

Vulcan County

**FINANCIAL STATEMENTS
DECEMBER 31, 2025**

VULCAN COUNTY
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

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April 22, 2026

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 related notes. We believe that these financial statements present a fair representation of the County's financial position as of December 31, 2025, and the results of its operations for the year then ended.

These statements have been prepared in accordance with applicable legislation and 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 respects.

In discharging its responsibilities and acknowledging the inherent limitations of any system, management has established and maintained a system of internal controls designed to produce reliable information that meets 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, the independent external auditor 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 black ink, appearing to read "Nels Petersen".

Nels Petersen
Chief Administrative Officer

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

Mark DeBoer
Director of Corporate Services



KPMG LLP

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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 comprise:

- the statement of financial position as at December 31, 2025
- the statement of operations for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes and schedules 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, 2025, and its results of operations, its remeasurement gains and losses, its changes in net financial assets and its cashflows 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.

KPMG LLP

Chartered Professional Accountants

Lethbridge, Canada

April 22, 2026

VULCAN COUNTY

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2025

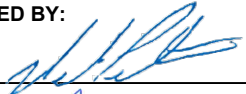
	2025	2024
FINANCIAL ASSETS		
Cash and equivalents (note 2)	\$ 2,439,681	\$ 1,874,176
Taxes and grants in lieu receivable (note 3)	580,972	475,570
Trade and other receivables (note 4)	1,386,939	2,231,075
Portfolio investments (note 5)	22,082,959	39,676,702
Inventory held for resale (note 6)	897,622	1,000,787
Long term investments (note 7)	25,899,907	8,312,467
Loans and notes receivable (note 8)	450,302	134,569
Other	17,626	17,423
	53,756,008	53,722,769
LIABILITIES		
Accounts payable and accrued liabilities (note 9)	1,265,108	2,172,144
Deferred revenue (note 10)	613,792	1,305,492
Employee benefit obligations (note 11)	319,383	327,286
Long term debt (note 12)	839,977	980,757
Asset retirement obligations (note 13)	620,126	541,444
Other liabilities (note 15)	705,643	945,842
	4,364,029	6,272,965
NET FINANCIAL ASSETS	49,391,979	47,449,804
NON-FINANCIAL ASSETS		
Tangible capital assets (schedule 2, note 16)	109,354,188	107,848,680
Inventory for consumption (note 17)	8,156,837	8,269,813
Prepaid expenses	577,708	459,721
	118,088,733	116,578,214
ACCUMULATED SURPLUS	\$ 167,480,712	\$ 164,028,018
ACCUMULATED SURPLUS:		
Accumulated operating surplus (schedule 1, note 19)	167,297,865	163,868,218
Accumulated remeasurement gains	182,847	159,800
	\$ 167,480,712	\$ 164,028,018


Contingencies (note 27)

Commitments and contractual obligations (note 28)

Contractual rights (note 29)

APPROVED BY:





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 OPERATIONS YEAR ENDED DECEMBER 31, 2025

	Budget (note 25)	2025	2024
REVENUE			
Net municipal taxes (schedule 3)	\$ 19,234,072	\$ 17,655,605	\$ 17,136,610
Government transfers (schedule 4)	1,128,108	1,119,195	1,176,124
Return on investments	676,824	2,180,149	2,260,512
Sale of goods, services and user charges	817,906	1,499,071	2,197,447
Rental income	321,680	349,258	325,203
Community aggregate levy	142,912	201,831	221,153
Penalties and costs of taxes	130,000	174,579	225,768
Gain on disposal of tangible capital assets	-	222,494	113,602
Other revenues	11,500	276,556	282,425
TOTAL REVENUE	22,463,002	23,678,738	23,938,844
EXPENSES (schedule 5)			
Legislative	601,599	559,357	538,114
Administration	2,682,840	2,532,728	2,526,009
Protective services	3,518,537	3,341,878	3,095,384
Transportation services	12,043,712	12,065,825	11,657,736
Agricultural services	986,951	809,765	761,000
Planning and development services	830,796	851,184	954,793
Family and community support	216,631	200,288	203,445
Parks and recreation	788,566	798,860	741,448
Tourism and economic development	71,788	45,757	28,952
Utility Services	1,876,815	1,366,203	1,201,098
Other	302,997	495,598	610,075
TOTAL EXPENSES	23,921,232	23,067,443	22,318,054
OPERATING SURPLUS - BEFORE OTHER	(1,458,230)	611,295	1,620,790
OTHER			
Contributed tangible capital assets	-	-	684,977
Government transfers for capital (schedule 4)	2,416,986	2,818,352	1,512,117
ANNUAL SURPLUS	958,756	3,429,647	3,817,884
ACCUMULATED OPERATING SURPLUS, BEGINNING OF YEAR	163,868,218	163,868,218	160,050,334
ACCUMULATED OPERATING SURPLUS, END OF YEAR	\$164,826,974	\$167,297,865	\$163,868,218

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, 2025

	<u>2025</u>	<u>2024</u>
UNREALIZED GAINS ATTRIBUTED TO:		
Derivatives - principal protected notes (note 7)	<u>\$ 182,847</u>	<u>\$ 159,800</u>
	<u>182,847</u>	<u>159,800</u>
AMOUNTS RECLASSIFIED TO STATEMENT OF OPERATIONS:		
Derivatives - principal protected notes realized gains (note 7)	<u>(159,800)</u>	<u>-</u>
	<u>(159,800)</u>	<u>-</u>
NET REMEASUREMENT GAINS FOR THE YEAR	23,047	159,800
ACCUMULATED REMEASUREMENT GAINS, BEGINNING OF YEAR	<u>159,800</u>	<u>-</u>
ACCUMULATED REMEASUREMENT GAINS, END OF YEAR	<u><u>\$ 182,847</u></u>	<u><u>\$ 159,800</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, 2025

