

**TOWN OF**  
**VERMILION**  
 ALBERTA

**2019**

**MUNICIPAL FINANCIAL STATEMENT**

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 STATEMENT**

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**TOWN OF VERMILION**  
**For the Year Ended**  
**December 31, 2019**

## 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, 2019 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 21, 2020



## INDEPENDENT AUDITOR'S REPORT

**DONALD L. ISAMAN**  
**PROFESSIONAL CORPORATION**  
Chartered Accountant

### 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, 2019, 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, 2019, 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.

#### *Emphasis of Matter*

I draw attention to Note 22 to the financial statements, concerning the worldwide spread of a novel coronavirus known as COVID-19 subsequent to year-end and its effect on the global economy. Our opinion is not modified in respect of this matter.

#### *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 12.
- 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 H. Seaman*  
*Professional Corporation*

Vermilion, Alberta  
April 21, 2020

Chartered Accountant



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2019**

	2019	2018
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	8,102,941	4,985,837
Taxes and grants in lieu receivable (Note 3)	141,668	142,085
Receivables from other governments	3,069,365	783,014
Trade and other receivables	3,578,270	3,406,058
Inventory held for resale	5,475,046	5,475,046
Debt charges recoverable (Note 4)	1,105,446	1,277,274
Investments (Note 5)	50,000	150,000
Other long-term assets	400	6,745
	<hr/>	<hr/>
Total financial assets	21,523,136	16,226,059
<b>LIABILITIES</b>		
Payable to other governments	298,588	68,628
Accounts payable and accrued liabilities	2,600,041	1,383,743
Deposit liabilities	10,565	10,940
Deferred revenue (Note 6)	1,723,766	135,094
Employee benefit obligations (Note 7)	240,520	245,615
Long term debt (Note 9)	12,524,821	8,699,991
	<hr/>	<hr/>
Total liabilities	17,398,301	10,544,011
<b>NET FINANCIAL ASSETS</b>	<hr/> <b>4,124,835</b>	<hr/> <b>5,682,048</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 11)	60,896,666	57,494,017
Inventory for consumption	174,428	191,378
Prepaid expenses	92,533	101,599
	<hr/>	<hr/>
	61,163,627	57,786,994
<b>ACCUMULATED SURPLUS (Note 13)</b>	<hr/> <b>65,288,462</b>	<hr/> <b>63,469,042</b>

SIGNED ON BEHALF OF COUNCIL:


  
 \_\_\_\_\_ MAYOR  

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

## TOWN OF VERMILION

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**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget (Unaudited)	2019	2018
<b>REVENUE</b>			
Net municipal taxes (page 7)	5,170,494	5,195,270	5,122,068
Local improvements	17,601	162,447	200,416
Franchise and concession contracts	546,600	532,097	422,096
Gain on sale of tangible capital assets	45,925	36,703	42,395
User fees and sales of goods	5,587,745	4,853,592	4,912,918
Government transfers for operating (page 8)	1,089,572	1,054,568	948,861
Investment income	52,600	152,219	110,982
Penalties and costs of taxes	32,900	40,545	36,777
Contributed and donated assets	-	7,679	118,666
Licences and permits	80,200	87,155	85,232
Other	543,849	351,460	821,567
<b>Total Revenue</b>	<u>13,167,486</u>	<u>12,473,735</u>	<u>12,821,978</u>
<b>EXPENSES</b>			
Council and other legislative	250,602	221,851	237,565
General administration	1,264,400	1,261,265	1,142,310
Other general government	301,333	280,401	146,154
Police	52,960	37,615	39,122
Fire	243,000	253,445	212,915
Disaster and emergency measures	105,920	901,579	80,264
Bylaw enforcement	156,996	140,273	145,505
Common Services	118,781	152,147	58,187
Roads, streets, walks and lighting	1,360,596	1,401,836	1,410,299
Airport	31,491	48,520	29,307
Storm sewers and drainage	39,398	19,328	52,442
Water supply and distribution	2,088,369	2,206,525	2,387,271
Wastewater treatment and disposal	343,041	382,401	355,601
Waste management	616,251	601,358	635,863
Environmental use and protection	4,900	3,169	1,613
Family and community support	195,838	200,875	209,539
Cemeteries and crematoriums	44,993	36,340	34,833
Public health and welfare	364,457	287,363	275,230
Land use planning, zoning and development	117,999	122,847	126,112
Economic development	423,487	389,857	377,993
Subdivision land & development	363,010	152,659	868,277
Land, housing and building rentals	-	-	286,065
Recreation board	222,217	290,637	229,837
Parks and recreation	1,283,615	1,384,539	1,357,199
Community Hall	197,674	214,879	219,687
Culture and library	349,518	334,801	310,533
Amortization	2,438,041	2,600,326	2,581,080
<b>Total Expenses</b>	<u>12,978,887</u>	<u>13,926,834</u>	<u>13,810,803</u>
<b>DEFICIENCY OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	188,599	(1,453,099)	(988,825)
<b>OTHER</b>			
Government transfers for capital (page 8)	10,603,285	3,272,519	4,409,797
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	10,791,884	1,819,420	3,420,972
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	59,334,551	63,469,042	60,048,070
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>70,126,435</u>	<u>65,288,462</u>	<u>63,469,042</u>



