

TOWN OF VERMILION 2016

ALBERTA

MUNICIPAL FINANCIAL STATEMENT

INSIDE THIS STATEMENT

<i>Auditor's Report</i>	1
<i>Consolidated Statement of Financial Position</i>	2
<i>Consolidated Statement of Operations and Accumulated Surplus</i>	3
<i>Consolidated Statement of Changes in Net Financial Assets</i>	4
<i>Statement of Cash Flows</i>	5
<i>Schedule of Property Taxes</i>	6
<i>Schedule of Government Transfers</i>	7
<i>Schedule of Consolidated Expenditures by Object</i>	8
<i>Schedules 1, 2 & 3</i>	9 to 11
<i>Notes to the Financial Statements</i>	12 to 20



TOWN OF VERMILION
For the Year Ended
December 31, 2016



5021 - 49 Avenue
Vermilion, AB Canada T9X 1X1
www.vermilion.ca

MANAGEMENT REPORT

The accompanying financial statements and other information contained in the Financial Report are the responsibility of the management of the Town of Vermilion.

These financial statements have been prepared by management. Financial statements are not precise since they include certain amounts based on estimates and judgements. 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 Town of Vermilion 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's assets are properly accounted for and adequately safeguarded.

The elected council of the Town of Vermilion is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Council carries out its responsibility principally through the Finance and Administration Committee and Council as a whole.

The Mayor and Town Council meet annually with management and external auditors to discuss internal controls over the financial reporting issues, and to satisfy themselves that each party is properly discharging its responsibilities. The Finance and Administration Committee also considers, for approval by Council, the engagement or re-appointment of the external auditors. The Mayor and Town Council review the quarterly budget reports.

The financial statements have been audited by Donald L. Isaman Professional Corporation, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of Council, residents and ratepayers of the Town. Donald L. Isaman Professional Corporation has full and free access to the Finance and Administration Committee and Council as a whole.



Town Manager
April 3, 2017



DONALD L. ISAMAN
PROFESSIONAL CORPORATION
Chartered Accountant

INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Town of Vermilion, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and accumulated surplus, change in net financial assets, cash flows and supporting schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with all ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Vermilion as at December 31, 2016, the results of its operations and accumulated surplus, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Donald L. Isaman
Professional Corporation

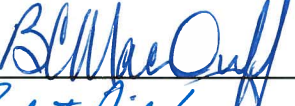

Wainwright, Alberta
April 3, 2017

Chartered Accountant

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016**

	2016	2015
A S S E T S		
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	2,323,762	1,599,577
Taxes and grants in lieu receivable (Note 3)	63,286	76,626
Receivables from other governments	363,787	1,288,764
Trade and other receivables	3,911,824	4,246,338
Inventory held for resale	5,481,551	5,433,564
Debt charges recoverable (Note 4)	351,779	458,027
Investments (Note 5)	1,105,134	757,063
Other long-term assets	6,897	6,831
	<u>13,608,020</u>	<u>13,866,790</u>
LIABILITIES		
Payable To Other Governments	94,192	83,841
Accounts payable and accrued liabilities	603,139	750,457
Deposit liabilities	12,679	12,490
Deferred revenue (Note 6)	96,414	108,152
Employee benefit obligations (Note 7)	246,669	210,563
Long term debt (Note 9)	9,570,291	10,516,820
	<u>10,623,384</u>	<u>11,682,323</u>
Total liabilities	<u>10,623,384</u>	<u>11,682,323</u>
NET FINANCIAL ASSETS	<u>2,984,636</u>	<u>2,184,467</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	57,368,283	56,985,535
Inventory for consumption	140,572	74,088
Prepaid expenses	117,994	90,461
	<u>57,626,849</u>	<u>57,150,084</u>
ACCUMULATED SURPLUS (Note 13)	<u>60,611,485</u>	<u>59,334,551</u>

SIGNED ON BEHALF OF COUNCIL:


 _____ MAYOR

 _____ DEPUTY MAYOR

TOWN OF VERMILION

**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget (Unaudited)	2016	2015
REVENUE			
Net municipal taxes (Page 6)	4,963,448	4,959,023	4,761,409
Local improvements	195,000	142,327	134,777
Franchise and concession contracts	403,000	398,325	390,758
Gain on sale of tangible capital assets	82,500	107,403	2,183
User fees and sales of goods	6,321,902	4,286,182	5,588,840
Government transfers for operating (Page7)	786,798	861,187	961,874
Investment income	36,500	52,219	48,910
Penalties and costs of taxes	29,300	29,274	17,430
Contributed and donated assets		17,547	24,070
Licences and permits	92,500	90,470	115,803
Other	870,613	753,674	732,477
Total Revenue	13,781,561	11,697,631	12,778,531
EXPENSES			
Council and other legislative	208,700	198,367	217,814
General administration	1,260,940	1,221,781	1,115,620
Other general government	241,275	226,820	213,939
Police	33,700	33,845	42,658
Fire	214,830	217,159	230,590
Disaster and emergency measures	141,521	55,897	40,094
Bylaw enforcement	147,218	96,987	114,336
Common Services	123,104	81,629	(35,485)
Roads, streets, walks and lighting	1,240,144	1,152,541	1,141,412
Airport	24,608	17,203	64,205
Storm sewers and drainage	46,495	40,281	54,136
Water supply and distribution	2,780,487	2,008,659	2,103,051
Wastewater treatment and disposal	297,126	314,187	330,612
Waste management	715,358	701,603	665,196
Enviromental use and protection	7,950	(4,928)	4,577
Family and community support	217,620	211,095	148,460
Cemeteries and crematoriums	44,587	40,861	40,837
Public health and welfare	311,965	317,375	234,575
Land use planning, zoning and development	136,977	115,285	133,485
Economic development	294,828	248,205	283,209
Subdivision land & development	2,082,687	337,166	1,053,002
Land, housing and building rentals	5,700	4,413	4,730
Recreation board	223,995	189,212	216,577
Parks and recreation	1,045,401	1,089,960	1,035,015
Community Hall	230,719	229,732	244,812
Culture and library	282,596	298,584	285,708
Other general government		-	-
Amortization	2,183,080	2,438,038	2,177,330
Total Expenses	14,543,611	11,881,957	12,160,495
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	(762,050)	(184,326)	618,036
OTHER			
Government transfers for capital (Page 7)	1,648,910	1,461,260	1,421,005
EXCESS OF REVENUE OVER EXPENSES	886,860	1,276,934	2,039,041
ACCUMULATED SURPLUS, BEGINNING OF YEAR	59,334,551	59,334,551	57,295,510
ACCUMULATED SURPLUS, END OF YEAR	60,221,411	60,611,485	59,334,551