	Budget (note 25)	2025	2024
ANNUAL SURPLUS	\$ 958,756	\$ 3,429,647	\$ 3,817,884
Acquisition of tangible capital assets	(9,716,144)	(7,389,086)	(5,565,122)
Contributed tangible capital assets	-	-	(684,977)
Tangible capital assets reclassified as inventory held for resale	-	-	1,023,083
Proceeds on disposal of tangible capital assets	10,000	326,478	157,756
Amortization of tangible capital assets	5,013,435	5,384,383	5,013,435
Net loss (gain) realized on investments	-	(159,800)	-
Net loss (gain) on disposal of tangible capital assets	-	172,717	(105,328)
	(4,692,709)	(1,665,308)	(161,153)
Net change in inventory for consumption	195,000	112,976	450,951
Acquisition of prepaid expenses	(75,150)	(577,708)	(459,721)
Use of prepaid expenses	-	459,721	402,198
Unrealized remeasurement gains	-	182,847	159,800
	119,850	177,836	553,228
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(3,614,103)	1,942,175	4,209,959
NET FINANCIAL ASSETS, BEGINNING OF YEAR	47,449,804	47,449,804	43,239,845
NET FINANCIAL ASSETS, END OF YEAR	\$ 43,835,701	\$ 49,391,979	\$ 47,449,804

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, 2025

	2025	2024
NET INFLOW (OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus	\$ 3,429,647	\$ 3,817,884
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	5,384,383	5,013,435
Accretion of asset retirement obligations	24,656	20,760
Net loss (gain) on disposal of tangible capital assets	172,717	(105,328)
Tangible capital assets received as contributions	-	(684,977)
Tangible capital assets reclassified as inventory held for resale	-	1,023,083
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(105,402)	4,055,777
Decrease (increase) in trade and other receivables	844,136	(1,348,981)
Decrease (increase) in inventory held for resale	103,165	(933,676)
Decrease (increase) in loans receivable	(315,733)	44,870
Increase in other financial assets	(203)	(352)
Decrease in inventory for consumption	112,976	450,951
Increase in prepaid expenses	(117,988)	(57,522)
Increase (decrease) in accounts payable	(907,036)	839,205
Increase (decrease) in deferred revenue	(691,700)	53,288
Decrease in employee benefit obligations	(7,903)	(3,051)
Increase (decrease) in asset retirement obligations	54,026	(4,670)
Increase (decrease) in other liabilities	(240,199)	39,587
	7,579,742	12,220,283
CAPITAL		
Acquisition of tangible capital assets	(7,389,086)	(5,565,122)
Proceeds on disposal of tangible capital assets	326,478	157,756
	(7,062,608)	(5,407,366)
INVESTING		
Decrease (increase) in portfolio investments	17,776,591	(12,391,862)
Decrease (increase) in long term investments	(17,587,440)	6,543,070
	189,151	(5,848,792)
FINANCING		
Long term debt repaid	(140,780)	(137,327)
	(140,780)	(137,327)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	565,505	826,798
CASH AND EQUIVALENTS, BEGINNING OF YEAR	1,874,176	1,047,378
CASH AND EQUIVALENTS, END OF YEAR	\$ 2,439,681	\$ 1,874,176

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 OPERATING SURPLUS YEAR ENDED DECEMBER 31, 2025

				<i>SCHEDULE 1</i>	
	Unrestricted Surplus	Restricted Surplus (note 20)	Equity in Tangible Capital Assets (note 18)	2025	2024
BALANCE, BEGINNING OF YEAR	\$ 904,163	55,656,819	107,307,236	\$163,868,218	\$160,050,334
Annual surplus	\$ 3,429,647	-	-	\$ 3,429,647	\$ 3,817,884
Unrestricted funds designated for future use	(9,059,241)	9,059,241	-	-	-
Restricted funds used for operations	4,855,147	(4,855,147)	-	-	-
Restricted funds used for tangible capital assets	-	(2,202,683)	2,202,683	-	-
Current year funds used for tangible capital assets	(5,186,403)	-	5,186,403	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	499,195	-	(499,195)	-	-
Annual amortization expense	5,384,383	-	(5,384,383)	-	-
Annual accretion ARO expense	24,656	-	(24,656)	-	-
ARO revision in estimates	54,026	-	(54,026)	-	-
Change in accumulated operating surplus	\$ 1,410	2,001,411	1,426,826	\$ 3,429,647	\$ 3,817,884
BALANCE, END OF YEAR	\$ 905,573	57,658,230	108,734,062	\$167,297,865	\$163,868,218

