



# SCASE & PARTNER

CHARTERED PROFESSIONAL ACCOUNTANTS



## Town of Vulcan

### Year end December 31, 2023

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# SCASE & PARTNER

CHARTERED PROFESSIONAL ACCOUNTANTS

April 11, 2024

Town of Vulcan  
Box 360  
Vulcan, Alberta T0L 2B0

**Re: Year Ended December 31, 2023**

1. The Town has a surplus for the year from operations for the year of \$196,682. This surplus includes amortization of \$893,223 that is not included in the budget. If you remove the amortization from the expenses, the surplus of \$196,682 now becomes a surplus of  $(\$196,682 + \$893,223) = \$1,089,905$ . Your budgeted surplus was \$645,463.
2. We calculate your total cash at the year end and from that total cash we deduct the cash that is restricted (unspent grant funds, reserves and credits on property and utility accounts). Your unrestricted operating cash this year end is \$901,194 and for the 2022 year end it was \$629,333. You will see this referenced in Note 2 in your financial statements.
3. Property taxes unpaid at this year-end were \$149,943 and for the 2022 year end the unpaid amount was \$218,979.
4. Utility accounts outstanding at this year-end were \$126,927 and for the 2022 year end the unpaid amount was \$124,529.
5. A measurement that is calculated each year end is called the Debt Service Limits. This is a measurement of the municipalities existing total indebtedness against what it could borrow and the existing annual payment on that debt which includes interest and principal. The amounts used in the formula includes; existing term debt, operating lines of credit that are outstanding at year end and guarantees of debt of other organizations.

a. Total debt limit on December 31, 2023	
i. Maximum calculated by formula	\$9,640,521
ii. Less: existing debt at year end	<u>4,421,976</u>
Additional debt room available	<u>\$5,218,545</u>
b. Debt service limit on December 31, 2023	
i. Maximum calculated by formula	\$1,606,754
ii. Less: existing annual payments	<u>500,483</u>
Additional payment room available	<u>\$1,106,271</u>

This formula is used as part of the measurement of the financial health of a municipality however there are other factors that come into play as well.

6. Reserves increased this year to \$2,357,782 on December 31, 2023 from \$2,164,072 on December 31, 2022, an increase of \$193,710. During the year 2023, \$44,813 of the reserves were used for operating costs and \$501,900 were used for the purchase of tangible capital assets. Council had replenished the reserves from the operating surplus in 2023 in the amount of \$740,423.

If you have any other questions regarding the year end, please let me know.

Yours very truly,

Darryl Scase CPA  
Partner

**TOWN OF VULCAN**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

# TOWN OF VULCAN

DECEMBER 31, 2023

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**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying consolidated financial statements and other information contained in this Financial Report as of December 31, 2023 are the responsibility of the management of the Town of Vulcan.

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

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

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

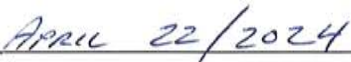
The elected Council of the Town of Vulcan is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

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

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



\_\_\_\_\_  
Mayor



\_\_\_\_\_  
Date



# SCASE & PARTNER

CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF COUNCIL TOWN OF VULCAN

Report on the Audit of Financial Statements

#### **Opinion**

We have audited the consolidated financial statements of Town of Vulcan, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of operations, the consolidated statement of changes in net financial assets (debt) and the consolidated statement of 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 Town of Vulcan as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate

#### **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 Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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



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

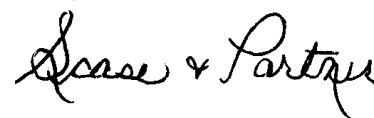
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not 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 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 Town'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 Town'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 Town 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the town audit. We remain solely responsible for our audit opinion.

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.

April 11, 2024  
Calgary, Alberta



Chartered Professional Accountants

# TOWN OF VULCAN

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

	2023	2022
<b>FINANCIAL ASSETS</b>		
Cash and investments (Note 2)	\$ 3,353,993	\$ 3,263,539
Receivables:		
Taxes and grants in lieu receivable (Note 3)	149,943	218,979
Trade and other receivables (Note 3)	263,682	288,592
Due from other governments (Note 3)	349,905	60,363
Land held for resale	1,062,514	1,062,514
	5,180,037	4,893,987
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	149,989	162,793
Deposit liabilities	86,477	92,835
Employee benefit obligations (Note 6)	109,298	115,693
Deferred revenue (Note 5)	354,523	377,299
Long term debt (Note 7)	4,297,599	4,554,155
	4,997,886	5,302,775
<b>NET FINANCIAL ASSETS (DEBT)</b>	182,151	(408,788)
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2, Note 4)	25,905,403	25,790,685
Inventory for consumption	88,219	160,795
Prepaid expenses	132,978	78,337
	26,126,600	26,029,817
<b>ACCUMULATED SURPLUS</b> (Schedule 1, Note 11)	\$26,308,751	\$25,621,029

APPROVED:

  
 \_\_\_\_\_ Mayor  
  
 \_\_\_\_\_ Councilor

The accompanying notes form an integral part of these financial statements

# TOWN OF VULCAN

## CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2023

	BUDGET (Unaudited)	2023	2022
<b>REVENUE</b>			
Net municipal taxes (Schedule 3)	\$ 2,701,099	\$ 2,697,730	\$ 2,493,604
User fees and sales	2,255,427	2,359,223	2,185,152
Government transfers (Schedule 4)	362,229	364,451	318,430
Penalties and costs of taxes	34,150	42,221	45,506
Licences and permits	46,000	50,288	46,583
Fines	5,000	2,958	1,568
Franchise and concession contracts	572,048	543,139	568,065
Investment income	65,040	173,494	86,525
Rentals	135,200	153,616	140,864
Other revenue	7,500	24,887	751,031
Net (loss) on sale of tangible capital assets	-	15,000	10,000
	6,183,693	6,427,007	6,647,328
<b>EXPENSES</b>			
Legislative	131,590	92,386	106,620
Administration	1,130,064	1,112,056	1,051,718
Fire and disaster	81,296	102,840	90,397
Bylaws enforcement	182,821	177,224	149,864
Common service	267,299	321,397	332,563
Roads, streets, walks, lighting	450,374	684,743	677,812
Airport	10,341	10,341	8,000
Storm sewers	11,945	58,192	48,256
Water supply and distribution	1,032,475	1,118,022	1,004,673
Wastewater treatment and disposal	186,509	384,998	400,364
Waste management	508,375	505,129	518,702
Family and community support	212,824	219,845	208,014
Cemeteries	16,250	13,670	10,387
Land use, planning, zoning and development	100,657	96,239	88,073
Subdivision land development	9,000	7,525	8,249
Parks and recreation	1,054,850	1,158,449	1,069,318
Culture	151,560	167,269	149,369
	5,538,230	6,230,325	5,922,379
<b>EXCESS OF REVENUE OVER EXPENSES</b>			
<b>-BEFORE OTHER</b>	645,463	196,682	724,949
Government transfers for capital (Schedule 4)	-	491,040	1,082,980
<b>EXCESS OF REVENUE OVER EXPENSES</b>	645,463	687,722	1,807,929
<b>ACCUMULATED SURPLUS, beginning of year</b>	23,813,100	25,621,029	23,813,100
<b>ACCUMULATED SURPLUS, end of year</b>	\$24,458,563	\$26,308,751	\$25,621,029

The accompanying notes form an integral part of these financial statements

# TOWN OF VULCAN

## CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT) FOR THE YEAR ENDED DECEMBER 31, 2023

	BUDGET (Unaudited)	2023	2022
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ 645,463	\$ 687,722	\$ 1,807,929
Acquisition of tangible capital assets	-	(1,007,940)	(2,173,078)
Proceeds on disposal of tangible capital assets	-	15,000	10,002
Amortization of tangible capital assets	-	893,223	949,120
(Gain) Loss on sale of tangible capital assets	-	(15,000)	(10,000)
	-	(114,717)	(1,223,956)
Acquisition of supplies inventories	-	(88,219)	(160,795)
Acquisition of prepaid assets	-	(132,978)	(78,337)
Use of supplies inventories	-	160,795	94,752
Use of prepaid assets	-	78,337	81,638
	-	17,935	(62,742)
<b>(INCREASE) DECREASE IN NET DEBT</b>	645,463	590,940	521,231
<b>NET FINANCIAL ASSETS (DEBT),</b> beginning of year	(930,020)	(408,788)	(930,019)
<b>NET FINANCIAL ASSETS (DEBT), end of year</b>	\$ (284,557)	\$ 182,152	\$ (408,788)

The accompanying notes form an integral part of these financial statements

# TOWN OF VULCAN

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2023

	<b>2023</b>	<b>2022</b>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (shortfall) of revenues over expenses	\$ 687,722	\$ 1,807,929
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization	893,223	949,120
(Gain) Loss on disposal of tangible capital assets	(15,000)	(10,000)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place receivable	69,035	(28,568)
Decrease (increase) in due from government and other trade receivables	(264,632)	978,493
Decrease (increase) in prepaid expenses	(54,642)	3,301
Decrease (increase) in land held for resale and inventories	72,576	(66,043)
Increase (decrease) in accounts payable and accrued liabilities	(19,194)	15,798
Increase (decrease) in deferred revenue and deposits	(29,135)	(783,629)
<b>CASH PROVIDED BY OPERATING TRANSACTIONS</b>	<b>1,339,953</b>	<b>2,866,401</b>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(1,007,940)	(2,173,078)
Sale of tangible capital assets	15,000	10,002
<b>CASH APPLIED TO CAPITAL TRANSACTIONS</b>	<b>(992,940)</b>	<b>(2,163,076)</b>
<b>FINANCING</b>		
Long-term debt issued	-	697,000
Long-term debt repaid	(256,556)	(256,027)
<b>CASH APPLIED TO FINANCING TRANSACTIONS</b>	<b>(256,556)</b>	<b>440,973</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>90,457</b>	<b>1,144,298</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>3,263,539</b>	<b>2,119,241</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 3,353,996</b>	<b>\$ 3,263,539</b>
<b>CASH AND CASH EQUIVALENTS IS REPRESENTED BY:</b>		
Cash and temporary investments (Note 2)	\$ 3,353,993	\$ 3,263,539
<b>INTEREST PAID ON LONG-TERM DEBT</b>	<b>\$ <u>155,177</u></b>	<b>\$ <u>131,548</u></b>

