

TOWN OF VERMILION

ALBERTA

2022

MUNICIPAL FINANCIAL STATEMENTS

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TOWN OF VERMILION

For the Year Ended

December 31, 2022

Drafted by the Finance Department of the Town of Vermilion

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Vermilion is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Town's financial position as at December 31, 2022 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.

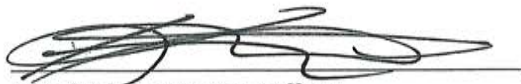
In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable 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 Isaman Chopek LLP, 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
Date: April 18, 2023
Town of Vermilion, Canada



Director of Corporate Services
Date : April 18, 2023
Town of Vermilion, Canada

INDEPENDENT AUDITORS' REPORT

To the Members of Council:

Opinion

We have audited the consolidated financial statements of the Town of Vermilion (the Entity), which comprise the statement of financial position as at December 31, 2022, 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 our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town of Vermilion as at December 31, 2022, 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

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

Responsibilities of management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our 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 auditors' report that includes our 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, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' report. However, future events or conditions may cause the 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. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we 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 our independence, and where applicable, related safeguards.

Report of Other Legal and Regulatory Requirements

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

Wainwright, Alberta
April 18, 2023

Isaman Chapel LLP

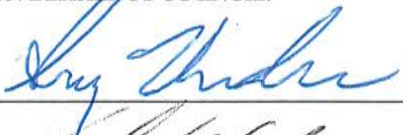
Chartered Professional Accountants



CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	2,532,183	3,761,664
Taxes and grants in lieu receivable (Note 3)	233,132	284,533
Receivables from other governments	1,430,583	1,078,217
Trade and other receivables	1,131,337	1,157,205
Inventory held for resale	4,714,801	4,730,145
Debt charges recoverable (Note 4)	950,941	1,003,836
Investments (Note 5)	2,143,635	-
Other long-term assets	-	-
	<hr/>	<hr/>
Total financial assets	13,136,612	12,015,600
LIABILITIES		
Payable to other governments	232,672	117,643
Accounts payable and accrued liabilities	530,741	473,330
Deposit liabilities	16,650	16,290
Deferred revenue (Note 6)	2,392,625	1,908,567
Employee benefit obligations (Note 7)	233,228	277,448
Long term debt (Note 9)	9,692,343	10,751,253
	<hr/>	<hr/>
Total liabilities	13,098,259	13,544,531
NET FINANCIAL (DEBT) ASSETS		
	<hr/>	<hr/>
	38,353	(1,528,931)
NON-FINANCIAL ASSETS		
Inventory for consumption	172,407	117,888
Prepaid expenses	998,359	1,081,719
Tangible capital assets (Note 11)	71,548,433	73,794,636
	<hr/>	<hr/>
	72,719,199	74,994,243
ACCUMULATED SURPLUS (Note 13)		
	<hr/>	<hr/>
	72,757,552	73,465,312

SIGNED ON BEHALF OF COUNCIL:



MAYOR



DEPUTY MAYOR

**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budget (Unaudited)	2022	2021
REVENUE			
Net municipal taxes (See Schedule of Property Taxes)	5,340,000	5,419,231	5,387,982
Local improvements	161,131	23,627	27,336
Franchise and concession contracts	707,000	854,211	684,594
Gain on sale of tangible capital assets	1,000	65,715	-
User fees and sales of goods	5,206,603	4,809,307	5,473,754
Government transfers for operating (See Sched of Govt Transfers)	763,179	806,753	1,181,065
Investment income	34,520	113,325	40,242
Penalties and costs of taxes	41,000	82,730	57,219
Contributed and donated assets	-	-	-
Licences and permits	81,000	64,831	104,050
Other	361,907	449,279	819,710
Total Revenue	12,697,340	12,689,009	13,775,952
EXPENSES			
Council and other legislative	266,000	237,580	191,494
General administration	1,035,000	970,009	1,180,315
Safety Program	23,386	10,055	-
Other general government	333,700	352,718	222,332
Police	201,400	169,776	101,805
Fire	254,000	265,888	272,876
Disaster and emergency services	21,000	22,288	89,144
Bylaw enforcement	140,013	119,470	115,696
Common services	84,033	196,445	124,194
Roads, streets, walks and lighting	1,495,824	1,118,363	1,240,623
Airport	49,640	46,341	57,058
Storm sewers and drainage	50,687	13,757	55,522
Water supply and distribution	2,371,230	2,901,624	2,951,130
Wastewater treatment and disposal	629,750	740,032	628,889
Waste management	718,430	721,185	701,091
Environmental use and protection	3,000	996	577
Family and community support	183,494	190,105	205,975
Cemeteries and crematoriums	39,961	32,485	50,537
Public health and welfare	66,876	48,275	51,825
Land use planning, zoning and development	130,100	109,325	106,001
Economic development	573,300	350,158	341,491
Community Services	6,800	2,436	-
Subdivision land & development	81,789	81,878	536,047
Land, housing and building rentals	-	-	-
Recreation board	208,100	164,203	138,926
Parks and recreation	1,280,956	1,219,304	906,730
Community hall	192,735	171,667	139,966
Culture and library	338,112	354,599	310,249
Amortization	2,593,567	2,994,191	2,610,720
Total Expenses	13,372,883	13,605,153	13,331,213
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	(675,543)	(916,144)	444,739
Government transfers for capital (page 9)	292,000	208,384	1,847,843
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	(383,543)	(707,760)	2,292,582
ACCUMULATED SURPLUS, BEGINNING OF YEAR	73,465,312	73,465,312	71,172,730
ACCUMULATED SURPLUS, END OF YEAR	73,081,769	72,757,552	73,465,312

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget (Unaudited)	2022	2021
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	(383,543)	(707,760)	2,292,582
Acquisition of tangible capital assets	2,070,000	(747,990)	(5,303,559)
Proceeds on disposal of tangible capital assets	1,000	65,715	-
Amortization of tangible capital assets	2,593,567	2,994,191	2,610,720
Gain on sale of tangible capital assets	(1,000)	(65,715)	-
Write-down of tangible capital assets	4,663,567	2,246,201	(2,692,839)
Change in inventory	-	(54,518)	(7,243)
Change in prepaid assets	-	83,361	205,477
	-	28,843	198,234
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	4,280,024	1,567,284	(202,023)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	(1,528,931)	(1,528,931)	(1,326,908)
NET FINANCIAL ASSETS, END OF YEAR	2,751,093	38,353	(1,528,931)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
(Deficiency) Excess of revenue over expenses (Page 5)	(707,760)	2,292,582
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	2,994,191	2,610,720
Gain on disposal of tangible capital assets	(65,715)	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	51,401	(14,405)
Decrease (increase) in receivables from other governments	(352,366)	135,789
Decrease (increase) in trade and other receivables	25,868	112,248
Decrease (increase) in land inventory held for resale	15,345	452,171
Decrease (increase) in debt charges recoverable	52,895	51,489
Decrease (increase) in inventory for consumption	(54,519)	(7,243)
Decrease (increase) in prepaid expenses	83,361	205,477
Decrease (increase) in other long-term assets	-	-
Increase (decrease) in accounts payable and accrued liabilities	172,440	(1,675,589)
Increase (decrease) in deposit liabilities	360	4,355
Increase (decrease) in deferred revenue	484,058	748,480
Increase (decrease) in employee benefit obligations	(44,220)	8,665
Cash provided by operating transactions	2,655,339	4,924,739
CAPITAL		
Acquisition of tangible capital assets	(747,990)	(5,303,559)
Sale of tangible capital assets	65,715	-
Cash applied to capital transactions	(682,275)	(5,303,559)
INVESTING		
Decrease (increase) in investments	(2,143,635)	-
Decrease (increase) in restricted cash or cash equivalents	-	-
Cash provided by investing transactions	(2,143,635)	-
FINANCING		
Long term debt issued	19,141	433,115
Long term debt repaid	(1,078,051)	(1,182,584)
Cash provided by financing transactions	(1,058,910)	(749,469)
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(1,229,481)	(1,128,289)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,761,664	4,889,953
CASH AND CASH EQUIVALENTS, END OF YEAR	2,532,183	3,761,664
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	2,532,183	3,761,664
Less: restricted portion of cash and temporary investments	-	-
	2,532,183	3,761,664

