

TOWN OF VERMILION

ALBERTA



2020

MUNICIPAL FINANCIAL STATEMENTS

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TOWN OF VERMILION

For the Year Ended

December 31, 2020

Drafted by the Finance Department of the Town of Vermilion

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Vermilion is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Town's financial position as at December 31, 2020 and the results of its operations for the year then ended.

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

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

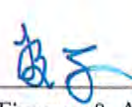
The Town Council carries out its responsibilities for review of the consolidated financial statements principally through its Finance and Administration Committee. This committee meets annually with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Audit Committee with and without the presence of management. The Town Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by Donald L. Isaman Professional Corporation, independent external auditors appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.



Chief Administrative Officer
April 20, 2021



Director of Finance & Administration
April 20, 2021

INDEPENDENT AUDITOR'S REPORT



To the Members of Council:

Opinion

I have audited the consolidated financial statements of the Town of Vermilion (the Entity), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and accumulated surplus, change in net financial assets, cash flows and supporting schedules for the year then ended, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town of Vermilion as at December 31, 2020, the results of its operations, change in its net financial assets, cash flows and supporting schedules for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of management and Those Charged with Governance 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.

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

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

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

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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 Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion of the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Report of Other Legal and Regulatory Requirements

- Debt Limit Regulations:
In accordance with Alberta Regulation 255/2000, I confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in note 10.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, I confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 1.

Donald L. Zsaman
Professional Corporation

Wainwright, Alberta
April 20, 2021

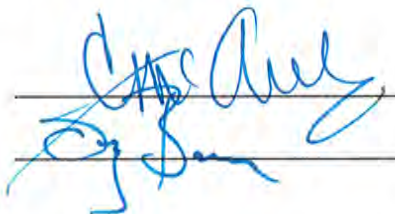
Chartered Professional Accountant



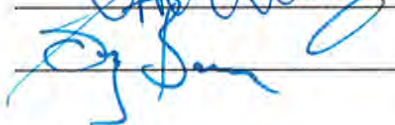
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	4,889,953	8,102,941
Taxes and grants in lieu receivable (Note 3)	270,128	141,668
Receivables from other governments	1,214,006	3,069,365
Trade and other receivables	1,269,453	2,175,826
Inventory held for resale	5,182,316	5,475,046
Debt charges recoverable (Note 4)	1,055,325	1,105,446
Investments (Note 5)	-	50,000
Other long-term assets	-	400
	<hr/>	<hr/>
Total financial assets	13,881,181	20,120,692
LIABILITIES		
Payable to other governments	176,739	298,588
Accounts payable and accrued liabilities	2,089,824	2,600,041
Deposit liabilities	11,935	10,565
Deferred revenue (Note 6)	1,160,087	1,723,766
Employee benefit obligations (Note 7)	268,783	240,520
Long term debt (Note 9)	11,500,721	12,524,821
	<hr/>	<hr/>
Total liabilities	15,208,089	17,398,301
	<hr/>	<hr/>
NET FINANCIAL (DEBT) ASSETS	(1,326,908)	2,722,391
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	71,101,797	60,896,666
Inventory for consumption	110,645	174,428
Prepaid expenses	1,287,196	1,494,977
	<hr/>	<hr/>
	72,499,638	62,566,071
	<hr/>	<hr/>
ACCUMULATED SURPLUS (Note 13)	71,172,730	65,288,462
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SIGNED ON BEHALF OF COUNCIL:



MAYOR



DEPUTY MAYOR

**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budget (Unaudited)	2020	2019
REVENUE			
Net municipal taxes (See Schedule of Property Taxes)	5,113,318	5,133,359	5,195,270
Local improvements	71,674	160,554	162,447
Franchise and concession contracts	555,000	520,486	532,097
Gain on sale of tangible capital assets	1,100	35,352	36,703
User fees and sales of goods	4,926,231	4,703,520	4,853,592
Government transfers for operating (See Sched of Government Transfers)	1,122,419	878,341	1,054,568
Investment income	69,200	103,831	152,219
Penalties and costs of taxes	36,400	17,753	40,545
Contributed and donated assets	-	9,518	7,679
Licences and permits	78,200	71,008	87,155
Other	95,397	176,681	351,460
Total Revenue	<u>12,068,939</u>	<u>11,810,404</u>	<u>12,473,735</u>
EXPENSES			
Council and other legislative	251,102	167,260	221,851
General administration	1,199,728	1,155,366	1,261,265
Other general government	175,000	200,222	280,401
Police	106,500	37,327	37,615
Fire	297,292	239,222	253,445
Disaster and emergency measures	53,826	81,702	901,579
Bylaw enforcement	144,527	137,598	140,273
Common Services	207,154	62,468	152,147
Roads, streets, walks and lighting	1,455,737	1,415,373	1,401,836
Airport	87,800	48,024	48,520
Storm sewers and drainage	43,187	49,700	19,328
Water supply and distribution	2,205,534	2,120,702	2,206,525
Wastewater treatment and disposal	566,282	625,562	382,401
Waste management	631,931	569,563	601,358
Environmental use and protection	6,900	735	3,169
Family and community support	195,694	192,644	200,875
Cemeteries and crematoriums	41,356	35,582	36,340
Public health and welfare	346,965	314,729	287,363
Land use planning, zoning and development	127,272	105,931	122,847
Economic development	368,485	284,744	389,857
Subdivision land & development	122,631	430,786	152,659
Land, housing and building rentals	-	-	-
Recreation board	247,445	154,101	290,637
Parks and recreation	1,387,567	998,992	1,384,539
Community Hall	208,662	153,657	214,879
Culture and library	354,175	304,877	334,801
Amortization	2,588,740	2,588,741	2,600,326
Total Expenses	<u>13,421,492</u>	<u>12,475,609</u>	<u>13,926,834</u>
DEFICIENCY OF REVENUE OVER EXPENSES - BEFORE OTHER OTHER	<u>(1,352,553)</u>	<u>(665,205)</u>	<u>(1,453,099)</u>
Government transfers for capital (See Government Transfers Schedule)	7,009,072	6,549,472	3,272,519
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	5,656,519	5,884,268	1,819,420
ACCUMULATED SURPLUS, BEGINNING OF YEAR	65,288,462	65,288,462	63,469,042
ACCUMULATED SURPLUS, END OF YEAR	<u>70,944,981</u>	<u>71,172,730</u>	<u>65,288,462</u>

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (Unaudited)	2020	2019
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	5,656,519	5,884,268	1,819,420
Acquisition of tangible capital assets	(18,028,432)	(12,805,985)	(7,427,761)
Tangible capital assets adjustments	-	-	-
Contributed tangible capital assets	-	(9,518)	(7,679)
Proceeds on disposal of tangible capital assets	-	19,809	574,624
Amortization on tangible capital assets	2,588,740	2,588,741	2,600,326
Gain on sale of tangible capital assets	1,100	1,821	857,840
	<u>(15,438,592)</u>	<u>(10,205,132)</u>	<u>(3,402,650)</u>
Change in inventory	-	63,784	16,950
Change in prepaid assets	-	207,781	213,517
	<u>-</u>	<u>271,565</u>	<u>230,467</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(9,782,073)	(4,049,299)	(1,352,763)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	4,124,835	2,722,391	4,075,154
NET FINANCIAL ASSETS, END OF YEAR	<u>(5,657,238)</u>	<u>(1,326,908)</u>	<u>2,722,391</u>



CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (Deficiency) of revenue over expenses (Page 5)	5,884,268	1,819,420
Non-cash items included in excess of revenues over expenses:		
Contributed Assets	(9,518)	(7,679)
Amortization of tangible capital assets	2,588,741	2,600,326
Gain on disposal of tangible capital assets	1,821	857,840
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(128,460)	417
Decrease (increase) in receivables from other governments	1,855,359	(2,286,351)
Decrease (increase) in trade and other receivables	906,373	(376,663)
Decrease (increase) in land inventory held for resale	292,730	-
Decrease (increase) in debt charges recoverable	50,121	171,828
Decrease (increase) in inventory for consumption	63,783	16,950
Decrease (increase) in prepaid expenses	207,781	213,517
Decrease (increase) in other long-term assets	400	6,345
Increase (decrease) in accounts payable and accrued liabilities	(632,066)	1,446,258
Increase (decrease) in deposit liabilities	1,370	(375)
Increase (decrease) in deferred revenue	(563,679)	1,588,672
Increase (decrease) in employee benefit obligations	28,263	(5,095)
Cash provided by operating transactions	10,547,287	6,045,410
CAPITAL		
Acquisition of tangible capital assets	(12,805,985)	(7,427,761)
Sale of tangible capital assets	19,809	574,624
Cash applied to capital transactions	(12,786,176)	(6,853,137)
INVESTING		
Decrease (increase) in investments	50,000	100,000
Decrease (increase) in restricted cash or cash equivalents	-	-
Cash provided by investing transactions	50,000	100,000
FINANCING		
Long term debt issued	157,441	5,000,000
Long term debt repaid	(1,181,540)	(1,175,170)
Cash provided by financing transactions	(1,024,099)	3,824,830
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(3,212,988)	3,117,103
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,102,941	4,985,837
CASH AND CASH EQUIVALENTS, END OF YEAR	4,889,953	8,102,941
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	4,889,953	8,102,941
Less: restricted portion of cash and temporary investments	-	-
	4,889,953	8,102,941



