

**MUNICIPAL FINANCIAL STATEMENT**

<b>INSIDE THIS STATEMENT</b>	
<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 &amp; 3</i>	9 to 11
<i>Notes to the Financial Statements</i>	12 to 20



**TOWN OF VERMILION**  
**For the Year Ended**  
**December 31, 2015**



5021 - 49 Avenue  
Vermilion, AB Canada T9X 1X1  
[www.vermilion.ca](http://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.

The Mayor and Town Manager 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 Finance and Administration Committee reviews 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.

A handwritten signature in blue ink, appearing to read "Mark D. Laird".

---

Town Manager  
April 19, 2016



## 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, 2015, and the statements of operations, change in net financial assets and cash flows 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 principles 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, 2015, the results of its operations, 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*

Chartered Accountant

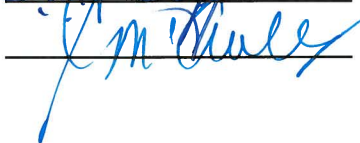
Wainwright, Alberta  
April 19, 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2015

	2015	2014 <i>Restated</i>
<b>ASSETS</b>		
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	1,599,577	507,570
Taxes and grants in lieu receivable (Note 3)	76,626	60,280
Receivables from other governments	1,288,764	422,976
Trade and other receivables	4,246,338	6,504,220
Inventory held for resale	5,433,564	5,170,116
Debt charges recoverable (Note 4)	458,027	559,204
Investments (Note 5)	757,063	855,534
Other long-term assets	6,831	7,683
	<hr/>	<hr/>
Total financial assets	13,866,790	14,087,583
<b>LIABILITIES</b>		
Payable To Other Governments	83,841	97,308
Accounts payable and accrued liabilities	750,457	903,599
Deposit liabilities	12,490	15,840
Deferred revenue (Note 6)	108,152	132,016
Employee benefit obligations (Note 7)	210,563	290,474
Long term debt (Note 9)	10,516,820	9,504,000
	<hr/>	<hr/>
Total liabilities	11,682,323	10,943,237
	<hr/>	<hr/>
<b>NET FINANCIAL ASSETS</b>	2,184,467	3,144,346
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 11)	56,985,535	53,975,094
Inventory for consumption	74,088	78,733
Prepaid expenses	90,461	97,337
	<hr/>	<hr/>
	57,150,084	54,151,164
	<hr/>	<hr/>
<b>ACCUMULATED SURPLUS (Note 13)</b>	59,334,551	57,295,510
	<hr/> <hr/>	<hr/> <hr/>

SIGNED ON BEHALF OF COUNCIL:

 \_\_\_\_\_ MAYOR

 \_\_\_\_\_ DEPUTY MAYOR

TOWN OF VERMILION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	2015	2014 <i>Restated</i>
<b>REVENUE</b>			
Net municipal taxes (Page 6)	4,736,679	4,761,409	4,441,409
Local improvements	195,000	134,777	245,744
Franchise and concession contracts	399,000	390,758	389,939
Gain on sale of tangible capital assets	3,720	2,183	10,965
User fees and sales of goods	7,266,026	5,588,840	7,401,170
Government transfers for operating (Page 7)	873,203	961,874	901,291
Investment income	42,500	48,910	47,071
Penalties and costs of taxes	28,100	17,430	27,054
Contributed and donated assets		24,070	26,799
Licences and permits	9,600	115,803	93,115
Other	1,316,540	732,477	1,470,223
<b>Total Revenue</b>	<b>14,870,368</b>	<b>12,778,531</b>	<b>15,054,780</b>
<b>EXPENSES</b>			
Council and other legislative	233,625	217,814	171,361
General administration	1,166,025	1,115,620	1,086,984
Other general government	223,075	213,939	210,855
Police	45,400	42,658	44,337
Fire	229,321	230,590	218,575
Disaster and emergency measures	77,342	40,094	2,230
Bylaw enforcement	138,077	114,336	84,490
Common Services	19,251	(35,485)	3,753
Roads, streets, walks and lighting	1,189,403	1,141,412	1,417,468
Airport	44,136	64,205	25,891
Storm sewers and drainage	36,444	54,136	57,956
Water supply and distribution	2,205,722	2,103,051	2,792,135
Wastewater treatment and disposal	403,924	330,612	328,537
Waste management	730,524	665,196	669,373
Environmental use and protection	6,300	4,577	1,531
Family and community support	167,493	148,460	172,297
Cemeteries and crematoriums	43,295	40,837	41,450
Public health and welfare	292,991	234,575	278,599
Land use planning, zoning and development	143,352	133,485	105,640
Economic development	302,440	283,209	366,379
Subdivision land & development	4,900,779	1,053,002	2,121,251
Land, housing and building rentals	2,200	4,730	5,884
Recreation board	215,860	216,577	202,656
Parks and recreation	991,876	1,035,015	1,308,052
Community Hall	240,640	244,812	250,717
Culture and library	274,533	285,708	360,993
Other general government		-	-
Amortization	2,183,080	2,177,330	2,156,347
<b>Total Expenses</b>	<b>16,507,108</b>	<b>12,160,495</b>	<b>14,485,741</b>
<b>EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER OTHER</b>	<b>-1,636,740</b>	<b>618,036</b>	<b>569,039</b>
Government transfers for capital (Page 7)	1,465,908	1,421,005	1,425,946
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>-170,832</b>	<b>2,039,041</b>	<b>1,994,985</b>
			65,862
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>56,535,365</b>	<b>57,295,510</b>	<b>55,366,387</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>56,364,533</b>	<b>59,334,551</b>	<b>57,295,510</b>