**SCHEDULE OF PROPERTY TAXES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budget (Unaudited)	2022	2021
TAXATION			
Property taxes			
- residential land and improvements	4,415,000	4,299,404	4,416,038
- non-residential land and improvements	2,298,000	2,409,222	2,298,664
- machinery and equipment	18,000	19,881	17,947
- linear property	296,000	295,040	296,831
- railway	12,000	5,517	11,799
- farmland	1,000	720	1,297
Government grants in place of property taxes			
- federal	11,000	19,725	18,922
- provincial	44,000	44,303	43,793
	<u>7,095,000</u>	<u>7,093,812</u>	<u>7,105,291</u>
REQUISITIONS			
Alberta School Foundation Fund	1,452,000	1,416,762	1,444,750
East Central AB Catholic Separate Schools Regional Division No. 16	243,000	213,445	213,633
Vermilion & District Housing Foundation	58,000	42,750	57,385
Designated Industrial Property	2,000	1,624	1,542
	<u>1,755,000</u>	<u>1,674,581</u>	<u>1,717,309</u>
NET MUNICIPAL TAXES	<u>5,340,000</u>	<u>5,419,231</u>	<u>5,387,982</u>

**SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budget (Unaudited)	2022	2021
TRANSFERS FOR OPERATING:			
Federal Government	850	1,600	-
Provincial Government	199,940	202,419	562,867
Other Local Governments	562,389	602,734	618,198
	<u>763,179</u>	<u>806,753</u>	<u>1,181,065</u>
TRANSFERS FOR CAPITAL:			
Federal Government	-	-	370,901
Provincial Government	292,000	208,384	1,476,942
Other Local Governments and Agencies	-	-	-
	<u>292,000</u>	<u>208,384</u>	<u>1,847,843</u>
TOTAL GOVERNMENT TRANSFERS	<u>1,055,179</u>	<u>1,015,137</u>	<u>3,028,908</u>

**SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budget (Unaudited)	2022	2021
Contracted and general services	3,506,845	3,852,455	3,904,147
Salaries, wages and benefits	4,246,590	3,784,099	3,767,987
Amortization of tangible capital assets	2,593,567	2,994,191	2,610,720
Materials, goods, supplies and utilities	1,638,356	1,855,719	1,924,121
Transfers to other governments	312,500	307,922	293,591
Interest on long term debt	393,754	277,911	314,703
Other expenditures	351,227	264,143	274,101
Transfers to individuals and organizations	322,944	259,534	234,159
Bank charges and short term interest	5,100	8,694	7,261
Purchases from other governments	1,000	485	423
Provision for allowances	1,000	-	-
Net loss on sale of tangible capital assets	-	-	-
	<u>13,372,883</u>	<u>13,605,153</u>	<u>13,331,213</u>

Town of Vermilion
Schedule of Accumulated Surplus
For the Year Ended December 31, 2022

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2022 \$	2021 \$
BALANCE, BEGINNING OF YEAR	2,466,230	5,335,617	65,663,465	73,465,312	71,172,730
Excess (deficiency) of revenues over expenses	(707,760)	-		(707,760)	2,292,582
Unrestricted funds designated for future use	(150,638)	150,638		-	-
Restricted funds used for operations	1,169,783	(1,169,783)		-	-
Restricted funds used for tangible capital assets		(665,198)	665,198	-	-
Current year funds used for tangible capital assets	(63,652)		63,652	-	-
Donated and Contributed TCA				-	-
Disposal of tangible capital assets				-	-
Annual amortization expense	2,994,191		(2,994,191)	-	-
Long term debt repaid	(808,004)		808,004	-	-
				-	-
Change in accumulated surplus	2,433,920	(1,684,343)	(1,457,337)	(707,760)	2,292,582
BALANCE, END OF YEAR	4,900,150	3,651,274	64,206,128	72,757,552	73,465,312