**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget (Unaudited)	2019	2018
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	10,791,884	1,819,420	3,420,972
Acquisition of tangible capital assets	(18,511,257)	(7,427,761)	(2,285,101)
Tangible capital assets adjustments	-	-	-
Contributed tangible capital assets	-	(7,679)	(118,666)
Proceeds on disposal of tangible capital assets	-	574,624	62,615
Amortization on tangible capital assets	2,438,041	2,600,326	2,581,080
Gain on sale of tangible capital assets	13,120	857,840	3,941
	<u>(16,060,096)</u>	<u>(3,402,650)</u>	<u>243,869</u>
Change in inventory	-	16,950	(78,143)
Change in prepaid assets	-	9,066	(11,215)
	-	<u>26,016</u>	<u>(89,358)</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(5,268,212)	(1,557,214)	3,575,483
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	2,984,636	5,682,048	2,106,565
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>(2,283,576)</u>	<u>4,124,835</u>	<u>5,682,048</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (Deficiency) of revenue over expenses (Page 3)	1,819,420	3,420,972
Non-cash items included in excess of revenues over expenses:		
Contributed Assets	(7,679)	(118,666)
Amortization of tangible capital assets	2,600,326	2,581,080
Gain on disposal of tangible capital assets	857,840	3,941
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	417	(24,263)
Decrease (increase) in receivables from other governments	(2,286,351)	(483,917)
Decrease (increase) in trade and other receivables	(172,212)	293,157
Decrease (increase) in land inventory held for resale	-	291,095
Decrease (increase) in debt charges recoverable	171,828	164,660
Decrease (increase) in inventory for consumption	16,950	(78,143)
Decrease (increase) in prepaid expenses	9,066	(11,215)
Decrease (increase) in other long-term assets	6,345	152
Increase (decrease) in accounts payable and accrued liabilities	1,446,258	724,665
Increase (decrease) in deposit liabilities	(375)	(470)
Increase (decrease) in deferred revenue	1,588,672	15,843
Increase (decrease) in employee benefit obligations	(5,095)	(21,098)
<b>Cash provided by operating transactions</b>	<b>6,045,411</b>	<b>6,757,793</b>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(7,427,761)	(2,285,101)
Sale of tangible capital assets	574,624	62,615
<b>Cash applied to capital transactions</b>	<b>(6,853,137)</b>	<b>(2,222,486)</b>
<b>INVESTING</b>		
Decrease (increase) in investments	100,000	100,000
Decrease (increase) in restricted cash or cash equivalents	-	-
<b>Cash provided by investing transactions</b>	<b>100,000</b>	<b>100,000</b>
<b>FINANCING</b>		
Long term debt issued	5,000,000	61,212
Long term debt repaid	(1,175,170)	(1,145,457)
<b>Cash provided by financing transactions</b>	<b>3,824,830</b>	<b>(1,084,245)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>3,117,104</b>	<b>3,551,062</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>4,985,837</b>	<b>1,434,775</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>8,102,941</b>	<b>4,985,837</b>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 2)	8,102,941	4,985,837
Less: restricted portion of cash and temporary investments	-	-
	<b>8,102,941</b>	<b>4,985,837</b>