## TOWN OF VERMILION

PAGE 4

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	2015	2014 <i>Restated</i>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	(170,832)	<b>2,039,041</b>	1,929,123
Acquisition of tangible capital assets	3,819,318	<b>(5,176,776)</b>	(4,564,346)
Tangible capital assets adjustments	-	-	-
Contributed tangible capital assets	-	<b>(24,070)</b>	(26,799)
Proceeds on disposal of tangible capital assets	-	2,183	10,965
Amortization on tangible capital assets	2,183,080	<b>2,177,330</b>	2,156,347
Gain on sale of tangible capital assets	-	<b>10,892</b>	(9,172)
	<u>6,002,398</u>	<u><b>(3,010,441)</b></u>	<u>(2,433,005)</u>
Change in inventory	-	<b>4,645</b>	8,141
Change in prepaid assets	-	<b>6,876</b>	(29,399)
	<u>-</u>	<u><b>11,521</b></u>	<u>(21,258)</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	5,831,566	<b>(959,879)</b>	(525,140)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	5,372,948	<b>3,144,346</b>	3,669,487
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>11,204,514</u>	<u><b>2,184,467</b></u>	<u>3,144,347</u>





CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014 <i>Restated</i>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenue over expenses (Page 3)	2,039,041	2,098,107
Non-cash items included in excess of revenues over expenses:		
Contributed Assets	(24,070)	(26,799)
Amortization of tangible capital assets	2,177,330	2,156,347
Gain on disposal of tangible capital assets	10,892	(9,172)
Write down of tangible capital assets		
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(16,346)	19,916
Decrease in receivables from other governments	(865,788)	(404,410)
(Increase) decrease in trade and other receivables	2,257,882	(1,178,014)
(Increase) in land inventory held for resale	(263,448)	723,220
Decrease in debt charges recoverable	101,177	96,348
(Increase) decrease in inventory for consumption	4,645	8,141
(Increase) decrease in prepaid expenses	6,876	(29,399)
(Increase) Decrease in other long-term assets	852	(223)
(Decrease) increase in accounts payable and accrued liabilities	(166,609)	(1,325,833)
Increase (decrease) in deposit liabilities	(3,350)	5,452
Increase in deferred revenue	(23,864)	96,067
Increase in employee benefit obligations	(79,911)	16,630
<b>Cash provided by operating transactions</b>	<b>5,155,309</b>	<b>2,246,378</b>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(5,176,776)	(4,564,346)
Sale of tangible capital assets	2,183	10,965
<b>Cash applied to capital transactions</b>	<b>(5,174,593)</b>	<b>(4,553,381)</b>
<b>INVESTING</b>		
(Increase) decrease in investments	98,471	(5,534)
(Increase) decrease in restricted cash or cash equivalents	77,045	(60,706)
<b>Cash provided by investing transactions</b>	<b>175,516</b>	<b>(66,240)</b>
<b>FINANCING</b>		
Long term debt issued	1,990,391	2,804,029
Long term debt repaid	(977,571)	(797,638)
<b>Cash provided by financing transactions</b>	<b>1,012,820</b>	<b>2,006,391</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>1,169,052</b>	<b>(366,852)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>380,019</b>	<b>746,871</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>1,549,071</b>	<b>380,019</b>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 2)	1,599,577	507,570
Less: restricted portion of cash and temporary investments (Note 2)	50,506	127,551
	<b>1,549,071</b>	<b>380,019</b>

