

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

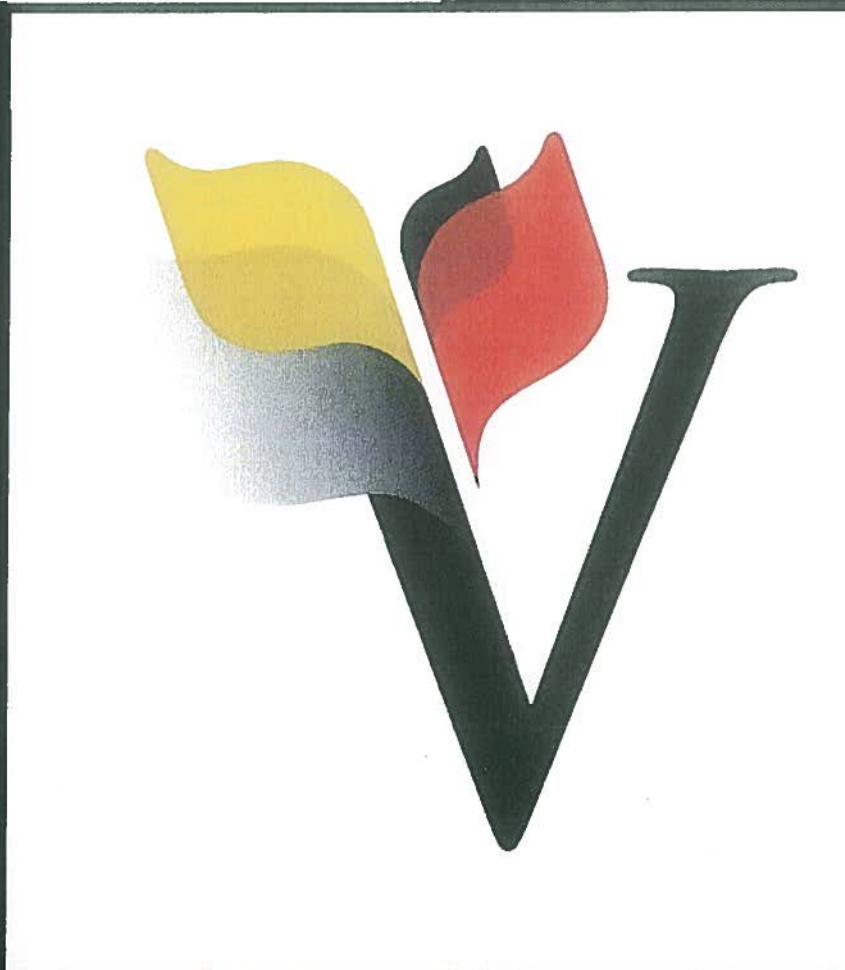


**2014**

**MUNICIPAL FINANCIAL STATEMENT**

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**TOWN OF VERMILION**  
 For the Year Ended  
 December 31, 2014



5021 - 49 Avenue  
Vermilion, AB Canada T9X 1X1  
www.vermilion.ca

## MANAGEMENT REPORT

The accompanying financial statements and other information contained in the Financial Report are the responsibility of the management of the Town of Vermilion.

These financial statements have been prepared by management. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Town of Vermilion maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected council of the Town of Vermilion is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Council carries out its responsibility principally through the Finance and Administration Committee.

The Mayor and Town Manager meet annually with management and external auditors to discuss internal controls over the financial reporting issues, and to satisfy themselves that each party is properly discharging its responsibilities. The Finance and Administration Committee also considers, for approval by Council, the engagement or re-appointment of the external auditors. The Finance and Administration Committee reviews the monthly budget reports.

The financial statements have been audited by Donald L. Isaman Professional Corporation, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of Council, residents and ratepayers of the Town. Donald L. Isaman Professional Corporation has full and free access to the Finance and Administration Committee.

  
\_\_\_\_\_  
Town Manager  
April 21, 2015



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

## INDEPENDENT AUDITOR'S REPORT

### **To the Members of Council:**

#### *Report on the Consolidated Financial Statements*

I have audited the accompanying consolidated financial statements of the Town of Vermilion, which comprise the statement of financial position as at December 31, 2014, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with all ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### *Opinion*

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Vermilion as at December 31, 2014, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Independent Auditor's Report to the Members of Council of Town of Vermilion (continued)

*Other Matters*

The financial statements of the Town of Vermilion for the year ended December 31, 2013, were audited by another auditor who expressed an unmodified opinion on those statements on April 15, 2014.

