

TOWN OF VERMILION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Town of Vermilion

Opinion

We have audited the accounting consolidated financial statements of the Town of Vermilion (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2025, consolidated statement of operations and accumulated surplus, changes in net financial assets, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2025, and the results of its operations and its cash flows for the years 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 *Auditors' Responsibilities for the Audit of the 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 financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 25 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2024 has been restated. The consolidated financial statements for the year ended December 31, 2024 (prior to the adjustments that were applied to restate certain comparative information explained in Note 25) were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 15, 2025.

Other Information

Management is responsible for the other information. The other information comprises the Annual Report for the year ended December 31, 2025, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

(continues)



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

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

In preparing the financial statements, management is responsible for assessing the 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 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 through out 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 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 auditors' 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 auditors' 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(*continues*)

Independent Auditors' Report to the Mayor and Council of the Town of Vermilion (*continued*)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the Town or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
April 22, 2026

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation and presentation of the accompanying financial statements including responsibility for significant accounting judgments and estimates in accordance with Canadian Public Sector Accounting Standards (PSAS). This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The elected Mayor and Council of the Town of Vermilion are composed entirely of individuals who are neither management nor employees of the Town. The Mayor and Council have the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters, and financial reporting issues. The Mayor and Council are also responsible for the appointment of the Town's external auditors.

Metrix Group LLP, an independent firm of Chartered Professional Accountants, is appointed by Council to audit the consolidated financial statements and to report directly to them. The external auditors have full and free access to, and meet periodically and separately with, both Mayor and Council and management to discuss their audit findings.



Shannon Harrower
Chief Administrative Officer



Marilyn Lavoie
Director of Corporate Services

April 22, 2026

TOWN OF VERMILION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For The Year Ended December 31, 2025

		<u>2025</u>	<u>2024</u> (Restated) (Note 25)
FINANCIAL ASSETS			
Cash and cash equivalents	(Note 2)	\$ 5,889,217	\$ 4,780,431
Taxes receivable	(Note 3)	289,239	228,564
Trade and other receivables	(Note 4)	2,968,938	1,304,384
Investments	(Note 5)	4,000,000	3,000,000
Debt charges recoverable	(Note 6)	784,368	841,781
Land held for resale		<u>3,794,382</u>	<u>4,343,057</u>
		<u>17,726,144</u>	<u>14,498,217</u>
LIABILITIES			
Accounts payable and accrued liabilities	(Note 8)	1,210,343	889,147
Deposit liabilities		68,575	16,700
Deferred revenue	(Note 9)	2,656,366	1,440,798
Employee benefit obligations	(Note 10)	223,880	203,707
Long-term debt	(Note 11)	8,645,692	9,615,614
Asset retirement obligations	(Note 13)	<u>256,315</u>	<u>243,970</u>
		<u>13,061,171</u>	<u>12,409,936</u>
NET FINANCIAL ASSETS		<u>4,664,973</u>	<u>2,088,281</u>
NON-FINANCIAL ASSETS			
Tangible capital assets	(Schedule 7)	67,137,658	68,951,891
Inventory for consumption		250,732	230,401
Prepaid expenses		<u>139,966</u>	<u>124,366</u>
		<u>67,528,356</u>	<u>69,306,658</u>
ACCUMULATED SURPLUS	(Schedule 1, Note 19)	\$ <u>72,193,329</u>	\$ <u>71,394,939</u>
CONTINGENCIES	(Note 15)		
CONTRACTUAL OBLIGATIONS	(Note 16)		

ON BEHALF OF THE COUNCIL:



MAYOR



COUNCILLOR

The accompanying notes are an integral part of the financial statements.

TOWN OF VERMILION
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For The Year Ended December 31, 2025

	<u>2025</u> (Budget) (Note 17)	<u>2025</u> (Actual)	<u>2024</u> (Restated) (Note 25)
REVENUE			
Net municipal property tax (Schedule 2)	\$ 6,412,903	\$ 6,393,976	\$ 6,236,500
Sales and user charges	5,665,000	6,340,950	5,894,844
Franchise and concession contracts (Note 14)	748,000	790,553	817,925
Government transfers for operating (Schedule 3)	698,715	771,520	779,773
Rentals	301,024	348,401	384,818
Return on investments	210,000	264,697	328,993
Other	92,550	121,576	140,059
Penalties on taxes and utilities	60,000	94,392	58,435
Licenses and permits	69,000	66,852	91,931
Fines	6,000	3,047	5,143
	<u>14,263,192</u>	<u>15,195,964</u>	<u>14,738,421</u>
EXPENSES			
Water supply and distribution	2,747,881	2,941,306	3,336,676
Transportation	1,654,649	2,845,546	2,596,146
Recreation and parks	1,671,389	2,376,757	2,164,212
Administration	1,527,316	1,760,109	1,357,812
Wastewater treatment and disposal	1,085,615	1,612,053	1,583,479
Planning and development	780,866	938,408	707,484
Protective services	926,353	889,225	982,248
Waste management	698,837	707,810	979,526
Public health	352,947	344,398	377,292
Library	290,000	306,390	296,461
Legislative	199,000	271,862	217,098
	<u>11,934,853</u>	<u>14,993,864</u>	<u>14,598,434</u>
ANNUAL SURPLUS BEFORE OTHER INCOME	<u>2,328,339</u>	<u>202,100</u>	<u>139,987</u>
OTHER INCOME			
Government transfers for capital (Schedule 3)	-	596,290	950,406
Gain on disposal of tangible capital assets	-	-	45,000
	<u>-</u>	<u>596,290</u>	<u>995,406</u>
ANNUAL SURPLUS	<u>2,328,339</u>	<u>798,390</u>	<u>1,135,393</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR,			
AS PREVIOUSLY STATED	72,117,027	72,117,027	71,289,590
Restatement (Note 25)	<u>(722,088)</u>	<u>(722,088)</u>	<u>(1,030,044)</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR,			
AS RESTATED	<u>71,394,939</u>	<u>71,394,939</u>	<u>70,259,546</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 73,723,278</u>	<u>\$ 72,193,329</u>	<u>\$ 71,394,939</u>

TOWN OF VERMILION
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For The Year Ended December 31, 2025

	<u>2025</u> (Budget) (Note 17)	<u>2025</u> (Actual)	<u>2024</u> (Restated) (Note 25)
ANNUAL SURPLUS	\$ 2,328,339	\$ 798,390	\$ 1,135,393
Acquisition of inventory	-	(20,331)	(27,243)
Acquisition of prepaid expenses	-	(15,600)	101,885
	-	(35,931)	74,642
Acquisition of tangible capital assets	-	(1,003,465)	(2,275,445)
Proceeds on disposal of tangible capital assets	-	-	45,000
Amortization of tangible capital assets	-	2,817,698	2,965,244
Gain on disposal of tangible capital assets	-	-	(45,000)
	-	1,814,233	689,799
CHANGE IN NET FINANCIAL ASSETS	2,328,339	2,576,692	1,899,834
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,088,281	2,088,281	188,447
NET FINANCIAL ASSETS, END OF YEAR	\$ 4,605,754	\$ 4,664,973	\$ 2,088,281

