

COUNTY OF VERMILION RIVER
Consolidated Financial Statements
Year Ended December 31, 2024

COUNTY OF VERMILION RIVER
Index to Consolidated Financial Statements
Year Ended December 31, 2024

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2 - 3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations and Accumulated Surplus	5
Consolidated Statement of Changes in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Consolidated Schedule of Property and Other Taxes <i>(Schedule 1)</i>	8
Consolidated Schedule of Government Transfers <i>(Schedule 2)</i>	8
Consolidated Schedule of Expenditures by Object <i>(Schedule 3)</i>	9
Consolidated Schedule of Changes in Accumulated Surplus <i>(Schedule 4)</i>	10
Consolidated Schedule of Segmented Disclosure <i>(Schedule 5)</i>	11
Consolidated Schedule of Tangible Capital Assets <i>(Schedule 6)</i>	12 - 13
Notes to Consolidated Financial Statements	14 - 30

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

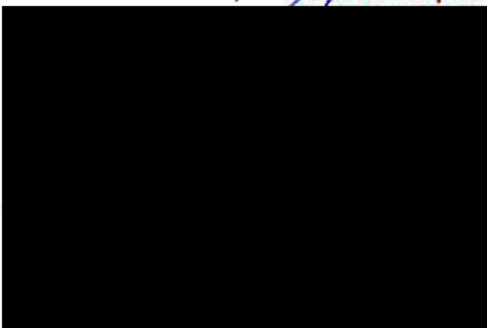
The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.

The financial statements are prepared by management, in accordance with Canadian Public Sector Accounting Standards. They necessarily include some amounts that are based on the best estimates and judgments of management. Financial data elsewhere in the report is consistent with that in the financial statements.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of the financial statements.

Management reports directly to Council on an ongoing basis, carrying out its audit program to ensure internal controls and their application are reviewed and financial information is tested and independently verified.

Prior to their submission to Council, the financial statements have been reviewed and recommended for approval by management. The financial statements have been audited by the independent firm of Seniuk and Marcato, Chartered Professional Accountants. Their report to the Council, stating their opinion, basis for opinion, other information, responsibilities of management and those charged with governance for the financial statements, and auditors' responsibilities for the audit of the financial statements, follows.



Kitscoty, AB
April 22, 2025



Seniuk & Marcato*
Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of Council of County of Vermilion River

Opinion

We have audited the consolidated financial statements of County of Vermilion River (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2024, and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

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 Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality'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 Municipality or to cease operations, or has no realistic alternative but to do so.

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

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*Denotes professional corporation

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated 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 consolidated 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 Municipality'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 Municipality'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 consolidated 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 Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

Edmonton, Alberta
April 22, 2025


Seniuk and Marcato,
Chartered Professional Accountants

COUNTY OF VERMILION RIVER
Consolidated Statement of Financial Position
December 31, 2024

	2024	2023
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 11,274,227	\$ 6,295,840
Short investments - unrestricted portion (Note 3)	25,061,924	50,847,431
Restricted portion of short term investments (Note 3)	3,204,802	2,966,437
Long term Investments (Note 3)	38,005,000	4,005,000
Property taxes receivable (Note 4)	2,169,310	1,934,476
Grants and receivables from other governments (Note 5)	54,925	175,347
Trade and other receivables	5,395,031	4,073,401
Debt charges recoverable (Note 7)	763,035	820,855
	85,928,254	71,118,787
LIABILITIES		
Accounts payable and accrued liabilities	3,587,040	4,136,724
Deposit liabilities	170,962	237,973
Deferred revenue (Note 6)	3,835,913	3,915,045
Long term debt (Note 12)	3,644,108	4,106,184
Asset retirement obligation (Note 19)	9,698,226	9,274,577
	20,936,249	21,670,503
NET FINANCIAL ASSETS	64,992,005	49,448,284
NON-FINANCIAL ASSETS		
Inventory for consumption (Note 9)	10,187,820	9,753,043
Land inventory (Note 10)	1,992,079	1,992,079
Prepaid expenses	780,875	578,470
Tangible capital assets (Note 8)	242,821,368	245,026,586
	255,782,142	257,350,178
ACCUMULATED SURPLUS	\$320,774,147	\$306,798,462

CONTINGENT LIABILITY (Note 20)

COMMITMENTS (Note 21)

APPROVED ON BEHALF OF COUNCIL

Reeve

Deputy Reeve

COUNTY OF VERMILION RIVER
Consolidated Statement of Operations and Accumulated Surplus
Year Ended December 31, 2024

	Budget (Unaudited) 2024	2024	2023
REVENUES			
Net municipal taxes (Schedule 1)	\$ 31,929,439	\$ 32,148,052	\$ 31,317,819
User fees	1,633,151	2,218,190	1,976,881
Gas	8,307,371	9,650,626	9,871,254
Government transfers for operating (Schedule 2)	4,068,414	1,519,532	3,030,481
Investment income	950,000	3,321,118	2,846,516
Penalties and costs of taxes	368,500	604,900	565,209
Licenses and permits	408,250	190,072	118,273
Rentals	103,877	89,218	130,336
Sales to other governments	450	23,382	24,938
Other municipal revenues	628,388	574,595	310,924
	48,397,840	50,339,685	50,192,631
EXPENSES			
Administration and legislative	5,389,744	3,696,345	3,046,548
Protective services	3,446,765	2,727,037	2,572,713
Transportation and public works	23,110,227	21,413,223	21,590,618
Waste and water services	6,794,990	2,011,447	1,785,803
Gas services	8,215,281	7,619,639	8,451,822
Planning and development	1,738,849	942,439	920,756
Community services	1,370,357	1,260,472	1,275,212
Agriculture	1,485,954	1,149,934	1,118,213
	51,552,167	40,820,536	40,761,685
SURPLUS (DEFICIT) FROM OPERATIONS	(3,154,327)	9,519,149	9,430,946
OTHER INCOME (EXPENSES)			
Government transfers for capital (Schedule 2)	6,824,148	3,626,759	2,845,788
Gain on disposal of tangible capital assets	770,000	763,538	332,468
Contributed assets	-	66,239	13,600
	7,594,148	4,456,536	3,191,856
ANNUAL SURPLUS	4,439,821	13,975,685	12,622,802
ACCUMULATED SURPLUS - BEGINNING OF YEAR	306,798,462	306,798,462	294,175,660
ACCUMULATED SURPLUS - END OF YEAR	\$311,238,283	\$320,774,147	\$306,798,462