VULCAN COUNTY

SCHEDULE OF TANGIBLE CAPITAL ASSETS YEAR ENDED DECEMBER 31, 2025

SCHEDULE 2

	Land	Land Improvements	Buildings	Equipment	Vehicles	Engineered Structures	2025	2024
<u>HISTORICAL COST:</u>								
BALANCE, BEGINNING OF YEAR	\$ 6,063,972	1,827,593	12,133,742	23,670,108	9,103,362	170,211,565	\$223,010,342	\$218,442,309
Acquisition of tangible capital assets	-	-	-	2,926,253	827,895	2,510,240	6,264,388	5,550,074
New construction-in-progress	-	8,220	-	-	-	1,116,478	1,124,698	700,025
Disposition of tangible capital assets	-	-	-	(179,961)	(448,013)	(1,052,534)	(1,680,508)	(1,682,066)
BALANCE, END OF YEAR	<u>6,063,972</u>	<u>1,835,813</u>	<u>12,133,742</u>	<u>26,416,400</u>	<u>9,483,244</u>	<u>172,785,749</u>	<u>228,718,920</u>	<u>223,010,342</u>
<u>ACCUMULATED AMORTIZATION:</u>								
BALANCE, BEGINNING OF YEAR	\$ -	553,668	5,202,597	16,328,798	5,900,277	87,176,322	\$115,161,662	\$110,754,782
Annual amortization	-	57,364	297,141	1,962,486	587,051	2,480,341	5,384,383	5,013,435
Accumulated amortization on disposal	-	-	-	(179,961)	(332,541)	(668,811)	(1,181,313)	(606,555)
BALANCE, END OF YEAR	<u>-</u>	<u>611,032</u>	<u>5,499,738</u>	<u>18,111,323</u>	<u>6,154,787</u>	<u>88,987,852</u>	<u>119,364,732</u>	<u>115,161,662</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 6,063,972</u>	<u>1,224,781</u>	<u>6,634,004</u>	<u>8,305,077</u>	<u>3,328,457</u>	<u>83,797,897</u>	<u>\$109,354,188</u>	<u>\$107,848,680</u>
2024 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 6,063,972</u>	<u>1,273,925</u>	<u>6,931,145</u>	<u>7,341,310</u>	<u>3,203,085</u>	<u>83,035,243</u>	<u>\$107,848,680</u>	

Land, equipment, vehicles, and engineered structures of \$nil (2024 - \$684,977) were acquired as contributed tangible capital assets.

VULCAN COUNTY

SCHEDULE OF PROPERTY AND OTHER TAXES YEAR ENDED DECEMBER 31, 2025

SCHEDULE 3

	Budget (note 25)	2025	2024
TAXATION			
Real property taxes	\$ 8,060,069	\$ 8,068,050	\$ 7,438,613
Linear taxes	13,730,176	12,000,643	11,130,688
Commercial taxes	1,683,422	1,715,865	1,634,583
Government grants in lieu of taxes	21,661	23,137	19,475
Special levy	1,015,804	1,018,875	1,509,317
Well drilling tax	156	77	91
	24,511,288	22,826,647	21,732,767
REQUISITIONS			
School requisitions	4,192,061	4,069,895	3,588,907
Seniors foundation requisition	599,669	599,669	560,513
RCMP policing requisition	399,239	399,239	354,204
Provincial DIP assessment requisition	86,247	102,239	92,533
	5,277,216	5,171,042	4,596,157
NET MUNICIPAL TAXES	\$ 19,234,072	\$ 17,655,605	\$ 17,136,610

VULCAN COUNTY

SCHEDULE OF GOVERNMENT TRANSFERS YEAR ENDED DECEMBER 31, 2025

SCHEDULE 4

	Budget (note 25)	2025	2024
TRANSFERS FOR OPERATING			
Local government transfers	\$ 179,514	\$ 170,457	\$ 204,102
Provincial government transfers	650,302	639,879	672,705
Federal government transfers	298,292	308,859	299,317
	1,128,108	1,119,195	1,176,124
TRANSFERS FOR CAPITAL			
Local government transfers	20,000	-	-
Provincial government transfers	2,396,986	2,818,352	1,512,117
	2,416,986	2,818,352	1,512,117
TOTAL GOVERNMENT TRANSFERS	\$ 3,545,094	\$ 3,937,547	\$ 2,688,241

VULCAN COUNTY

SCHEDULE OF EXPENSES BY OBJECT YEAR ENDED DECEMBER 31, 2025

SCHEDULE 5

	Budget (note 25)	2025	2024
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 10,476,065	\$ 9,749,651	\$ 9,054,113
Contracted and general services	4,100,806	3,736,547	3,552,002
Materials, goods and utilities	4,148,875	3,495,682	3,626,627
Provision for allowances	282,997	474,030	609,664
Transfers to local boards and agencies	2,550,291	2,086,404	2,046,646
Interest and bank charges	38,616	35,519	38,207
Amortization of tangible capital assets	5,012,319	5,383,298	5,012,320
Amortization of ARO tangible capital assets	1,116	1,085	1,115
Accretion ARO expenses	20,834	24,656	20,760
Machine expenses capitalized for construction	(2,738,179)	(2,411,182)	(1,722,616)
Loss on disposal of tangible capital assets	-	395,211	8,274
Other expenses	27,492	96,542	70,942
	\$ 23,921,232	\$ 23,067,443	\$ 22,318,054