TOWN OF VERMILION
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2025

	<u>2025</u>	<u>2024</u>
OPERATING ACTIVITIES		
Annual Surplus	\$ 798,390	\$ 1,135,393
Change in non-cash items included in annual surplus		
Gain on disposal of tangible capital assets	-	(45,000)
Amortization of tangible capital assets	2,817,698	2,965,244
Accretion of asset retirement obligations	12,345	11,750
Change in non-cash working capital balances:		
Taxes receivable	(60,675)	(60,766)
Land held for resale	548,675	218,462
Trade and other receivables	(1,664,553)	1,022,615
Accounts payable and accrued liabilities	321,195	235,571
Deposit liabilities	51,875	(665)
Deferred revenue	1,215,568	(606,235)
Employee benefit obligations	20,173	16,048
Inventory for consumption	(20,331)	(27,243)
Prepaid expenses	(15,600)	101,885
Debt charges recoverable	57,413	55,888
	<u>4,082,173</u>	<u>5,022,947</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,003,465)	(2,275,445)
Proceeds on disposal of tangible capital assets	-	45,000
	<u>(1,003,465)</u>	<u>(2,230,445)</u>
INVESTING ACTIVITIES		
Proceeds on sale of investments	3,000,000	3,226,715
Purchase of investments	(4,000,000)	(3,000,000)
	<u>(1,000,000)</u>	<u>226,715</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(969,922)	(888,821)
CHANGE IN CASH DURING THE YEAR	1,108,786	2,130,396
CASH, BEGINNING OF YEAR	4,780,431	2,650,035
CASH, END OF YEAR	(Note 2) \$ 5,889,217	\$ 4,780,431

TOWN OF VERMILION
SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS
For The Year Ended December 31, 2025

	<u>Unrestricted</u>	<u>Restricted Surplus</u>	<u>Equity in Tangible Capital Assets</u>	<u>2025</u>	<u>2024</u>
BALANCE, BEGINNING OF YEAR, AS PREVIOUSLY STATED	\$ 7,045,468	\$ 3,976,704	\$ 61,094,855	\$ 72,117,027	\$ 71,289,590
Restatement (Note 25)	<u>504,498</u>	<u>(623,464)</u>	<u>(603,122)</u>	<u>(722,088)</u>	<u>(1,030,044)</u>
BALANCE, BEGINNING OF YEAR, AS RESTATED	7,549,966	3,353,240	60,491,733	71,394,939	70,259,546
Annual surplus	798,390	-	-	798,390	1,135,393
Unrestricted funds designated for future use	(1,566,295)	1,566,295	-	-	-
Restricted funds utilized	417,481	(417,481)	-	-	-
Purchase of tangible capital assets	(1,003,465)	-	1,003,465	-	-
Annual amortization expense	2,817,698	-	(2,817,698)	-	-
Accretion expense	12,345	-	(12,345)	-	-
Capital long-term debt repaid	<u>(764,798)</u>	<u>-</u>	<u>764,798</u>	<u>-</u>	<u>-</u>
BALANCE, END OF YEAR	<u>\$ 8,261,322</u>	<u>\$ 4,502,054</u>	<u>\$ 59,429,953</u>	<u>\$ 72,193,329</u>	<u>\$ 71,394,939</u>

TOWN OF VERMILION
SCHEDULE 2 - PROPERTY TAXES
For The Year Ended December 31, 2025

	<u>2025</u> (Budget) (Note 17)	<u>2025</u> (Actual)	<u>2024</u> (Actual)
TAXATION			
Real property taxes	\$ 7,759,000	\$ 8,028,575	\$ 7,573,126
Linear property taxes	388,000	400,492	377,548
Grants in lieu of taxes	<u>136,000</u>	<u>140,435</u>	<u>132,494</u>
	<u>8,283,000</u>	<u>8,569,502</u>	<u>8,083,168</u>
REQUISITIONS			
Alberta School Foundation Fund	1,640,097	1,870,614	1,706,085
Vermilion and District Housing Foundation	228,000	301,816	140,583
Designated Industrial Property	<u>2,000</u>	<u>3,096</u>	<u>-</u>
	<u>1,870,097</u>	<u>2,175,526</u>	<u>1,846,668</u>
	<u>\$ 6,412,903</u>	<u>\$ 6,393,976</u>	<u>\$ 6,236,500</u>

TOWN OF VERMILION
SCHEDULE 3 - GOVERNMENT TRANSFERS
For The Year Ended December 31, 2025

	<u>2025</u> (Budget) (Note 17)	<u>2025</u> (Actual)	<u>2024</u> (Restated) (Note 25)
TRANSFERS FOR CAPITAL			
Provincial capital grants	\$ -	\$ 596,290	\$ 114,091
Federal capital grants	<u>-</u>	<u>-</u>	<u>836,315</u>
TRANSFERS FOR OPERATING			
Provincial operating grants	171,715	244,567	231,019
Local operating grants	<u>527,000</u>	<u>526,953</u>	<u>548,754</u>
	<u>698,715</u>	<u>771,520</u>	<u>779,773</u>
	<u>\$ 698,715</u>	<u>\$ 1,367,810</u>	<u>\$ 1,730,179</u>

TOWN OF VERMILION
SCHEDULE 4 - EXPENSES BY OBJECT
For The Year Ended December 31, 2025

	<u>2025</u> (Budget) (Note 17)	2025 (Actual)	<u>2024</u> (Restated) (Note 25)
Salaries, wages and benefits	\$ 4,345,955	\$ 4,237,489	\$ 3,757,925
Materials, goods, supplies, and utilities	4,045,925	4,204,062	3,857,763
Amortization	-	2,817,698	2,965,244
Contracted and general services	2,178,322	2,097,216	2,714,600
Other expenses	291,402	885,896	431,465
Transfers to governments, local boards, and organizations	497,500	438,617	534,092
Interest for long term debt	568,749	290,348	315,410
Accretion	-	12,345	11,750
Bank charges	7,000	10,193	10,185
	<u>\$ 11,934,853</u>	<u>\$ 14,993,864</u>	<u>\$ 14,598,434</u>

TOWN OF VERMILION
SCHEDULE 5 - SEGMENTED DISCLOSURES
For The Year Ended December 31, 2025