The accompanying notes form an integral part of these financial statements

# TOWN OF VULCAN

## SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2023

### SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2023	2022
<b>BALANCE</b> , beginning of year	\$ 1,453,253	\$ 2,164,072	\$22,003,704	\$25,621,029	\$23,813,100
Excess of revenues over expenses	687,722	-	-	687,722	1,807,929
Unrestricted funds designated for future use	(740,423)	740,423	-	-	-
Restricted funds used for operations	44,813	(44,813)	-	-	-
Restricted funds used for tangible capital assets	-	(501,900)	501,900	-	-
Current year funds used for tangible capital assets	(506,040)	-	506,040	-	-
Disposal of tangible capital assets	-	-	-	-	-
Annual amortization expense	893,223	-	(893,223)	-	-
Long term debt repaid	(224,642)	-	224,642	-	-
<b>Change in accumulated surplus</b>	<b>154,653</b>	<b>193,710</b>	<b>339,359</b>	<b>687,722</b>	<b>1,807,929</b>
<b>BALANCE</b> , end of year	<b>\$ 1,607,906</b>	<b>\$ 2,357,782</b>	<b>\$22,343,063</b>	<b>\$26,308,751</b>	<b>\$25,621,029</b>

# TOWN OF VULCAN

## SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2023

### SCHEDULE 2

	LAND	BUILDINGS	ROADWAY SYSTEM	<u>ENGINEERED STRUCTURES</u>		STORM SYSTEM	MACHINERY AND EQUIPMENT	VEHICLES	2023	2022
				WATER SYSTEM	WASTE SYSTEM					
<b>COST:</b>										
BALANCE, beginning of year	\$ 1,360,463	\$ 12,100,179	\$ 38,477,847	\$ 7,397,768	\$ 17,541,969	\$ 3,203,565	\$ 3,540,599	\$ 685,560	\$ 84,307,950	\$ 82,134,872
Acquisition of tangible capital assets	-	124,227	497,745	-	181,751	-	204,217	-	1,007,940	2,173,078
Disposal of tangible capital assets	-	-	-	-	-	-	(84,606)	-	(84,606)	-
BALANCE, end of year	1,360,463	12,224,406	38,975,592	7,397,768	17,723,720	3,203,565	3,660,210	685,560	85,231,284	84,307,950
<b>ACCUMULATED AMORTIZATION:</b>										
BALANCE, beginning of year	-	5,389,137	35,189,025	5,578,344	8,398,177	1,877,244	1,659,688	425,650	58,517,265	57,568,143
Annual amortization	-	185,413	261,655	95,680	202,423	44,513	70,219	33,319	893,222	949,122
Accum amortization on disposals	-	-	-	-	-	-	(84,606)	-	(84,606)	-
BALANCE, end of year	-	5,574,550	35,450,680	5,674,024	8,600,600	1,921,757	1,645,301	458,969	59,325,881	58,517,265
<b>NET BOOK VALUE OF</b>										
<b>TANGIBLE CAPITAL ASSETS</b>	\$ 1,360,463	\$ 6,649,856	\$ 3,524,912	\$ 1,723,744	\$ 9,123,120	\$ 1,281,808	\$ 2,014,909	\$ 226,591	\$ 25,905,403	\$ 25,790,685
<b>2022 NET BOOK VALUE OF</b>										
<b>TANGIBLE CAPITAL ASSETS</b>	\$ 1,360,463	\$ 6,711,042	\$ 3,288,822	\$ 1,819,424	\$ 9,143,792	\$ 1,326,321	\$ 1,880,911	\$ 259,910	\$ 25,790,685	

# TOWN OF VULCAN

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

### SCHEDULE 3

	<b>BUDGET (Unaudited)</b>	<b>2023</b>	<b>2022</b>
<b>TAXATION</b>			
Real property taxes	\$ 3,304,534	\$ 3,291,170	\$ 3,097,042
Linear property taxes	46,100	53,826	46,094
Government grants in place of property taxes	44,730	46,999	44,729
	<b>3,395,364</b>	<b>3,391,995</b>	<b>3,187,865</b>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	614,686	614,686	621,265
Seniors Lodge	79,579	79,579	72,996
	<b>694,265</b>	<b>694,265</b>	<b>694,261</b>
<b>NET MUNICIPAL TAXES</b>	<b>\$ 2,701,099</b>	<b>\$ 2,697,730</b>	<b>\$ 2,493,604</b>