The accompanying notes form an integral part of these financial statements

COUNTY OF VERMILION RIVER
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2024

	Budget		
	2024	2024	2023
ANNUAL SURPLUS	\$ 4,439,821	\$ 13,975,685	\$ 12,622,802
Purchase of tangible capital assets	(8,900,000)	(8,631,401)	(9,338,849)
Proceeds on disposal of tangible capital assets	500,000	665,837	639,651
Amortization of tangible capital assets	-	10,934,321	11,313,842
Gain on disposal of assets	(770,000)	(763,538)	(332,468)
Decrease (increase) in prepaid assets	-	(202,405)	7,566
Decrease (increase) in inventory for consumption	-	(434,778)	(316,656)
	(9,170,000)	1,568,036	1,973,086
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(4,730,179)	15,543,721	14,595,888
NET FINANCIAL ASSETS - BEGINNING OF YEAR	49,448,284	49,448,284	34,852,396
NET FINANCIAL ASSETS - END OF YEAR	\$ 44,718,105	\$ 64,992,005	\$ 49,448,284

The accompanying notes form an integral part of these financial statements

COUNTY OF VERMILION RIVER
Consolidated Statement of Cash Flows
Year Ended December 31, 2024

	2024	2023
OPERATING ACTIVITIES		
Annual surplus for the year	\$ 13,975,685	\$ 12,622,802
Items not affecting cash:		
Amortization of tangible capital assets	10,934,321	11,313,842
Gain on disposal of tangible capital assets	(763,538)	(332,468)
	24,146,468	23,604,176
Changes in non-cash working capital:		
Property taxes receivable	(234,834)	(641,556)
Grants and receivables from other governments	120,422	1,893,513
Trade and other receivables	(1,321,630)	493,289
Accounts payable and accrued liabilities	(549,684)	(925,312)
Deferred revenue	(79,132)	(511,270)
Deposit liabilities	(67,011)	24,097
Prepaid expenses	(202,405)	7,567
Inventory for consumption	(434,777)	(178,045)
	(2,769,051)	162,283
Cash flow from operating activities	21,377,417	23,766,459
CAPITAL ACTIVITIES		
Cash used to acquire tangible capital assets	(8,631,401)	(9,338,849)
Proceeds net of disposals of tangible capital assets	665,837	639,651
Repayment of debt charges recoverable	57,820	56,226
Change in asset retirement obligation	423,649	86,894
Cash flow used by capital activities	(7,484,095)	(8,556,078)
INVESTING ACTIVITIES		
Decrease (increase) in restricted cash	(238,365)	(301,547)
Decrease (increase) in investments	25,785,507	(5,256,344)
Long term Investments	(34,000,000)	(4,005,000)
Repayment of long term debt	(462,077)	(2,832,834)
Cash flow used by investing activities	(8,914,935)	(12,395,725)
INCREASE IN CASH FLOW	4,978,387	2,814,656
Cash - beginning of year	6,295,840	3,481,184
CASH - END OF YEAR (Note 2)	\$ 11,274,227	\$ 6,295,840

The accompanying notes form an integral part of these financial statements

COUNTY OF VERMILION RIVER
Consolidated Schedule of Property and Other Taxes
Year Ended December 31, 2024

(Schedule 1)

	Budget (Unaudited) 2024	2024	2023
TAXATION			
Real property tax	\$ 34,934,407	\$ 35,131,551	\$ 34,879,300
Special assessments	4,305,682	4,302,438	3,542,867
	39,240,089	39,433,989	38,422,167
REQUISITIONS			
Alberta school foundation	6,726,234	6,701,520	6,517,098
Seniors' housing requisition	584,417	584,417	587,250
	7,310,651	7,285,937	7,104,348
NET MUNICIPAL TAXES	\$ 31,929,439	\$ 32,148,052	\$ 31,317,819

Consolidated Schedule of Government Transfers

(Schedule 2)

	Budget (Unaudited) 2024	2024	2023
TRANSFERS FOR OPERATING			
Provincial Government	\$ 4,068,414	\$ 1,519,532	\$ 3,030,481
	4,068,414	1,519,532	3,030,481
TRANSFERS FOR CAPITAL			
Provincial Government	6,824,148	3,626,759	2,844,788
Federal Government	-	-	1,000
	6,824,148	3,626,759	2,845,788
TOTAL GOVERNMENT TRANSFERS	\$ 10,892,562	\$ 5,146,291	\$ 5,876,269

The accompanying notes form an integral part of these financial statements

COUNTY OF VERMILION RIVER**Consolidated Schedule of Expenditures by Object***(Schedule 3)***Year Ended December 31, 2024**