**SCHEDULE OF PROPERTY TAXES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budget (Unaudited)	2020	2019
TAXATION			
Property taxes			
- residential land and improvements	4,285,616	4,283,498	4,342,380
- non-residential land and improvements	2,195,668	2,194,971	2,180,214
- machinery and equipment	17,290	16,967	15,861
- linear property	280,123	280,123	286,910
- railway	4,142	4,142	4,057
- farmland	1,687	1,686	3,765
 Government grants in place of property taxes			
- federal	7,937	7,936	8,164
- provincial	20,370	40,740	53,501
	<u>6,812,833</u>	<u>6,830,063</u>	<u>6,894,852</u>
REQUISITIONS			
Alberta School Foundation Fund	1,454,488	1,452,169	1,454,488
East Central AB Catholic Separate Schools Regional Division No. 16	243,516	243,024	243,516
Designated industrial property	1,511	1,510	1,577
	<u>1,699,515</u>	<u>1,696,704</u>	<u>1,699,582</u>
 NET MUNICIPAL TAXES	 <u>5,113,318</u>	 <u>5,133,359</u>	 <u>5,195,270</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (Unaudited)	2020	2019
TRANSFERS FOR OPERATING:			
Federal Government	-	21,000	14,830
Provincial Government	540,090	309,835	323,821
Other Local Governments and Agencies	582,329	547,506	715,917
	<u>1,122,419</u>	<u>878,341</u>	<u>1,054,568</u>
TRANSFERS FOR CAPITAL:			
Federal Government	5,253,644	325,974	2,901,105
Provincial Government	1,755,428	6,223,498	371,414
Other Local Governments and Agencies	-	-	-
	<u>7,009,072</u>	<u>6,549,472</u>	<u>3,272,519</u>
TOTAL GOVERNMENT TRANSFERS	<u>8,131,491</u>	<u>7,427,813</u>	<u>4,327,087</u>

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (Unaudited)	2020	2019
Salaries, wages and benefits	4,133,968	3,888,955	4,115,744
Contracted and general services	3,420,364	3,037,802	3,229,202
Purchases from other governments	1,000	100	342
Materials, goods, supplies and utilities	1,637,778	1,751,275	1,620,784
Provision for allowances	-	-	-
Transfers to other governments	316,951	301,155	299,914
Transfers to individuals and organizations	546,892	229,992	479,920
Bank charges and short term interest	1,675	8,708	970
Interest on long term debt	454,688	337,383	270,871
Other expenditures	319,436	309,866	414,218
Amortization of tangible capital assets	2,588,740	2,588,741	2,600,326
Net gain on sale of tangible capital assets	-	21,631	894,543
	<u>13,421,492</u>	<u>12,475,608</u>	<u>13,926,834</u>

**Town of Vermilion
Schedule of Accumulated Surplus
For the Year Ended December 31, 2020**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2020 \$	2019 \$
BALANCE, BEGINNING OF YEAR	2,041,371	11,572,371	51,674,720	65,288,462	63,469,042
Excess (deficiency) of revenues over expenses	5,884,268	-		5,884,268	1,819,420
Unrestricted funds designated for future use	(1,841,189)	1,841,189		-	-
Restricted funds used for operations	218,687	(218,687)		-	-
Restricted funds used for tangible capital assets		(6,534,182)	6,534,182	-	-
Current year funds used for tangible capital assets	(6,114,362)		6,114,362	-	-
Donated and Contributed TCA	(9,518)		9,518	-	-
Disposal of tangible capital assets	21,631		(21,631)	-	-
Annual amortization expense	2,588,741		(2,588,741)	-	-
Long term debt repaid	(845,079)		845,079	-	-
Change in accumulated surplus	(96,821)	(4,911,680)	10,892,769	5,884,268	1,819,420
BALANCE, END OF YEAR	1,944,550	6,660,691	62,567,489	71,172,730	65,288,462



