615	1,115	4,819,730
Increase in obligations under asset retirement obligations	-	18,013	18,013
Change in cash and equivalents during the year	(206,784)	-	(206,784)
Cash and equivalents, beginning of year	2,138,809	-	2,138,809
Cash and equivalents, end of year	1,932,025	-	1,932,025

VULCAN COUNTY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

3. CASH AND CASH EQUIVALENTS

	2023	2022
Cash and cash equivalents	\$ 1,047,378	\$ 1,932,025
	<u>\$ 1,047,378</u>	<u>\$ 1,932,025</u>

Cash and cash equivalents includes accounts for the Vulcan County Public Reserves Trust of \$286,924 (2022 - \$236,641) and for the Vulcan County Tax Sale Trust of \$167,182 (2022 - \$158,977).

The County has an available revolving line of credit facility up to \$500,000 with interest payable at prime minus 0.25%, and a credit card limit of \$55,000, with interest payable at 5.0%. As at December 31, 2023 the balance owing on these facilities is \$nil (2022 - \$nil).

4. TAX AND GRANTS IN LIEU RECEIVABLES

	2023	2022
Current taxes and grants in lieu of taxes	\$ 4,587,973	\$ 571,143
Arrears	204,450	272,181
Allowance for doubtful accounts	(261,076)	(79,945)
	<u>\$ 4,531,347</u>	<u>\$ 763,379</u>

During 2023, Vulcan County issued a supplementary property tax levies as a result of one of the largest solar projects in Canada being completed and commissioned during the year. The supplementary property tax levies are applied to all supplementary property assessment. The supplementary assessment roll is developed late in the year and most of the supplementary tax notices were issued late-2023 and the linear-based properties payable subsequent to yearend. The total supplementary property tax levies were \$4.033 million (2022 - \$nil) and as at December 31, 2023, there was a balance remaining of \$4.017 million (2022 - \$nil).

5. TRADE AND OTHER RECEIVABLES

	2023	2022
Trade receivables	\$ 403,226	\$ 438,778
Requisition under-levies	-	58,232
Interest receivable	427,302	71,534
GST receivable	52,299	50,606
Allowance for doubtful accounts	(733)	-
	<u>\$ 882,094</u>	<u>\$ 619,150</u>

VULCAN COUNTY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

6. PORTFOLIO INVESTMENTS

	2023	2022
Deposits and short-term securities	\$ 15,536,940	\$ 24,668,082
High interest savings	11,588,101	12,193,982
	\$ 27,125,041	\$ 36,862,064

Portfolio investments are short-term deposits with original maturities of one year or less, or are redeemable, with interest rates ranging from 1.85% to 5.85% (2022 - 2.20% to 5.10%). Included in portfolio investments is a restricted amount of \$965,280 (2022 - \$1,603,791) held exclusively for eligible projects and \$nil (2022 - \$nil) held for the obligation to the Vulcan County Health and Wellness Foundation for the Vulcan Hospital Expansion Project.

7. LONG TERM INVESTMENTS

	2023		2022	
	Cost	Market Value	Cost	Market Value
Guaranteed Investment Certificates	\$ 12,855,537	\$ 12,855,537	\$ 2,056,265	\$ 2,056,265
Bonds and other investments	2,000,000	2,000,000	-	-
	\$ 14,855,537	\$ 14,855,537	\$ 2,056,265	\$ 2,056,265

Guaranteed Investment Certificates are long-term deposits with interest rates ranging from 5.25% to 6.20% (2022 - 1.85%) with maturity dates ranging from 2025 to 2028. Bonds and other investments include principal protected notes that have stated interest rates of 9.00%, have an annual auto-callable options, with a maturity date of 2031 and carried at fair value with transactions costs expensed upon initial recognition. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses.

8. LOANS AND NOTES RECEIVABLES

	2023	2022
Carmangay Curling Association	\$ 86,100	\$ 104,300
Mossleigh Water Co-op	10,988	17,541
Vulcan & District Waste Commission	82,351	97,659
	\$ 179,439	\$ 219,500

Loan receivables from Carmangay Curling Association are from two loans which are interest free (contributed by Vulcan County). The initial loan was issued in 2017, repayable over 10 years maturing in 2026, and has an annual payment of \$13,000. During 2022, the County provided an additional loan of \$52,000 to Carmangay Curling Association repayable over 10 years maturing in 2031 and has an annual payment of \$5,200.

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, maturing in 2028.

Loan receivable from Vulcan & District Waste Commission has an interest rate of 2.45% and has an annual payment of \$17,700. Loan is repayable over 8 years, maturing in 2028.

These loan receivables are unsecured and do not have options nor conditions for loan forgiveness. Valuation allowances, if applicable, 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.