	Budget (Unaudited) 2024	2024	2023
EXPENSES			
Salaries, wages and benefits	\$ 13,618,447	\$ 11,622,833	\$ 11,452,231
General and professional services	4,134,296	2,362,341	2,006,551
Other governments, boards and agencies	5,772,602	4,501,198	5,684,002
Contracted services, materials and utilities	27,394,185	11,254,438	10,287,563
Finance charges	9,000	84,980	11,451
Amortization	-	10,934,321	11,313,842
Interest on long term debt	390,637	97,109	118,668
Allowances and bad debts (recoveries)	233,000	(36,684)	(112,622)
Total Expenditures by Object	\$ 51,552,167	\$ 40,820,536	\$ 40,761,686

The accompanying notes form an integral part of these financial statements

COUNTY OF VERMILION RIVER

Consolidated Schedule of Changes in Accumulated Surplus

Year Ended December 31, 2024

(Schedule 4)

	Unrestricted Surplus	Operating Reserves	Restricted Reserves	Equity in Tangible Capital Assets	Total 2024	Total 2023
BALANCE, BEGINNING OF YEAR	\$ 4,837,256	\$ 12,072,620	\$ 48,909,433	\$ 240,979,153	\$ 306,798,462	\$ 294,175,660
Change due to asset retirement obligation reclassification	8,512,473	-	-	(8,512,473)	-	-
	13,349,729	12,072,620	48,909,433	232,466,680	306,798,462	294,175,660
Excess (deficiency) of revenues over expenses	13,975,685	-	-	-	13,975,685	12,622,802
Net annual reserve fund transfers	(15,832,833)	4,229,137	11,603,696	-	-	-
Principle repayments on long term debt	(462,077)	-	-	462,077	-	-
Transfers for tangible capital assets	(97,703)	-	-	97,703	-	-
Debt charges recoverable repayments	57,820	-	-	(57,820)	-	-
Asset retirement obligation	423,649	-	-	(423,649)	-	-
Annual amortization expense	10,934,321	-	-	(10,934,321)	-	-
Current year funds used to acquire tangible capital assets	(8,631,401)	-	-	8,631,401	-	-
Net change to accumulated surplus	367,461	4,229,137	11,603,696	(2,224,609)	13,975,685	12,622,802
BALANCE, END OF YEAR	\$ 13,717,190	\$ 16,301,757	\$ 60,513,129	\$ 230,242,071	\$ 320,774,147	\$ 306,798,462

The accompanying notes form an integral part of these financial statements

COUNTY OF VERMILION RIVER
Consolidated Schedule of Segmentated Disclosure
Year Ended December 31, 2024

(Schedule 5)

	Administration & Legislative	Protective Services	Transportation & Public Works	Planning & Development	Community Services	Agriculture	Waste & Water Services	Gas Services	Total
REVENUE									
Net municipal taxes	\$ 27,772,185	\$ 1,298,216	\$ -	\$ 584,789	\$ 1,758,540	\$ -	\$ 734,322	\$ -	\$ 32,149,052
Government transfers	100,000	129,127	332,468	279,234	291,288	377,030	-	10,385	1,519,532
User fees and sales of goods	15,490	489,304	979,159	-	-	1,242	732,995	-	2,218,190
Penalties and costs on taxes	581,555	-	-	-	-	-	4,358	18,987	604,900
Licenses, permits and fines	-	9,191	-	180,881	-	-	-	-	180,072
Interest income	2,636,139	-	14,482	122,454	20,868	-	-	527,375	3,321,118
Rentals	-	13,080	-	76,138	-	-	-	-	89,218
Sales to other governments	22,702	-	-	76,680	-	-	-	-	23,382
Other revenues	50,417	23,333	388,478	97,694	-	-	-	34,673	574,585
Sale of goods and services	-	-	-	-	-	-	-	9,850,826	9,850,826
	31,178,488	1,862,251	1,894,587	1,341,870	2,070,486	378,272	1,471,675	10,242,046	50,339,685
EXPENSES									
General and professional services	1,245,763	140,454	507,790	119,114	60,219	59,917	12,541	216,543	2,362,341
Salaries and wages	1,965,328	613,688	5,635,239	489,645	17,201	588,154	331,273	2,002,305	11,622,833
Contracted services, materials and utilities	244,308	1,409,507	6,589,771	311,569	-	478,935	650,589	1,589,759	11,254,438
Boards and agencies	-	297,920	9,228	-	1,150,888	4,489	775,935	2,262,940	4,501,198
Amortization	191,778	265,468	8,689,829	-	-	38,439	241,143	1,527,668	10,934,321
Finance charges	76,322	-	-	-	-	-	-	8,658	84,980
Allowances and bad debts (recoveries)	(69,784)	-	21,366	-	-	-	(34)	11,768	(36,684)
Interest on Long-Term Debt	22,632	-	-	42,111	32,368	-	-	-	97,109
	3,696,345	2,727,037	21,413,223	942,439	1,260,472	1,149,934	2,011,447	7,619,639	40,820,536
Excess (deficiency) of revenue over expenses before other	27,482,143	(764,786)	(19,718,636)	399,431	810,024	(771,662)	(539,772)	2,822,407	9,519,149
OTHER									
Government transfers for capital	-	-	3,409,439	-	-	-	-	217,320	3,626,759
Gain (loss) on disposal of capital assets	-	-	763,538	-	-	-	-	-	763,538
Contributed assets	-	-	66,239	-	-	-	-	-	66,239
	-	-	4,239,216	-	-	-	-	217,320	4,456,536
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 27,482,143	\$ (764,786)	\$ (15,479,420)	\$ 399,431	\$ 810,024	\$ (771,662)	\$ (539,772)	\$ 2,405,087	\$ 13,975,685