**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget (Unaudited)	2016	2015
EXCESS OF REVENUES OVER EXPENSES	886,860	1,276,934	2,039,041
Acquisition of tangible capital assets	4,314,573	(2,835,030)	(5,176,776)
Tangible capital assets adjustments	-	-	-
Contributed tangible capital assets	-	(17,547)	(24,070)
Proceeds on disposal of tangible capital assets	-	119,362	2,183
Amortization on tangible capital assets	2,183,080	2,438,038	2,177,330
Gain on sale of tangible capital assets	-	(87,571)	10,892
	<u>6,497,653</u>	<u>(382,748)</u>	<u>(3,010,441)</u>
Change in inventory	-	(66,484)	4,645
Change in prepaid assets	-	(27,533)	6,876
	-	<u>(94,017)</u>	<u>11,521</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	7,384,513	800,169	(959,879)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	5,372,948	2,184,467	3,144,346
NET FINANCIAL ASSETS, END OF YEAR	<u>12,757,461</u>	<u>2,984,636</u>	<u>2,184,467</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016	2015
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses (Page 3)	1,276,934	2,039,041
Non-cash items included in excess of revenues over expenses:		
Contributed Assets	(17,547)	(24,070)
Amortization of tangible capital assets	2,438,038	2,177,330
Gain on disposal of tangible capital assets	(87,571)	10,892
Write down of tangible capital assets		
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	13,340	(16,346)
Decrease in receivables from other governments	924,977	(865,788)
(Increase) decrease in trade and other receivables	334,514	2,257,882
(Increase) in land inventory held for resale	(47,987)	(263,448)
Decrease in debt charges recoverable	106,248	101,177
(Increase) decrease in inventory for consumption	(66,484)	4,645
(Increase) decrease in prepaid expenses	(27,533)	6,876
(Increase) Decrease in other long-term assets	(66)	852
(Decrease) increase in accounts payable and accrued liabilities	(136,967)	(166,609)
Increase (decrease) in deposit liabilities	189	(3,350)
Increase in deferred revenue	(11,738)	(23,864)
Increase in employee benefit obligations	36,106	(79,911)
	<u>4,734,453</u>	<u>5,155,309</u>
Cash provided by operating transactions		
CAPITAL		
Acquisition of tangible capital assets	(2,835,030)	(5,176,776)
Sale of tangible capital assets	119,362	2,183
	<u>(2,715,668)</u>	<u>(5,174,593)</u>
Cash applied to capital transactions		
INVESTING		
(Increase) decrease in investments	(348,071)	98,471
(Increase) decrease in restricted cash or cash equivalents	(847)	77,045
	<u>(348,918)</u>	<u>175,516</u>
Cash provided by investing transactions		
FINANCING		
Long term debt issued	93,375	1,990,391
Long term debt repaid	(1,039,904)	(977,571)
	<u>(946,529)</u>	<u>1,012,820</u>
Cash provided by financing transactions		
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	723,338	1,169,052
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,549,071	380,019
CASH AND CASH EQUIVALENTS, END OF YEAR	2,272,409	1,549,071
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	2,323,762	1,599,577
Less: restricted portion of cash and temporary investments (Note 2)	51,353	50,506
	<u>2,272,409</u>	<u>1,549,071</u>

**SCHEDULE OF PROPERTY TAXES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget (Unaudited)	2016	2015
TAXATION			
Property taxes			
- residential land and improvements	4,112,165	4,119,363	4,080,124
- non-residential land and improvements	2,005,728	2,004,103	1,695,049
- machinery and equipment	15,740	15,740	18,444
- linear property	273,825	273,826	277,704
- railway	1,273	1,273	2,374
- farmland	8,308	8,308	9,237
Government grants in place of property taxes			0
- federal	7,670	7,679	7,670
- provincial	51,626	51,626	67,483
	<u>6,476,335</u>	<u>6,481,918</u>	<u>6,158,085</u>
REQUISITIONS			
Alberta School Foundation Fund	1,302,480	1,309,194	1,194,728
East Central AB Catholic Separate Schools Regional Division No. 16	220,415	213,701	201,948
	<u>1,522,895</u>	<u>1,522,895</u>	<u>1,396,676</u>
NET MUNICIPAL TAXES	<u>4,953,440</u>	<u>4,959,023</u>	<u>4,761,409</u>

**SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget (Unaudited)	2016	2015
TRANSFERS FOR OPERATING:			
Federal Government	3,000	11,736	26,607
Provincial Government	205,829	211,150	291,866
Other Local Governments and Agencies	577,969	638,301	643,401
	<u>786,798</u>	<u>861,187</u>	<u>961,874</u>
TRANSFERS FOR CAPITAL:			
Federal Government	245,035	245,035	251,512
Provincial Government	1,391,225	1,066,225	1,114,396
Other Local Governments and Agencies	12,650	150,000	55,097
	<u>1,648,910</u>	<u>1,461,260</u>	<u>1,421,005</u>
TOTAL GOVERNMENT TRANSFERS	<u>2,435,708</u>	<u>2,322,447</u>	<u>2,382,879</u>

**SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget (Unaudited)	2016	2015
Salaries, wages and benefits	3,798,521	3,608,574	3,467,462
Contracted and general services	4,282,662	3,504,757	5,996,179
Purchases from other governments	1,400	626	1,673
Materials, goods, supplies and utilities	2,806,788	888,129	(743,496)
Transfers to other governments	375,100	358,468	353,348
Transfers to Local Boards and Agencies		-	-
Transfers to individuals and organizations	299,530	295,959	213,200
Bank charges and short term interest	2,425	876	1,149
Interest on long term debt	291,503	318,857	334,793
Other expenditures	452,736	447,841	345,782
Amortization of tangible capital assets	2,183,080	2,438,038	2,177,330
Net loss on sale of tangible capital assets		19,832	13,075
Write down of tangible capital assets		-	-
	14,493,745	11,881,957	12,160,495