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation</u>	<u>Utilities</u>	<u>Public Health and Welfare</u>	<u>Recreation and Parks</u>	<u>Development Services</u>	<u>2025 Total</u>
REVENUE								
Net municipal property tax	\$ 6,393,976	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,393,976
Sales and user charges	7,482	-	103,906	5,383,908	51,658	448,996	345,000	6,340,950
Franchise and concession contracts	790,553	-	-	-	-	-	-	790,553
Government transfers for operating	136,341	130,822	26,160	3,600	165,597	309,000	-	771,520
Rentals	-	48,002	5,610	-	137,376	149,889	7,524	348,401
Return on investments	262,329	-	2,368	-	-	-	-	264,697
Other	28,495	-	26,970	25,996	2,228	19,274	18,613	121,576
Penalties on taxes and utilities	69,563	-	-	24,829	-	-	-	94,392
Licenses and permits	51,253	2,353	-	-	600	-	12,646	66,852
Fines	-	3,047	-	-	-	-	-	3,047
	<u>7,739,992</u>	<u>184,224</u>	<u>165,014</u>	<u>5,438,333</u>	<u>357,459</u>	<u>927,159</u>	<u>383,783</u>	<u>15,195,964</u>
EXPENSES								
Salaries, wages, and benefits	1,048,582	232,823	749,409	698,162	157,877	989,701	360,935	4,237,489
Materials, goods, supplies, and utilities	108,190	130,002	709,807	2,586,910	34,644	593,329	41,180	4,204,062
Amortization	69,341	132,375	1,254,907	923,572	16,018	417,059	4,426	2,817,698
Contracted and general services	500,176	146,280	126,790	842,267	25,314	258,642	197,747	2,097,216
Other expenses	274,356	35	-	2,227	27,564	293,076	288,638	885,896
Transfers to governments, local boards, and organizations	-	225,340	-	-	81,707	122,000	9,570	438,617
Interest on long term debt	22,408	20,014	4,633	207,381	-	-	35,912	290,348
Accretion	-	2,356	-	-	1,274	8,715	-	12,345
Bank charges	8,918	-	-	650	-	625	-	10,193
	<u>2,031,971</u>	<u>889,225</u>	<u>2,845,546</u>	<u>5,261,169</u>	<u>344,398</u>	<u>2,683,147</u>	<u>938,408</u>	<u>14,993,864</u>
ANNUAL SURPLUS (DEFICIT)								
BEFORE OTHER INCOME	5,708,021	(705,001)	(2,680,532)	177,164	13,061	(1,755,988)	(554,625)	202,100
OTHER INCOME								
Government transfers for capital	142,547	10,875	64,250	325,063	35,509	18,046	-	596,290
	<u>142,547</u>	<u>10,875</u>	<u>64,250</u>	<u>325,063</u>	<u>35,509</u>	<u>18,046</u>	<u>-</u>	<u>596,290</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ 5,850,568</u>	<u>\$ (694,126)</u>	<u>\$ (2,616,282)</u>	<u>\$ 502,227</u>	<u>\$ 48,570</u>	<u>\$ (1,737,942)</u>	<u>\$ (554,625)</u>	<u>\$ 798,390</u>

The accompanying notes are an integral part of the town financial statements.

TOWN OF VERMILION
SCHEDULE 6 - SEGMENTED DISCLOSURES
For The Year Ended December 31, 2024

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation</u>	<u>Utilities</u>	<u>Public Health and Welfare</u>	<u>Recreation and Parks</u>	<u>Development Services</u>	2024 (Restated) (Note 25) Total
REVENUE								
Net municipal property tax	\$ 6,236,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,236,500
Sales and user charges	7,600	2,000	95,858	5,220,551	59,211	271,005	238,619	5,894,844
Franchise and concession contracts	817,925	-	-	-	-	-	-	817,925
Government transfers for operating	162,341	133,827	204	3,600	164,801	315,000	-	779,773
Rentals	-	79,629	5,278	-	156,500	137,444	5,967	384,818
Return on investments	328,729	-	264	-	-	-	-	328,993
Other	4,907	16,423	17,482	17,266	2,190	38,892	42,899	140,059
Licenses and permits	51,172	1,932	-	-	840	-	37,987	91,931
Penalties on taxes and utilities	41,602	-	-	16,833	-	-	-	58,435
Fines	-	5,143	-	-	-	-	-	5,143
	<u>7,650,776</u>	<u>238,954</u>	<u>119,086</u>	<u>5,258,250</u>	<u>383,542</u>	<u>762,341</u>	<u>325,472</u>	<u>14,738,421</u>
EXPENSES								
Materials, goods, supplies, and utilities	73,481	86,109	574,802	2,520,378	32,831	530,867	39,295	3,857,763
Salaries, wages, and benefits	921,247	259,591	684,914	628,759	149,498	801,683	312,233	3,757,925
Amortization	68,649	165,330	1,246,711	1,003,993	16,018	458,938	5,605	2,965,244
Contracted and general services	475,832	165,187	83,474	1,528,141	50,651	258,021	153,294	2,714,600
Transfers to governments, local boards, and organizations	-	280,864	-	225	127,082	123,000	2,921	534,092
Other expenses	2,056	10	-	101	-	279,868	149,430	431,465
Interest on long term debt	23,931	22,915	6,245	217,613	-	-	44,706	315,410
Accretion	-	2,242	-	-	1,212	8,296	-	11,750
Bank charges	9,714	-	-	471	-	-	-	10,185
	<u>1,574,910</u>	<u>982,248</u>	<u>2,596,146</u>	<u>5,899,681</u>	<u>377,292</u>	<u>2,460,673</u>	<u>707,484</u>	<u>14,598,434</u>
ANNUAL SURPLUS (DEFICIT)								
BEFORE OTHER INCOME	6,075,866	(743,294)	(2,477,060)	(641,431)	6,250	(1,698,332)	(382,012)	139,987
OTHER INCOME								
Government transfers for capital	57,601	-	836,315	-	-	-	56,490	950,406
Gain on disposal of tangible capital assets	-	-	45,000	-	-	-	-	45,000
	<u>57,601</u>	<u>-</u>	<u>881,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,490</u>	<u>995,406</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ 6,133,467</u>	<u>\$ (743,294)</u>	<u>\$ (1,595,745)</u>	<u>\$ (641,431)</u>	<u>\$ 6,250</u>	<u>\$ (1,698,332)</u>	<u>\$ (325,522)</u>	<u>\$ 1,135,393</u>

The accompanying notes are an integral part of the town financial statements.

TOWN OF VERMILION
SCHEDULE 7 - TANGIBLE CAPITAL ASSETS
For The Year Ended December 31, 2025

	<u>Land</u>	<u>Land Improvement</u>	<u>Buildings</u>	<u>Engineering Structures</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Work in Progress</u>	<u>2025</u>
COST								
Balance, Beginning of Year, As Restated	\$ 1,715,189	\$ 5,294,046	\$ 14,381,217	\$ 93,567,291	\$ 6,752,244	\$ 4,038,512	\$ 1,298,126	\$ 127,046,625
Additions	-	-	28,831	538	187,632	112,233	674,231	1,003,465
Disposals	-	-	-	-	-	-	-	-
Change in work in progress	-	<u>109,788</u>	<u>53,993</u>	-	<u>222,519</u>	-	<u>(386,300)</u>	-
Balance, End of Year	<u>1,715,189</u>	<u>5,403,834</u>	<u>14,464,041</u>	<u>93,567,829</u>	<u>7,162,395</u>	<u>4,150,745</u>	<u>1,586,057</u>	128,050,090
ACCUMULATED AMORTIZATION								
Balance, Beginning of Year	-	3,470,695	4,733,086	43,210,231	4,328,804	2,351,918	-	58,094,734
Amortization	-	198,557	288,996	1,835,087	327,803	167,255	-	2,817,698
Disposals	-	-	-	-	-	-	-	-
Balance, End of Year	-	<u>3,669,252</u>	<u>5,022,082</u>	<u>45,045,318</u>	<u>4,656,607</u>	<u>2,519,173</u>	-	60,912,432
NET BOOK VALUE	<u>\$ 1,715,189</u>	<u>\$ 1,734,582</u>	<u>\$ 9,441,959</u>	<u>\$ 48,522,511</u>	<u>\$ 2,505,788</u>	<u>\$ 1,631,572</u>	<u>\$ 1,586,057</u>	\$ 67,137,658