The accompanying notes form an integral part of these financial statements

COUNTY OF VERMILION RIVER
Consolidated Schedule of Tangible Capital Assets
Year Ended December 31, 2024

(Schedule 6)

	Opening Balance	Additions and Transfers	Disposals, Impairments and Transfers	Closing Balance
For the year ended December 31, 2024				
Cost				
Land	\$ 7,147,228	\$ -	\$ -	\$ 7,147,228
Land improvements	90,251	-	-	90,251
Engineered structures	603,549,467	4,496,902	-	608,046,369
Buildings	8,972,675	12,960	-	8,985,635
Machinery and equipment	33,609,017	2,925,109	(2,594,836)	33,939,290
Motor vehicles	10,305,624	478,162	(171,391)	10,612,395
Work in progress	511,897	970,030	(75,084)	1,406,843
	664,186,159	8,883,163	(2,841,311)	670,228,011
Accumulated Amortization				
Land improvements - acc amort	(44,220)	(3,753)	-	(47,973)
Engineered structures - acc amort	(388,916,841)	(7,800,073)	-	(396,716,914)
Buildings - acc amort	(3,887,532)	(178,597)	-	(4,066,129)
Equipment - acc amort	(20,372,558)	(2,485,831)	2,594,836	(20,263,553)
Motor vehicles - acc amort	(5,938,422)	(545,043)	171,391	(6,312,074)
	(419,159,573)	(11,013,297)	2,766,227	(427,406,643)
Net Book Value	\$ 245,026,586	\$ (2,130,134)	\$ (75,084)	\$ 242,821,368

(continues)

COUNTY OF VERMILION RIVER

Consolidated Schedule of Tangible Capital Assets (continued)

(Schedule 6)

Year Ended December 31, 2024

	Opening Balance	Additions and Transfers	Disposals, Impairments and Transfers	Closing Balance
For the year ended December 31, 2023				
Cost				
Land	\$ 7,167,229	\$ -	\$ (20,001)	\$ 7,147,228
Land improvements	90,251	-	-	90,251
Engineered structures	594,035,459	9,765,771	(251,763)	603,549,467
Buildings	8,972,675	-	-	8,972,675
Machinery and equipment	31,920,914	2,191,630	(503,527)	33,609,017
Motor vehicles	10,005,722	945,934	(646,032)	10,305,624
Work in progress	373,387	282,486	(143,976)	511,897
	652,565,637	13,185,821	(1,565,299)	664,186,159
Accumulated Amortization				
Land improvements - acc amort	(40,467)	(3,753)	-	(44,220)
Engineered structures - acc amort	(379,950,350)	(7,660,700)	(1,305,791)	(388,916,841)
Buildings - acc amort	(3,701,302)	(186,230)	-	(3,887,532)
Equipment - acc amort	(17,896,513)	(2,883,807)	407,762	(20,372,558)
Motor vehicles - acc amort	(5,957,661)	(579,352)	598,591	(5,938,422)
	(407,546,293)	(11,313,842)	(299,438)	(419,159,573)
Net Book Value	\$ 245,019,344	\$ 1,871,979	\$ (1,864,737)	\$ 245,026,586

Additions to assets under construction are reported net of those tangible capital assets placed in service during the year which are shown in their respective asset classifications.

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Vermilion River (the Municipality) are prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS). It is a municipality in the Province of Alberta, Canada and operates under the provisions of the Municipal Government Act, R.S.A., 2000, c. M-26, as amended (MGA). Significant aspects of the accounting policies adopted by the Municipality are as follows:

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Revenues are accounted for in the period in which they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Expenses are recognized as they are incurred and measurable based upon receipt of the goods and services and/or the legal obligation to pay.

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 or goods have yet to be provided.

Revenue is recognized in the period when the related expenses are incurred, services performed/goods provided, or the tangible capital assets are acquired.

Tax Revenue

Annually, the Municipality bills and collects property tax revenues for municipal purposes. Tax revenues are based on market value assessments determined in accordance with the Municipal Government Act (MGA) and annually established tax rates. Municipal tax rates are set each year by the Municipality Council in accordance with legislation and the Municipality Council approved policies to raise the tax revenue required to meet the Municipality's budget requirements. Tax revenues are recorded at the time tax billings are issued. Property assessments are subject to tax appeal. Expenses related to tax appeals and allowances are separately disclosed in the Schedule of Property and Other Taxes.

The Municipality also bills and collects education tax on behalf of the Province of Alberta (the Province). Education tax rates are established by the Province each year in order to fund the cost of education on a province-wide basis. Education taxes collected are remitted to the Province and are excluded from revenues and expenses in the Schedule of Property and Other Taxes (Schedule 1).

Revenue

PS3400, Revenue establishes standards on how to account for and report on revenue, specifically in regard to revenue arising from transactions with performance obligations (exchange transactions) and those without performance obligations (non-exchange transactions). This standard is applicable for fiscal years beginning on or after April 1, 2023.

(continues)

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Segment disclosures

The Schedule of Segment Disclosures – Schedule 5 has been prepared in accordance with PS2700 Segment Disclosures. Segment disclosures are intended to enable users to better understand the government reporting entity as well as the major expense and revenue activities of the Municipality. For each reported segment, revenues and expenses represent amounts directly or reasonably attributable to the segment.