Town of Vermilion
Schedule of Accumulated Surplus
For the Year Ended December 31, 2016
Schedule 1

	2016	2015
	\$	\$
BALANCE, BEGINNING OF YEAR	59,334,551	57,295,510
Excess (deficiency) of revenues over expenses	1,276,934	2,039,041
Unrestricted funds designated for future use	(3,340,865)	-
Restricted funds used for operations	803,567	-
Restricted funds used for tangible capital assets	(418,062)	-
Current year funds used for tangible capital assets	(17,547)	-
Donated and Contributed TCA	31,791	-
Disposal of tangible capital assets	2,438,038	-
Annual amortization expense	(678,890)	-
Long term debt repaid	-	-
Other adjustments	-	-
Change in accumulated surplus	94,966	2,039,041
BALANCE, END OF YEAR	2,123,134	59,334,551
	7,330,673	51,157,678
	213,705	968,263
	50,189,415	50,189,415
	1,276,934	2,039,041
	-	-
	-	-
	-	-
	2,323,593	-
	418,062	-
	17,547	-
	(31,791)	-
	(2,438,038)	-
	678,890	-
	-	-
	-	-
	1,276,934	2,039,041
	60,611,485	59,334,551



Town of Vermilion
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2016
Schedule 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2016	2015
							\$	\$
COST:								
BALANCE, BEGINNING OF YEAR	2,280,116	4,484,712	11,978,634	68,374,735	4,867,415	2,321,456	94,307,068	89,325,886
Prior Period Adjustment							-	
Acquisition of tangible capital assets		87,683	210,567	1,127,272	557,108	356,894	2,339,524	5,145,043
Construction-in-progress	-	287,510	214,076	-	11,467	-	513,053	55,803
Disposal of tangible capital assets	-	(24,355)	-	(213,268)	(313,573)	(205,455)	(756,651)	(219,664)
Write down of tangible capital assets		-	-	-	-	-	-	-
BALANCE, END OF YEAR	2,280,116	4,835,550	12,403,277	69,288,739	5,122,417	2,472,895	96,402,994	94,307,068
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	1,364,150	2,397,722	29,840,394	2,449,898	1,269,369	37,321,533	35,350,792
Prior Period Adjustment								
Annual amortization	-	264,901	246,296	1,408,462	345,162	173,217	2,438,038	2,177,330
Accumulated amortization on disposals	-	(24,355)	-	(207,272)	(295,833)	(197,400)	(724,860)	(206,589)
Accumulated amortization on write-downs	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	-	1,604,696	2,644,018	31,041,584	2,499,227	1,245,186	39,034,711	37,321,533
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,280,116	3,230,854	9,759,259	38,247,155	2,623,190	1,227,709	57,368,283	56,985,535
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,280,116	3,120,562	9,580,912	38,534,341	2,417,517	1,052,087	56,985,535	

Town of Vermilion
Schedule of Segmented Disclosure
For the Year Ended December 31, 2016
Schedule 3

	General	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total
	Government	Services	Services	Development	& Culture	Services		\$
REVENUE								
Net municipal taxes	4,959,023							4,959,023
Government transfers	1,242,305	146,448	276,156	13,140	438,209	1,500	211,689	2,329,447
User fees and sales of goods	11,919	38,490	9,079	241,966	313,144	3,445,197	226,386	4,286,181
Investment income	49,074		1,078		1,290		777	52,219
Contributed assets					17,547			17,547
Other revenues	756,593	222,372	14,413	236,276	142,083	58,943	83,794	1,514,474
	7,018,914	407,310	300,726	491,382	912,273	3,505,640	522,646	13,158,891
EXPENSES								
Contract & general services	462,683	74,409	187,037	706,178	284,608	1,595,754	194,088	3,504,757
Salaries & wages	876,041	196,036	718,813	197,984	837,622	535,201	246,877	3,608,574
Goods & supplies	56,629	72,082	420,100	(354,194)	435,379	216,761	41,372	888,129
Transfers to other governments						88,129		88,129
Long-term debt interest	19,836	33,158	31,000	122,131	37,568	60,434	14,730	318,857
Other expenses	231,779	28,203	(65,296)	32,970	212,311	523,242	72,264	1,035,473
	1,646,968	403,888	1,291,654	705,069	1,807,488	3,019,521	569,331	9,443,919
NET REVENUE, BEFORE AMORTIZATION								
	5,371,946	3,422	(990,928)	(213,687)	(895,215)	486,119	(46,685)	3,714,972
Amortization expense	82,877	130,894	1,186,175	59,576	435,342	523,512	19,662	2,438,038
NET REVENUE	5,289,069	(127,472)	(2,177,103)	(273,263)	(1,330,557)	(37,393)	(66,347)	1,276,934

