

# TOWN OF VERMILION

ALBERTA

# 2021

## MUNICIPAL FINANCIAL STATEMENTS

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## TOWN OF VERMILION

For the Year Ended

December 31, 2021

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, 2021 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 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  
Date: April 19, 2022  
Town of Vermilion, Canada

  
\_\_\_\_\_  
Director of Corporate Services  
Date: April 19, 2022  
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, 2021, 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, 2021, 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 19, 2022

*Isamar Chopek LLP*

Chartered Professional Accountants






CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2021

	2021	2020
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	3,761,664	4,889,953
Taxes and grants in lieu receivable (Note 3)	284,533	270,128
Receivables from other governments	1,078,217	1,214,006
Trade and other receivables	1,157,205	1,269,453
Inventory held for resale	4,730,145	5,182,316
Debt charges recoverable (Note 4)	1,003,836	1,055,325
Investments (Note 5)	-	-
Other long-term assets	-	-
	<hr/>	<hr/>
Total financial assets	12,015,600	13,881,181
<b>LIABILITIES</b>		
Payable to other governments	117,643	176,739
Accounts payable and accrued liabilities	473,331	2,089,824
Deposit liabilities	16,290	11,935
Deferred revenue (Note 6)	1,908,567	1,160,087
Employee benefit obligations (Note 7)	277,448	268,783
Long term debt (Note 9)	10,751,252	11,500,721
	<hr/>	<hr/>
Total liabilities	13,544,531	15,208,089
	<hr/>	<hr/>
<b>NET FINANCIAL (DEBT) ASSETS</b>	(1,528,931)	(1,326,908)
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 11)	73,794,636	71,101,797
Inventory for consumption	117,888	110,645
Prepaid expenses	1,081,719	1,287,196
	<hr/>	<hr/>
	74,994,243	72,499,638
	<hr/>	<hr/>
<b>ACCUMULATED SURPLUS (Note 13)</b>	73,465,312	71,172,730
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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, 2021

	Budget (Unaudited)	2021	2020
<b>REVENUE</b>			
Net municipal taxes (See Schedule of Property Taxes)	5,107,933	5,387,982	5,133,359
Local improvements	13,192	27,336	160,554
Franchise and concession contracts	706,600	684,594	520,486
Gain on sale of tangible capital assets	23,800	-	35,352
User fees and sales of goods	5,096,253	5,473,754	4,703,520
Government transfers for operating (See Sched of Government Transfers)	769,895	1,181,065	878,341
Investment income	63,575	40,242	103,831
Penalties and costs of taxes	33,900	57,219	17,753
Contributed and donated assets	-	-	9,518
Licences and permits	80,000	104,050	71,008
Other	170,947	819,710	176,681
<b>Total Revenue</b>	<u>12,066,095</u>	<u>13,775,952</u>	<u>11,810,404</u>
<b>EXPENSES</b>			
Council and other legislative	223,650	191,494	167,260
General administration	1,157,588	1,180,315	1,155,366
Other general government	94,950	222,332	200,222
Police	38,300	101,805	37,327
Fire	254,200	272,876	239,222
Disaster and emergency measures	116,927	89,144	81,702
Bylaw enforcement	160,599	115,696	137,598
Common Services	161,686	124,194	62,468
Roads, streets, walks and lighting	1,371,102	1,240,623	1,415,373
Airport	74,340	57,058	48,024
Storm sewers and drainage	41,187	55,522	49,700
Water supply and distribution	2,187,652	2,951,130	2,120,702
Wastewater treatment and disposal	724,709	628,889	625,562
Waste management	584,954	701,091	569,563
Environmental use and protection	6,900	577	735
Family and community support	204,212	205,975	192,644
Cemeteries and crematoriums	39,657	50,537	35,582
Public health and welfare	87,083	51,825	314,729
Land use planning, zoning and development	126,422	106,001	105,931
Economic development	558,873	341,491	284,744
Subdivision land & development	90,817	536,047	430,786
Land, housing and building rentals	-	-	-
Recreation board	230,525	138,926	154,101
Parks and recreation	1,140,702	906,730	998,992
Community Hall	154,994	139,966	153,657
Culture and library	326,213	310,249	304,877
Amortization	2,492,063	2,610,720	2,588,741
<b>Total Expenses</b>	<u>12,650,305</u>	<u>13,331,213</u>	<u>12,475,609</u>
<b>(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER OTHER</b>	(584,210)	444,739	(665,205)
Government transfers for capital (See Government Transfers Schedule)	1,581,000	1,847,843	6,549,472
<b>EXCESS OF REVENUE OVER EXPENSES</b>	996,790	2,292,582	5,884,268
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>71,172,730</u>	<u>71,172,730</u>	<u>65,288,462</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>72,169,520</u>	<u>73,465,312</u>	<u>71,172,730</u>



CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	996,790	2,292,582	5,884,268
Acquisition of tangible capital assets	(2,840,000)	(5,303,559)	(12,805,985)
Tangible capital assets adjustments	-	-	-
Contributed tangible capital assets	-	-	(9,518)
Proceeds on disposal of tangible capital assets	-	-	19,809
Amortization on tangible capital assets	2,492,063	2,610,720	2,588,741
Gain on sale of tangible capital assets	23,800	-	1,821
	<u>(324,137)</u>	<u>(2,692,839)</u>	<u>(10,205,132)</u>
Change in inventory	-	(7,243)	63,784
Change in prepaid assets	-	205,477	207,781
	<u>-</u>	<u>198,234</u>	<u>271,565</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	672,653	(202,023)	(4,049,299)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>(1,326,908)</u>	<u>(1,326,908)</u>	<u>2,722,391</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u><u>(654,255)</u></u>	<u><u>(1,528,931)</u></u>	<u><u>(1,326,908)</u></u>

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (Deficiency) of revenue over expenses (Page 5)	2,292,582	5,884,268
Non-cash items included in excess of revenues over expenses:		
Contributed Assets	-	(9,518)
Amortization of tangible capital assets	2,610,720	2,588,741
Gain on disposal of tangible capital assets	-	1,821
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(14,405)	(128,460)
Decrease (increase) in receivables from other governments	135,789	1,855,359
Decrease (increase) in trade and other receivables	112,248	906,373
Decrease (increase) in land inventory held for resale	452,171	292,730
Decrease (increase) in debt charges recoverable	51,489	50,121
Decrease (increase) in inventory for consumption	(7,243)	63,783
Decrease (increase) in prepaid expenses	205,477	207,781
Decrease (increase) in other long-term assets	-	400
Increase (decrease) in accounts payable and accrued liabilities	(1,675,589)	(632,066)
Increase (decrease) in deposit liabilities	4,355	1,370
Increase (decrease) in deferred revenue	748,480	(563,679)
Increase (decrease) in employee benefit obligations	8,665	28,263
<b>Cash provided by operating transactions</b>	<b>4,924,739</b>	<b>10,547,287</b>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(5,303,559)	(12,805,985)
Sale of tangible capital assets	-	19,809
<b>Cash applied to capital transactions</b>	<b>(5,303,559)</b>	<b>(12,786,176)</b>
<b>INVESTING</b>		
Decrease (increase) in investments	-	50,000
Decrease (increase) in restricted cash or cash equivalents	-	-
<b>Cash provided by investing transactions</b>	<b>-</b>	<b>50,000</b>
<b>FINANCING</b>		
Long term debt issued	433,115	157,441
Long term debt repaid	(1,182,584)	(1,181,540)
<b>Cash provided by financing transactions</b>	<b>(749,469)</b>	<b>(1,024,099)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>(1,128,289)</b>	<b>(3,212,988)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>4,889,953</b>	<b>8,102,941</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>3,761,664</b>	<b>4,889,953</b>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 2)	3,761,664	4,889,953
Less: restricted portion of cash and temporary investments	-	-
	<b>3,761,664</b>	<b>4,889,953</b>