The segments have been selected based on a presentation similar to that adopted for the municipal financial planning and budget processes.

Segments include:

- a) Administration and legislative includes municipal administration and council governance.
- b) Protective Services includes policing, traffic safety, bylaw enforcement, emergency disaster planning and fire rescue.
- c) Transportation and public works includes Hamlet and Multi-lot maintenance, municipal roadways, equipment and facility maintenance.
- d) Waste and water services include water, sewage and garbage services.
- e) Gas services includes sourcing and providing gas and related services.
- f) Planning and Development includes related services for the betterment of the municipality.
- g) Community Services includes parks and recreation, seniors housing, community and family services.
- h) Agriculture includes pest control, ALUS program and vegetation management.

Use of Estimates

Certain amounts in the financial statements are subject to measurement uncertainty and are based on the Municipality's best information and judgment. Actual results could differ from these estimates.

Significant estimates include:

- estimated accrued receivables;
- the estimated useful lives of assets;
- assessment of impairment of long term assets;
- the allowance for doubtful accounts;
- estimated accrued payables; and
- the estimated asset retirement obligation.

Financial instruments

PS3450, Financial Instruments, establishes recognition, measurement, and disclosure requirements for derivative and non- derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost, amortized cost, or fair value at the election of the government. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2022.

(continues)

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and Short Term Investments

Cash and cash equivalents consist of cash on deposit, bankers' acceptances, treasury bills and commercial paper, at cost, which approximates market value. These cash equivalents generally mature within 90 days from the date of purchase, are capable of reasonably prompt liquidation and may be used to manage the Municipality's cash position throughout the year.

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.

Government Transfers

Government transfers are the transfer of monetary assets or tangible capital assets from other orders of government that are not the result of an exchange transaction and for which there is no expectation of repayment or direct financial return to the transferor in the future. The Municipality receives government transfers from the Federal and Provincial governments to fund operating and capital expenditures. These transfers to the Municipality are recognized as revenues when the transfers are authorized and all the eligibility criteria, if any, has been met except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient. Prior to that time, any amounts received along with restricted interest thereon are recorded as deferred revenue.

Authorized transfers from the Municipality to other organizations or individuals are recorded as an expense when the transfer has been authorized and the eligibility criteria, if any, have been met by the recipient. The majority of transfers made by the Municipality are in the form of tangible capital assets, grants and subsidies.

Loans Receivable

Loans receivable are initially recognized at cost, net of any transaction costs, with interest income recognized using the effective interest method. Loans receivable are subsequently measured at amortized cost net of any valuation allowances.

Land Inventory 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.

Inventory for consumption

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

(continues)

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Local Improvements

When a service or improvement is deemed to benefit a specific area more than the municipality as a whole, the project may be classified as a local improvement under the MGA to be paid in whole or in part by a tax imposed on the benefiting property owners. The property owners' share of the improvement is recognized as revenue and established as a receivable in the period that the project expenditures are completed.

Tangible Capital Assets

Tangible capital assets are stated at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less accumulated amortization of the tangible capital assets, is amortized on a straight-line basis at the following rates:

Land improvements	15 - 25 years
Engineered structures	10 - 75 years
Buildings	25 - 50 years
Machinery and equipment	5 - 25 years
Motor vehicles	5 - 25 years

Amortization is not charged in the year of acquisition. The Municipality regularly reviews its tangible capital assets to eliminate obsolete items.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Contributions of Tangible Capital Assets

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

Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

Impairment of Long Lived Assets

The Municipality tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Non-Financial Assets

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations.

(continues)

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Debt Charges Recoverable

Debt recoverable consists of long term debt amounts borrowed that are recoverable under loans or other financial arrangements made to non-profit organizations. These debt recoverable amounts are recorded at a value equivalent to the offsetting outstanding long term debt balances as at December 31. Loans are recorded at the lower of cost and net recoverable value. A valuation allowance in the debt recoverable is recognized when there is no longer any reasonable assurance of collection.

Employee pensions

The Municipality participates in a multi-employer defined benefit pension plan. The plan is accounted for as a defined contribution plan as the plan is administered independently from the Municipality.

Deferred Revenue

Deferred revenue comprises funds received in advance of services performed or where the use of funds is externally restricted. These amounts are recognized as revenue in the period the service is performed or when the funds are used for the purpose specified. When agreements stipulate that interest earned on contributions should be restricted for a specific purpose that interest is treated as a contribution received and recorded as an addition to deferred revenue.

Deposits

Deposits are held for the purposes of securing the compliance of a third party to contractual stipulations. Deposits are returned when compliance with contractual stipulations is determined. Deposits are recognized as revenue when a third party defaults on the contractual stipulations that the deposits were securing against.

Long-term Debt

Long-term debt is initially recognized net of any premiums, discounts, fees and transactions costs, with interest expense recognized using the effective interest method. Long-term debt is subsequently, measured at amortized cost.

Reserves and Equity in Tangible Capital Assets

Certain amounts, as approved by Council, are designated within accumulated surplus as reserves for future operating and capital expenditures.

Equity in tangible capital assets is included within accumulated surplus. It represents the investment in tangible capital assets after deducting the portion financed by long term debt.

(continues)

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Asset Retirement Obligations

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Municipality to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. 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.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the Municipality reviews the carrying amount of the liability. The Municipality 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 recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Municipality 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.