VULCAN COUNTY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

9. DEFERRED REVENUE

	2022	Externally Restricted Inflows	Revenues Earned	2023
Alberta Municipal Sustainability Initiative - Capital	\$ 1,415,305	\$ 1,102,831	\$ (1,717,652)	\$ 800,484
Alberta Municipal Sustainability Initiative - Operating	25,996	355,916	(381,912)	-
Canada Community-Building Fund	-	249,405	(249,405)	-
Surface Rights	78,301	82,066	(78,301)	82,066
Development Public Funds	236,641	50,283	-	286,924
Other	84,189	20,800	(22,259)	82,730
Total, invested in short term investments	\$ 1,840,432	\$ 1,861,301	\$ (2,449,529)	\$ 1,252,204

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. This program is being replaced with the Local Government Fiscal Framework in 2024; whereas, the unspent Municipal Sustainability Initiative (MSI) capital funds as at December 31, 2023 are able to be continued to be applied to the MSI program within the program guidelines.

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. This program is being replaced with the Local Government Fiscal Framework in 2024 and there are no unspent Municipal Sustainability Initiative (MSI) operating funds remaining as at December 31, 2023.

Canada Community-Building Fund

This Canada Community-Building Fund (CCBF), which is previously known as the Federal Gas Tax Fund, is a 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.

Surface Rights

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

Development Public Funds

These monies represent amounts set aside in the Vulcan County Public Reserves Trust account and funding contributions received for restricted purposes not spent. Municipal reserve funds may be used only for the purposes specified in the Municipal Government Act, section 671(4) Accordingly, these amounts are not available for current operations.

VULCAN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

10. EMPLOYEE BENEFIT OBLIGATIONS

	2023	2022
Accrued vacation payable	\$ 319,484	\$ 278,408
Accrued allowances	10,853	-
	\$ 330,337	\$ 278,408

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.

The accrued allowances are unused health and wellness account credits that employees are deferring to the following year. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

11. LONG TERM DEBT

	2023	2022
Tax supported debentures	\$ 1,118,084	\$ 1,252,044
	\$ 1,118,084	\$ 1,252,044

The current portion of long term debt amounts to \$137,327 (2022 - \$133,960).

Principal and interest repayments are as follows:

	Principal	Interest	Total
2024	\$ 137,327	\$ 27,077	\$ 164,404
2025	140,779	23,626	164,405
2026	144,318	20,087	164,405
2027	147,946	16,459	164,405
2028	151,664	12,741	164,405
Thereafter	396,050	14,963	411,013
	\$ 1,118,084	\$ 114,953	\$ 1,233,037

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 County at large.

The Municipality has established an authorized overdraft for the purposes of financing operating expenditures with a limit of \$500,000. 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, 2023 (2022 - \$nil).

Interest on long term debt amounted to \$29,464 (2022 - \$32,772).

The Municipality's total cash payment for interest in 2023 was \$30,445 (2022 - \$33,729).

As at December 31, 2023, the County has not issued or provided any loan guarantees (2022 - \$nil) within the County nor provided to guarantee any other organizations.

VULCAN COUNTY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

12. ASSET RETIREMENT OBLIGATIONS

	2023	Restated 2022
Asset Retirement Obligations, beginning of year	\$ 522,882	\$ 504,870
Liability incurred	-	-
Liability settled	-	-
Accretion expense	19,291	18,012
Revision in estimates	(16,819)	-
	\$ 525,354	\$ 522,882

The County has asset retirement obligations to remove hazardous asbestos fibre containing materials and other hazardous materials from various buildings under its control. Regulations require the County to handle and dispose of the asbestos in a prescribed manner when it is disturbed, such as when the building undergoes renovations or is demolished. Although timing of the asbestos removal is conditional on the building undergoing renovations or being demolished, regulations create an existing obligation for the County to remove the asbestos when asset retirement activities occur. The County is also responsible for environmental reclamation costs of gravel pit sites that are under the County's control.

Asset retirement obligations are initially measured as of the date the legal obligation was incurred, based on managements best estimate of the amount required to retire tangible capital assets and subsequently re-measured considering any new information and the appropriateness of assumptions used. The estimate of the liability is based on third-party quotes and professional judgement.

The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods. The asset retirement obligations are based on the sum of discounted future cash flows for reclamation with remaining useful lives ranging from 3 to 45 years, undiscounted expenditures of \$1.178 million (2022 - \$1.091 million) assuming an annual inflation ranging from 0.50% to 4.14% (2022 - 0.50% to 1.74%), and an effective discount rate ranging from 3.70% to 7.34%, inclusive of inflationary factors (2022 - 3.53% to 4.77%). The estimated recoveries are \$nil for future reclamations.

13. CONTAMINATED SITES LIABILITY

The County has adopted PS3260 Liability for Contaminated Sites. The County did not identify any financial liabilities in 2023 (2022 - \$nil) as a result of this standard.