# TOWN OF VULCAN

## SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2023

### SCHEDULE 4

	<b>BUDGET (Unaudited)</b>	<b>2023</b>	<b>2022</b>
<b>TRANSFERS FOR OPERATING:</b>			
Provincial Government	\$ 360,229	\$ 364,451	\$ 302,680
Other Local Governments	2,000	-	15,750
	<u>362,229</u>	<u>364,451</u>	<u>318,430</u>
<b>TRANSFERS FOR CAPITAL:</b>			
Provincial Government	-	491,040	1,082,980
	<u>-</u>	<u>491,040</u>	<u>1,082,980</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<b>\$ 362,229</b>	<b>855,491</b>	<b>\$ 1,401,410</b>

# TOWN OF VULCAN

## SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2023

### SCHEDULE 5

	<b>BUDGET (Unaudited)</b>	<b>2023</b>	<b>2022</b>
<b>CONSOLIDATED EXPENDITURES BY OBJECT</b>			
Salaries, wages and benefits	\$ 1,801,686	\$ 1,738,045	\$ 1,625,595
Contracted and general services	1,610,156	1,523,335	1,423,277
Materials, goods and utilities	1,409,120	1,363,906	1,246,713
Transfers to local boards and agencies	521,779	523,674	497,515
Bank charges and short-term interest	13,000	11,534	1,986
Interest on long-term debt	157,189	155,177	131,548
Other expenses	25,300	21,432	46,625
Amortization of tangible capital assets	-	893,223	949,120
	<b>\$ 5,538,230</b>	<b>6,230,326</b>	<b>\$ 5,922,379</b>

# TOWN OF VULCAN

## STATEMENT OF OPERATIONS SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2023

### SCHEDULE 6

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total
<b>REVENUE</b>								
Net municipal taxes	\$ 2,697,733	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,697,733
Government transfers	103,874	-	-	390,040	120,146	40,000	201,431	855,491
User fees & sales of goods	147,022	-	18,857	-	440,442	1,747,178	5,724	2,359,223
Investment income	173,494	-	-	-	-	-	-	173,494
Other revenues	620,940	10,837	57,207	24,827	112,838	5,460	-	832,109
	<u>3,743,063</u>	<u>10,837</u>	<u>76,064</u>	<u>414,867</u>	<u>673,426</u>	<u>1,792,638</u>	<u>207,155</u>	<u>6,918,050</u>
<b>EXPENSES</b>								
Contract & general services	400,097	124,783	77,023	49,234	177,753	694,150	294	1,523,334
Salaries and wages /	550,287	91,608	338,987	51,852	484,320	208,024	12,969	1,738,047
Goods and supplies /	119,357	2,519	262,932	569	265,358	712,764	407	1,363,906
Transfers to local boards	36,986	54,944	8,000	-	203,899	-	219,845	523,674
Long-term debt interest	21,834	-	15,683	-	31,404	86,255	-	155,176
Other expenses /	30,282	-	-	925	1,761	-	-	32,968
	<u>1,158,843</u>	<u>273,854</u>	<u>702,625</u>	<u>102,580</u>	<u>1,164,495</u>	<u>1,701,193</u>	<u>233,515</u>	<u>5,337,105</u>
<b>NET REVENUE BEFORE</b>								
<b>AMORTIZATION</b>	2,584,220	(263,017)	(626,561)	312,287	(491,069)	91,445	(26,360)	1,580,945
Amortization Expense	39,174	7,200	370,976	-	168,797	307,076	-	893,223
<b>NET REVENUE AFTER</b>								
<b>EXPENSES</b>	\$ 2,545,046	\$ (270,217)	\$ (997,537)	\$ 312,287	\$ (659,866)	\$ (215,631)	\$ (26,360)	\$ 687,722

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

### 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Vulcan are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the town are as follows:

#### (a) Reporting Entity

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

Vulcan Family & Community Support Services

Vulcan Library

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

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are 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 the legal obligation to pay.

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

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) Government Transfers

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

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

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

### 1. SIGNIFICANT ACCOUNTING POLICIES, continued

#### (d) Investments

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

#### (e) Debt charges recoverable

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

#### (f) Non-Financial Assets

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

##### i. Tangible Capital Assets

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

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

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

##### ii. Contributions of Tangible Capital Assets

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

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

### 1. SIGNIFICANT ACCOUNTING POLICIES, continued

(g) 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.

(h) Prepaid Local Improvement Charges

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

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

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

(i) Pension

The Town of Vulcan participates in a multi-employer defined benefit pension plan. This contributions to the plan are expensed as incurred.

(j) Reserves for Future Expenditures

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

(k) 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(l) Fund Accounting

Management funds consists of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Principal payments on debt are recorded as an increase in the capital fund and debt interest payments are recorded as operating fund expenditure. Proceeds from sales of land held for resale are recorded as operating fund revenues

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

### 1. SIGNIFICANT ACCOUNTING POLICIES, continued

(m) Tax revenue

Tax revenues are recognized when the tax levy has been calculated, it has been authorized by bylaw and the taxable event has occurred. Tax levies may be subject to adjustment through appeal by property owners or other events that could result in a change to the amount levied.

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

(n) Taxes and Grants in Lieu Receivable

Taxes and grants in lieu receivable consist of current tax levies which remain outstanding at December 31, 2023.