Contaminated Sites Liability

Contaminated sites are the result of a chemical, organic or radioactive material or live organism in amounts that exceed an environmental standard being introduced into soil, water or sediment. The Municipality recognizes a liability for remediation of contaminated sites when the following criteria have been met:

- an environmental standard exists,
- there is evidence that contamination exceeds an environmental standard,

(continues)

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- the Municipality is directly responsible or accepts responsibility for the contamination,
- it is expected that future economic benefits will be given up, and
- a reasonable estimate of the amount can be made

Sites that are currently in productive use are only considered contaminated sites if an unexpected event results in remediation. In cases where the Municipality's responsibility is not determinable, a contingent liability may be disclosed.

The liability reflects the Municipality's best estimate, as of December 31, of the amount required to remediate non-productive sites to the current minimum standard of use prior to contamination. Where possible, provisions for remediation are based on environmental assessments completed on a site; for those sites where an assessment has not been completed, estimates of the remediation are completed using information available for the site and by extrapolating from the cost to clean up similar sites. The liability is recorded net of any estimated recoveries from third parties. When cash flows are expected to occur over extended future periods the Municipality will measure the liability using present value techniques. This liability is reported in the Statement of Financial Position.

2. CASH AND TEMPORARY INVESTMENTS

	2024	2023
Cash and temporary investments	\$ 11,274,227	\$ 6,295,840

Temporary investments are short term deposits with original maturities of three months or less.

3. INVESTMENTS

	2024 Cost	2024 Market value	2023 Cost	2023 Market value
Guaranteed investment certificates	\$ 65,000,000	\$ 65,000,000	\$ 56,554,740	\$ 56,554,740
Fixed income investment	1,005,000	1,095,249	1,005,000	878,069
Other Investments	266,726	266,726	259,129	259,129
	\$ 66,271,726	\$ 66,361,975	\$ 57,818,869	\$ 57,691,938

Guaranteed investment certificates have effective interest rates of 4.05% to 6.15% (2023 - 5.58% to 6.55%) with maturity dates in 2024. Fixed income investments have no set interest rates and mature in 2032. Other investments include Gas Alberta Inc. and Credit Union shares and equity in United Farmers of Alberta and Rural Municipalities of Alberta.

Included in investments is the restricted portion of investments of \$3,204,802 (2023 - \$2,966,437). Restricted amounts are related to municipal grants and are held exclusively for future approved projects. (Note 2.)

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

4. PROPERTY TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

Taxes receivable are comprised of:

	2024	2023
Current property taxes and grants in place of taxes	\$ 1,612,102	\$ 1,569,303
Arrears property taxes and grants in place of taxes	1,388,892	1,314,515
Sub-total	3,000,994	2,883,818
Allowance for doubtful accounts	(871,753)	(949,342)
Taxes under-levy receivable	40,069	-
	\$ 2,169,310	\$ 1,934,476

5. GRANTS AND RECEIVABLES FROM OTHER GOVERNMENTS

Grants and receivables from other governments are comprised of:

	2024	2023
Goods and services tax refundable (payable)	\$ 54,925	\$ 175,347

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

6. DEFERRED REVENUE

Deferred revenue is comprised of:

2024	2023 Balance	Allocations	Disbursements	2024 Balance
Grant Funding				
Canada Community-Building Fund	\$ -	\$ 568,562	\$ (568,562)	\$ -
Local Government Fiscal Framework - Capital	-	2,840,877	(2,840,877)	-
Alberta Community Partnership - Innovative Communities Fund	175,345	149,288	(154,158)	170,475
Alternative Land Use Services	190,493	162,616	(118,677)	234,432
Alberta Municipal Water/Wastewater Partnership	2,457,728	109,369	-	2,567,097
Strategic Transportation Infrastructure Program	104,208	4,636	-	108,844
Other grants	38,662	111,682	(26,390)	123,954
	2,966,436	3,947,030	(3,708,664)	3,204,802
Other Deferred Revenue				
Prepaid taxes	94,667	-	(9,486)	85,181
Requisition over-levy	26,495	-	(26,495)	-
Wetlands restoration	42,170	-	(919)	41,251
Other deferred revenue	785,277	386,617	(667,215)	504,679
	\$ 3,915,045	\$ 4,333,647	\$ (4,412,779)	\$ 3,835,913

2023	2022 Balance	Allocations	Disbursements	2023 Balance
Grant Funding				
Canada Community-Building Fund	96,624	-	(96,624)	-
Municipal Sustainability Initiative - Capital	1,030,876	1,878,514	(2,909,390)	-
Alberta Community Partnership - Innovative Communities Fund	879,524	244,117	(948,296)	175,345
Alternative Land Use Services	113,910	231,363	(154,780)	190,493
Alberta Municipal Water/Wastewater Partnership	1,574,832	882,896	-	2,457,728
Strategic Transportation Infrastructure Program	-	104,208	-	104,208
Other grants	-	38,662	-	38,662
	3,695,766	3,379,760	(4,109,090)	2,966,436
Other Deferred Revenue				
Prepaid taxes	55,095	39,572	-	94,667
Requisition over-levy	11,624	14,871	-	26,495
Wetlands restoration	43,523	-	(1,353)	42,170
Other deferred revenues	620,308	236,311	(71,342)	785,277
	4,426,316	3,670,514	(4,181,785)	3,915,045

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COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

6. DEFERRED REVENUE (continued)

Grant funding is comprised of the funds noted above and is allocated to the Municipality by the Provincial Government as approved by the individual restricted funding agreements. These grants are restricted to specific projects that must be approved per the agreement and are scheduled for completion in the next few years. These funds are recognized as revenue in the period they are used for the purpose specified. Unexpended funds related to the advances, less amounts receivable from the Provincial Government, are supported by restricted cash held exclusively for these projects (refer to Note 2.).