TOWN OF VERMILION

SCHEDULE OF PROPERTY TAXES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	2015	2014 <i>Restated</i>
<b>TAXATION</b>			
Property taxes			
- residential land and improvements	4,074,912	4,080,124	3,819,247
- non-residential land and improvements	1,664,596	1,695,049	1,486,498
- machinery and equipment	18,444	18,444	20,772
- linear property	277,704	277,704	283,681
- railway	2,374	2,374	1,831
- farmland	9,238	9,237	9,410
Government grants in place of property taxes			0
- federal	7,670	7,670	7,426
- provincial	78,417	67,483	110,246
	<u>6,133,355</u>	<u>6,158,085</u>	<u>5,739,111</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	1,194,728	1,194,728	1,103,098
East Central AB Catholic Separate Schools Regional Division No. 16	201,948	201,948	194,604
	<u>1,396,676</u>	<u>1,396,676</u>	<u>1,297,702</u>
<b>NET MUNICIPAL TAXES</b>	<u>4,736,679</u>	<u>4,761,409</u>	<u>4,441,409</u>





TOWN OF VERMILION

SCHEDULE OF GOVERNMENT TRANSFERS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	2015	2014 <i>Restated</i>
<b>TRANSFERS FOR OPERATING:</b>			
Federal Government	17,000	26,607	12,238
Provincial Government	289,448	291,866	292,881
Other Local Governments and Agencies	566,755	643,401	596,172
	<u>873,203</u>	<u>961,874</u>	<u>901,291</u>
<b>TRANSFERS FOR CAPITAL:</b>			
Federal Government	251,512	251,512	247,000
Provincial Government	1,214,396	1,114,396	1,116,696
Other Local Governments and Agencies		55,097	62,250
	<u>1,465,908</u>	<u>1,421,005</u>	<u>1,425,946</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>2,339,111</u>	<u>2,382,879</u>	<u>2,327,237</u>



TOWN OF VERMILION

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	2015	2014 <i>Restated</i>
Salaries, wages and benefits	3,720,416	3,467,462	3,465,927
Contracted and general services	6,623,345	5,996,179	7,813,465
Purchases from other governments	1,400	1,673	257,783
Materials, goods, supplies and utilities	2,660,718	(743,496)	(400,653)
Transfers to other governments	367,800	353,348	340,035
Transfers to Local Boards and Agencies		-	-
Transfers to individuals and organizations	245,893	213,200	233,739
Bank charges and short term interest	2,225	1,149	1,549
Interest on long term debt	342,938	334,793	319,186
Other expenditures	359,338	345,782	296,569
Amortization of tangible capital assets	2,183,080	2,177,330	2,156,347
Net loss on sale of tangible capital assets		13,075	1,794
Write down of tangible capital assets		-	-
	16,507,153	12,160,495	14,485,741



**Town of Vermilion**  
**Schedule of Accumulated Surplus**  
**For the Year Ended December 31, 2015**  
**Schedule 1**

	2015	2014
	\$	\$
		<i>Restated</i>
<b>BALANCE, BEGINNING OF YEAR</b>	<b>57,295,510</b>	<b>55,366,387</b>
Excess (deficiency) of revenues over expenses		
Unrestricted funds designated for future use	2,039,041	2,010,943
Restricted funds used for operations	(4,055,172)	-
Restricted funds used for tangible capital assets	545,525	-
Current year funds used for tangible capital assets	(3,114,037)	-
Donated and Contributed TCA	(72,347)	-
Disposal of tangible capital assets	(24,070)	-
Annual amortization expense	13,075	-
Long term debt repaid	2,177,330	(15,958)
	(628,948)	-
Other adjustments	-	(65,862)
Change in accumulated surplus	395,610	1,929,123
<b>BALANCE, END OF YEAR</b>	<b>59,334,551</b>	<b>57,295,510</b>