Town of Vermilion
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2020

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2020 \$	2019 \$
COST:								
BALANCE, BEGINNING OF YEAR	1,715,188	5,226,183	12,656,207	78,122,964	5,815,234	2,579,648	106,115,424	100,385,451
Acquisition of tangible capital assets	-	11,035	-	849,863	403,590	-	1,264,488	2,073,964
Construction-in-progress	-	-	-	10,304,703	-	1,246,312	11,551,015	5,361,476
Disposal of tangible capital assets	-	-	-	(312,615)	(123,501)	-	(436,116)	(1,705,467)
Write-down of tangible capital assets	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	1,715,188	5,237,218	12,656,207	88,964,915	6,095,323	3,825,960	118,494,811	106,115,424
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	2,345,059	3,335,973	34,963,869	3,233,132	1,340,725	45,218,758	42,891,434
Annual amortization	-	244,803	254,118	1,463,619	425,103	201,098	2,588,741	2,600,326
Accumulated amortization on disposals	-	-	-	(291,361)	(123,124)	-	(414,485)	(273,002)
Accumulated amortization on write-downs	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	-	2,589,862	3,590,091	36,136,127	3,535,111	1,541,823	47,393,014	45,218,758
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,715,188	2,647,356	9,066,116	52,828,788	2,560,212	2,284,137	71,101,797	60,896,666
2019 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,715,188	2,881,124	9,320,234	43,159,095	2,582,102	1,238,923	60,896,666	



Town of Vermilion
Schedule of Segmented Disclosure
For the Year Ended December 31, 2020

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total \$
REVENUE								
Net municipal taxes	5,133,359							5,133,359
Government transfers	1,213,427	121,079	355,287	25,198	355,212	5,191,036	166,574	7,427,813
User fees and sales of goods	7,405	74,120	30,327	326,553	226,516	3,770,820	267,779	4,703,520
Investment income	102,061	-	-	-	520	-	1,250	103,831
Contributed assets	-	-	-	-	9,518	-	-	9,518
Other revenues	695,872	7,608	68,892	111,133	54,200	22,570	21,560	981,835
	<u>7,152,124</u>	<u>202,807</u>	<u>454,506</u>	<u>462,884</u>	<u>645,966</u>	<u>8,984,426</u>	<u>457,163</u>	<u>18,359,876</u>
EXPENSES								
Contract and general services	400,223	110,182	244,250	170,442	243,250	1,796,202	73,253	3,037,802
Salaries and wages	956,573	242,855	756,696	230,017	847,646	532,252	322,916	3,888,955
Goods and supplies	45,964	105,724	663,585	322,561	337,151	244,456	31,834	1,751,275
Transfers to other governments	-	-	-	-	-	301,155	-	301,155
Long-term debt interest	29,572	25,002	13,976	84,108	14,674	163,555	6,496	337,383
Other expenses	90,561	10,437	(80,532)	14,334	159,637	268,460	107,400	570,297
	<u>1,522,893</u>	<u>494,200</u>	<u>1,597,975</u>	<u>821,462</u>	<u>1,602,358</u>	<u>3,306,080</u>	<u>541,899</u>	<u>9,886,867</u>
NET REVENUE, BEFORE AMORTIZATION	<u>5,629,231</u>	<u>(291,393)</u>	<u>(1,143,469)</u>	<u>(358,578)</u>	<u>(956,392)</u>	<u>5,678,346</u>	<u>(84,736)</u>	<u>8,473,009</u>
Amortization expense	65,374	117,366	1,264,291	44,968	466,784	611,393	18,565	2,588,741
NET REVENUE	<u>5,563,857</u>	<u>(408,759)</u>	<u>(2,407,760)</u>	<u>(403,546)</u>	<u>(1,423,176)</u>	<u>5,066,953</u>	<u>(103,301)</u>	<u>5,884,268</u>



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020****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 Community and Support 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.

Property tax revenues are recorded at the time tax billings are issued, and are based on market value assessments in accordance with the MGA and annually established tax rates. Tax revenues are recorded net of any tax appeals or allowances in the Consolidated Statement of Operations and Accumulated Surplus.