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Vermilion are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of these accounting policies are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenue 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 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 is the following:

Vermilion Public Library
Family Counseling and Social Services

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

Basis of Accounting

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

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 are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the municipality has met any eligibility criteria, and reasonable estimates of the amounts can be made.

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Fund Accounting

Management funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account.

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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES - continued

Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

Financial Instruments

The Municipality initially measures all of its financial assets and liabilities at fair value. The Municipality subsequently measures all of its financial assets and liabilities at amortized cost. Financial assets measured at amortized cost include accounts receivables. Financial Liabilities measured at amortized cost include bank loans, accounts payable and accrued liabilities. Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the excess of revenue over expenses. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of reversal is recognized in the excess of revenue over expenses.

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 revenue over expenses, provides the consolidated Change in Net Financial Assets for the year.

Tangible Capital Assets

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

Land Improvements	5-25
Buildings	25-50
Engineered structures	5-75
Machinery and equipment	5-40
Vehicles	7-25

No amortization is charged in the year of acquisition and the full year of amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Contribution 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.

Inventories

Inventories of materials and supplies for consumption are valued at the lower of cost and net realizable value.

Land inventory held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related



TOWN OF VERMILION

Page 14

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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.

Investments

Investments are recorded at cost. 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.

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.

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 borrowings. These levies are collectable from property owners for work performed by the municipality. Where a taxpayer has elected to prepay 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 an amount equal to the debt repayment.

Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities included the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2016</u>	<u>2015</u>
Cash	1,668,383	1,496,605
Temporary investments	<u>655,379</u>	<u>102,972</u>
	<u>2,323,762</u>	<u>1,599,577</u>

Temporary investments consist of term deposits with maturities of twelve months or less. Included in the above balances are \$51,353 (2015 - \$50,506) of funds that are restricted in use.

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2016</u>	<u>2015</u>
Current taxes and grants in lieu	52,647	55,780
Tax arrears and grants in lieu	<u>15,639</u>	<u>25,846</u>
	68,286	81,626
Less: allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
	<u>63,286</u>	<u>76,626</u>

During the current and prior year no impairments were recorded.



TOWN OF VERMILION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

4. DEBT CHARGES RECOVERABLE

	<u>2016</u>	<u>2015</u>
Current debt charges recoverable	157,354	106,248
Non-current debt charges recoverable	<u>194,425</u>	<u>351,779</u>
	<u>351,779</u>	<u>458,027</u>

The Town of Vermilion has undertaken a joint development project with the Vermilion and District Housing Foundation. The Town assumed long-term financing totaling \$1,340,000 in 2004; however, a total of the \$1,340,000 plus interest at rate of 4.951% per annum will be recovered from the Vermilion and District Housing Foundation with respect to this financing. Amounts are recoverable in blended semi-annual installments of \$63,813.08 including interest, and matures in 2019.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	111,574	16,052	127,626
2018	117,166	10,460	127,626
2019	<u>123,039</u>	<u>4,587</u>	<u>127,626</u>
	<u>351,779</u>	<u>31,099</u>	<u>382,878</u>

5. INVESTMENTS

Investments consist of term deposits bearing interest at rates ranging from 1.4% to 5.35% per annum, with maturity dates between 2017 and 2021.