**Town of Vermilion**  
**Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2015**  
**Schedule 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2015	2014
							\$	\$
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	1,715,188	4,261,682	11,089,364	65,435,553	4,502,643	2,321,456	89,325,886	85,399,828
Prior Period Adjustment							-	
Acquisition of tangible capital assets	564,928	223,030	889,270	3,078,884	388,931	-	5,145,043	1,411,402
Construction-in-progress	-	-	-	-	55,803	-	55,803	3,179,743
Disposal of tangible capital assets	-	-	-	(139,702)	(79,962)	-	(219,664)	(665,087)
Write down of tangible capital assets	-	-	-	-	-	-	-	-
<b>BALANCE, END OF YEAR</b>	<b>2,280,116</b>	<b>4,484,712</b>	<b>11,978,634</b>	<b>68,374,735</b>	<b>4,867,415</b>	<b>2,321,456</b>	<b>94,307,068</b>	<b>89,325,886</b>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	1,146,860	2,177,202	28,746,412	2,184,166	1,096,152	35,350,792	33,857,739
Prior Period Adjustment								
Annual amortization	-	217,290	220,520	1,231,562	334,741	173,217	2,177,330	2,156,347
Accumulated amortization on disposals	-	-	-	(137,580)	(69,009)	-	(206,589)	(663,294)
Accumulated amortization on write-downs	-	-	-	-	-	-	-	-
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>1,364,150</b>	<b>2,397,722</b>	<b>29,840,394</b>	<b>2,449,898</b>	<b>1,269,369</b>	<b>37,321,533</b>	<b>35,350,792</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>2,280,116</b>	<b>3,120,562</b>	<b>9,580,912</b>	<b>38,534,341</b>	<b>2,417,517</b>	<b>1,052,087</b>	<b>56,985,535</b>	<b>53,975,094</b>
2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,715,188	3,114,822	8,912,162	36,689,141	2,318,477	1,225,304	53,975,094	

Town of Vermilion  
Schedule of Segmented Disclosure  
For the Year Ended December 31, 2015  
Schedule 3

	General	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total
								\$
<b>REVENUE</b>								
Net municipal taxes	4,761,409							4,761,409
Government transfers	1,385,123	87,740	263,385	21,500	407,031	9,500	208,601	2,382,880
User fees and sales of goods	8,046	18,915	7,900	1,695,923	297,263	3,380,152	180,641	5,588,840
Investment income	45,237		1,199				2,474	48,910
Contributed assets							24,070	24,070
Other revenues	489,349	197,999	154,467	328,062	139,757	28,985	54,808	1,393,427
	6,689,164	304,654	426,951	2,045,485	844,051	3,418,637	470,594	14,199,536
<b>EXPENSES</b>								
Contract & general services	440,957	106,300	177,131	222,142	349,553	1,701,938	91,655	3,089,676
Salaries & wages	865,135	192,790	639,595	217,897	835,400	500,090	216,555	3,467,462
Goods & supplies	59,627	70,036	502,932	870,797	407,845	226,637	25,133	2,163,007
Transfers to other governments						353,348		353,348
Long-term debt interest	24,981		35,407	130,948	42,622	65,452	16,565	315,975
Other expenses	156,673	58,552	(130,797)	32,642	146,692	255,971	73,964	593,697
	1,547,373	427,678	1,224,268	1,474,426	1,782,112	3,103,436	423,872	9,983,165
<b>NET REVENUE, BEFORE AMORTIZATION</b>	5,141,791	(123,024)	(797,317)	571,059	(938,061)	315,201	46,722	4,216,371
Amortization expense	66,110	105,600	1,053,824	22,719	431,391	485,110	12,576	2,177,330
<b>NET REVENUE</b>	5,075,681	(228,624)	(1,851,141)	548,340	(1,369,452)	(169,909)	34,146	2,039,041



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

---

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, 2015**

---

**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.



# TOWN OF VERMILION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

### 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>2015</u>	<u>2014</u>
Cash	1,496,605	491,464
Temporary investments	<u>102,972</u>	<u>16,106</u>
	<u>1,599,577</u>	<u>507,570</u>

Temporary investments consist of term deposits with maturities of twelve months or less. Included in the above balances are \$50,505 (2014 - \$127,551) of funds that are restricted in use.