TOWN OF VERMILION

SCHEDULE OF PROPERTY TAXES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
<b>TAXATION</b>			
Property taxes			
- residential land and improvements	4,316,616	4,416,038	4,283,498
- non-residential land and improvements	2,216,668	2,298,664	2,194,971
- machinery and equipment	17,290	17,947	16,967
- linear property	280,123	296,831	280,123
- railway	4,142	11,799	4,142
- farmland	1,687	1,297	1,686
Government grants in place of property taxes			
- federal	7,937	18,922	7,936
- provincial	20,370	43,793	40,740
	<u>6,864,833</u>	<u>7,105,291</u>	<u>6,830,063</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	1,454,488	1,444,750	1,452,169
East Central AB Catholic Separate Schools Regional Division No. 16	243,516	213,633	243,024
Vermilion & District Housing Foundation	57,385	57,385	-
Designated industrial property	1,511	1,542	1,510
	<u>1,756,900</u>	<u>1,717,309</u>	<u>1,696,704</u>
<b>NET MUNICIPAL TAXES</b>	<u>5,107,933</u>	<u>5,387,982</u>	<u>5,133,359</u>



TOWN OF VERMILION

SCHEDULE OF GOVERNMENT TRANSFERS  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
<b>TRANSFERS FOR OPERATING:</b>			
Federal Government	-	-	21,000
Provincial Government	199,663	562,867	309,835
Other Local Governments and Agencies	567,232	618,198	547,506
	<u>766,895</u>	<u>1,181,065</u>	<u>878,341</u>
<b>TRANSFERS FOR CAPITAL:</b>			
Federal Government	317,340	370,901	325,974
Provincial Government	1,263,660	1,476,942	6,223,498
Other Local Governments and Agencies	-	-	-
	<u>1,581,000</u>	<u>1,847,843</u>	<u>6,549,472</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>2,347,895</u>	<u>3,028,908</u>	<u>7,427,813</u>



## TOWN OF VERMILION

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SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
Salaries, wages and benefits	3,860,247	3,767,987	3,888,955
Contracted and general services	3,186,215	3,904,147	3,037,802
Purchases from other governments	1,000	423	100
Materials, goods, supplies and utilities	1,672,389	1,924,121	1,751,275
Provision for allowances	-	-	-
Transfers to other governments	312,199	293,591	301,155
Transfers to individuals and organizations	329,900	234,159	229,992
Bank charges and short term interest	2,425	7,261	8,708
Interest on long term debt	324,029	314,703	337,383
Other expenditures	469,838	274,101	309,866
Amortization of tangible capital assets	2,492,063	2,610,720	2,588,741
Net gain on sale of tangible capital assets	-	-	21,631
	<u>12,650,305</u>	<u>13,331,213</u>	<u>12,475,609</u>





**Town of Vermilion**  
**Schedule of Accumulated Surplus**  
**For the Year Ended December 31, 2021**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021 \$	2020 \$
<b>BALANCE, BEGINNING OF YEAR</b>	1,944,550	6,660,691	62,567,489	71,172,730	65,288,462
Excess (deficiency) of revenues over expenses	2,292,582	-		2,292,582	5,884,268
Unrestricted funds designated for future use	(2,293,695)	2,293,695		-	-
Restricted funds used for operations	761,612	(761,612)		-	-
Restricted funds used for tangible capital assets		(2,857,157)	2,857,157	-	-
Current year funds used for tangible capital assets	(2,013,288)		2,013,288	-	-
Donated and Contributed TCA	-		-	-	-
Disposal of tangible capital assets	-		-	-	-
Annual amortization expense	2,610,720		(2,610,720)	-	-
Long term debt repaid	(836,251)		836,251	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Change in accumulated surplus	521,680	(1,325,074)	3,095,976	2,292,582	5,884,268
<b>BALANCE, END OF YEAR</b>	<u>2,466,230</u>	<u>5,335,617</u>	<u>65,663,465</u>	<u>73,465,312</u>	<u>71,172,730</u>