TOWN OF VERMILION

SCHEDULE OF PROPERTY TAXES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018
<b>TAXATION</b>			
Property taxes			
- residential land and improvements	4,342,448	4,342,380	4,321,085
- non-residential land and improvements	2,172,513	2,180,214	2,137,002
- machinery and equipment	16,292	15,861	16,065
- linear property	286,910	286,910	274,362
- railway	4,057	4,057	6,766
- farmland	3,765	3,765	6,900
Government grants in place of property taxes			
- federal	8,164	8,164	7,980
- provincial	53,501	53,501	52,400
	<u>6,887,650</u>	<u>6,894,852</u>	<u>6,822,560</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	1,471,758	1,454,488	1,456,871
East Central AB Catholic Separate Schools Regional Division No. 16	245,398	243,516	242,944
Designated industrial property	-	1,577	677
	<u>1,717,156</u>	<u>1,699,582</u>	<u>1,700,492</u>
<b>NET MUNICIPAL TAXES</b>	<u>5,170,494</u>	<u>5,195,270</u>	<u>5,122,068</u>

TOWN OF VERMILION

SCHEDULE OF GOVERNMENT TRANSFERS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018
<b>TRANSFERS FOR OPERATING:</b>			
Federal Government	3,000	14,830	14,730
Provincial Government	375,663	323,821	244,483
Other Local Governments and Agencies	710,909	715,917	689,648
	<u>1,089,572</u>	<u>1,054,568</u>	<u>948,861</u>
<b>TRANSFERS FOR CAPITAL:</b>			
Federal Government	7,762,476	2,901,105	567,372
Provincial Government	2,840,809	371,414	3,804,774
Other Local Governments and Agencies	-	-	37,651
	<u>10,603,285</u>	<u>3,272,519</u>	<u>4,409,797</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>11,692,857</u>	<u>4,327,087</u>	<u>5,358,658</u>



TOWN OF VERMILION

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018
Salaries, wages and benefits	4,206,356	4,115,744	3,927,906
Contracted and general services	3,187,870	3,229,202	4,061,108
Purchases from other governments	1,400	342	539
Materials, goods, supplies and utilities	1,843,603	1,620,784	1,868,144
Provision for allowances	-	-	(50)
Transfers to other governments	316,349	299,914	328,839
Transfers to individuals and organizations	334,485	479,920	326,560
Bank charges and short term interest	1,925	970	810
Interest on long term debt	253,330	270,871	315,713
Other expenditures	395,528	414,218	353,819
Amortization of tangible capital assets	2,438,041	2,600,326	2,581,080
Net gain on sale of tangible capital assets	-	894,543	46,335
	<u>12,978,887</u>	<u>13,926,834</u>	<u>13,810,803</u>



**Town of Vermilion**  
**Schedule of Accumulated Surplus**  
**For the Year Ended December 31, 2019**  
**Schedule 1**

	2019	2018
	\$	\$
<b>BALANCE, BEGINNING OF YEAR</b>	<b>63,469,042</b>	<b>60,048,070</b>
Excess (deficiency) of revenues over expenses	1,819,420	3,420,972
Unrestricted funds designated for future use	(7,727,132)	-
Restricted funds used for operations	1,190,070	-
Restricted funds used for tangible capital assets	3,760,201	-
Current year funds used for tangible capital assets	1,332,440	-
Donated and Contributed TCA	(7,679)	-
Disposal of tangible capital assets	1,432,465	-
Annual amortization expense	2,600,326	-
Long term debt repaid	(725,252)	-
Change in accumulated surplus	2,776,861	(872,099)
<b>BALANCE, END OF YEAR</b>	<b>65,288,462</b>	<b>63,469,042</b>