VULCAN COUNTY

SCHEDULE OF SEGMENTED DISCLOSURE YEAR ENDED DECEMBER 31, 2025

SCHEDULE 6

	General Government	Protective Services	Transportation Services	Agricultural Services	Planning and Development Services	Community Services	Utility Services	2025 Total
REVENUE								
Net municipal taxes	\$ 15,702,660	495,831	-	-	-	506,506	950,608	\$ 17,655,605
Government transfers (operating)	34,739	280,238	409,667	166,247	-	228,304	-	1,119,195
Return on investments	2,180,149	-	-	-	-	-	-	2,180,149
Sale of goods, services and user charges	242,892	404,331	314,365	241,929	243,151	-	52,403	1,499,071
Rental income	3,600	318,506	-	27,152	-	-	-	349,258
Community aggregate levy	-	-	201,831	-	-	-	-	201,831
Penalties and costs of taxes	174,579	-	-	-	-	-	-	174,579
Gain on disposal of tangible capital assets	-	208,094	10,162	4,238	-	-	-	222,494
Other revenues	258,749	17,239	568	-	-	-	-	276,556
	18,597,368	1,724,239	936,593	439,566	243,151	734,810	1,003,011	23,678,738
EXPENSES								
Salaries, wages and benefits	1,816,645	1,311,014	5,660,459	396,570	521,055	17,239	26,669	9,749,651
Contracted and general services	639,614	695,579	1,645,916	66,865	329,396	184,854	174,323	3,736,547
Material, goods and utilities	329,343	395,620	2,535,990	193,671	733	3,216	37,109	3,495,682
Provision for allowances	474,030	-	-	-	-	-	-	474,030
Transfers to local boards and agencies	77,359	110,000	9,120	14,014	-	817,001	1,058,910	2,086,404
Interest and bank charges	12,922	2	-	-	-	22,595	-	35,519
Amortization of tangible capital assets	130,102	829,552	4,216,772	137,709	-	-	69,163	5,383,298
Amortization of ARO tangible capital assets	394	26	560	99	-	-	6	1,085
Accretion ARO expenses	19,391	85	4,320	837	-	-	23	24,656
Machine expenses capitalized for construction	-	-	(2,411,182)	-	-	-	-	(2,411,182)
Loss on disposal of tangible capital assets	-	-	395,211	-	-	-	-	395,211
Other expenses	87,883	-	8,659	-	-	-	-	96,542
	3,587,683	3,341,878	12,065,825	809,765	851,184	1,044,905	1,366,203	23,067,443
OPERATING SURPLUS (DEFICIT) - BEFORE OTHER	15,009,685	(1,617,639)	(11,129,232)	(370,199)	(608,033)	(310,095)	(363,192)	611,295
OTHER								
Contributed tangible capital assets	-	-	-	-	-	-	-	-
Government transfers (capital)	-	767,979	2,050,373	-	-	-	-	2,818,352
ANNUAL SURPLUS (DEFICIT)	\$ 15,009,685	(849,660)	(9,078,859)	(370,199)	(608,033)	(310,095)	(363,192)	\$ 3,429,647

VULCAN COUNTY

SCHEDULE OF SEGMENTED DISCLOSURE YEAR ENDED DECEMBER 31, 2024

SCHEDULE 7

	General Government	Protective Services	Transportation Services	Agricultural Services	Planning and Development Services	Community Services	Utility Services	2024 Total
REVENUE								
Net municipal taxes	\$ 14,715,001	1,004,881	-	-	-	487,898	928,830	\$ 17,136,610
Government transfers (operating)	31,919	351,501	394,153	166,247	-	232,304	-	1,176,124
Return on investments	2,260,512	-	-	-	-	-	-	2,260,512
Sale of goods, services and user charges	29,030	594,757	974,288	245,677	326,440	-	27,255	2,197,447
Rental income	6,000	308,954	-	10,249	-	-	-	325,203
Community aggregate levy	-	-	221,153	-	-	-	-	221,153
Penalties and costs of taxes	225,768	-	-	-	-	-	-	225,768
Gain on disposal of tangible capital assets	2,347	-	77,545	33,710	-	-	-	113,602
Other revenues	269,491	12,934	-	-	-	-	-	282,425
	17,540,068	2,273,027	1,667,139	455,883	326,440	720,202	956,085	23,938,844
EXPENSES								
Salaries, wages and benefits	1,724,247	1,255,425	5,154,403	366,638	506,141	21,637	25,622	9,054,113
Contracted and general services	680,432	591,227	1,514,099	76,053	447,055	161,470	81,666	3,552,002
Material, goods and utilities	376,422	370,025	2,680,974	174,064	1,597	3,703	19,842	3,626,627
Provision for allowances	609,664	-	-	-	-	-	-	609,664
Transfers to local boards and agencies	84,379	167,744	8,675	12,886	-	760,963	1,011,999	2,046,646
Interest and bank charges	12,135	-	-	-	-	26,072	-	38,207
Amortization of tangible capital assets	128,019	710,854	3,981,011	130,495	-	-	61,941	5,012,320
Amortization of ARO tangible capital assets	394	26	590	99	-	-	6	1,115
Accretion ARO expenses	15,772	83	4,118	765	-	-	22	20,760
Machine expenses capitalized for construction	-	-	(1,722,616)	-	-	-	-	(1,722,616)
Loss on disposal of tangible capital assets	-	-	8,274	-	-	-	-	8,274
Other expenses	42,734	-	28,208	-	-	-	-	70,942
	3,674,198	3,095,384	11,657,736	761,000	954,793	973,845	1,201,098	22,318,054
OPERATING SURPLUS (DEFICIT) - BEFORE OTHER	13,865,870	(822,357)	(9,990,597)	(305,117)	(628,353)	(253,643)	(245,013)	1,620,790
OTHER								
Contributed tangible capital assets	-	684,976	-	-	-	-	1	684,977
Government transfers (capital)	-	-	1,330,141	181,976	-	-	-	1,512,117
ANNUAL SURPLUS (DEFICIT)	\$ 13,865,870	(137,381)	(8,660,456)	(123,141)	(628,353)	(253,643)	(245,012)	\$ 3,817,884

VULCAN COUNTY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

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, remeasurement gains and losses, 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. Measurement uncertainty is disclosed in Note 1(q) of the Financial Statements.