Town of Vermilion
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2022

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2022 \$	2021 \$
COST:								
BALANCE, BEGINNING OF YEAR	1,715,189	5,237,218	14,173,004	92,477,756	6,368,007	3,827,194	123,798,368	118,494,811
Acquisition of tangible capital assets	-	-	-	5,492	426,741	315,757	747,990	1,751,900
Construction-in-progress	-	-	-	-	-	-	-	3,551,659
Disposal of tangible capital assets	-	-	-	-	(63,952)	(166,809)	(230,761)	-
Write-down of tangible capital assets	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	1,715,189	5,237,218	14,173,004	92,483,248	6,730,796	3,976,142	124,315,597	123,798,370
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	2,817,256	3,843,188	37,604,571	3,940,560	1,798,159	50,003,734	47,393,014
Annual amortization	-	217,980	283,005	1,883,590	353,231	256,385	2,994,191	2,610,720
Accumulated amortization on disposals	-	-	-	-	(63,952)	(166,809)	(230,761)	-
Accumulated amortization on write-downs	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	-	3,035,236	4,126,193	39,488,161	4,229,839	1,887,735	52,767,164	50,003,734
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,715,189	2,201,982	10,046,811	52,995,087	2,500,957	2,088,407	71,548,433	73,794,636
2021 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,715,189	2,419,962	10,329,815	54,873,187	2,427,448	2,029,035	73,794,636	

Town of Vermilion
Schedule of Segmented Disclosure
For the Year Ended December 31, 2022

Town of Vermilion

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total \$
REVENUE								
Net municipal taxes	5,419,231							5,419,231
Government transfers	132,396	127,131	(24,815)	222,034	393,326	3,600	161,465	1,015,137
User fees and sales of goods	11,624	67,936	42,374	70,697	334,249	4,161,568	120,859	4,809,307
Investment income	113,325	-	-	-	-	-	-	113,325
Contributed assets	-	-	-	-	-	-	-	-
Other revenues	991,914	4,866	89,909	53,821	57,828	322,449	19,606	1,540,393
	<u>6,668,490</u>	<u>199,933</u>	<u>107,468</u>	<u>346,552</u>	<u>785,403</u>	<u>4,487,617</u>	<u>301,930</u>	<u>12,897,392</u>
EXPENSES								
Contract and general services	942,466	218,954	679,982	259,320	975,503	572,402	135,472	3,784,099
Salaries and wages	407,192	225,113	190,439	117,768	239,418	2,649,114	23,411	3,852,455
Goods and supplies	62,537	97,242	581,293	51,894	528,719	510,762	23,272	1,855,719
Transfers to other governments	27,308	28,507	10,269	63,320	1,583	145,144	1,780	277,911
Long-term debt interest	6,041	-	-	-	18	2,635	-	8,694
Other expenses	124,818	7,606	(87,077)	49,059	164,532	483,780	89,366	832,084
	<u>1,570,362</u>	<u>577,422</u>	<u>1,374,906</u>	<u>541,361</u>	<u>1,909,773</u>	<u>4,363,837</u>	<u>273,301</u>	<u>10,610,962</u>
NET REVENUE, BEFORE AMORTIZATION	<u>5,098,128</u>	<u>(377,489)</u>	<u>(1,267,438)</u>	<u>(194,809)</u>	<u>(1,124,370)</u>	<u>123,780</u>	<u>28,629</u>	<u>2,286,430</u>
Amortization expense	55,001	173,596	1,226,134	47,214	472,711	1,003,659	15,876	2,994,191
NET REVENUE	<u>5,043,127</u>	<u>(551,085)</u>	<u>(2,493,572)</u>	<u>(242,023)</u>	<u>(1,597,081)</u>	<u>(879,879)</u>	<u>12,753</u>	<u>(707,760)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022****1. SIGNIFICANT ACCOUNTING POLICIES**

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

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all the organizations that are owned or controlled by the Town and are therefore accountable to the Town Council for the administration of their financial affairs and resources. Included with the municipality is the following:

Vermilion Public Library
Family Community and Support Services

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

Basis of Accounting

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

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

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

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

Use of Estimates

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

Fund Accounting

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

Government Transfers

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

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined. Prior to that time, any amounts received are recorded as deferred revenue.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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 are also recorded as revenue.