**Town of Vermilion**  
**Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2019**  
**Schedule 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2019 \$	2018 \$
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	2,280,116	5,051,183	13,573,566	71,651,758	5,427,154	2,401,674	100,385,451	98,534,697
Acquisition of tangible capital assets	-	175,000	-	1,261,545	432,341	205,078	2,073,964	1,435,195
Construction-in-progress	-	-	-	5,361,476	-	-	5,361,476	968,572
Disposal of tangible capital assets	(564,928)	-	(917,359)	(151,815)	(44,261)	(27,104)	(1,705,467)	(553,013)
Write-down of tangible capital assets	-	-	-	-	-	-	-	-
<b>BALANCE, END OF YEAR</b>	<b>1,715,188</b>	<b>5,226,183</b>	<b>12,656,207</b>	<b>78,122,964</b>	<b>5,815,234</b>	<b>2,579,648</b>	<b>106,115,424</b>	<b>100,385,451</b>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	2,095,472	3,172,518	33,599,444	2,852,721	1,171,279	42,891,434	40,796,811
Annual amortization	-	249,587	279,811	1,453,077	421,302	196,549	2,600,326	2,581,080
Accumulated amortization on disposals	-	-	(116,356)	(88,652)	(40,891)	(27,103)	(273,002)	(486,457)
Accumulated amortization on write-downs	-	-	-	-	-	-	-	-
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>2,345,059</b>	<b>3,335,973</b>	<b>34,963,869</b>	<b>3,233,132</b>	<b>1,340,725</b>	<b>45,218,758</b>	<b>42,891,434</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>1,715,188</b>	<b>2,881,124</b>	<b>9,320,234</b>	<b>43,159,095</b>	<b>2,582,102</b>	<b>1,238,923</b>	<b>60,896,666</b>	<b>57,494,017</b>
2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,280,116	2,955,711	10,401,048	38,052,314	2,574,433	1,230,395	57,494,017	



Town of Vermilion  
Schedule of Segmented Disclosure  
For the Year Ended December 31, 2019  
Schedule 3

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total
								\$
<b>REVENUE</b>								
Net municipal taxes	5,331,066							5,331,066
Government transfers	371,562	94,891	274,383	17,145	374,870	3,016,336	177,901	4,327,088
User fees and sales of goods	8,651	119,950	14,691	15,034	478,294	3,905,199	292,464	4,834,283
Investment income	149,621	-	-	-	1,298	-	1,300	152,219
Contributed assets	-	-	-	-	7,679	-	-	7,679
Other revenues	637,309	62,245	80,720	148,545	121,170	18,325	25,605	1,093,919
	6,498,209	277,086	369,794	180,724	983,311	6,939,860	497,270	15,746,254
<b>EXPENSES</b>								
Contract and general services	459,381	109,678	283,915	207,618	324,002	1,758,762	85,846	3,229,202
Salaries and wages	936,136	242,017	726,251	250,874	1,128,556	535,370	296,540	4,115,744
Goods and supplies	63,170	114,764	653,027	36,462	460,646	256,241	36,474	1,620,784
Transfers to other governments	4,150	-	-	-	-	295,764	-	299,914
Long-term debt interest	33,688	27,117	18,659	93,880	20,823	68,007	8,697	270,871
Other expenses	266,993	839,335	(60,022)	76,528	290,828	279,310	97,021	1,789,993
	1,763,518	1,332,911	1,621,830	665,362	2,224,855	3,193,454	524,578	11,326,508
<b>NET REVENUE, BEFORE AMORTIZATION</b>	4,734,691	(1,055,825)	(1,252,036)	(484,638)	(1,241,544)	3,746,406	(27,308)	4,419,746
Amortization expense	71,618	156,377	1,268,706	37,460	468,310	599,290	18,565	2,600,326
<b>NET REVENUE</b>	4,663,073	(1,192,202)	(2,520,742)	(522,098)	(1,709,854)	3,147,116	(45,873)	1,819,420



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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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.