TOWN OF VERMILION
SCHEDULE 8 - TANGIBLE CAPITAL ASSETS
For The Year Ended December 31, 2024

	<u>Land</u>	<u>Land Improvement</u>	<u>Buildings</u>	<u>Engineering Structures</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Work in Progress</u>	2024 (Restated) (Note 25)
COST								
Balance, Beginning of Year, As Previously Stated	\$ 1,715,189	\$ 5,294,046	\$ 14,220,162	\$ 92,973,240	\$ 6,596,968	\$ 4,038,512	\$ 25,019	\$ 124,863,136
Restatement	-	-	62,732	-	-	-	-	62,732
Balance, Beginning of Year, As Restated	1,715,189	5,294,046	14,282,894	92,973,240	6,596,968	4,038,512	25,019	124,925,868
Additions	-	-	98,322	594,052	284,945	-	1,298,126	2,275,445
Disposals	-	-	-	-	(154,688)	-	-	(154,688)
Change in work in progress	-	-	-	-	25,019	-	(25,019)	-
Balance, End of Year	<u>1,715,189</u>	<u>5,294,046</u>	<u>14,381,216</u>	<u>93,567,292</u>	<u>6,752,244</u>	<u>4,038,512</u>	<u>1,298,126</u>	127,046,625
ACCUMULATED AMORTIZATION								
Balance, Beginning of Year, As Previously Stated	-	3,252,491	4,410,647	41,336,746	4,148,500	2,100,109	-	55,248,493
Restatement	-	-	35,685	-	-	-	-	35,685
Balance, Beginning of Year, As Restated	-	3,252,491	4,446,332	41,336,746	4,148,500	2,100,109	-	55,284,178
Amortization	-	218,204	286,754	1,873,485	334,992	251,809	-	2,965,244
Disposals	-	-	-	-	(154,688)	-	-	(154,688)
Balance, End of Year	-	<u>3,470,695</u>	<u>4,733,086</u>	<u>43,210,231</u>	<u>4,328,804</u>	<u>2,351,918</u>	-	58,094,734
NET BOOK VALUE	<u>\$ 1,715,189</u>	<u>\$ 1,823,351</u>	<u>\$ 9,648,130</u>	<u>\$ 50,357,061</u>	<u>\$ 2,423,440</u>	<u>\$ 1,686,594</u>	<u>\$ 1,298,126</u>	\$ 68,951,891

The accompanying notes are an integral part of the town financial statements.

TOWN OF VERMILION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Vermilion (the "Town") are the representations of management, prepared in accordance with Canadian public sector accounting standards. 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, expenses, and change in net financial assets, and cash flows of the reporting entity. This entity is comprised of all the organizations that are owned or controlled by the Town and are, therefore, accountable to Council for the administration of their financial affairs and resources. Included with the Town are the following:

Vermilion Public Library
Family Community and Support Services

The schedule of taxes levied also includes requisitions for education and seniors foundations that are not part of the municipal reporting entity.

The consolidated financial 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 consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes 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.

c. Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated financial statement, and the reported amounts of revenue and expenditures during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from estimates.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets, future cash flows associated with asset retirement obligations, and contingent liabilities are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the consolidated financial statements.

d. Cash and Cash Equivalents

Cash and cash equivalents include items that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value, with a maturity of three months or less at the time of acquisition.

(Continues)

TOWN OF VERMILION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Revenue Recognition

Revenue related to transactions with performance obligations is recognized when the performance obligations have been completed. This includes providing promised services and/or goods to the payor. Items such as user fees have revenue recognized over the period of use. License and permit revenue is recognized upon issuance unless a continued performance obligation spanning over a greater period of time exists.

Revenue related to transactions with no performance obligations is recognized upon receipt.

f. Investments

Investments are recorded at amortized cost with the exception of investments containing derivatives which are measured at fair market value. 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 of value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Investment income is recognized on an accrual basis. As the investment income is deemed to be earned the amount of interest income is recognized. For investments where there is an uncertainty of amount that will be earned no accrual is made and the income is realized when received.

g. 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.

h. Tax Revenue

Property tax revenue is based on assessments determined in accordance with the *Municipal Government Act*. Tax rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal.

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the Town. Under the accrual basis of accounting, revenues to be received from local improvement assessments are recognized in full in the period the local improvement project costs are incurred and the passing of the related imposition bylaw.

i. Government Transfers

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

(Continues)

TOWN OF VERMILION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Government Transfers (continued)

Government transfers are recognized in the consolidated 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 except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

j. Developer Offsite Levies

Offsite levies are collected from developers upon the execution of a development agreement as per the offsite levy bylaw. These funds are restricted to fund the construction of specific infrastructure and are recognized as revenue one the infrastructure has been built and the Town has provided a construction completion certificate.

k. Land Held for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes cost 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 capital assets under their respective function.

l. Valuation of Financial Instruments

The Town's financial assets and liabilities are measured as follows:

Financial Statement Component	Measurement
Cash and cash equivalents	Cost
Accounts receivable	Lower of cost and net recoverable value
Investments	Amortized cost
Land held for resale	Lower of cost and net realizable value
Accounts payable and accrued liabilities	Cost
Long-term debt	Amortized cost
Asset retirement obligations	Amortized cost
Inventories for consumption	Lower of cost and replacement cost

Interest and dividends attributable to financial instruments are reported in the consolidated statement of operations and accumulated surplus. When the restricted nature of a financial instrument and any related changes in fair value create a liability, unrealized gains and losses are recognized as deferred revenue.

Financial assets are annually assessed for impairment. If an impairment deemed other-than temporary is identified, the cost of the financial asset is written down to its realizable value, with impairment losses recorded in the statement of operations and accumulated surplus. Write-downs are not reversed if the asset's value later increases. For financial assets and liabilities measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are expensed as they are incurred.

(Continues)

TOWN OF VERMILION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. 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 change in net financial assets (debt) for the year.

i. Tangible Capital Assets

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

Asset Type	Years
Land Improvements	5-25
Buildings	25-50
Engineered Structures	5-75
Machinery and Equipment	5-40
Vehicles	7-25

Annual amortization is charged in the first full year after an asset is acquired. Assets under construction are not amortized until the asset is 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. The date of receipt is the day the Town issues a construction completion certificate.

iii. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets and are not amortized. Costs for public art are expressed in the period they are incurred.

iv. Inventories

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the first-in-first-out method.

n. Pension Expenses

Contributions for current and past service pension benefits are recorded as expenses in the year in which they become due.