14. OTHER LIABILITIES

	2023	Restated 2022
Other gravel reclamations - non-controlled	\$ 490,624	\$ 261,610
Deposits held for community organizations	192,634	86,136
Other liabilities	222,997	158,977
	\$ 906,255	\$ 506,723

The County is responsible for environmental reclamation costs of gravel pit sites, including gravel pit sites that are not under the County's control. Gravel pit sites under the County's control are included within Asset Retirement Obligations. During the year, it was estimated that there was 243,818 cubic meters of exposed gravel pits for reclamation at an approximate cost of reclamation of \$3.08 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 discount rate of 7.34% and assuming annual inflation of 4.14%. The gravel pits have an estimated useful life ranging from 6 to 43 years depending on the quantity of gravel remaining in each pit. The reclamation is ongoing and the uncertainty inherent in the provision will thus be partially resolved each year. There are sufficiently funded gravel reserves to cover the costs of the reclamation.

VULCAN COUNTY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

15. TANGIBLE CAPITAL ASSETS

	2023	Restated 2022
Tangible capital assets (schedule 2)	\$ 218,442,309	\$ 215,278,739
Accumulated amortization (schedule 2)	(110,754,782)	(107,192,500)
	\$107,687,527	\$ 108,086,239

Contributed tangible capital assets are recognized at fair value at the date of contribution. In 2023, the County received no contributions toward the purchase of a tangible capital asset (2022 - \$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, 2023, the leased tangible capital asset had \$49,672 of total accumulated amortization.

Capitalized asset retirement obligation (ARO) assets are recognized as an increase to the carrying amount of the related tangible capital assets and are initially measured as at the date the legal obligations were occurred. As at December 31, 2023, the capitalized asset retirement obligation (ARO) assets had a total of \$69,799 of capitalized costs and \$51,568 of total accumulated amortization.

16. INVENTORIES FOR CONSUMPTION

	2023	2022
Inventory for consumption - gravel	\$ 8,131,698	\$ 8,562,044
Inventory for consumption - parts	589,066	541,182
	\$ 8,720,764	\$ 9,103,226

Gravel inventory includes purchased deposits not yet crushed, with a cost of \$4,046,215 (2022 - \$4,046,215). There was no gravel crushing completed in 2023; therefore, the uncrushed gravel deposits are unchanged from the prior year.

17. EQUITY IN TANGIBLE CAPITAL ASSETS

	2023	Restated 2022
Tangible capital assets (schedule 2, note 15)	\$ 218,442,309	\$ 215,278,739
Accumulated amortization (schedule 2, note 15)	(110,754,782)	(107,192,500)
	107,687,527	108,086,239
Asset Retirement Obligations (note 12)	(525,354)	(522,882)
	\$107,162,173	\$ 107,563,357

18. ACCUMULATED SURPLUS

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

	2023	Restated 2022
Unrestricted surplus	\$ 900,534	\$ 897,813
Restricted surplus (note 19)	51,987,627	46,636,284
Equity in tangible capital assets (note 17)	107,162,173	107,563,357
	\$ 160,050,334	\$ 155,097,454

VULCAN COUNTY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

19. RESTRICTED SURPLUS

	2023	2022
Capital Restricted Surplus		
General Government	\$ 125,016	\$ 66,580
Protective Equipment	7,905,341	7,919,875
Transportation Equipment	1,794,527	1,356,500
Road Construction	2,614,730	2,196,971
Bridge Construction	5,531,256	5,028,410
Gravel Crushing	215,355	215,355
Mossleigh Water Treatment Plant - Recovery	(421,717)	(438,255)
Environment Development Equipment	110,754	98,006
Air Transport	20,000	20,000
Capital Acquisition	12,815,598	12,596,801
Capital Contingency	970,682	970,682
	31,681,542	30,030,925
Operating Restricted Surplus		
Assessment Appeal	5,506	5,506
Assessment Contingency	1,660,543	-
Community Enhancement	14,841	14,841
General Government Service	423,338	319,195
Protective Services	1,493,251	1,419,840
Transportation Contingency	1,798,903	1,773,349
Road Construction	843,798	738,011
Road Maintenance	1,008,675	777,244
Gravel Crushing	4,320,122	4,157,695
Uncrushed Gravel Inventory	4,046,215	4,046,215
Bridges	117,907	51,107
Water Management	30,865	36,670
Environment Treatment	225,096	45
Vulcan Hospital Project - Debenture Recovery	(1,134,028)	(1,258,374)
Planning and development	272,295	94,921
Agriculture Services	637,066	504,163
Recreation and Culture	889,670	743,402
Operating Contingency	3,652,022	3,181,529
	20,306,085	16,605,359
Total Restricted Surplus	\$ 51,987,627	\$ 46,636,284

In 2016, the County received a debenture for \$2,046,224 to fund the Vulcan Hospital Project. In 2019, County had contributed a total of \$2,046,224 of these funds towards this project, resulting in no amount 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 \$643,009 as at December 31, 2023. Council applied \$100,000 towards these upgrades, leaving \$543,009 in costs which will be recovered through an annual special water tax levy over a 20 year period. To date, there has been \$121,292 recovered by special water tax levies. The funds held in the Capital Acquisition Reserve were used to fund these upgrades and will be recovered by the special water tax levies.