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. Prior to that time, any amounts received are recorded as deferred revenue.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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.

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 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.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES - continued
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>2020</u>	<u>2019</u>
Cash	1,239,953	2,927,941
Temporary investments	<u>3,650,000</u>	<u>5,175,000</u>
	<u>4,839,953</u>	<u>8,102,941</u>

Temporary investments consist of term deposits with maturities of twelve months or less.

Included in cash and temporary investments are restricted funds totaling \$26,326 held on behalf of the Vermilion River Regional Alliance, a group which the Town of Vermilion took over financial management of in 2017. The liability associated with the funds being held is included in accounts payable and accrued liabilities.

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2020</u>	<u>2019</u>
Current taxes and grants in lieu	214,543	123,245
Tax arrears and grants in lieu	<u>60,585</u>	<u>23,423</u>
	275,128	146,668
Less: allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
	<u>270,128</u>	<u>141,668</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, 2020

4. **DEBT CHARGES RECOVERABLE**

	<u>2020</u>	<u>2019</u>
Current debt charges recoverable	51,489	50,121
Non-current debt charges recoverable	<u>1,003,836</u>	<u>1,055,325</u>
	<u>1,055,325</u>	<u>1,105,446</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 was recovered from the Vermilion and District Housing Foundation. Amounts are recoverable in blended semi-annual installments of \$63,813.08 including interest, and matured in 2019. A second joint development project for \$1,225,000 was commenced in 2017; at a rate of 2.711%. Amounts are recoverable in blended semiannual installments of \$39,876 including interest, and matures in 2037.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	51,489	28,263	79,752
2022	52,894	26,858	79,752
2023	54,338	25,414	79,752
2024	55,821	23,931	79,752
2025	57,345	22,407	79,752
2026 and subsequent	<u>783,438</u>	<u>133,716</u>	<u>917,154</u>
	<u>1,055,325</u>	<u>260,589</u>	<u>1,315,914</u>

5. **INVESTMENTS**

Investments consist of a term deposit bearing interest at rate 2.60% per annum, with maturity date of 2021. The related GIC has been included in the current cash balance

6. **DEFERRED REVENUE**

	<u>2020</u>	<u>2019</u>
Municipal Sustainability Initiative Capital	629,195	649,276
Federal Gas Tax Fund	68,692	224,383
Alberta Municipal Water & Wastewater Program	-	759,599
Alberta Community Partnership	-	54,922
Land Leases	4,400	10,280
Advertising	-	3,952
Airport Leases	930	7,180
Regional Centre Rent	-	-
FCSS Grants-CMHA & RIFS	5,409	6,107
FCSS Grants – Operating	10,903	-
MOST Grant	393,124	-
Prepaid Land Development	-	-
Prepaid Local Improvements	<u>47,434</u>	<u>8,066</u>
	<u>1,160,087</u>	<u>1,723,766</u>



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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>2020</u>	<u>2019</u>
Accrued employee vacation	231,819	225,082
Accrued overtime	<u>36,964</u>	<u>15,438</u>
	<u>268,783</u>	<u>240,520</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 2019 cost of \$11,493 and 2020 cost of \$10,579.

9. LONG-TERM DEBT

	<u>2020</u>	<u>2019</u>
Tax supported debentures	<u>11,500,721</u>	<u>12,524,821</u>

The current portion of the long-term debt amounts to \$1,182,584 (2019 - \$1,178,664).

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	1,182,584	308,268	1,490,852
2022	1,051,336	273,020	1,324,356
2023	809,824	245,151	1,054,975
2024	827,854	222,798	1,050,652
2025	812,314	199,373	1,011,687
2026 and subsequent	<u>6,816,809</u>	<u>1,331,367</u>	<u>8,148,176</u>
	<u>11,500,721</u>	<u>2,579,977</u>	<u>14,080,698</u>

Debenture debt is repayable to Alberta Capital Finance Authority, bears interest at rates ranging from 1.416% to 4.971% per annum, and matures in periods 2020 through 2044. The average annual interest rate is 2.68% for 2020 (2019 – 2.71%).

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

The Town's total cash payment for interest in 2020 was \$341,657 (2019 - \$253,097).