**Town of Vermilion**  
**Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2021**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2021 \$	2020 \$
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	1,715,189	5,237,218	12,695,024	88,926,099	6,095,323	3,825,958	118,494,811	106,115,424
Acquisition of tangible capital assets	-	-	1,477,979	-	272,685	1,236	1,751,900	1,264,488
Construction-in-progress	-	-	-	3,551,659	-	-	3,551,659	11,551,015
Disposal of tangible capital assets	-	-	-	-	-	-	-	(436,116)
Write-down of tangible capital assets	-	-	-	-	-	-	-	-
<b>BALANCE, END OF YEAR</b>	<b>1,715,189</b>	<b>5,237,218</b>	<b>14,173,003</b>	<b>92,477,758</b>	<b>6,368,008</b>	<b>3,827,194</b>	<b>123,798,370</b>	<b>118,494,811</b>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	2,589,862	3,590,091	36,136,127	3,535,111	1,541,823	47,393,014	45,218,758
Annual amortization	-	227,394	253,097	1,468,444	405,449	256,336	2,610,720	2,588,739
Accumulated amortization on disposals	-	-	-	-	-	-	-	(414,485)
Accumulated amortization on write-downs	-	-	-	-	-	-	-	-
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>2,817,256</b>	<b>3,843,188</b>	<b>37,604,571</b>	<b>3,940,560</b>	<b>1,798,159</b>	<b>50,003,734</b>	<b>47,393,014</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>1,715,189</b>	<b>2,419,962</b>	<b>10,329,815</b>	<b>54,873,187</b>	<b>2,427,448</b>	<b>2,029,035</b>	<b>73,794,636</b>	<b>71,101,797</b>
2020 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,715,189	2,647,356	9,066,116	52,828,791	2,560,212	2,284,135	71,101,797	



Town of Vermilion  
Schedule of Segmented Disclosure  
For the Year Ended December 31, 2021

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total \$
<b>REVENUE</b>								
Net municipal taxes	5,387,982							5,387,982
Government transfers	730,279	476,327	30,605	20,550	362,002	1,239,137	170,008	3,028,908
User fees and sales of goods	7,981	79,398	22,222	1,189,425	172,645	3,874,817	127,266	5,473,754
Investment income	40,242	-	-	-	-	-	-	40,242
Contributed assets	-	-	-	-	-	-	-	-
Other revenues	805,739	5,151	24,783	109,286	716,774	15,850	15,326	1,692,909
	<u>6,972,222</u>	<u>560,876</u>	<u>77,611</u>	<u>1,319,261</u>	<u>1,251,421</u>	<u>5,129,804</u>	<u>312,600</u>	<u>15,623,795</u>
<b>EXPENSES</b>								
Contract and general services	428,786	167,553	244,268	124,322	230,247	2,680,008	28,963	3,904,147
Salaries and wages	1,029,187	238,733	708,095	269,294	822,946	546,185	153,548	3,767,987
Goods and supplies	53,010	141,427	602,545	493,016	272,916	341,775	19,432	1,924,121
Transfers to other governments	-	-	-	-	-	293,591	-	293,591
Long-term debt interest	28,202	25,222	12,185	73,869	8,213	162,819	4,193	314,703
Other expenses	54,956	6,585	(89,697)	23,040	161,547	257,309	102,204	515,944
	<u>1,594,141</u>	<u>579,520</u>	<u>1,477,396</u>	<u>983,541</u>	<u>1,495,869</u>	<u>4,281,687</u>	<u>308,340</u>	<u>10,720,493</u>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	<u>5,378,081</u>	<u>(18,644)</u>	<u>(1,399,785)</u>	<u>335,720</u>	<u>(244,448)</u>	<u>848,118</u>	<u>4,261</u>	<u>4,903,302</u>
Amortization expense	72,407	172,604	1,248,658	27,559	457,199	613,763	18,531	2,610,720
<b>NET REVENUE</b>	<u>5,305,675</u>	<u>(191,248)</u>	<u>(2,648,443)</u>	<u>308,161</u>	<u>(701,647)</u>	<u>234,355</u>	<u>(14,270)</u>	<u>2,292,582</u>





NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

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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.