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 transaction 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, 2025

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 Receivable

Current taxes and grants-in-lieu receivable 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
- Constructing other tangible capital assets to perform post-retirement activities.

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, 2025

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, 2025

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. If fair value cannot be reasonably determined, the tangible capital asset is recorded at nominal value.

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, provision for impairment of accounts receivable and trade receivables, 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 involve 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, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Future Changes in Accounting Policies

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

The Conceptual Framework of Financial Reporting in the Public Sector

The Conceptual Framework is the foundation for public sector financial reporting standard setting. It replaces the conceptual aspects of Section PS 1000 Financial Statement Concepts and Section 1100 Financial Statement Objectives. The conceptual framework highlights considerations fundamental for the consistent application of accounting issues in the absence of specific standards. This is effective for fiscal years beginning on or after April 1, 2026. Early adoption is permitted.

PS 1202 Financial Statement Presentation

This standard establishes general and specific requirements for the presentation of information in general purpose financial statements. This is effective for fiscal years beginning on or after April 1, 2026. Earlier adoption is permitted only if the Conceptual Framework for Financial Reporting in the Public Sector is also adopted at the same time.

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

2. CASH AND CASH EQUIVALENTS

	2025	2024
Cash and cash equivalents	\$ 2,439,681	\$ 1,874,176

Cash and cash equivalents includes accounts for the Vulcan County Public Reserves Trust of \$357,902 (2024 - \$340,774) and for the Vulcan County Tax Sale Trust of \$65,401 (2024 - \$168,484).

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 \$70,000, with interest payable at 5.0%. As at December 31, 2025 the balance owing on these facilities is \$nil (2024 - \$nil).

3. TAX AND GRANTS IN LIEU RECEIVABLE

	2025	2024
Current taxes and grants in lieu of taxes	\$ 943,627	\$ 540,061
Arrears	327,707	206,595
Allowance for doubtful accounts	(690,362)	(271,086)
	\$ 580,972	\$ 475,570

In 2025, Vulcan County issued supplementary property tax levies which was applied to all supplementary property assessment for the 2025 taxation year. The supplementary assessment roll was developed in late-2025 and most of the supplementary tax notices were issued late-2025 and most being payable subsequent to yearend. The County did not issue supplementary property tax levies for the 2024 taxation year. The total supplementary property tax levies were \$144,500 (2024 - \$nil) and as at December 31, 2025, there was a balance remaining of \$136,600 (2024 - \$nil).

VULCAN COUNTY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

4. TRADE AND OTHER RECEIVABLES

	2025	2024
Trade receivables	\$ 474,438	\$ 957,102
Interest receivable	801,856	930,486
GST receivable	110,645	45,195
Government of Alberta receivable	-	298,292
	\$ 1,386,939	\$ 2,231,075

The interest receivable relates to Guaranteed Investment Certificates (GIC) that have accrued interest since the last interest payment and/or long-term GICs that accrued interest until maturity of the investment. As at December 31, 2024, the Government of Alberta receivable of \$298,292 relates to the Canada Community-Building Fund (CCBF) 2024 allocation for eligible projects which was received in 2025.

5. PORTFOLIO INVESTMENTS

	2025	2024
Deposits and short-term securities	\$ 16,104,053	\$ 21,152,241
High interest savings	5,978,906	18,524,461
	\$ 22,082,959	\$ 39,676,702

Portfolio investments are short-term deposits with original maturities of one year or less, or are redeemable, with interest rates ranging from 4.05% to 6.20% (2024 - 3.80% to 6.20%). Included in portfolio investments is a restricted amount of \$255,890 (2024 - \$964,718) held exclusively for eligible projects.

6. INVENTORY HELD FOR RESALE

	2025	2024
Tax forfeiture properties	\$ 1,121	\$ 10,339
Other lands held for resale properties	896,501	990,448
	\$ 897,622	\$ 1,000,787

During 2024, the County completed the land development and subdivision within the Vulcan County Industrial Park; whereas, these lots have been included in the Other Lands Held for Resale Properties. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. During 2025, tax forfeiture properties and an Industrial Park lot were sold during the year.

VULCAN COUNTY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

7. LONG TERM INVESTMENTS

	2025	2024
Guaranteed investment certificates	\$ 17,390,060	\$ 6,152,667
Derivatives - principal protected notes	8,509,847	2,159,800
	\$ 25,899,907	\$ 8,312,467

The carrying costs of long-term investments is comprised of the following:

	2025		2024	
	Cost	Market Value	Cost	Market Value
Guaranteed investment certificates - amortized cost	\$ 17,390,060	\$ 17,390,060	\$ 6,152,667	\$ 6,152,667
Derivatives - principal protected notes - level 2	8,327,000	8,509,847	2,000,000	2,159,800
	\$ 25,717,060	\$ 25,899,907	\$ 8,152,667	\$ 8,312,467

Guaranteed investment certificates are long-term deposits with interest rates ranging from 3.84% to 5.50% (2024 - 5.25% to 5.55%) with maturity dates ranging from 2027 to 2030 (2024 - ranging from 2026 to 2028).

Derivative investments are carried at fair market value in which the measurements are derived from:

Level 1 - Quoted prices in active markets for identical assets

Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Derivative investments include principal protected notes that have stated interest rates ranging from 6.40% to 7.00% (2024 - 9.00%), have an annual auto-callable options, with a maturity date ranging from 2030 to 2035 (2024 - 2031) and carried at fair value with transaction costs expensed upon initial recognition.

Unrealized gains on derivatives - principal protected notes carried at fair value of \$182,847 (2024 - \$159,800) have been recognized in the statement of remeasurement gains and losses.