## 3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2015</u>	<u>2014</u>
Current taxes and grants in lieu	55,780	47,431
Tax arrears and grants in lieu	<u>25,846</u>	<u>17,849</u>
	81,626	65,280
Less: allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
	<u>76,626</u>	<u>60,280</u>

During the current and prior year no impairments were recorded.

## 4. DEBT CHARGES RECOVERABLE

	<u>2015</u>	<u>2014</u>
Current debt charges recoverable	106,248	101,177
Non-current debt charges recoverable	<u>351,779</u>	<u>458,027</u>
	<u>458,027</u>	<u>559,204</u>



# TOWN OF VERMILION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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>
2016	106,248	21,378	127,626
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>458,027</u>	<u>52,477</u>	<u>510,504</u>

**5. INVESTMENTS**

Investments consist of term deposits bearing interest at rates ranging from 2.85% to 5.35% per annum, with maturity dates between 2016 and 2018.

**6. DEFERRED REVENUE**

	<u>2015</u>	<u>2014</u>
Land Leases	3,658	6,480
Advertising leases	2,800	2,000
Airport Leases	879	349
Library Grant	15,000	
Prepaid Land Development	85,815	
Prepaid Local Improvements		<u>123,187</u>
	<u>108,152</u>	<u>132,016</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>2015</u>	<u>2014</u>
Accrued employee vacation	195,317	197,025
Accrued sickness		53,687
Accrued overtime	<u>15,246</u>	<u>39,762</u>
	<u>210,563</u>	<u>290,474</u>

The Town of Vermilion negotiated a change to the sick leave policy effective January 1, 2016 which allows employees to access sick leave throughout the year but is cleared out at December 31, effectively eliminated the liability each year.

**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 2015 cost of \$10,286.01.



# TOWN OF VERMILION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

**9. LONG-TERM DEBT**

	<u>2015</u>	<u>2014</u>
Tax supported debentures	<u>10,516,820</u>	<u>9,504,000</u>

The current portion of the long-term debt amounts to \$1,038,248 (2014 - \$890,836).

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	1,038,248	324,012	1,362,260
2017	1,057,272	289,105	1,346,377
2018	1,079,775	253,603	1,333,378
2019	1,105,058	217,271	1,322,329
2020	960,895	181,629	1,142,524
2021 and subsequent	<u>5,275,572</u>	<u>640,743</u>	<u>5,916,315</u>
	<u>10,516,820</u>	<u>1,906,363</u>	<u>12,423,183</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 3.13% for 2014 (2013 – 3.52%).

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

The Town's total cash payment for interest in 2015 was \$334,794 (2014 - \$319,185).

**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>2015</u>	<u>2014</u>
Total debt limit	<u>19,718,519</u>	22,888,823
Total guaranteed loans (Note 17)	<u>244,045</u>	259,657
Total debt outstanding	<u>10,516,820</u>	<u>9,504,000</u>
Amount of debt limit unused	<u>8,957,654</u>	<u>13,125,165</u>
Debt servicing limit	<u>3,286,420</u>	3,814,804
Debt servicing	<u>1,362,260</u>	<u>1,202,847</u>
Amount of debt servicing limit unused	<u>1,924,160</u>	<u>2,611,957</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, 2015

**11. TANGIBLE CAPITAL ASSETS**

Net Book Value	<u>2015</u>	<u>2014</u>
Land	2,280,116	1,715,188
Land Improvements	3,120,562	3,111,822
Land Improvements-construction in progress		3,000
Buildings	9,577,662	8,908,912
Buildings-construction in progress	3,250	3,250
Engineering Structures		
Roadway system	17,369,324	14,691,841
Roadway System-construction in progress	75,614	1,417,785
Water distribution system	13,555,202	12,770,547
Water distribution system-construction in progress	14,487	789,313
Wastewater treatment system	4,528,125	3,717,998
Wastewater treatment system-construction in progress	4,087	571,266
Storm System	2,987,502	2,246,075
Storm System-construction in progress		484,317
Machinery, equipment and furnishings	2,030,000	1,986,763
Machinery, equipment and furnishings-construction in progress	387,517	331,713
Vehicles	<u>1,052,087</u>	<u>1,225,304</u>
	<u>56,985,535</u>	<u>53,975,094</u>