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, 2019

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.

**Tax Revenue**

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal revenue.

**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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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1. SIGNIFICANT ACCOUNTING POLICIES - continued

**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.

**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.

**TOWN OF VERMILION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**2. CASH AND TEMPORARY INVESTMENTS**

	<u>2019</u>	<u>2018</u>
Cash	2,927,941	810,837
Temporary investments	<u>5,175,000</u>	<u>4,175,000</u>
	<u>8,102,941</u>	<u>4,985,837</u>

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

Included in cash and temporary investments are restricted funds totaling \$27,056 (2018 - \$33,501) 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>2019</u>	<u>2018</u>
Current taxes and grants in lieu	123,245	112,815
Tax arrears and grants in lieu	<u>23,423</u>	<u>34,270</u>
	146,668	147,085
Less: allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
	<u>141,668</u>	<u>142,085</u>

During the current and prior year no impairments were recorded.

**4. DEBT CHARGES RECOVERABLE**

	<u>2019</u>	<u>2018</u>
Current debt charges recoverable	50,121	171,828
Non-current debt charges recoverable	<u>1,055,325</u>	<u>1,105,446</u>
	<u>1,105,446</u>	<u>1,277,274</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>
2020	50,121	29,631	79,752
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
2024 and subsequent	<u>840,783</u>	<u>156,123</u>	<u>996,906</u>
	<u>1,105,446</u>	<u>290,220</u>	<u>1,395,666</u>





NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

5. INVESTMENTS

Investments consist of a term deposit bearing interest at a rate of 2.60% per annum with maturity date in 2021.

6. DEFERRED REVENUE

	<u>2019</u>	<u>2018</u>
Municipal Sustainability Initiative Capital	649,276	-
Federal Gas Tax Fund	224,383	-
Alberta Municipal Water & Wastewater Program	759,599	-
Alberta Community Partnership	54,922	-
Land Leases	10,280	10,025
Advertising	3,952	4,210
Airport Leases	7,180	1,895
Regional Centre Rent	-	38
FCSS Grants	6,107	4,752
Prepaid Business Licenses	-	21,850
Prepaid Land Development	-	85,816
Prepaid Local Improvements	<u>8,066</u>	<u>6,508</u>
	<u>1,723,766</u>	<u>135,094</u>

Funding in the amount of \$681,151 was received from the Alberta Government Municipal Sustainability Capital Grant Program for municipalities to manage growth pressures and provide sustainable funding. \$35,077 of this funding was allocated to ongoing local sewer and broadband projects and interest earned to date on the balance was \$3,203.

Funding in the amount of \$468,952 was received from Infrastructure Canada's Federal Gas Tax Fund for municipalities to support local infrastructure priorities. \$244,569 of this funding was spent on the annual local road program.

Funding in the amount of \$1,000,000 was received from the Alberta Transportation Municipal Water and Wastewater Program to construct a new wastewater treatment facility. \$240,401 of the funding was expended on the project.

Funding in the amount of \$130,000 was received from Alberta Municipal Affairs' Alberta Community Partnership Program to complete the intermunicipal collaboration framework requirements identified in the Municipal Government Act. \$75,078 of the funding was expended on the project.

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>2019</u>	<u>2018</u>
Accrued employee vacation	225,082	226,495
Accrued overtime	<u>15,438</u>	<u>19,120</u>
	<u>240,520</u>	<u>245,615</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.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

9. LONG-TERM DEBT

	<u>2019</u>	<u>2018</u>
Tax supported debentures	<u>12,524,821</u>	<u>8,699,991</u>

The current portion of the long-term debt amounts to \$1,178,664 (2018 - \$1,175,169).