TOWN OF VERMILION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Asset Retirement Obligations

Asset retirement obligations are statutory, contractual, or legal obligations associated with the retirement of tangible capital assets. These asset retirement activities include all activities related to an asset retirement obligation which may include, but are not limited to:

- decommissioning or dismantling a tangible capital asset that was acquired, constructed, or developed;
- remediation of contamination of a tangible capital asset created by its normal use;
- post-retirement activities (monitoring, etc.); and,
- constructing other tangible capital assets to perform post-retirement activities.

An obligation occurs at the later of acquisition date or legislative obligation date and is initially measured at fair value, determined using the present value methodology. Costs related to the asset retirement are added to the carrying amount of the related tangible capital asset and are amortized over the useful estimated life of the related tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets or for tangible capital assets no longer in productive use are expensed in the statement of operations.

When the future retirement date is unknown, the asset retirement obligation is measured at the current estimated costs to settle the liability. When the future retirement date is known, a present value technique is used to measure the liability. In subsequent periods, the asset retirement obligation liability is adjusted for the accretion of discount which is recognized in the statement of operations.

These liabilities reflect the Town's best estimate, as of December 31, 2025, of the amount required to retire tangible capital assets. Estimates are made by management using professional judgment, similar contractor costs, and third-party quotes, and are subsequently re-measured considering any new information and the appropriateness of assumptions used.

o. Future Accounting Standards Pronouncements

The following summarizes upcoming changes to Public Sector Accounting Standards. The Town will continue to assess the impact and prepare for the adoption of these standards.

i *Financial Statement Presentation*

PS 1202, Financial Statement Presentation, sets out general and specific requirements for the presentation of information in general purpose financial statements. The financial statement principles are based on the concepts in the Conceptual Framework for Financial Reporting in the Public Sector. This standard is applicable to fiscal years beginning on or after April 1, 2026.

ii *The Conceptual Framework for Financial Reporting*

The PSAB's framework replaces the conceptual aspects of PS 1000, Financial Statement Concepts, and PS 1100, Financial Statement Objectives. This standard is applicable to fiscal years beginning on or after April 1, 2026.

(Continues)

TOWN OF VERMILION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Future Accounting Standards Pronouncements (continued)

iii Employee Benefits

PS 3251, Employee Benefits, replaces the existing PS 3250, Retirement Benefits, and PS 3255, Post-employment Benefits, Compensated Absences. This standard is applicable to fiscal years beginning on or after April 1, 2029.

iv Amendments to Tangible Capital Assets

This standard change amends the existing PS 3150, Tangible Capital Assets, to increase comparability and transparency between public sector entities. This standard is applicable to fiscal years beginning on or after April 1, 2030.

p. Recently Adopted Accounting Standards

Effective January 1, 2024, the Town of Vermilion has adopted Canadian Public Sector Accounting Standards PS 3280, *Asset Retirement Obligations*. This accounting standard has been applied retroactively. Comparative results have been restated. The impact of adoption of this standard on the Town's consolidated financial statements is detailed in Note 25.

2. CASH AND CASH EQUIVALENTS

	<u>2025</u>	<u>2024</u>
Cash	\$ 4,369,883	\$ 2,774,961
Cash equivalents	<u>1,519,334</u>	<u>2,005,470</u>
Total	<u>\$ 5,889,217</u>	<u>\$ 4,780,431</u>

Cash equivalents consist of short term deposits with original maturities of three months or less, which bear interest at 2.80% (2024 - 3.80%). Cash equivalents are capable of reasonably prompt liquidation and maybe used to manage the Town's cash position through the year from the date of purchase

3. TAXES AND GRANTS IN PLACE OF TAXES

	<u>2025</u>	<u>2024</u>
Current taxes	\$ 175,820	\$ 169,554
Arrears taxes	118,419	64,010
Allowance for uncollectible taxes	<u>(5,000)</u>	<u>(5,000)</u>
	<u>\$ 289,239</u>	<u>\$ 228,564</u>

TOWN OF VERMILION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2025

4. TRADE AND OTHER RECEIVABLES

	<u>2025</u>	<u>2024</u>
Receivable from other governments	1,771,084	-
Utilities receivable	547,747	539,904
Accrued interest	188,039	105,544
Local improvement receivable	187,404	233,167
Trade and other receivables	165,689	310,281
Goods and Services Tax recoverable	108,975	115,488
	<u>2,968,938</u>	<u>1,304,384</u>

5. INVESTMENTS

	<u>2025</u>	<u>2024</u>
Guaranteed investment certificates	<u>\$ 4,000,000</u>	<u>\$ 3,000,000</u>

The guaranteed investment certificates bear interest ranging from 3.20% to 3.90% (2024 - 3.90% to 5.47%) and mature between February 2026 and March 2028 (2024 - May 2025 and February 2026)

6. DEBT CHARGES RECOVERABLE

	<u>2025</u>	<u>2024</u>
Vermilion District Housing Foundation	<u>\$ 784,368</u>	<u>\$ 841,781</u>

Debt charges recoverable consist of amounts borrowed and loaned to the Vermilion District Housing Foundation pursuant to Section 264 of the Municipal Government Act. The financial agreement began in 2017, establishing long-term debt totaling \$1,225,000 at inception. These debt charges receivable accrue interest at a rate of 2.71% and follow the same repayment terms as the original debt, including interest on outstanding amounts.

Principal and interest payments expected is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 58,910	\$ 20,842	\$ 79,752
2027	60,518	19,234	79,752
2028	62,170	17,582	79,752
2029	63,866	15,886	79,752
2030	65,610	14,142	79,752
Thereafter	473,294	46,027	519,321
	<u>\$ 784,368</u>	<u>\$ 133,713</u>	<u>\$ 918,081</u>

TOWN OF VERMILION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2025

7. CREDIT FACILITY

The Town has a revolving demand credit facility of \$1,500,000. The credit facility bears interest at the bank's prime rate plus 1% (effective rate of 5.45%). As at December 31, 2025 there was no amount drawn under this facility. The credit facility is secured under the general security agreement.

The Town has a credit card with a credit limit of \$30,000. The credit facility bears interest at the bank's regular interest rate (effective rate of 19.90%). There was \$8,210 (2024 - \$14,288) drawn under this facility as at December 31, 2025 and is included in accounts payable and accrued liabilities in Note 8. This facility is unsecured.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2025</u>	2024 (Restated) (Note 25)
Trade and accrued liabilities	\$ 912,650	\$ 539,178
Wages payable	145,818	88,735
Accrued interest	57,656	62,965
Benefits payable	47,811	118,571
Payable to other governments	<u>46,408</u>	<u>79,698</u>
	<u>\$ 1,210,343</u>	<u>\$ 889,147</u>

Payable to other governments consist of payroll remittances outstanding at year end.

9. DEFERRED REVENUE

Deferred revenue is comprised of the following amounts, which have been received from various third parties and are restricted to the eligible operating and capital projects as approved in the funding agreements for a specified purpose. These amounts are recognized as revenue in the period in which the related expenditures are incurred.