(o) Inventories for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling 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 their respective functions. When land is sold the inventory balance is reduced with an offsetting adjustment to cost of operations in the statement of operations.

(p) Requisition Over-levies and Under-levies

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.

(q) Interest on Long Term Debt

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

(r) Liability for contamination of sites.

Contaminated sites are result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under environmental standard. This standard relates to that are not in productive use and site in productive use where an unexpected event resulted in contamination.

# TOWN OF VULCAN

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

### 1. SIGNIFICANT ACCOUNTING POLICIES, continued

(r) Liability for contamination of sites, continued.

A liability for remediation of contaminated sites is recognized when all of the following criteria is met:

- an environmental standard exists
- contamination exceeds environmental standard
- the town is directly responsible or accepts responsibility
- the town expects the future economic benefits will be given up
- a reasonable estimate of the amount can be made

The town has determined that all of the above criteria have not been met and as such no amounts have been accrued.

### 2. CASH AND TEMPORARY INVESTMENTS

	<u>2023</u>	<u>2022</u>
Bank	\$ 100	\$ 100
Temporary investments	<u>3,353,892</u>	<u>3,263,439</u>
Total cash and investments	3,353,992	3,263,539
Less restricted funds	<u>(2,452,798)</u>	<u>(2,634,206)</u>
Unrestricted funds (shortfall)	<u>\$ 901,194</u>	<u>\$ 629,333</u>

Temporary investments are investments with maturities in the normal operating cycle of the municipality. Interest rates for the investments vary from 3.50% to 5.37%

The town has arranged an operating credit facility with the Alberta Treasury Branch up to the principal sum of \$413,500 that is repayable on demand with interest calculated at the rate of prime plus 1% payable monthly. The security for the loan is provided by the town at large and all of its assets.

	<u>2023</u>	<u>2022</u>
<u>Restricted funds</u>		
Restricted surplus	\$ 2,357,783	\$ 2,164,072
Deferred revenue	8,538	377,299
Deposits	<u>86,477</u>	<u>92,835</u>
Total restricted funds	<u>\$ 2,452,798</u>	<u>\$ 2,634,206</u>



# TOWN OF VULCAN

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

### 3. RECEIVABLES

	<u>2023</u>	<u>2022</u>
<u>Property taxes, net of allowances</u>		
Current taxes and grants in place of taxes	\$ 116,398	\$ 166,879
Arrears taxes	<u>33,545</u>	<u>52,100</u>
Total property tax	<u>149,943</u>	<u>218,979</u>
<u>Other, net of allowances</u>		
Trade and other receivables	263,682	274,313
Property tax due on tax sale accounts	<u>-</u>	<u>14,279</u>
Total other	<u>263,682</u>	<u>288,592</u>
<u>Due from other governments, net of allowances</u>	<u>349,905</u>	<u>60,363</u>
<u>Total all receivables</u>	<u>\$ 763,530</u>	<u>\$ 567,934</u>

### 4. TANGIBLE CAPITAL ASSETS

	<u>2023</u>	<u>2022</u>
<b>NET BOOK VALUE</b>		
Land	\$ 1,360,463	\$ 1,360,463
Buildings	6,649,856	6,711,042
Engineered structures		
Roadway system	3,524,912	3,288,822
Water distribution system	1,723,744	1,819,424
Wastewater treatment system	9,123,120	9,143,792
Storm system	1,281,808	1,326,322
Machinery and equipment	2,014,909	1,880,910
Vehicles	<u>226,591</u>	<u>259,910</u>
	<u>\$25,905,403</u>	<u>\$25,790,685</u>

### 5. DEFERRED REVENUE

The deferred revenue balance represents funds received for specific purposes that have not been spent by year end. Deferred revenue consists of the following:

	<u>2023</u>	<u>2022</u>
MSI grant capital	\$ 225,978	\$ -
Canada community building fund	124,403	373,158
Regional collaboration grant	<u>4,141</u>	<u>4,141</u>
	<u>\$ 354,522</u>	<u>\$ 377,299</u>

# TOWN OF VULCAN

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

### 6. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2023</u>	<u>2022</u>
Vacation	\$ <u>109,298</u>	\$ <u>115,693</u>

The employee benefit obligations liability is comprised of the vacation time that employees are deferring to future years. Employees have either earned the benefits (and they are vested) or are entitled to these benefits with the next budgetary year.

### 7. LONG-TERM DEBT

	<u>2023</u>	<u>2022</u>
ACFA debentures		
Town of Vulcan - capital projects	\$ 3,562,340	3,786,983
Town of Vulcan - hospital expansion	<u>735,259</u>	<u>767,173</u>
	<u>\$ 4,297,599</u>	<u>\$ 4,554,156</u>
Current Portion	<u>\$ 260,756</u>	<u>\$ 256,556</u>

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 260,756	\$ 148,069	\$ 408,825
2025	269,968	138,857	408,825
2026	279,555	129,270	408,825
2027	289,534	119,291	408,825
2028	295,442	113,383	408,825
Thereafter	<u>2,902,344</u>	<u>537,499</u>	<u>3,439,843</u>
	<u>\$ 4,297,599</u>	<u>\$ 1,186,369</u>	<u>\$ 5,483,968</u>

Debenture debt is payable to Alberta Capital Finance Authority (ACFA) and bears interest at rates ranging from 2.04% to 6.25% per annum, before Provincial subsidy and matures in periods 2022 through 2047. Debenture debt is issued on the credit and security of the Town of Vulcan at large.