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	1,178,664	341,115	1,519,779
2021	1,167,855	305,947	1,473,802
2022	1,036,380	270,927	1,307,307
2023	794,636	243,289	1,037,925
2024	812,431	221,171	1,033,602
2025 and subsequent	<u>7,534,855</u>	<u>1,525,587</u>	<u>9,060,442</u>
	<u>12,524,821</u>	<u>2,908,036</u>	<u>15,432,857</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 2020 through 2044. The average annual interest rate is 2.71% for 2019 (2018 – 2.92%).

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

The Town's total cash payment for interest in 2019 was \$270,897 (2018 - \$285,490).

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>2019</u>	<u>2018</u>
Total debt limit	18,191,109	19,081,445
Total guaranteed loans (Note 17)	181,597	197,209
Total debt outstanding	<u>12,524,821</u>	<u>8,699,991</u>
Amount of debt limit unused	<u>5,484,691</u>	<u>10,184,245</u>
Debt servicing limit	3,031,852	3,180,241
Debt servicing	<u>1,519,779</u>	<u>1,428,267</u>
Amount of debt servicing limit unused	<u>1,512,073</u>	<u>1,751,974</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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

11. TANGIBLE CAPITAL ASSETS

Net Book Value	<u>2019</u>	<u>2018</u>
Land	1,715,188	2,280,116
Land Improvements	2,881,124	2,955,711
Land Improvements-construction in progress	-	-
Buildings	9,320,234	10,401,048
Engineering Structures		
Roadway system	16,192,212	16,547,071
Roadway System-construction in progress	-	31,528
Water distribution system	13,188,589	13,130,517
Water distribution system-construction in progress	-	25,758
Wastewater treatment system	4,381,588	4,231,899
Wastewater treatment system-construction in progress	6,480,760	1,136,153
Storm System	2,877,128	2,927,438
Ice Plant-construction in progress	38,818	21,950
Machinery, equipment and furnishings	2,582,102	2,574,433
Machinery, equipment and furnishings-construction in progress	-	-
Vehicles – construction in progress	134,634	-
Vehicles	<u>1,104,289</u>	<u>1,230,395</u>
	<u>60,896,666</u>	<u>57,494,017</u>

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>
Tangible capital assets (Schedule 2)	106,115,424	100,385,451
Accumulated amortization (Schedule 2)	(45,218,758)	(42,891,434)
Long-term debt	<u>(9,221,946)</u>	<u>(4,947,198)</u>
	<u>51,674,720</u>	<u>52,546,819</u>

13. ACCUMULATED SURPLUS

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

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	2,041,371	2,126,713
Restricted	11,572,371	8,795,510
Equity in tangible capital assets	<u>51,674,720</u>	<u>52,546,819</u>
	<u>65,288,462</u>	<u>63,469,042</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).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**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:

	2019			2018
	Salary/ Fee	Benefits and Allowances	Total	Total
Mayor				
Caroline McAuley	37,120	-	37,120	40,500
Councillors				
Greg Barr	22,430	-	22,430	20,400
Tannis Henderson	18,280	-	18,280	25,700
Clinton McCullough	21,180	-	21,180	21,100
Robert Pulyk	26,380	-	26,380	26,900
Justin Thompson	20,730	-	20,730	24,500
Richard Yaceyko	21,930	-	21,930	21,300
Chief Administrative Officer				
George Rogers	144,228	20,170	164,398	164,423

- Salary/fee includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- 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.
- 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% (2018– 10.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (2018 – 14.84%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% (2018 – 9.39%) of pensionable salary up to the year's maximum pensionable salary and 12.84% (2018 – 13.84%) on pensionable salary above this amount.

Total current service contributions by the Town of Vermilion to the LAPP in 2019 were \$267,622 (2018 - \$283,046). Total current service contributions by the employees of the Town of Vermilion to the LAPP in 2019 were \$242,181 (2018 - \$258,807).

At December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.47 billion.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019 is \$363,194 (2018 - \$394,418). The loan is in good standing as at December 31, 2019.

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 \$242,330 (2018 - \$120,000).

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, 2019**

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**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. SUBSEQUENT EVENT**

Subsequent to year end, 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 governments, 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.