	2024 (Restated) (Note 25)	Contributions Received or Receivable	Amounts Recognized	<u>2025</u>
Local government fiscal framework	\$ -	\$ 1,481,296	\$ -	\$ 1,481,296
Development levies	457,343	11,205	-	468,548
Municipal sustainability initiative	943,114	42,440	(596,290)	389,264
Canada community building fund	-	289,788	-	289,788
Other	<u>40,341</u>	<u>11,789</u>	<u>(24,660)</u>	<u>27,470</u>
	<u>\$ 1,440,798</u>	<u>\$ 1,836,518</u>	<u>\$ (620,950)</u>	<u>\$ 2,656,366</u>

TOWN OF VERMILION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2025

10. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2025</u>	2024 (Restated) (Note 25)
Vacation payable	\$ 215,066	\$ 172,656
Overtime payable	<u>8,814</u>	<u>31,051</u>
Total	<u>\$ 223,880</u>	<u>\$ 203,707</u>

The vacation and overtime liability is comprised of the vacation and overtime costs that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

11. LONG-TERM DEBT

	<u>2025</u>	<u>2024</u>
Tax supported debentures	<u>\$ 8,645,692</u>	<u>\$ 9,615,614</u>

The required repayments for the Province of Alberta debt and expected repayments for all other debt are as follows.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 840,122	\$ 266,983	\$ 1,107,105
2027	854,728	241,871	1,096,599
2028	809,874	216,151	1,026,025
2029	543,229	193,699	736,928
2030	388,210	179,819	568,029
Subsequent	<u>5,209,529</u>	<u>1,475,539</u>	<u>6,685,068</u>
	<u>\$ 8,645,692</u>	<u>\$ 2,574,062</u>	<u>\$ 11,219,754</u>

Debenture debt in the amount of \$8,645,692 payable to the Province of Alberta bears interest at rates ranging from 1.42% to 5.43% (2024 - 1.42% to 5.43%) per annum, before provincial subsidy, and mature in various amounts between 2026 through 2048 (2024 - 2026 through 2048)

Debenture payments occur annually, semi-annually and the interest paid during the year amounted to \$290,348 (2024 - \$315,410). The Town's total cash payments for interest is \$291,390 (2024 - \$315,054).

TOWN OF VERMILION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2025

12. DEBT LIMITS

Section 276 (2) of the *Municipal Government Act* requires that debt and debt limits are defined by the Alberta Regulation 255/200 for the Town of Vermilion be disclosed as follows:

	<u>2025</u>	<u>2024</u>
Total Debt Limit		
(1.5 times revenue, as defined in the regulation)	\$ 22,793,946	\$ 22,107,632
Total Debt	<u>(8,645,692)</u>	<u>(9,615,614)</u>
Amount of Debt Limit Unused	\$ 14,148,254	\$ 12,492,018
Debt Servicing Limit		
(0.25 times revenue, as defined in the regulation)	\$ 3,798,991	\$ 3,684,605
Debt Servicing	<u>(1,107,105)</u>	<u>(1,170,429)</u>
Amount of Debt Servicing Limit Unused	\$ 2,691,886	\$ 2,514,176

The debt limit is calculated at 1.5 times the revenue of the Town (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 threshold are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial stability of the Town. Rather, the financial statements must be interpreted as a whole.

13. ASSET RETIREMENT OBLIGATIONS

	<u>2025</u>	<u>2024</u>
Balance, Beginning of Year	\$ 243,970	\$ 232,220
Accretion expense	<u>12,345</u>	<u>11,750</u>
Balance, End of Year	\$ 256,315	\$ 243,970

The Town has asset retirement obligations to remove and remediate various buildings. Regulations and legal obligations require the Town to dispose of hazardous materials (such as asbestos), and remove structures and remediate the area in prescribed manner under legislation and/or contractual obligation. Timing of the disposal or removal is conditional; however, regulations and contractual obligations create and existing obligation when the asset retirement activities occur.

Asset retirement obligations of \$256,315 (2024 - \$243,970) are measured using a present value technique. The present value calculated using an estimated total undiscounted cash flow of \$387,000 (2024 - \$387,000), a discount rate of 5.06% (2024 - 5.06%), with retirement and reclamation activities expected to be settled between 2030 to 2057.

TOWN OF VERMILION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2025

14. FRANCHISE AND CONCESSION CONTRACTS

Disclosure of utility franchise agreement annual revenues are required by Alberta Regulation 313/2020 is as follows:

	<u>2025</u>	<u>2024</u>
ATCO Electric	\$ 438,998	\$ 439,011
ATCO Gas	<u>351,555</u>	<u>378,914</u>
	<u>\$ 790,553</u>	<u>\$ 817,925</u>

15. 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 claims losses in excess of the funds held by the exchange. Any liability would be accounted for as a current transaction in the year the losses are determined.

The Town has a contingent liability to the Vermilion Credit Union Ltd. as a guarantor for a loan to the Vermilion and District Housing Foundation. The loan is secured by the Town and the County of Vermilion River. The loan is in good standing with an outstanding balance as at December 31, 2025, of \$175,850 (2024 - \$207,074).

From time to time, the Town may become involved in various legal disputes. It is not possible to estimate the outcome of these disputes; however, management believes that there will be no significant adverse effects on the financial position of the Town related to ongoing matters.

16. CONTRACTUAL OBLIGATIONS

The Town has committed to pay fifty percent of the operating deficit incurred by Lakeland College for operations of the swimming pool. The agreement is in place for a period of twenty years ending in 2027. The 2025 agreement cost the Town \$120,000 (2024 - \$120,000).

The Town has an agreement for recycling and organic materials pickup and disposal. Rates for residential recycling pickup and disposal services range from \$2.10 to \$4.00 per household per month (2024 - \$2.10 to \$4.00). For commercial users prices range from \$7.00 to \$138.56 per cart/bin per month (2024 - \$7.00 to \$138.56). Rates for residential organic materials pickup and disposal range from \$2.90 to \$4.65 per household per month (2024 - \$2.90 to \$4.65). Commercial organic services range from \$7.00 to \$138.56 per cart/bin per month (2024 - \$7.00 to \$138.56). In 2025 this contract cost the Town \$176,500 (2024 - 286,468)

The Town has an agreement with Alberta Central East Water Corporation to supply water services to the Town. In 2025 this agreement cost the Town \$2,177,949 (2024 - \$1,973,281).

TOWN OF VERMILION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2025

17. BUDGET

The budget figures in these consolidated financial statements are based on the budget approved by the Town's Council on December 17, 2024, The Town compiles a budget on a modified accrual basis. The reconciliation below adjusts excess revenue over expenses to align with the budget process. It should not be used as a replacement for the consolidated statement of operations and accumulated surplus. Users should note that this information may not be appropriate for their purposes.