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, 2021

1. SIGNIFICANT ACCOUNTING POLICIES - continued

**Requisition Over-levy and Under-levy**

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

**Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the consolidated Change in Net Financial Assets for the year.

**Tangible Capital Assets**

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

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

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

**Contribution of Tangible Capital Assets**

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

**Inventories**

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

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

**Investments**

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



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

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>2021</u>	<u>2020</u>
Cash	(1,038,336)	1,239,953
Temporary investments	<u>4,800,000</u>	<u>3,650,000</u>
	<u>3,761,664</u>	<u>4,839,953</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 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>2021</u>	<u>2020</u>
Current taxes and grants in lieu	229,149	214,543
Tax arrears and grants in lieu	<u>60,384</u>	<u>60,585</u>
	289,533	275,128
Less: allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
	<u>284,533</u>	<u>270,128</u>

During the current and prior year no impairments were recorded.





TOWN OF VERMILION

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

4. DEBT CHARGES RECOVERABLE

	<u>2021</u>	<u>2020</u>
Current debt charges recoverable	52,894	51,489
Non-current debt charges recoverable	<u>950,942</u>	<u>1,003,836</u>
	<u>1,003,836</u>	<u>1,055,325</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>
2022	52,894	26,858	79,752
2023	54,338	25,414	79,752
2024	55,821	23,931	79,752
2025	57,345	22,407	79,752
2026	58,910	20,842	79,752
2027 and subsequent	<u>724,528</u>	<u>112,874</u>	<u>837,402</u>
	<u>1,003,836</u>	<u>232,326</u>	<u>1,236,162</u>

5. INVESTMENTS

Investments consisted of a term deposit bearing interest at rate 2.60% per annum, with maturity date in 2021. There were no investments by year end in 2021. The related GIC has been included in the current cash balance

6. DEFERRED REVENUE

	<u>2021</u>	<u>2020</u>
Municipal Sustainability Initiative Capital	1,246,600	629,195
Federal Gas Tax Fund	537,818	68,692
Land Leases	-	4,400
Airport Leases	-	930
Regional Centre Rent	7,100	-
FCSS Grants-CMHA & RIFS	3,970	5,409
FCSS Grants – Operating	32,681	10,903
MOST Grant	-	393,124
Prepaid Local Improvements	<u>80,398</u>	<u>47,434</u>
	<u>1,908,567</u>	<u>1,160,087</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>2021</u>	<u>2020</u>
Accrued employee vacation	252,004	231,819
Accrued overtime	<u>25,444</u>	<u>36,964</u>
	<u>277,448</u>	<u>268,783</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**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 2020 cost of \$10,579 and 2021 cost of \$11,809.

**9. LONG-TERM DEBT**

	<u>2021</u>	<u>2020</u>
Tax supported debentures	<u>10,751,252</u>	<u>11,500,721</u>

The current portion of the long-term debt amounts to \$1,077,288 (2020 - \$1,182,584).

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	1,077,288	281,987	1,359,275
2023	836,332	253,561	1,089,893
2024	854,930	230,640	1,085,570
2025	839,971	206,635	1,046,606
2026	829,343	183,215	1,012,558
2027 and subsequent	<u>6,313,388</u>	<u>1,186,647</u>	<u>7,500,035</u>
	<u>10,751,252</u>	<u>2,342,685</u>	<u>13,093,937</u>

Debenture debt is repayable to Alberta Capital Finance Authority, bears interest at rates ranging from 1.733% to 4.971% per annum, and matures in periods 2022 through 2044. The average annual interest rate is 2.89% for 2021 (2020 – 2.68%).

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

The Town's total cash payment for interest in 2021 was \$308,268 (2020 - \$341,657).