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>2020</u>	<u>2019</u>
Total debt limit	17,205,075	18,191,109
Total guaranteed loans (Note 17)	165,985	181,597
Total debt outstanding	<u>11,500,721</u>	<u>12,524,821</u>
Amount of debt limit unused	<u>5,538,369</u>	<u>5,484,691</u>



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

10. DEBT LIMITS - continued

Debt servicing limit	2,867,513	3,031,852
Debt servicing	<u>1,577,734</u>	<u>1,519,779</u>
Amount of debt servicing limit unused	<u>1,289,779</u>	<u>1,512,073</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.

11. TANGIBLE CAPITAL ASSETS

Net Book Value	<u>2020</u>	<u>2019</u>
Land	1,715,188	1,715,188
Land Improvements	2,647,356	2,881,124
Land Improvements-construction in progress	-	-
Buildings	9,066,116	9,320,234
Engineering Structures		
Roadway system	15,642,045	16,192,212
Roadway System-construction in progress	11,755	-
Water distribution system	13,245,921	13,188,589
Water distribution system-construction in progress	-	-
Wastewater treatment system	5,160,214	4,381,588
Wastewater treatment system-construction in progress	15,903,217	6,480,760
Storm System	2,826,818	2,877,128
Ice Plant-construction in progress	38,818	38,818
Machinery, equipment and furnishings	2,560,212	2,582,102
Machinery, equipment and furnishings-construction in progress	-	-
Vehicles - construction in progress	1,380,948	134,634
Vehicles	<u>903,189</u>	<u>1,104,289</u>
	<u>71,101,797</u>	<u>60,896,666</u>

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2020</u>	<u>2019</u>
Tangible capital assets (Schedule 2)	118,494,811	106,115,424
Accumulated amortization (Schedule 2)	(47,393,014)	(45,218,758)
Long-term debt	<u>(8,534,308)</u>	<u>(9,221,946)</u>
	<u>62,567,489</u>	<u>51,674,720</u>

13. ACCUMULATED SURPLUS

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

	<u>2020</u>	<u>2019</u>
Unrestricted surplus	1,944,550	2,041,371
Restricted	6,660,691	11,572,371
Equity in tangible capital assets	<u>62,567,489</u>	<u>51,674,720</u>
	<u>71,172,730</u>	<u>65,288,462</u>



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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).

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:

	2020			2019
	Salary/ Fee	Benefits and Allowances	Total	Total
Mayor				
Caroline McAuley	39,790	-	39,790	37,120
Councillors				
Greg Barr	17,780	-	17,780	22,430
Tannis Henderson	2,230	-	2,230	18,280
Clinton McCullough	20,280	-	20,280	21,180
Robert Pulyk	23,780	-	23,780	26,380
Justin Thompson	20,430	-	20,430	20,730
Richard Yaceyko	22,430	-	22,430	21,930
Chief Administrative Officer				
George Rogers	148,650	39,114	187,764	182,505

- (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.

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 265,813 people and 421 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 9.39% (2019 – 9.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (2019 – 13.84%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% (2019 – 8.39%) of pensionable salary up to the year's maximum pensionable salary and 12.84% (2019 – 12.84%) on pensionable salary above this amount.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

16. LOCAL AUTHORITIES PENSION PLAN - continued

Total current service contributions by the Town of Vermilion to the LAPP in 2020 were \$266,855 (2019 - \$267,622). Total current service contributions by the employees of the Town of Vermilion to the LAPP in 2020 were \$241,324 (2019 - \$242,181). At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.91 billion

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, 2020 is \$331,970. The loan is in good standing as at December 31, 2020.

18. COMMITMENTS

The municipality is a partner in the Alberta Central East Water Corporation's (ACE) regional water system project to design and construct a water transfer and pump station, 3 fill stations, a truck fill station and 246 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	\$5,514,519
Stage 3	\$1,294,758
Stage 4 &5	\$3,012,245
Stage 6	\$325,926

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. The remaining commitment for the Town is estimated to be \$1,216,671. 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.

The Town of Vermilion is committed to pay fifty percent of the annual deficit incurred in operating the Lakeland College 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 \$295,000 (2019 - \$242,330).

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.

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.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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.

22. **OTHER MATTER**

During the year, there was a global outbreak of a novel coronavirus identified as "COVID-19". On March 11, 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets.

Central banks and governments, including Canadian federal and provincial government, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Municipality and its operations in future periods.