	2025 (Budget)	2025 (Actual)	2024 (Restated) (Note 25)
Annual Surplus	\$ 2,328,339	\$ 798,390	\$ 1,135,393
Amortization of tangible capital assets	-	2,817,698	2,965,244
Principal debt repayments	(910,005)	(969,922)	(888,821)
Acquisition of tangible capital assets	-	(1,003,465)	(2,275,445)
Net transfers to reserves	<u>(1,418,334)</u>	<u>1,148,814</u>	<u>-</u>
Operating Surplus	\$ -	\$ 2,791,515	\$ 936,371

18. EQUITY IN TANGIBLE CAPITAL ASSETS

		2025	2024 (Restated) (Note 25)
Net Book Value of Tangible Capital Asset (Schedule 7)		\$ 67,137,658	\$ 68,951,891
Long-Term Debt related to Tangible Capital Assets (Note 11)		(7,451,390)	(8,216,188)
Asset Retirement Obligations (Note 13)		<u>(256,315)</u>	<u>(243,970)</u>
		\$ 59,429,953	\$ 60,491,733

19. ACCUMULATED SURPLUS

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

	2025	2024 (Restated) (Note 25)
Capital Reserves		
Utilities	\$ 2,739,952	\$ 2,100,014
Recreation and parks	1,617,164	1,536,473
Protective services	825,550	525,550
Transportation	756,329	606,867
General government	597,508	547,951
Planning and development	151,891	120,582
Public health and welfare	<u>67,246</u>	<u>33,371</u>
	\$ 6,755,640	\$ 5,470,808

(Continues)

TOWN OF VERMILION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2025

19. ACCUMULATED SURPLUS (CONTINUED)

Operating Reserves

Local improvements	156,127	233,167
Weather resilience	150,000	150,000
Cemetery	143,685	143,685
Health and wellness fund	28,823	17,720
Common service	12,090	12,090
Fire	8,761	6,761
Economic development and subdivisions (deficit)	<u>(2,753,072)</u>	<u>(2,680,991)</u>

	<u>(2,253,586)</u>	<u>(2,117,568)</u>
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Unrestricted Funds

	<u>8,261,322</u>	<u>7,549,966</u>
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Total Restricted and Unrestricted

	12,763,376	10,903,206
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Equity in Tangible Capital Assets

	<u>59,429,953</u>	<u>60,491,733</u>
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Accumulated Surplus

	<u><u>72,193,329</u></u>	<u><u>71,394,939</u></u>
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20. 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. LAPP serves 316,938 people and 453 employers. 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 which they become due.

The Town is required to make current service contributions to the plan of 8.45% (2024 - 8.45%) of pension earnings up to the year's maximum pension earnings under the Canada Pension Plan and NIL% (2024 - 11.65%) for the excess. Employees of the Town are required to make current service contributions of 7.45% (2024 - 7.45%) of pension salary up to the year's maximum pension salary and 10.65% (2024 - 10.65%) for the excess.

Total current service contributions by the Town to the Local Authorities Pension Plan in 2025 were \$247,491 (2024 - \$213,490). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2025 were \$220,198 (2024 - \$189,868)

As at December 31, 2024, LAPP Disclosed an actuarial surplus of \$19.56 billion (2023 - \$15.06 billion)

TOWN OF VERMILION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2025

21. SALARY AND BENEFITS DISCLOSURE

Disclosures of salaries and benefits for elected municipal official, the chief administrative officer and other designated officers are required by Alberta Regulation 313/200 as follows:

	<u>Salary</u> ⁽¹⁾	<u>Benefits</u> ⁽²⁾	<u>2025</u> <u>Total</u>	<u>2024</u> <u>Total</u>
Mayor Snow	\$ 28,050	\$ 1,458	\$ 29,508	\$ 28,529
Councillor Rayment ⁽⁴⁾	25,550	1,416	26,966	24,703
Councillor K. Martin	20,100	988	21,088	24,003
Councillor Conlon	16,475	789	17,264	19,003
Councillor Whitlock ⁽⁴⁾	15,900	773	16,673	24,497
Councillor Pulyk ⁽⁴⁾	15,625	-	15,625	21,910
Councillor MacDuff	4,550	-	4,550	-
Councillor Snelgrove	4,550	236	4,786	-
Councillor Clark	4,450	230	4,680	-
Councillor S. Martin	4,400	227	4,627	-
Mayor Thronson	-	-	-	17,163
	<u>139,650</u>	<u>6,117</u>	<u>145,767</u>	159,808
Chief Administrative Officer	108,426	17,529	125,955	184,690
Designated Officer ⁽³⁾	<u>48,832</u>	<u>-</u>	<u>48,832</u>	<u>48,835</u>
	<u>\$ 296,908</u>	<u>\$ 23,646</u>	<u>\$ 320,554</u>	<u>\$ 393,333</u>

- (1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (2) The employer's share of all employee benefits an 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) Designated officer include the Town's third party assessor.
- (4) Former elected members of Town Council who received salaries and benefits in the year.

22. FINANCIAL RISK MANAGEMENT

The Town's financial instruments consist of cash and temporary investments, investments, taxes and grants in place of taxes receivable, trade and other receivables, land held for resale, accounts payable and accrued liabilities, deposit liabilities, bank loan, and long-term debt.

Credit Risk

Credit risk is the risk of loss arising from the failure of a counterparty to fulfill its contractual obligations. The Town is exposed to credit risk through its cash and cash equivalents, investments, interest receivable, taxes receivable, and trade and other receivables.

Cash and cash equivalents and investments are held with highly rated financial institutions with strong credit standings. The Town considers its exposure to credit risk on cash and investments to be low.

TOWN OF VERMILION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2025

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

The two most significant revenue sources for the Town are property taxes, sales and user charges, and government transfers. The Town has a significant number of taxpayers and users, which minimizes concentration of credit risk. No one taxpayer or user makes up a significant portion of such revenue. The majority of government transfers are received from provincial and federal government agencies. Due to the nature of these payers, the Town is not exposed to significant credit risk on such transactions.

23. SEGMENTED DISCLOSURE

Segmented information has been identified based upon lines of services provided by the Town. Municipal services are provided by departments and their activities are reported by function area in the body of the consolidated financial statements. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide are as follows:

a) General Government

General government is comprised of Town Council and administration. This segment makes decisions regarding the service delivery and services levels on behalf of the Town in order to balance the needs and wants of the Town residents in a financially responsible manner.

b) Protective Services

Protective services is comprised of policing, fire rescue services, disaster services, and bylaw services. This segment is responsible for providing emergency services and ensuring safety within the Town. Policing and bylaw services provide bylaw and enhanced policing enforcement that ranges from community standards, to traffic safety, to animal control, as well as provincial statute enforcement with authorities granted by the Solicitor General of Alberta. Fire services is responsible to provide fire suppression services, fire prevention programs, training and education related to fire prevention, and detection or extinguishing of fires. The mandate of disaster services is to help maintain safe communities and public safety in disaster situations.

c) Transportation Services

Transportation services is comprised of public works operations, airport and storm sewer services. Public works operations is responsible for providing maintenance and development of Town roadways, infrastructure, and maintenance of the Town fleet. The airport is responsible for maintaining the current airport and managing the use of the areas. Storm sewer services is responsible for the collection and outflow of sanitary run-off.

d) Utility Services

Utility services is comprised of water treatment, water supply, sewer collection, waste, and recycling services. This segment is responsible for the general operating and supply of water to residents, the collection of sewer from residents, and the management and collection of physical waste and recycling from residents.