**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>2021</u>	<u>2020</u>
Total debt limit	19,819,628	17,205,075
Total guaranteed loans (Note 17)	146,470	165,985
Total debt outstanding	<u>10,751,252</u>	<u>11,500,721</u>
Amount of debt limit unused	<u>8,921,906</u>	<u>5,538,369</u>
Debt servicing limit	3,303,271	2,867,513
Debt servicing	<u>1,359,275</u>	<u>1,577,734</u>
Amount of debt servicing limit unused	<u>1,943,996</u>	<u>1,289,779</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.



**TOWN OF VERMILION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**11. TANGIBLE CAPITAL ASSETS**

Net Book Value	<u>2021</u>	<u>2020</u>
Land	1,715,189	1,715,189
Land Improvements	2,419,962	2,647,356
Land Improvements-construction in progress	-	-
Buildings	10,329,815	9,104,933
Engineering Structures		
Roadway system	15,232,468	15,642,045
Roadway System-construction in progress	-	11,755
Water distribution system	12,454,885	13,245,921
Water distribution system-construction in progress	-	-
Wastewater treatment system	20,860,912	5,160,214
Wastewater treatment system-construction in progress	3,551,659	15,903,217
Storm System	2,773,263	2,826,818
Machinery, equipment and furnishings	2,427,448	2,560,212
Machinery, equipment and furnishings-construction in progress	-	-
Vehicles – construction in progress	-	1,380,948
Vehicles	<u>2,029,035</u>	<u>903,189</u>
	<u>73,794,636</u>	<u>71,101,797</u>

**12. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<u>2021</u>	<u>2020</u>
Tangible capital assets (Schedule 2)	123,798,370	118,494,811
Accumulated amortization (Schedule 2)	(50,003,734)	(47,393,014)
Long-term debt	<u>(8,131,171)</u>	<u>(8,534,308)</u>
	<u>65,663,465</u>	<u>62,567,489</u>

**13. ACCUMULATED SURPLUS**

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

	<u>2021</u>	<u>2020</u>
Unrestricted surplus	2,466,230	1,944,550
Restricted	5,335,617	6,660,691
Equity in tangible capital assets	<u>65,663,465</u>	<u>62,567,489</u>
	<u>73,465,312</u>	<u>71,172,730</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, 2021**

**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:

	2021			2020
	Salary/ Fee	Benefits and Allowances	Total	Total
Mayor				
Caroline McAuley	33,700	344	34,044	39,790
Greg Thronson	6,774	-	6,774	-
Councillors				
Greg Barr	14,900	-	14,900	17,780
Tannis Henderson	-	-	-	2,230
Clinton McCullough	12,700	-	12,700	20,280
Robert Pulyk	24,650	38	24,688	23,780
Justin Thompson	19,650	-	19,650	20,430
Richard Yaceyko	17,300	-	17,300	22,430
Paul Conlon	3,611	-	3,611	-
Kevin Martin	5,082	-	5,082	-
Joshua Rayment	4,567	-	4,567	-
Robert Snow	5,713	-	5,713	-
Kirby Whitlock	4,736	-	4,736	-
Chief Administrative Officer				
George Rogers	78,312	86,713	165,025	187,764
Kevin Lucas	69,113	-	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 275,863 people and 433 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% (2020 – 9.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (2020 – 13.84%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% (2020 – 8.39%) of pensionable salary up to the year's maximum pensionable salary and 12.84% (2020 – 12.84%) on pensionable salary above this amount.

Total current service contributions by the Town of Vermilion to the LAPP in 2021 were \$239,702 (2020 - \$266,855). Total current service contributions by the employees of the Town of Vermilion to the LAPP in 2021 were \$216,475 (2020 - \$241,324). At December 31, 2020, the LAPP disclosed an actuarial surplus of \$4.96 billion.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021 is \$292,940. The loan is in good standing as at December 31, 2021.

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 (2020 - \$295,000).

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.



**TOWN OF VERMILION**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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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.