8. LOANS AND NOTES RECEIVABLES

	2025	2024
Carmangay Curling Association	\$ 49,700	\$ 67,900
Lomond Community Centre Agricultural Society	350,000	-
Vulcan & District Waste Commission	50,602	66,669
	\$ 450,302	\$ 134,569

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 Lomond Community Centre Agricultural Society has an interest rate of 4.45% and has an annual payment of \$44,124 commencing in 2026. Loan is repayable over 10 years, maturing in 2035.

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, 2025

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2025	2024
Trade payables	\$ 665,969	\$ 948,816
Government remittances	101,737	81,358
Deposit liabilities	258,425	935,200
Other payables and accrued liabilities	238,977	206,770
	\$ 1,265,108	\$ 2,172,144

Deposit liabilities include security and deposits for development permits that are held until the conditions of the development permit are met. These also include bonds for road use agreements / installation of sub-surface facilities and deposits held for the overpayment of tax levies.

10. DEFERRED REVENUE

	2024	Externally Restricted Inflows	Revenues Earned	2025
Municipal Sustainability Initiative - Capital	\$ 761,223	\$ 6,756	\$ (767,979)	\$ -
Local Government Fiscal Framework - Capital	-	1,635,763	(1,635,763)	-
Local Government Fiscal Framework - Operating	-	355,916	(355,916)	-
Canada Community-Building Fund	-	308,859	(308,859)	-
Alberta Community Partnership	54,139	196,669	(100,808)	150,000
Surface Rights	91,864	85,090	(91,864)	85,090
Development Public Funds	340,774	17,128	-	357,902
Other	57,492	20,800	(57,492)	20,800
Total	\$ 1,305,492	\$ 2,626,981	\$ (3,318,681)	\$ 613,792

Municipal Sustainability Initiative (MSI) - 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 was replaced with the Local Government Fiscal Framework in 2024.

Local Government Fiscal Framework (LGFF) - Capital and Operating

The Province provides conditional grant funding through this Local Government Fiscal Framework (LGFF) program to assist with various capital and operating expenditures in the County. The use of these funds is restricted to eligible expenditures as approved under the funding agreement. The LGFF capital and operating programs started in 2024, replacing the prior Municipal Sustainability Initiative (MSI) programs.

Canada Community-Building Fund (CCBF)

This Canada Community-Building Fund (CCBF), which is previously known as the Federal Gas Tax Fund, is a conditional grant funded through this program to assist with various capital expenditures in the County. The use of these funds is restricted to eligible expenditures as approved under the funding agreement.

Alberta Community Partnership (ACP)

This Alberta Community Partnership (ACP) grant is a conditional grant funded through this program to assist with specific approved projects. The use of these funds is restricted to eligible expenditures as approved under the funding agreement. During 2025, the County received approval for a \$200,000 Intermunicipal Collaboration ACP grant agreement to develop a Regional Stormwater Strategy Plan.

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, 2025

11. EMPLOYEE BENEFIT OBLIGATIONS

	2025	2024
Accrued vacation payable	\$ 295,833	\$ 308,648
Accrued allowances	23,550	18,638
	\$ 319,383	\$ 327,286

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 and/or are entitled to these benefits within the next budgetary year.

12. LONG TERM DEBT

	2025	2024
Tax supported debentures	\$ 839,977	\$ 980,757
	\$ 839,977	\$ 980,757

The current portion of long term debt amounts to \$144,318 (2024 - \$140,779).

Principal and interest repayments are as follows:

	Principal	Interest	Total
2026	\$ 144,318	\$ 20,087	\$ 164,405
2027	147,946	16,459	164,405
2028	151,664	12,741	164,405
2029	155,477	8,928	164,405
2030	159,385	5,020	164,405
Thereafter	81,187	1,014	82,201
	\$ 839,977	\$ 64,249	\$ 904,226

Debenture debt is repayable to the Province of Alberta (formally 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 County 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 overdraft was undrawn as at December 31, 2025 (2024 - \$nil).

Interest on long term debt amounted to \$22,595 (2024 - \$26,072).

The County's total cash payment for interest in 2025 was \$23,626 (2024 - \$27,077).

As at December 31, 2025, the County has not issued or provided any loan guarantees (2024 - \$nil) within the County nor provided to guarantee any other organizations.

VULCAN COUNTY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

13. ASSET RETIREMENT OBLIGATIONS

	2025	2024
Asset Retirement Obligations, beginning of year	\$ 541,444	\$ 525,354
Accretion expense	24,656	20,760
Revision in estimates	54,026	(4,670)
Asset Retirement Obligations, end of year	\$ 620,126	\$ 541,444

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 management's 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 5 to 43 years, undiscounted expenditures of \$1.339 million (2024 - \$1.197 million) assuming an annual inflation ranging from 0.50% to 3.66% (2024 - 0.50% to 4.12%), and an effective discount rate ranging from 4.04% to 7.20%, inclusive of inflationary factors (2024 - 3.87% to 7.49%). The estimated recoveries are \$nil for future reclamations.

14. CONTAMINATED SITES LIABILITY

The County did not identify any financial liabilities in 2025 (2024 - \$nil) as a result of contaminated sites.