	<u>2023</u>	<u>2022</u>
Interest on long term debt	\$ <u>155,177</u>	\$ <u>131,548</u>

# TOWN OF VULCAN

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

### 8. SALARY AND BENEFITS DISCLOSURE

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

	<u>2023</u>			<u>2022</u>
	Salary (1)	Benefits and Allowances (2)	Total	Total
Mayor Grant	\$ 8,260	\$ 7,200	\$ 15,460	\$ 17,108
Councilor R Debolt	4,780	3,600	8,380	8,957
Councilor Dunham	3,680	3,600	7,280	8,794
Councilor Magnuson	5,620	3,600	9,220	9,437
Councilor Moore-Coffey	5,980	3,600	9,580	11,074
Councilor Sanderson	16,540	3,600	20,140	15,376
Councilor Smith	3,480	3,600	7,080	8,477
Chief Administrative Officer	121,608	19,346	140,954	129,540
Designated Officer - Assessor	37,221	-	37,221	36,488

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

# TOWN OF VULCAN

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

### 9. DEBT LIMITS

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

	<u>2023</u>	<u>2022</u>
Total debt limit	\$ 9,640,511	\$ 9,970,992
Total debt	<u>(4,421,975)</u>	<u>(4,754,051)</u>
Amount of debt limit unused	<u>\$ 5,218,536</u>	<u>\$ 5,216,941</u>
	<u>2023</u>	<u>2022</u>
Debt servicing limit	\$ 1,606,752	\$ 1,661,832
Debt servicing	<u>(500,483)</u>	<u>(500,483)</u>
Amount of debt servicing limit unused	<u>\$ 1,106,269</u>	<u>\$ 1,161,349</u>

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

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

	<u>2023</u>	<u>2022</u>
Balance outstanding at year end	<u>\$ 124,376</u>	<u>\$ 199,896</u>
Payments due after year end principle and interest	<u>\$ 86,738</u>	<u>\$ 86,738</u>

### 10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2023</u>	<u>2022</u>
Tangible capital assets (Schedule 2)	\$ 85,231,284	\$ 84,307,952
Accumulated amortization (Schedule 2)	<u>(59,325,881)</u>	<u>(58,517,265)</u>
	25,905,403	25,790,687
Long-term debt (Note 5)	<u>(3,562,340)</u>	<u>(3,786,983)</u>
	<u>\$ 22,343,063</u>	<u>\$ 22,003,704</u>

# TOWN OF VULCAN

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

### 11. ACCUMULATED SURPLUS

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

	<u>2023</u>	<u>2022</u>
Unrestricted surplus (Schedule 1)	\$ 1,607,907	\$ 1,453,253
Restricted surplus (Schedule 1)	2,357,783	2,164,072
Equity in tangible capital assets (Schedule 1)	<u>22,343,064</u>	<u>22,003,703</u>
	<u>\$26,308,754</u>	<u>\$25,621,028</u>

### 12. LOCAL AUTHORITIES PENSION PLAN

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

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

The Town is required to make current service contributions to the LAPP of 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 Town 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.

	<u>2023</u>	<u>2022</u>
Total current service contributions by the Town	\$ <u>94,042</u>	\$ <u>101,696</u>
Total current service contributions by the employees	\$ <u>83,341</u>	\$ <u>90,169</u>

At December 31, 2022, which is the most recent actuarial assessment, the LAPP disclosed an actuarial surplus of \$12.7 billion.

### 13. COMMITMENTS

#### Twin Valley Water Commission

##### Membership Agreement

Agreement entered into December 1, 2017 and is a continuing agreement unless notice is given that must be a 5 year notice. The agreement is to provide the town's proportional share of the debenture debt of the Commission each year to the commission. The portion of the debenture debt allocated by the Commission to the town is 77.6%. There is also a required allocation of the administration costs by the Commission to the town that is 25%. There will be a review every 5 years for any changes to the payment commitments by the town.

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

### 13. COMMITMENTS, continued

#### Operation Agreement

Agreement entered into November 29, 2017 and is a continuing agreement until one party terminates with a 90 day notice requirement. The Town is called the operator per the agreement and is to provide water testing, emergency services, line repairs and other maintenance and operating services as outlined in a clause of the agreement. Fees paid to the town are \$268,000 annually with payments due each month. Abnormal costs will be above this agreed annual fee at rates pre-determined between the Town and Commission.

#### Benchmark Assessment Consultants Inc.

The agreement is for the provision of assessment services of all lands and premises within the Town's boundaries primarily for taxation purposes. The agreement is for a 5 year term beginning April 1, 2021 to March 31, 2026. The fees are based on an agreed amount per parcel of land. Fees for appeals will be in addition to the cost per parcel of land assessment services.