7. DEBT CHARGES RECOVERABLE

The Municipality has assisted the Vermilion and District Housing Foundation in expansions and upgrades. The following amounts are outstanding:

	2024	2023
Vermilion Valley Lodge Debenture - 2015 debt charges recoverable bearing interest at 2.831% per annum, repayable in annual blended total payment of \$32,255. The debt charges recoverable matures on December 15, 2035.	\$ 606,110	\$ 652,475
Vermilion Valley Lodge Debenture - Addition 2016 debt charges recoverable bearing interest at 2.753% per annum, repayable in annual blended total payment of \$8,006. The debt charges recoverable matures on June 15, 2036.	156,925	168,380
	\$ 763,035	\$ 820,855

Principal repayment terms are approximately:

2025	\$ 59,460
2026	61,146
2027	62,879
2028	64,662
2029	66,496
Thereafter	448,392
	\$ 763,035

8. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Land	\$ 7,147,228	\$ -	\$ 7,147,228	\$ 7,147,228
Land improvements	90,251	47,973	42,278	46,031
Engineered structures	608,046,369	396,716,914	211,329,455	214,632,626
Buildings	8,985,635	4,066,129	4,919,506	5,085,143
Machinery and equipment	33,939,290	20,263,553	13,675,737	13,236,459
Motor vehicles	10,612,395	6,312,074	4,300,321	4,367,202
Work in progress	1,406,843	-	1,406,843	511,897
	\$670,228,011	\$427,406,643	\$242,821,368	\$245,026,586

For additional information see the Schedule of Tangible Capital Assets. (Schedule 6)

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

9. INVENTORY FOR CONSUMPTION

Inventory for consumption is comprised of:

	2024	2023
Gravel inventory	\$ 8,137,922	\$ 7,871,168
Shop inventory	1,973,412	1,743,264
Work in progress	76,486	138,611
	\$ 10,187,820	\$ 9,753,043

10. LAND INVENTORY

Land inventory includes land that the County intends to sell in the future. It is presented as a non-financial asset as it does not meet the criteria of a tangible capital asset or a financial asset held for sale.

11. BANK INDEBTEDNESS

The Municipality has a revolving line of credit with a maximum limit of \$200,000. Interest accrues monthly on the outstanding balance at a rate of prime less 0.50%. The line of credit arrangement is reviewed periodically by the credit union with the most recent review date being October 31, 2019. As at December 31, 2024, the prime rate was 5.45% (2023 - 7.2%).

As at December 31, 2024 the County had not drawn any funds (2023 - \$ nil) on the line of credit.

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

12. LONG TERM DEBT

	2024	2023
Dewberry Debenture 2016 loan bearing interest at 2.351% per annum, repayable in semi-annual blended payments of \$55,649. The loan matures on June 15, 2031 and is secured by the credit and security of the Municipality at large.	\$ 667,247	\$ 761,197
Vermilion Iceplant Debenture 2021 loan bearing interest at 1.12% per annum, repayable in semi-annual blended payments of \$46,398. The loan matures on September 15, 2026 and is secured by the credit and security of the Municipality at large.	183,021	273,010
Vermilion Valley Lodge 2015 Debenture loan bearing interest at 2.831% per annum, repayable in semi-annual blended payments of \$32,255. The loan matures on December 15, 2035 and is secured by the credit and security of the Municipality at large.	606,110	652,475
Vermilion Valley Lodge 2016 Debenture loan bearing interest at 2.753% per annum, repayable in semi-annual blended payments of \$8,006. The loan matures on June 15, 2036 and is secured by the credit and security of the Municipality at large.	156,925	168,380
HWY 16 / RR14 Debenture - 2019 loan bearing interest at 2.464% per annum, repayable in semi-annual blended payments of \$66,811. The loan matures on September 16, 2039 and is secured by the credit and security of the Municipality at large.	1,667,156	1,758,016
Debenture - Marwayne loan bearing interest at 3.488% per annum, repayable in semi-annual blended payments of \$40,939. The loan matures on September 15, 2025 and is secured by the credit and security of the Municipality at large.	79,785	156,858
Debenture - PV School Expansion loan bearing interest at 2.676% per annum, repayable in semi-annual blended payments of \$30,517. The loan matures on December 15, 2029 and is secured by the credit and security of the Municipality at large.	283,864	336,248
	\$ 3,644,108	\$ 4,106,184

Principal repayment terms are approximately:

2025	\$ 476,324
2026	400,279
2027	318,173
2028	326,292
2029	331,621
Thereafter	1,791,419
	<u>\$ 3,644,108</u>

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

13. DEBT LIMITS

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

	2024	2023
Total debt limit	\$ 75,509,528	\$ 76,150,130
Total debt	(3,644,107)	(4,106,184)
Amount of debt limit unused	71,865,421	72,043,946
Debt servicing limit	12,584,921	12,691,688
Debt servicing	(561,149)	(561,149)
Amount of debt servicing limit unused	\$ 12,023,772	\$ 12,130,539

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

14. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets is comprised of:

	2024	2023
Tangible capital assets (Note 8.)	\$670,228,011	\$664,186,159
Accumulated amortization (Note 8.)	427,406,642	419,159,573
Long term debt (Note 12.)	(3,644,107)	(4,106,184)
Debt charges recoverable	763,035	820,855
Asset retirement obligation	(9,698,226)	(9,274,577)
	\$230,242,071	\$232,466,680

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

15. LOCAL AUTHORITIES PENSION PLAN

Employees of the Municipality participate in the Local Authorities Pension Plan (LAPP) which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due. The Municipality is required to make current service contributions to the LAPP of 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.23% on pensionable earnings above this amount. Employees of the Municipality are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 11.23% on pensionable salary above this amount.