*Ronald L. Esaman*  
*Professional Corporation*

Wainwright, Alberta  
April 21, 2015



Chartered Accountant



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2014**

	2014	2013 <i>Restated</i>
<b>ASSETS</b>		
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	507,570	813,716
Taxes and grants in lieu receivable (Note 3)	60,280	80,196
Receivables from other governments	422,976	502,163
Trade and other receivables	5,612,351	3,950,740
Inventory held for resale	5,170,116	5,893,336
Debt charges recoverable (Note 4)	559,204	655,552
Investments (Note 5)	855,534	850,000
Other long-term assets	7,683	7,460
	<hr/>	<hr/>
Total financial assets	13,195,714	12,753,163
<b>LIABILITIES</b>		
Payable To Other Governments	97,308	463,557
Accounts payable and accrued liabilities	903,599	1,863,183
Deposit liabilities	15,840	10,388
Deferred revenue (Note 6)	132,016	35,949
Employee benefit obligations (Note 7)	290,474	273,844
Long term debt (Note 9)	9,504,000	7,497,609
	<hr/>	<hr/>
Total liabilities	10,943,237	10,144,530
	<hr/>	<hr/>
<b>NET FINANCIAL ASSETS</b>	<b>2,252,477</b>	<b>2,608,633</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 11)	53,975,094	51,542,089
Inventory for consumption	78,733	86,874
Prepaid expenses	97,337	67,938
	<hr/>	<hr/>
	54,151,164	51,696,901
	<hr/>	<hr/>
<b>ACCUMULATED SURPLUS (Note 13)</b>	<b>56,403,641</b>	<b>54,305,534</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, 2014**

<b>REVENUE</b>	Budget (Unaudited)	2014	2013 <i>Restated</i>
Net municipal taxes (Page 6)	4,438,718	4,441,409	4,096,399
Local improvements	194,158	414,728	355,491
Franchise and concession contracts	363,000	389,939	343,937
Gain on sale of tangible capital assets	25,200	10,965	64,323
User fees and sales of goods	7,409,219	7,401,170	4,421,571
Government transfers for operating (Page7)	843,750	901,291	1,008,888
Investment income	60,500	47,071	107,877
Penalties and costs of taxes	28,300	27,054	19,592
Contributed and donated assets		26,799	45,090
Licences and permits	78,400	93,115	74,775
Other	5,465,380	1,470,223	5,969,890
<b>Total Revenue</b>	<u>18,906,625</u>	<u>15,223,764</u>	<u>16,507,833</u>
<b>EXPENSES</b>			
Council and other legislative	195,814	171,361	183,361
General administration	1,159,303	1,086,984	1,021,304
Other general government	223,100	210,855	177,969
Police	59,765	44,337	49,212
Fire	283,291	218,575	237,737
Disaster and emergency measures	14,045	2,230	1,834
Bylaw enforcement	126,961	84,490	77,814
Common Services	189,457	3,753	1,609
Roads, streets, walks and lighting	1,863,760	1,417,468	1,399,443
Airport	68,009	25,891	35,566
Storm sewers and drainage	69,777	57,956	53,789
Water supply and distribution	2,821,317	2,792,135	3,175,644
Wastewater treatment and disposal	468,419	328,537	266,651
Waste management	753,443	669,373	655,993
Enviromental use and protection	5,760	1,531	1,023
Family and community support	165,789	172,297	160,489
Cemeteries and crematoriums	47,169	41,450	30,799
Public health and welfare	303,671	278,599	304,822
Land use planning, zoning and development	111,172	105,640	113,429
Economic development	538,587	366,379	438,800
Subdivision land & development	7,719,835	2,121,251	4,140,492
Land, housing and building rentals	2,200	5,884	4,000
Recreation board	206,792	202,656	185,080
Parks and recreation	1,180,739	1,308,052	965,738
Community Hall	382,540	250,717	241,239
Culture and library	404,397	360,993	307,762
Other general government		-	10,170
Amortization	1,968,014	2,156,347	2,033,804
<b>Total Expenses</b>	<u>21,333,126</u>	<u>14,485,741</u>	<u>16,275,573</u>
<b>EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	-2,426,501	738,023	232,260
<b>OTHER</b>			
Government transfers for capital (Page 7)	1,420,860	1,425,946	1,529,209
<b>EXCESS OF REVENUE OVER EXPENSES</b>	-1,005,641	2,163,969	1,761,469
		65,862	
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>56,507,672</u>	<u>54,305,534</u>	<u>52,544,065</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>55,502,031</u>	<u>56,403,641</u>	<u>54,305,534</u>

**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budget (Unaudited)	2014	2013 <i>Restated</i>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	(1,005,641)	2,098,107	1,761,469
Acquisition of tangible capital assets	2,743,550	(4,564,346)	(5,101,565)
Tangible capital assets adjustments	-	-	921
Contributed tangible capital assets	-	(26,799)	(45,090)
Proceeds on disposal of tangible capital assets	-	10,965	65,198
Amortization on tangible capital assets	1,968,014	2,156,347	2,033,804
Gain on sale of tangible capital assets	-	(9,172)	(14,009)
	<u>4,711,564</u>	<u>(2,433,005)</u>	<u>(3,060,741)</u>
Change in inventory	-	8,141	34,561
Change in prepaid assets	-	(29,399)	6,006
	<u>-</u>	<u>(21,258)</u>	<u>40,567</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	3,705,923	(356,156)	(1,258,705)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	5,372,948	2,608,633	3,867,338
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>9,078,871</u>	<u>2,252,477</u>	<u>2,608,633</u>