#### Vulcan District Waste Commission

The agreement is for the collection of household waste and hand collected business waste. The agreement was initially signed in 2013 and is ongoing. The fees for the service are reviewed each September and with any adjustment to fees will be forwarded to the Town. Any termination of the agreement must be provided by August to the Commission by the Town.

### 14. CONTINGENCIES

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

### 15. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, receivables, accounts payable and accrued liabilities, deposit liabilities, employee benefit obligations, and long-term debt. It is management's opinion that the town is not exposed to significant interest or currency risk arising from these financial instruments. Financial instruments that are traded on an exchange are reported at fair market value at the reporting date. The adjustment to fair value at the reporting period is reported as an unrealized gain or loss in the statement of operations. All other financial instruments are reported at amortized cost unless there is a permanent decline in value at which time the adjustment to fair value is recorded as an unrealized loss in the statement of operations.

The Town 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 town 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.

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

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

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### 16. SEGMENTED DISCLOSURE

The Town of Vulcan provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1. Schedule 6 reports the segmented revenues and expenditures for the year ended December 31, 2023.

### 17. COMPARATIVE INFORMATION

Certain 2022 comparative information has been reclassified to conform with the consolidated financial statement presentation adopted for the current year.

### 18. ROUNDING

Certain schedule balances may not add due to formula rounding.

### 19. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.



**SCASE & PARTNER**  
CHARTERED PROFESSIONAL ACCOUNTANTS

## **INDEPENDENT AUDITOR'S REPORT – FINANCIAL INFORMATION RETURN**

TO THE MEMBERS OF COUNCIL OF THE TOWN OF VULCAN

### **Opinion**

We have audited the municipal financial information return of the Town of Vulcan, which comprises the consolidated statement of financial position for the year ended December 31, 2023 and the statements of financial activities by function and by object and change in accumulated surplus and additional supporting schedules for the year then ended.

In our opinion, the municipal financial information return presents fairly, in all material respects the financial position of the Town of Vulcan as at December 31, 2023 and the results of its operations, changes in net financial assets (debt) for the year then ended in accordance with Canadian public sector accounting standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Municipal Financial Information Return section of our report. We are independent of the Town of Vulcan in accordance with the ethical requirements that are relevant to our audit of the municipal financial information return in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate.

### **Emphasis of Matter**

#### **Basis of Accounting**

The financial information return is prepared to assist the Town of Vulcan to meet the requirements of the Municipal Government Act (Section 277(1)). As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.



## **Unaudited Schedule of (Municipal Statistics)**

Included in the Financial Information Return is a schedule called, “Unaudited Schedule of (Municipal Statistics)”. This report and associated statistical information is not audited or reviewed by Scase & Partner, CPA’s and we are therefore unable to confirm the existence or accuracy of the information contained therein.

## **Responsibilities of Management and Those Charged with Governance for the Municipal Financial Information Return**

Management is responsible for the preparation and fair presentation of the municipal financial information return in accordance with Canadian public sector accounting standards and the Alberta Municipal Government and for such internal control as management determines is necessary to enable the preparation of the municipal financial information return that are free from material misstatement, whether due to fraud or error.

In preparing the municipal financial information return, 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 Municipalities financial reporting process.

## **Auditor’s responsibility for the Audit of the Municipal Financial Information Return**

Our objectives are to obtain reasonable assurance about whether the municipal financial information return as a whole is 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 this municipal financial information return.

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 municipal financial information return, 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 municipal financial information return 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 municipal financial information return, including the disclosures, and whether the municipal financial information return represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the municipal financial information return. We are responsible for the direction, supervision, and performance of the Municipality's audit. We remain solely responsible for our audit opinion.

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.

The engagement partner on the audit resulting in this independent auditor's report is Darryl Scase.

A handwritten signature in cursive script that reads "Scase & Partner".

Calgary, Alberta  
April 11, 2024

Chartered Professional Accountants



# SCASE & PARTNER

CHARTERED PROFESSIONAL ACCOUNTANTS

April 11, 2024

Town of Vulcan  
Box 360  
Vulcan, Alberta T01 2B0

**Re: Audit of 2023 Financial Statements**

Dear Sirs:

1. AUDIT PROCESS

As auditors, we report to the stakeholders on the results of our examination of the Town's consolidated financial statements. This report summarizes our audit process and discusses issues that are of relevance to the Town council.

- Our audit was carried out in accordance with Canadian generally accepted auditing standards.
- Our audit procedures included a review of all significant accounting and management reporting systems.
- Each material year-end balance, key transaction and other event considered significant to the consolidated financial statements was separately examined.
- Our audit process focused on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks.
  - This risk assessment enabled us to concentrate our audit procedures on the areas where differences were most likely to arise.
  - Our assessment was not, nor was it intended to be sufficient to conclude on the effectiveness or efficiency of internal controls.