15. OTHER LIABILITIES

	2025	2024
Other gravel reclamations - non-controlled	\$ 527,490	\$ 518,831
Deposits held for community organizations	56,936	202,711
Other liabilities	121,217	224,300
	\$ 705,643	\$ 945,842

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 \$3.22 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 7.20% and assuming annual inflation of 3.66%. The gravel pits have an estimated useful life ranging from 4 to 41 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, 2025

16. TANGIBLE CAPITAL ASSETS

	2025	2024
Tangible capital assets (schedule 2)	\$ 228,718,920	\$ 223,010,342
Accumulated amortization (schedule 2)	(119,364,732)	(115,161,662)
	<u>\$109,354,188</u>	<u>\$107,848,680</u>

Contributed tangible capital assets are recognized at fair value at the date of contribution. In 2025, the County received a total of \$nil of contributed tangible capital assets (2024 - \$684,977). The contributed tangible assets received in 2024 including vehicles and equipment from the regionalization of the Milo Fire Department, a contributed vehicle for fire protection services, and the Mossleigh Water Distribution System.

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, 2025, the leased tangible capital asset had \$62,232 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 occurred. As at December 31, 2025, the capitalized asset retirement obligation (ARO) assets had a total of \$69,799 of capitalized costs and \$53,769 of total accumulated amortization.

17. INVENTORIES FOR CONSUMPTION

	2025	2024
Inventory for consumption - gravel	\$ 7,562,545	\$ 7,633,911
Inventory for consumption - parts	594,292	635,902
	<u>\$ 8,156,837</u>	<u>\$ 8,269,813</u>

Gravel inventory includes purchased deposits not yet crushed, with a cost of \$4,046,215 (2024 - \$4,046,215). There was no gravel crushing completed in 2025; therefore, the uncrushed gravel deposits are unchanged from the prior year.

18. EQUITY IN TANGIBLE CAPITAL ASSETS

	2025	2024
Tangible capital assets (schedule 2, note 16)	\$ 228,718,920	\$ 223,010,342
Accumulated amortization (schedule 2, note 16)	(119,364,732)	(115,161,662)
	109,354,188	107,848,680
Asset Retirement Obligations (note 13)	(620,126)	(541,444)
	<u>\$108,734,062</u>	<u>\$107,307,236</u>

19. ACCUMULATED SURPLUS

	2025	2024
Unrestricted surplus	\$ 905,573	\$ 904,163
Restricted surplus (note 20)	57,658,230	55,656,819
Equity in tangible capital assets (note 18)	108,734,062	107,307,236
	<u>\$ 167,297,865</u>	<u>\$ 163,868,218</u>
Accumulated remeasurement gains	182,847	159,800
	<u>\$167,480,712</u>	<u>\$164,028,018</u>

VULCAN COUNTY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

20. RESTRICTED SURPLUS

	2025	2024
Capital Restricted Surplus		
General Government	\$ 218,057	\$ 159,621
Protective Equipment	8,591,102	8,281,247
Transportation Equipment	2,315,621	2,260,749
Road Construction	2,140,007	1,985,713
Bridge Construction	6,497,157	6,034,102
Gravel Crushing	215,355	215,355
Mossleigh Water Treatment Plant - Recovery	(388,641)	(405,179)
McGregor Water Systems Project	1,843,283	1,881,433
Environment Development Equipment	239,830	183,718
Air Transport	20,000	20,000
Capital Acquisition	16,241,055	14,123,002
Capital Contingency	970,682	970,682
	38,903,508	35,710,443
Operating Restricted Surplus		
Assessment Appeal	5,506	5,506
Assessment Contingency	39,965	1,660,543
Community Enhancement	14,841	14,841
General Government Service	837,081	422,223
Protective Services	1,649,405	1,656,208
Transportation Contingency	1,896,085	1,594,584
Road Construction	272,947	656,050
Road Maintenance	1,320,389	1,016,615
Gravel Crushing	4,347,952	4,473,862
Uncrushed Gravel Inventory	4,046,215	4,046,215
Bridges	465,334	60,671
Water Management	16,093	20,009
Environment Treatment	118,977	168,822
Vulcan Hospital Project - Debenture Recovery	(839,977)	(980,757)
Planning and development	301,255	258,380
Agriculture Services	614,736	564,582
Recreation and Culture	1,221,741	1,023,855
Operating Contingency	2,426,177	3,284,167
	18,754,722	19,946,376
Total Restricted Surplus	\$ 57,658,230	\$ 55,656,819

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, 2025. 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 \$154,368 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.

During 2024, the County allocated \$1.889 million of reserves for the County's municipal contribution towards the McGregor Water Systems Project which is being managed by the Village of Milo. This project is part of a Water for Life grant program to build a regional water treatment plant in Village of Milo and waterlines to service the Village of Arrowwood, the hamlet of Mossleigh, and other potential residences in proximity to the waterlines. As at December 31, 2025, a total of \$45,608 (2024 - \$7,458) of Vulcan County's municipal contribution has been accrued on eligible project expenditures.

VULCAN COUNTY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

21. 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, 2025

22. 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:

	2025			2024
	Salary / Per Diems ①	Benefits & Allowances ②	Total	Total
Councillors				
Division 1 - Gateman	\$ 22,836	\$ 8,570	\$ 31,406	\$ 36,393
Division 2 - Cockwill (January to October 2025)	22,082	6,950	29,032	32,001
Division 2 - Horkoff (October to December 2025)	4,542	739	5,281	-
Division 3 - Schneider	34,892	9,170	44,062	46,557
Division 4 - Lyckman	37,734	8,570	46,304	47,305
Division 5 - Nelson	41,370	9,066	50,436	48,007
Division 6 - Northcott	29,452	3,797	33,249	37,059
Division 7 - Logan	27,028	8,570	35,598	39,061
Chief Administrative Officer - Petersen	\$ 248,602	\$ 41,509	\$ 290,111	\$ 274,893
Designated Officer (1 position)	118,026	26,998	145,024	134,313

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

② 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.