Inventories

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

Land inventory held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as capital assets under their respective function.

Investments

Investments are recorded at cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

1. SIGNIFICANT ACCOUNTING POLICIES – continued

Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality. Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings. In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

Landfill Closure and Post-Closure Liability

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

2. CASH AND TEMPORARY INVESTMENTS

	<u>2022</u>	<u>2021</u>
Cash	327,315	(1,038,336)
Temporary investments	<u>2,204,868</u>	<u>4,800,000</u>
	<u>2,532,183</u>	<u>3,761,664</u>

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

Included in cash and temporary investments are restricted funds totaling \$20,384 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 in reserves.

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2022</u>	<u>2021</u>
Current taxes and grants in lieu	157,877	229,149
Tax arrears and grants in lieu	<u>80,255</u>	<u>60,384</u>
	238,132	289,533
Less: allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
	<u>233,132</u>	<u>284,533</u>

During the current and prior year no impairments were recorded.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

4. DEBT CHARGES RECOVERABLE

	<u>2022</u>	<u>2021</u>
Current debt charges recoverable	54,338	52,894
Non-current debt charges recoverable	<u>896,603</u>	<u>950,942</u>
	<u>950,941</u>	<u>1,003,836</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, the 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 were 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>
2023	54,338	25,414	79,752
2024	55,821	23,931	79,752
2025	57,345	22,407	79,752
2026	58,910	20,842	79,752
2027	60,517	19,235	79,752
2027 and subsequent	<u>664,010</u>	<u>93,638</u>	<u>757,648</u>
	<u>950,941</u>	<u>205,467</u>	<u>1,156,408</u>

5. INVESTMENTS

Investments consisted of three term deposits bearing interest at rate 2.30%, 2.40% and 3.67% per annum, with maturity date in 2023 and 2024.

6. DEFERRED REVENUE

	<u>2022</u>	<u>2021</u>
Municipal Sustainability Initiative Capital	1,510,517	1,246,600
Canada Community Building Fund	786,511	537,818
Regional Centre Rent	1,000	7,100
FCSS Grants-CMHA & RIFS	3,066	3,970
FCSS Grants – Operating	-	32,681
Prepaid Local Improvements	69,931	80,398
Unearned Revenue	<u>21,600</u>	-
	<u>2,392,625</u>	<u>1,908,567</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>2022</u>	<u>2021</u>
Accrued employee vacation	210,589	252,004
Accrued overtime	<u>22,639</u>	<u>25,444</u>
	<u>233,228</u>	<u>277,448</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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 2021 cost of \$11,809 and 2022 cost of \$27,934.

9. LONG-TERM DEBT

	<u>2022</u>	<u>2021</u>
Tax supported debentures	<u>9,692,343</u>	<u>10,751,252</u>

The current portion of the long-term debt amounts to \$837,908 (2021 - \$1,077,288).

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	837,908	254,405	1,092,313
2024	856,581	231,409	1,087,990
2025	841,700	207,326	1,049,026
2026	831,155	183,823	1,014,978
2027	839,914	160,003	999,917
2028 and subsequent	<u>5,485,085</u>	<u>1,028,341</u>	<u>6,513,426</u>
	<u>9,692,343</u>	<u>2,065,307</u>	<u>11,757,650</u>

Debenture debt is repayable to Alberta Capital Finance Authority, bears interest at rates ranging from 1.733% to 4.69% per annum, and matures in periods 2022 through 2044. The average annual interest rate is 2.489% for 2022 (2021 – 2.89%).