VULCAN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

20. 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, geographical information systems (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.

VULCAN COUNTY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

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:

	2023			2022
	Salary / Per Diems	Benefits & Allowances	Total	Total
Councillors				
Division 1 - Gateman	\$ 18,375	\$ 4,398	\$ 22,773	\$ 21,232
Division 2 - Cockwill	23,198	4,398	27,596	24,388
Division 3 - Schneider	31,700	4,398	36,098	34,897
Division 4 - Lyckman	42,655	4,398	47,053	37,165
Division 5 - Nelson	36,073	4,998	41,071	31,807
Division 6 - Northcott	24,997	1,899	26,896	23,041
Division 7 - Logan	28,267	4,398	32,665	28,141
Chief Administrative Officer - Petersen	\$ 189,803	\$ 34,233	\$ 224,036	\$ 204,847
Designated Officer(s)	177,228	38,777	216,005	160,140

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.

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 291,259 people and 437 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 8.45% (2022 - 8.45%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.23% (2022 - 12.80%) on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 7.45% (2022 - 7.45%) of pensionable salary up to the year's maximum pensionable salary and 11.23% (2022 - 11.80%) on pensionable salary above this amount.

Total current service contributions by the County to the LAPP in 2023 were \$479,489 (2022 - \$450,041). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2023 were \$439,131 (2022 - \$405,268).

At December 31, 2022, the LAPP disclosed an actuarial surplus of \$12.671 billion dollars (2022 - \$11.922 billion).

VULCAN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

23. 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.

	<u>2023</u>	<u>2022</u>
ANNUAL SURPLUS	\$ 2,138,710	\$ 3,531,436
ADD: Proceeds from sale of capital assets	500,000	193,596
ADD: Transfer from restricted surplus to operations	4,951,621	3,286,974
ADD: Amortization of tangible capital assets	4,818,615	4,684,267
LESS: Transfers to restricted surplus	(4,178,067)	(4,254,448)
LESS: Capital expenditures	(8,230,879)	(7,441,825)
Budget approved by Council	\$ -	\$ -

24. 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:

	<u>2023</u>	<u>2022</u>
Total debt limit	\$ 35,973,180	\$ 31,237,043
Total debt	1,118,084	1,252,044
Amount of debt limit unused	\$ 34,855,096	\$ 29,984,999
Debt servicing limit	\$ 5,995,530	\$ 5,206,174
Debt servicing	164,404	164,405
Amount of debt servicing limit unused	\$ 5,831,126	\$ 5,041,769

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.

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.

VULCAN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

26. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The County also has the following other commitments and contractual obligations:

	2023	2022
Equipment and Vehicles	\$ 2,082,602	\$ 2,142,556
Service Providers	249,325	472,850
	\$ 2,331,927	\$ 2,615,406

Equipment and Vehicles: The County has committed for purchase orders of capital expenditures of \$2.08 million (2022 - \$2.14 million) that has been ordered but not received before December 31, 2023.

Service Providers: As of December 31, 2023, the County has \$249,325 (2022 - \$472,850) in commitments relating to service contracts, including assessment services, janitorial services, and other contracted services.

The scheduled payments not including GST are as follows:

	Equipment and Vehicles	Service Providers
2024	\$ 2,082,602	\$ 191,975
2025	-	57,350
	\$ 2,082,602	\$ 249,325

27. CONTRACTUAL RIGHTS

Contractual rights are rights of the County to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts or agreements are met.

	2023	2022
Contractual rights from facility leases	\$ 1,602,588	\$ 1,896,868
	\$ 1,602,588	\$ 1,896,868

Facility Leases: The County has long-term facility lease agreements with the Royal Canadian Mounted Police (RCMP) and Alberta Health Services (AHS). The RCMP lease agreement has an annual lease of \$206,000 and expires in March 2031. The AHS lease agreement has an annual lease of \$87,880 and expires in March 2025.

Estimated amounts that will be received or receivable are as follows:

	Facility Leases
2024	\$ 294,280
2025	224,708
2026	206,400
2027	206,400
2028	206,400
Thereafter	464,400
	\$ 1,602,588

28. PRIOR YEAR FIGURES

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

29. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.