23. 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 316,938 people and 453 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% (2024 - 8.45%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.65% (2024 - 11.65%) on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 7.45% (2024 - 7.45%) of pensionable salary up to the year's maximum pensionable salary and 10.65% (2024 - 10.65%) on pensionable salary above this amount.

Total current service contributions by the County to the LAPP in 2025 were \$554,804 (2024 - \$540,875). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2025 were \$496,058 (2024 - \$474,914).

At December 31, 2024, the LAPP disclosed an actuarial surplus of \$19.557 billion dollars (2023 - \$15.057 billion).

VULCAN COUNTY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

24. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and cash equivalents, investments, accounts receivable, loans receivable, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the County is not exposed to significant currency, liquidity, interest rate, market or other price risk arising from these financial instruments.

The County is primarily exposed to credit risk on its cash and cash equivalents, investments, accounts receivable, and loans receivable. Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations. For these items recognized in the Statement of Financial Position, the carrying amounts best represents its maximum exposure to credit risk. Credit risk is measured through monitoring and evaluation of receivables and investments. If the evaluations indicate the other party may be unable to meet their obligations, the County will recognize an allowance. Allowances on receivables are disclosed in Note 3 of the Financial Statements.

All investments held by the County must comply with the Municipal Government Act (MGA), the Municipal Investment Regulation, and the County's Investment Policy (Policy 12-2204). The objective of the Council-approved investment policy is to ensure that the rate of return on its funds is competitive while giving strong attention to the fact that the investment of its funds must remain secure.

Unless otherwise noted, the carrying value of the financial instruments approximates their fair value.

25. 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.

	2025	2024
ANNUAL SURPLUS	\$ 958,756	\$ 1,650,833
ADD: Proceeds from sale of capital assets	10,000	-
ADD: Transfer from restricted surplus to operations	7,350,420	4,822,109
ADD: Amortization of tangible capital assets	5,013,435	4,877,771
ADD: Accretion ARO expenses	20,834	20,046
LESS: Transfers to restricted surplus	(3,637,301)	(3,694,351)
LESS: Capital expenditures	(9,716,144)	(7,676,408)
Budget approved by Council	\$ -	\$ -

26. 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:

	2025	2024
Total debt limit	\$ 35,518,107	\$ 35,908,266
Total debt	839,977	980,757
Amount of debt limit unused	\$ 34,678,130	\$ 34,927,509
Debt servicing limit	\$ 5,919,685	\$ 5,984,711
Debt servicing	164,405	164,405
Amount of debt servicing limit unused	\$ 5,755,280	\$ 5,820,306

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.

VULCAN COUNTY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

27. CONTINGENCIES

The County is a member of the Alberta Municipal Authorities Reciprocal Insurance Exchange. Under the terms of membership, the County could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The County has applied to be a complainant and/or intervenor in Land & Property Rights Tribunal (LPRT) hearing relating to a linear property assessment appeal, in accordance with Section 508 of the Municipal Government Act, specifically for a 2025 supplementary assessment on a large-scale electrical power system. Due to the nature of the LPRT appeal, the County has removed the relating supplementary taxes from the 2025 revenues and receivable balances as the outcome of the LPRT appeal is at present not determinable. The amount of any taxable assessment and revenues determined by through the LPRT appeal would be accounted for as a current transaction in the year of that the LPRT appeal decision is made.

28. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

	2025	2024
Equipment and Vehicles	\$ 1,916,731	\$ 2,878,821
Service Providers	1,114,100	1,367,000
Capital Project Agreements	1,842,718	1,881,433
	\$ 4,873,549	\$ 6,127,254

Equipment and Vehicles: The County has committed for purchase orders of capital expenditures of \$1.917 million (2024 - \$2.878 million) that has been ordered but not received before December 31, 2025.

Service Providers: As of December 31, 2025, the County has \$1.114 million (2024 - \$1.367 million) in commitments relating to service contracts, including assessment services and other contracted services.

Capital Project Agreements: As of December 31, 2025, the County has \$1.843 million (2024 - \$1.881 million) in commitments relating to the construction of the McGregor Water Systems Project which is being managed by the Village of Milo. This project is part of a Water for Life grant program to build a regional water treatment plant in Village of Milo and waterlines to service the Village of Arrowwood, the Hamlet of Mossleigh, and other potential residences in proximity to the waterlines. The County had committed to contribute up to a total of \$1,888,891 towards this project; whereas, as at December 31, 2025, a total of \$46,173 of Vulcan County's municipal contribution has been accrued on eligible project expenditures.

The scheduled payments not including GST are as follows:

	Equipment and Vehicles	Service Providers	Capital Project Agreements
2026	\$ 1,916,731	\$ 260,150	\$ 1,381,135
2027	-	264,150	461,583
2028	-	268,150	-
2029	-	272,150	-
2030	-	49,500	-
	\$ 1,916,731	\$ 1,114,100	\$ 1,842,718

VULCAN COUNTY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

29. 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.

	2025	2024
Contractual rights from facility leases	<u>\$ 1,892,830</u>	<u>\$ 1,308,308</u>

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 \$206,400 and expires in March 2031. The AHS lease agreement has an annual lease of \$87,880 and expires in March 2035.

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

	Facility Leases	
2026	\$	294,280
2027		294,280
2028		294,280
2029		294,280
2030		294,280
Thereafter		421,430
	<u>\$</u>	<u>1,892,830</u>

30. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.