Total current service contributions by the Municipality to the LAPP in 2024 were \$774,519 (2023 - \$767,242). Total current service contributions by the employees of the Municipality to the Local Authorities Pension Plan in 2024 were \$692,542 (2023 - \$687,737).

The LAPP reported a surplus for the overall plan as at December 31, 2023, of \$15,057,000. Information as at December 31, 2024, was not available at the time of preparing these financial statements.

16. SEGMENTED DISCLOSURE

The County of Vermilion River provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 4).

17. FINANCIAL INSTRUMENTS

The Municipality's financial instruments consist of cash and cash equivalents investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, and long-term debt. It is management's opinion that the Municipality is not exposed to significant currency risks arising from these financial instruments. Tax receivables and requisition over/under-levy are compulsory in nature, rather than contractual, however, the Municipality manages risk exposure on these items similar to other receivables and payables.

The municipality is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration as of December 31, 2024.

Credit risk

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

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COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

17. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that the Municipality will be unable to meet its financial obligations as they come due. The Municipality is exposed to this risk through its accounts payable, long-term debt, and lease obligations. This risk is influenced by the timing and collection of property taxes and other municipal revenues. If taxpayers delay or default on payments, it could impact the Municipality's cash flow and ability to fund operations.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will affect the Municipality's financial position, potentially increasing borrowing costs or reducing investment income. This risk can indirectly impact taxpayers through higher future funding requirements. The Municipality is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant other risks arising from these financial instruments.

18. 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:

			2024	2023
	Salary (1)	Benefits & allowances (2)	Total	Total
Former Reeve - Division 3	\$ -	\$ -	\$ -	\$ 69,701
Reeve - Division 1	66,177	18,991	85,168	14,769
Councilor - Division 1	-	-	-	62,461
Councilor - Division 2	57,924	17,937	75,861	75,199
Councilor - Division 3	57,324	17,844	75,168	11,675
Councilor - Division 4	55,224	17,223	72,447	66,671
Councilor - Division 5	57,024	17,797	74,821	75,543
Councilor - Division 6	59,424	13,088	72,512	72,786
Councilor - Division 7	66,175	18,973	85,148	79,745
CAO - Current	199,853	31,087	230,940	220,026
Designated Officers (2.75 positions)	378,898	75,817	454,715	431,317
	\$ 998,023	\$ 228,757	\$ 1,226,780	\$ 1,179,893

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

2. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

19. ASSET RETIREMENT OBLIGATION

	2024	2023
Balance, beginning of year	\$ 9,274,577	\$ 6,759,655
Change in asset retirement obligations	423,649	2,514,922
Estimated total liability	\$ 9,698,226	\$ 9,274,577

Lagoons

The Municipality has a license to operate lagoons. The Municipality is legally required to decommission and reclaim these lagoons at the end of their useful lives. In accordance with PS 3280, Asset Retirement Obligations (ARO), the Municipality estimated the ARO using the undiscounted future expenditures expected to be incurred within an 8 - 59 years period. The Municipality applied the discount rates of 4.08% - 4.91% to estimate the present value of the associated AROs. The total estimated ARO is \$838,495 (2023 - \$838,495).

Aggregate extraction gravel sites

Under Provincial legislation, the Municipality is required to reclaim certain land used for the extraction of aggregate gravel material. Reclamation requirements have been defined in accordance with industry standards and include re-vegetation of sites upon closure. The Municipality owns and operates aggregate extraction sites. The aggregate is used for road maintenance and construction projects within the Municipality. An amount of \$3,147,086 (2023 - \$3,058,224) has been recorded. The reported liabilities are based on estimates and assumptions using the best information available at the end of the reporting period. The Municipality estimated the ARO for these sites using the undiscounted future expenditures expected to be incurred within 9 - 47 years period. The County applied the discount rates of 4.6% - 4.91% to estimate the present value of the associated AROs. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total liabilities and will be recognized prospectively, as a change in estimate, when applicable.

Bridges

The Municipality is legally required to decommission bridges that will not be remediated at the end of their useful lives. The Municipality has one bridge with the estimated ARO for which the expected costs to be incurred within the next 2 years. The total estimated ARO is \$40,000 (2023 - \$40,000).

20. CONTINGENT LIABILITY

A claim for total damages of \$12,400,000 was lodged during the year against the Municipality and six other defendants in respect to damages incurred to a wastewater facility. The Municipality has disclaimed liability and is defending the action. Legal advice obtained indicates that it is unlikely that any will arise. Council are of the view that no material losses will arise in respect of the legal claim at the date of these financial statements.

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

21. COMMITMENTS

The Municipality has entered into various contracts related to the purchase of gravel, maintenance and capital projects. The commitments over the next five years and thereafter are as follows:

Contractual obligation repayment schedule:

2025	\$ 1,318,042
2026	585,290
2027	153,850
2028	153,850
2029	3,850
	<u>\$ 2,214,882</u>

22. CONTAMINATED SITES LIABILITY

The Municipality has adopted PS3260 Liability for Contaminated Sites. The Municipality did not identify any financial liabilities in 2024 (2023 – Nil) as a result of this standard.

23. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.

24. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

25. BUDGET AMOUNTS

Budget amounts are included for information purposes only and are not audited.