- During the course of our audit, we have:
  - Examined on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
  - Assess the accounting principles used and significant estimates made by management;
  - Obtained an understanding of the Town and its environment, including management's internal controls sufficient to identify and assess the risks of material misstatement of the consolidated financial statements and to design and perform audit procedures;
  - Reviewed and assessed those accounting systems deemed necessary to support our audit opinion;
  - Evaluated the overall consolidated financial statement presentation;
  - Performed subsequent events review with management;
  - Reviewed and assessed the status of contingencies and commitments;
- We have obtained written representation from management in order to confirm oral representations given to us and reduce the possibility of misunderstanding. Specifically, we have obtained written confirmation of significant representations provided on matters that are:
  - Directly related to items that are material, either individually or in the aggregate, to the consolidated financial statements;
  - Not directly related to items that are material to the consolidated financial statements, but are significant, either individual or in the aggregate, to the engagement; and,
  - Matters relevant to management judgments or estimates that are material, either individually or in the aggregate, to the consolidated financial statements.

## 2. SIGNIFICANT AUDIT FINDINGS

### FINAL MATERIALITY

- Final materiality used to assess the significance of misstatements or omissions identified during the audit and determine the level of audit testing performed was \$56,000. \$42,000 was used as a performance materiality for testing the balances and transactions of the Town.

### DIFFICULTIES ENCOUNTERED

- We have satisfactorily completed our audit procedures for each of the significant account balances and transaction streams. No significant limitations were placed on the scope or timing of our audit.

## **IDENTIFIED OR SUSPECTED FRAUD**

- No incidents of fraud, or suspected fraud, came to our attention in the course of our audit.

## **IDENTIFIED OR SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS**

- The Town regularly corresponds with various regulators and authorities regarding compliance that arise in the normal course of business. The town believes that any liabilities that might arise pertaining to such matters would not have a material effect on its consolidated financial position.
- Nothing has come to our attention that would suggest there is non-compliance with laws and regulations that would have a material effect on the consolidated financial statements.

## **SIGNIFICANT ACCOUNTING POLICIES**

- We reviewed the accounting policies used by the Town are appropriate, they follow CPA public sector accounting standards and municipal guidelines and have been consistently applied.

## **SIGNIFICANT MANAGEMENT ESTIMATES**

- The preparation of the consolidated financial statements is subject to significant accounting estimates made by management. All significant managements estimates were reviewed for the current period and no material differences were noted.
  - Allowance for doubtful accounts – no provision was deemed necessary. Subsequent review of the accounts after the year end on outstanding accounts other than property taxes and utilities recorded receipts of payments supporting that position.
  - Provision for legal contingencies – no provision was deemed necessary.
  - Depreciation period of property and equipment – amortization uses the straight-line method over the estimated useful life of the asset. Rates provided are consistent with those established by municipal affairs and reflect the expected life of the assets.
  - Management and administration are required to prepare budgets for the fiscal year. The budgets are based on estimates of revenues necessary to cover expenditures for the upcoming year, including the costs of servicing debt and provision for addition to reserves established to support and fund future events. The estimates used in the budget reflected the expected and actual results for the year ended 2023.

## **MODIFICATIONS TO THE INDEPENDENT AUDITORS' REPORT**

- Our independent auditors' report will provide an unqualified opinion to the stakeholders.

## INDEPENDENCE

- We confirm to council that we are independent of the Town of Vulcan.

### 3. AREAS OF AUDIT EMPHASIS

- Analysis of reserves, deferred revenues, deposits working capital.
  - We have attached a summary calculation of the analysis used to evaluate the support for the restricted balances. In general, restricted balances are those amounts that are not available to administration for the funding of daily operations. Our analysis examines the position as of December 31, 2023 and not at any other time during the year. At certain times of the year this report may not show this deficiency. There was a material change in available working capital at the 2023 year end versus 2022. One of the significant causes of this improvement was the conversion of the operating loan funding the pool expansion to a long term debt, An operating/revolving line of credit forms part of the working capital calculation (a negative part) whereas long term debt does not impact working capital.
- Variance reporting
  - From our examination of the expenditures, we look for an account or a group of common accounts where the variance is greater than 10% or \$10,000. From this approach we found specific accounts that did exceed than variance, however in the common group they were under the variance tolerance.
  - Some of the variances in specific accounts might be due to the use of different accounts over comparative years.
- Guarantee of debt of the Vulcan Golf Club
  - The Town had a continuing commitment to the Vulcan Golf Club for a guarantee of the debt entered into by the Golf Club for the expansion of the back nine holds. The Town will continue both its guarantee and payments on the loan.
- There is a benchmark calculation prepared referred to as the “Debit Limit” for the Town. This benchmark does a general calculation of what additional debt the town could enter into and also a calculation of what annual payments, principal and interest combined the Town could afford. The Town is within the limits of this formula calculation including the addition of long term debenture debt in 2023 for the pool.
- We reviewed other matters during the audit with finance and those items that were clarified were noted only in the file.

#### 4. SUMMARY OF DIFFERENCES

- We have prepared adjusting entries to be entered into the internal records of the Town for the year ended December 31, 2023. These have been provided to administration.

Yours truly,



Chartered Professional Accountants