6. DEFERRED REVENUE

	<u>2016</u>	<u>2015</u>
Land Leases	7,333	3,658
Advertising leases	2,800	2,800
Airport Leases	466	879
Library Grant		15,000
Prepaid Land Development	<u>85,815</u>	<u>85,815</u>
	<u>96,414</u>	<u>108,152</u>

7. EMPLOYEE BENEFIT OBLIGATIONS

The Town of Vermilion employee benefit obligations liability is comprised of vacation, sickness and overtime that employees are deferring to the future year.

	<u>2016</u>	<u>2015</u>
Accrued employee vacation	226,568	195,317
Accrued overtime	<u>20,101</u>	<u>15,246</u>
	<u>246,669</u>	<u>210,563</u>

8. LANDFILL CLOSURE

During the year 2003, the Town of Vermilion closed its landfill site. Post-closure procedures, including site clean up and cell capping, took place during the year 2004. Landscaping and reclamation took place in 2005, at cost of \$5,421. Engineered monitoring of the site takes place annually with the 2016 cost of \$11,361.24.



TOWN OF VERMILION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

9. LONG-TERM DEBT

	<u>2016</u>	<u>2015</u>
Tax supported debentures	<u>9,570,291</u>	<u>10,516,820</u>

The current portion of the long-term debt amounts to \$1,065,226 (2015 - \$1,038,248).

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	1,065,226	291,150	1,356,376
2018	1,087,907	255,469	1,343,376
2019	1,113,372	218,954	1,332,326
2020	969,649	183,127	1,152,776
2021	953,434	153,364	1,106,798
2021 and subsequent	<u>4,380,703</u>	<u>491,846</u>	<u>4,872,549</u>
	<u>9,570,291</u>	<u>1,593,910</u>	<u>11,164,201</u>

Debenture debt is repayable to Alberta Capital Finance Authority, bears interest at rates ranging from 1.779% to 4.971% per annum, and matures in periods 2016 through 2030. The average annual interest rate is 3.142% for 2016 (2015 – 3.179%).

Debenture debt is issued on the credit and security of the Town at large.

The Town's total cash payment for interest in 2016 was \$318,857 (2015 - \$334,794).

10. 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 Vermilion be disclosed as follows:

	<u>2016</u>	<u>2015</u>
Total debt limit	17,410,797	19,718,519
Total guaranteed loans (Note 17)	228,481	244,045
Total debt outstanding	<u>9,570,291</u>	<u>10,516,820</u>
Amount of debt limit unused	<u>7,612,025</u>	<u>8,957,654</u>
Debt servicing limit	2,901,800	3,286,420
Debt servicing	<u>1,343,376</u>	<u>1,362,260</u>
Amount of debt servicing limit unused	<u>1,558,424</u>	<u>1,924,160</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities 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.



TOWN OF VERMILION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

11. TANGIBLE CAPITAL ASSETS

Net Book Value	<u>2016</u>	<u>2015</u>
Land	2,280,116	2,280,116
Land Improvements	2,943,344	3,120,562
Land Improvements-construction in progress	287,510	
Buildings	9,541,933	9,577,662
Buildings-construction in progress	217,326	3,250
Engineering Structures		
Roadway system	17,286,348	17,369,324
Roadway System-construction in progress	75,614	75,614
Water distribution system	13,410,273	13,555,202
Water distribution system-construction in progress	14,487	14,487
Wastewater treatment system	4,428,287	4,528,125
Wastewater treatment system-construction in progress	4,087	4,087
Storm System	3,028,059	2,987,502
Storm System-construction in progress		
Machinery, equipment and furnishings	2,575,896	2,030,000
Machinery, equipment and furnishings-construction in progress	47,294	387,517
Vehicles	<u>1,227,709</u>	<u>1,052,087</u>
	<u>57,368,283</u>	<u>56,985,535</u>

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2016</u>	<u>2015</u>
Tangible capital assets (Schedule 2)	96,402,994	94,307,068
Accumulated amortization (Schedule 2)	(39,034,711)	(37,321,533)
Long-term debt	<u>(6,210,605)</u>	<u>(6,796,120)</u>
	<u>51,157,678</u>	<u>50,189,415</u>

13. ACCUMULATED SURPLUS

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

	<u>2016</u>	<u>2015</u>
Unrestricted surplus	2,123,134	2,028,168
Restricted	7,330,673	7,116,968
Equity in tangible capital assets	<u>51,157,678</u>	<u>50,189,415</u>
	<u>60,611,485</u>	<u>59,334,551</u>

14. SEGMENTED DISCLOSURE

The Town of Vermilion provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1. Refer to the Schedule of Segmented Disclosure (Schedule 3).