(Continues)

TOWN OF VERMILION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2025

23. SEGMENTED DISCLOSURE (CONTINUED)

e) Public Health and Welfare

Public health and welfare is comprised of Family and Community Support Services (FCSS), daycares, playschools, seniors, special transportation, and cemetery services. This segment is responsible for providing support to the community with a strong emphasis on providing support to the vulnerable persons within the community.

f) Recreation and Parks

Recreation and culture is responsible for providing leisure services to residents to promote the well-being of residents. This is accomplished through the maintenance and management of the arenas, the leisure facility, the golf and winter club, the parks and sports fields, the marina, and funding the library and museum. In addition, the Town will manage concerts and events to promote and engage the community.

g) Development Services

Development services is comprised of municipal planning, and economic development services. Planning and development work with developers in planning the growth of the of the Town in a sustainable manner. Economic development works with businesses in the Town to encourage investment and attraction as well as economic sustainability.

24. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements have been approved by Council and Management on April 22, 2026

25. RESTATEMENT

- a) The Town had previously recognized revenue pertaining to offsite levies ("Developer Levies") collected. Section 648 of the Municipal Government Act ("MGA") outlines that offsite levies, and any interest earned, may only be used for specific projects in relation to the collection of the revenues from developers. Interest earned from any offsite balances must be deferred and will be deferred for future use. Unspent offsite levies collected represent a liability and not a restriction within accumulated surplus. To better account for the offsite balances, the offsite levies collected and unused are being recorded as deferred revenue rather than being included as restricted surplus in the accumulated surplus balance.
- b) The Town identified two lots previously included in land held for resale that were improperly disposed of in prior years as no sale of these properties had occurred. To better reflect the Town's financial position, land held for resale and opening accumulated surplus have been restated to reflect this change.
- c) Effective January 1, 2025, the Town adopted Canadian public sector accounting standard 3280, *Asset Retirement Obligations*, and applied the standard using the modified retroactive approach with restatement of prior year comparative information.

(Continues)

TOWN OF VERMILION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2025

25. RESTATEMENT (CONTINUED)

- d) Canadian Public Sector Accounting Standard 3210, Assets, defines a present economic resource controlled by a public sector entity as resulting from a past event, from which future economic benefits are expected to be derived. Previously, the Town recorded a transfer to a local government as a prepaid expenditure. Upon review, it was determined that this transaction will not yield future economic benefits for the Town. To more accurately reflect the Town's financial position, the contribution to other organizations has been appropriately expensed in prior years and included in the opening balance of accumulated surplus as at January 1, 2024.
- e) During the current fiscal year, management determined that government transfers for capital purposes had been under claimed in the previous year. In accordance with the requirements of PS 2120, *Accounting Changes*, and PS 3510, *Government Transfers*, of the Canadian Public Sector Accounting Standards, the consolidated financial statements have been restated to recognize the additional capital funding that should have been recorded in the prior year.

The above changes have been applied retroactively and the 2024 comparative figures have been restated as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As Previously Stated	Restatement	As Restated
Financial Assets			
Cash and cash equivalents	\$ 4,780,431	\$ -	\$ 4,780,431
Taxes receivable	228,564	-	228,564
Trade and other receivables	1,304,384	-	1,304,384
Debt charges recoverable	841,781	-	841,781
Investments	3,000,000	-	3,000,000
Land held for resale	4,167,193	175,864	4,343,057
	<u>\$ 14,322,353</u>	<u>\$ 175,864</u>	<u>\$ 14,498,217</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 800,412	\$ 88,735	\$ 889,147
Deposit liabilities	16,700	-	16,700
Deferred revenue	1,319,770	121,028	1,440,798
Employee benefit obligations	292,442	(88,735)	203,707
Long term debt	9,615,614	-	9,615,614
Asset retirement obligations	-	243,970	243,970
	<u>\$ 12,044,938</u>	<u>\$ 364,998</u>	<u>\$ 12,409,936</u>
Net Financial Assets	<u>2,277,415</u>	<u>(189,134)</u>	<u>2,088,281</u>
Non-Financial Assets			
Tangible capital assets	\$ 68,926,201	\$ 25,690	\$ 68,951,891
Inventory for consumption	230,401	-	230,401
Prepaid expenses	683,010	(558,644)	124,366
	<u>\$ 69,839,612</u>	<u>\$ (532,954)</u>	<u>\$ 69,306,658</u>
Accumulated Surplus	<u>\$ 72,117,027</u>	<u>\$ (722,088)</u>	<u>\$ 71,394,939</u>

(Continues)

TOWN OF VERMILION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2025

25. RESTATEMENT (CONTINUED)

CONSOLIDATED STATEMENT OF OPERATIONS AND
ACCUMULATED SURPLUS

	<u>As Previously</u> <u>Stated</u>	<u>Restatement</u>	<u>As Restated</u>
Revenues			
Net municipal property tax	\$ 6,236,500	\$ -	\$ 6,236,500
Sales and user charges	6,040,622	(145,778)	5,894,844
Franchise and concession contracts	817,925	-	817,925
Government transfers for operating	779,773	-	779,773
Rentals	412,804	(27,986)	384,818
Return on investments	343,982	(14,989)	328,993
Other	378,761	(238,702)	140,059
Licenses and permits	91,931	-	91,931
Penalties on taxes and utilities	42,612	15,823	58,435
Fines	5,143	-	5,143
	<u>\$ 15,150,053</u>	<u>\$ (411,632)</u>	<u>\$ 14,738,421</u>
Expenses			
Materials, goods, supplies, utilities	\$ 2,369,029	\$ 1,488,734	\$ 3,857,763
Salaries, wages, and benefits	3,758,481	(556)	3,757,925
Amortization	2,963,887	1,357	2,965,244
Contracted and general services	4,744,960	(2,030,360)	2,714,600
Transfers to individuals organizations, and other governments	618,865	(84,773)	534,092
Other expenses	200,387	231,078	431,465
Interest on long term debt	315,410	-	315,410
Accretion	-	11,750	11,750
Bank charges	10,185	-	10,185
Purchases from other governments	503	(503)	-
	<u>\$ 14,981,707</u>	<u>\$ (383,273)</u>	<u>\$ 14,598,434</u>
Annual Surplus Before Other Revenue	<u>168,346</u>	<u>(28,359)</u>	<u>139,987</u>
Other Revenue			
Government transfers for capital	\$ 614,091	\$ 336,315	\$ 950,406
Gain on sale of tangible capital assets	45,000	-	45,000
	<u>\$ 659,091</u>	<u>\$ 336,315</u>	<u>\$ 995,406</u>
Annual Surplus	<u>827,437</u>	<u>307,956</u>	<u>1,135,393</u>
Accumulated Surplus, Beginning of Year	\$ 71,289,590	\$ (1,030,044)	\$ 70,259,546
Accumulated Surplus, End of Year	<u>\$ 72,117,027</u>	<u>\$ (722,088)</u>	<u>\$ 71,394,939</u>