**12. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<u>2015</u>	<u>2014</u>
Tangible capital assets (Schedule 2)	94,307,068	89,325,887
Accumulated amortization (Schedule 2)	(37,321,533)	(35,350,793)
Long-term debt	(6,796,120)	(5,434,676)
	<u>50,189,415</u>	<u>48,540,418</u>

**13. ACCUMULATED SURPLUS**

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

	<u>2015</u>	<u>2014</u>
Unrestricted surplus	2,028,168	2,033,734
Restricted	7,116,968	6,721,358
Equity in tangible capital assets	<u>50,189,415</u>	<u>48,540,418</u>
	<u>59,334,551</u>	<u>57,295,510</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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

### 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:

	2015			2014
	Salary/ Fee	Benefits and Allowances	Total	Total
Mayor				
Bruce MacDuff	30,150		30,150	21,685
Councillors				
Greg Barr	16,650		16,650	16,205
Harp Khela	16,550		16,550	16,375
Clinton McCullough	21,800		21,800	17,200
Caroline McAuley	24,000		24,000	20,645
Robert Pulyk	21,050		21,050	17,125
Richard Yaceyko	17,850		17,850	14,790
Town Manager				
Dion Pollard	132,691	24,591	157,282	145,174
Director Fin & Admin				
Denise MacDonald	111,596	21,083	132,679	127,246
Director Transportation				
David Brozuk	28,211	4,334	32,545	127,246
Derek Young	58,966	11,036	70,002	
Director Community Services				
Shawn Bell	107,304	17,278	124,582	114,991

- (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 237,612 people and 423 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% (2014 – 11.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% (2014 – 15.84%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 10.39% (2014 – 10.39%) of pensionable salary up to the year's maximum pensionable salary and 14.84% (2014 – 14.84%) on pensionable salary above this amount.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

---

Total current service contributions by the Town of Vermilion to the LAPP in 2015 were \$292,720 (2014 - \$278,558). Total current service contributions by the employees of the Town of Vermilion to the LAPP in 2015 were \$269,126 (2014 - \$256,021).

At December 31, 2014, the LAPP disclosed an actuarial deficiency of \$2,454,636.

**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, 2015 is \$488,090. The loan is in good standing as at December 31, 2015.

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 Council for a period of twenty years, expiring in 2027. The current allocation is \$100,000 (2014 - \$92,500).

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.

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.

# TOWN OF VERMILION

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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. PRIOR PERIOD ADJUSTMENT

During the year the Town discovered that accounts receivables for local improvement frontages were understated and local improvement charges overstated. This was a result of accounting entries that occurred over the past several years. These entries affected the reserves, revenue and expense accounts. The changes have been applied retrospectively, resulting in changes to beginning equity and restatement of certain receivables as described below.

This change in the beginning balance of accumulated surplus as at December 31, 2014 has been restated from \$54,305,534 to \$55,366,387 (increase of \$1,060,853). This change is due to the beginning balance increase of accounts receivable for the local improvements and reserves by \$979,776, and the beginning balance increase in unrestricted surplus of \$81,075. These adjustments account for the net effect of changes for December 31, 2014.

	December 31, 2014	Adjustment	Restated
<u>Balance sheet as at December 31, 2014</u>			
Trade and Other Receivables	5,612,351	891,869	6,504,220
Accumulated surplus			
Unrestricted surplus	(2,033,734)	-	(2,033,734)
Restricted surplus	(5,829,489)	(891,869)	(6,721,358)
Equity in tangible capital assets	<u>(48,540,418)</u>	=	<u>(48,540,418)</u>
Accumulated surplus, beginning of year	(56,403,641)		(57,295,510)
<u>Net income for the year ended December 31, 2014</u>			
Local Improvement Revenue	414,728	(168,984)	245,744
<u>Cash flow statement for the year ended December 31, 2014</u>			
Excess of revenue over expenses	2,163,969	(168,984)	1,994,985

### 21. COMPARATIVE FIGURES

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

### 22. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