TOWN OF VERMILION

Page 18

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

15. SALARIES AND BENEFITS DISCLOSURE

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

	2016			2015
	Salary/ Fee	Benefits and Allowances	Total	Total
Mayor				
Bruce MacDuff	34,250		34,250	30,150
Councillors				
Greg Barr	18,200		18,200	16,650
Harp Khela	16,800		16,800	16,550
Clinton McCullough	19,600		19,600	21,800
Caroline McAuley	23,700		23,700	24,000
Robert Pulyk	22,550		22,550	21,050
Richard Yaceyko	18,150		18,150	17,850
Town Manager				
Dion Pollard	140,759	25,685	166,444	157,282
Director Fin & Admin				
Denise MacDonald	113,828	21,205	135,033	132,679
Director Transportation				
David Brozuk				32,545
Derek Young	97,300	18,457	115,757	70,002
Director Community Services				
Shawn Bell	78,560	13,317	91,877	124,582

- (a) Salary/fee includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (b) 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.
- (c) Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.
- (d) An automobile is provided to the Director of Engineering and Public Works for Town business use only and no amount is included in the benefits and allowances figure.

16. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Vermilion participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 350,338 people and 505 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The Town of Vermilion is required to make current service contributions to the LAPP of 11.39% (2015– 11.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% (2015 – 15.84%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 10.39% (2015 – 10.39%) of pensionable salary up to the year's maximum pensionable salary and 14.84% (2015 – 14.84%) on pensionable salary above this amount.

TOWN OF VERMILION

Page 19

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Total current service contributions by the Town of Vermilion to the LAPP in 2016 were \$283,697 (2015 - \$292,720). Total current service contributions by the employees of the Town of Vermilion to the LAPP in 2016 were \$260,849 (2015 - \$269,126).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$803,299.

17. CONTINGENCIES

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

The Town of Vermilion has a contingent liability to the Vermilion Credit Union Ltd. as a guarantor for a loan to the Vermilion & District Housing Foundation. The loan is secured by the Town of Vermilion and The County of Vermilion River and the outstanding balance as of December 31, 2016 is \$456,866. The loan is in good standing as at December 31, 2016.

The Town of Vermilion has been named as a defendant in a legal hearing to recover funds for unfair compensation and loss of revenue for development on land that was expropriated by the Town. The legal hearing is still pending and as litigation is subject to many uncertainties, it is not possible to predict the outcome of the legal hearings or estimate the loss, if any, which may result.

18. COMMITMENTS

The Town of Vermilion is committed to pay fifty percent of the annual deficit incurred in operating the swimming pool or such other amount that the Town may authorize by resolution of Town of Vermilion for a period of twenty years, expiring in 2027. The current allocation is \$110,000 (2015 - \$96,250).

The municipality is a partner in the Alberta Central East Water Corporation (ACE) regional Water system project to design and construct a water transfer and pump station, 3 fill stations, a truck fill station and 81 kilometers of pipeline. The Provincial government is committed to fund approximately 90% of the estimated project costs as part of the Alberta Water for Life program. The remaining 10% of costs will be distributed between the municipal partners. The Municipal costs to date have been as follows:

Stage 1	\$2,162,380
Stage 2	\$5,496,661
Stage 3	\$1,433,223
Stage 4	\$ 250

The Town of Vermilion has 25% of the voting shares and is responsible for 35.88% of all costs estimated to total \$16,646,779. As the Regional Water System is not a Town owned asset, none of the related liabilities, funding or expenditures are reflected in the Town's Financial Statement except for the town's portion and consumption costs.

19. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, accounts receivable, investments, debt charges recoverable, 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 risks arising from these financial instruments.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

The Town is subject to credit risk with respect to taxes and grants in lieu 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.

The Town is subject to Liquidity risk with respect to obligations associated with financial liabilities. The Town is exposed to this risk mainly in respect of its long-term debt and accounts payable.

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

20. COMPARATIVE FIGURES

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

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