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

The Town's total cash payment for interest in 2022 was \$282,436 (2021 - \$308,268).

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>2022</u>	<u>2021</u>
Total debt limit	18,727,485	19,819,628
Total guaranteed loans (Note 17)	475,470	146,470
Total debt outstanding	<u>9,692,343</u>	<u>10,751,252</u>
Amount of debt limit unused	<u>8,559,672</u>	<u>8,921,906</u>
Debt servicing limit	3,121,248	3,303,271
Debt servicing	<u>1,092,313</u>	<u>1,359,275</u>
Amount of debt servicing limit unused	<u>2,028,935</u>	<u>1,943,996</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, 2022**

11. TANGIBLE CAPITAL ASSETS

Net Book Value	<u>2022</u>	<u>2021</u>
Land	1,715,189	1,715,189
Land Improvements	2,201,982	2,419,962
Buildings	10,046,810	10,329,815
Engineering Structures		
Roadway system	13,769,868	15,232,468
Water distribution system	12,563,472	12,454,885
Wastewater treatment system	23,935,551	20,860,912
Wastewater treatment system-construction in progress	-	3,551,659
Storm System	2,726,199	2,773,263
Machinery, equipment and furnishings	2,500,958	2,427,448
Vehicles	<u>2,088,407</u>	<u>2,029,035</u>
	<u>71,548,436</u>	<u>73,794,636</u>

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2022</u>	<u>2021</u>
Tangible capital assets (Schedule 2)	124,315,597	123,798,370
Accumulated amortization (Schedule 2)	(52,767,164)	(50,003,734)
Long-term debt	<u>(7,342,305)</u>	<u>(8,131,171)</u>
	<u>64,206,128</u>	<u>65,663,465</u>

13. ACCUMULATED SURPLUS

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

	<u>2022</u>	<u>2021</u>
Unrestricted surplus	4,900,150	2,466,230
Restricted	3,651,274	5,335,617
Equity in tangible capital assets	<u>64,206,128</u>	<u>65,663,465</u>
	<u>72,757,552</u>	<u>73,465,312</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, 2022**

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:

	2022			2021
	Salary/ Fee	Benefits and Allowances	Total	Total
Mayor				
Caroline McAuley	-	-	-	34,044
Greg Thronson	35,100	1,801	36,901	6,774
Councillors				
Greg Barr	-	-	-	14,900
Clinton McCullough	-	-	-	12,700
Robert Pulyk	22,850	1,103	23,953	24,688
Justin Thompson	-	-	-	19,650
Richard Yaceyko	-	-	-	17,300
Paul Conlon	19,900	935	20,835	3,611
Kevin Martin	20,300	958	21,258	5,082
Joshua Rayment	20,800	986	21,786	4,567
Robert Snow	23,650	1,149	24,799	5,716
Kirby Whitlock	23,350	1,131	24,481	4,736
Chief Administrative Officer				
George Rogers	-	-	-	165,025
Kevin Lucas	146,292	25,402	171,694	69,113

- (a) Salary/fee includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, and any other direct cash remuneration.
- (b) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability, and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.
- (c) Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

16. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Vermilion participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 281,764 people and 435 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 8.45% (2021– 9.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.8% (2021 – 13.84%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 7.45% (2021 – 8.39%) of pensionable salary up to the year's maximum pensionable salary and 11.8% (2020 – 12.84%) on pensionable salary above this amount.

Total current service contributions by the Town of Vermilion to the LAPP in 2022 were \$233,869 (2021 - \$239,702). Total current service contributions by the employees of the Town of Vermilion to the LAPP in 2022 were \$208,524 (2021 - \$216,475). At December 31, 2021, the LAPP disclosed an actuarial surplus of \$11.9 billion.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

16. 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, 2022 is \$269,522. The loan is in good standing as at December 31, 2022.

17. 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
Stage 7	\$717,800

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 \$706,000. 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 \$120,000 (2021 - \$120,000).

18. 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, 2022**

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.