**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	2014	2013 <i>Restated</i>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenue over expenses (Page 3)	2,098,107	1,761,469
Non-cash items included in excess of revenues over expenses:		
Contributed Assets	(26,799)	(45,090)
Amortization of tangible capital assets	2,156,347	2,033,804
Gain on disposal of tangible capital assets	(9,172)	(14,009)
Write down of tangible capital assets		921
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	19,916	(18,448)
Decrease in receivables from other governments	(404,410)	24,975
(Increase) decrease in trade and other receivables	(1,178,014)	(2,365,643)
(Increase) in land inventory held for resale	723,220	(3,028,915)
Decrease in debt charges recoverable	96,348	91,749
(Increase) decrease in inventory for consumption	8,141	34,561
(Increase) decrease in prepaid expenses	(29,399)	6,006
(Increase) Decrease in other long-term assets	(223)	225
(Decrease) increase in accounts payable and accrued liabilities	(1,325,833)	1,491,458
Increase (decrease) in deposit liabilities	5,452	(13,862)
Increase in deferred revenue	96,067	11,936
Increase in employee benefit obligations	16,630	18,546
<b>Cash provided by operating transactions</b>	<b>2,246,378</b>	<b>(10,317)</b>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(4,564,346)	(5,101,565)
Sale of tangible capital assets	10,965	65,198
<b>Cash applied to capital transactions</b>	<b>(4,553,381)</b>	<b>(5,036,367)</b>
<b>INVESTING</b>		
(Increase) decrease in investments	(5,534)	231,068
(Increase) decrease in restricted cash or cash equivalents	(60,706)	58,653
<b>Cash provided by investing transactions</b>	<b>(66,240)</b>	<b>289,721</b>
<b>FINANCING</b>		
Long term debt issued	2,804,029	2,899,833
Long term debt repaid	(797,638)	(605,037)
<b>Cash provided by financing transactions</b>	<b>2,006,391</b>	<b>2,294,796</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>(366,852)</b>	<b>(2,462,167)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>746,871</b>	<b>3,209,038</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>380,019</b>	<b>746,871</b>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 2)	507,570	813,716
Less: restricted portion of cash and temporary investments (Note 2)	127,551	66,845
	<b>380,019</b>	<b>746,871</b>



TOWN OF VERMILION

SCHEDULE OF PROPERTY TAXES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (Unaudited)	2014	2013 <i>Restated</i>
<b>TAXATION</b>			
Property taxes			
- residential land and improvements	3,818,654	<b>3,819,247</b>	3,656,005
- non-residential land and improvements	1,484,177	<b>1,486,498</b>	1,373,783
- machinery and equipment	21,103	<b>20,772</b>	24,450
- linear property	283,681	<b>283,681</b>	208,608
- railway	1,831	<b>1,831</b>	1,854
- farmland	9,302	<b>9,410</b>	9,555
Government grants in place of property taxes			0
- federal	7,426	<b>7,426</b>	7,228
- provincial	110,246	<b>110,246</b>	107,889
	<u>5,736,420</u>	<u><b>5,739,111</b></u>	<u>5,389,372</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	1,103,098	<b>1,103,098</b>	1,088,818
East Central AB Catholic Separate Schools Regional Division No. 16	194,604	<b>194,604</b>	204,155
	<u>1,297,702</u>	<u><b>1,297,702</b></u>	<u>1,292,973</u>
<b>NET MUNICIPAL TAXES</b>	<u>4,438,718</u>	<u><b>4,441,409</b></u>	<u>4,096,399</u>

**TOWN OF VERMILION**

**SCHEDULE OF GOVERNMENT TRANSFERS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budget (Unaudited)	2014	2013 <i>Restated</i>
<b>TRANSFERS FOR OPERATING:</b>			
Federal Government	3,000	12,238	12,566
Provincial Government	277,359	292,881	435,687
Other Local Governments and Agencies	563,391	596,172	560,635
	<u>843,750</u>	<u>901,291</u>	<u>1,008,888</u>
<b>TRANSFERS FOR CAPITAL:</b>			
Federal Government	259,225	247,000	317,550
Provincial Government	1,121,135	1,116,696	1,153,338
Other Local Governments and Agencies	40,500	62,250	58,321
	<u>1,420,860</u>	<u>1,425,946</u>	<u>1,529,209</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>2,264,610</u>	<u>2,327,237</u>	<u>2,538,097</u>

## TOWN OF VERMILION

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SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (Unaudited)	2014	2013 <i>Restated</i>
Salaries, wages and benefits	3,481,882	3,465,927	3,324,750
Contracted and general services	8,298,845	7,813,465	8,081,549
Purchases from other governments	1,400	257,783	1,789
Materials, goods, supplies and utilities	4,438,768	(400,653)	1,654,808
Transfers to other governments	362,272	340,035	358,790
Transfers to Local Boards and Agencies		-	9,500
Transfers to individuals and organizations	267,727	233,739	308,219
Bank charges and short term interest	6,352	1,549	2,531
Interest on long term debt	252,230	319,186	221,841
Other expenditures	283,442	296,569	230,758
Amortization of tangible capital assets	1,968,014	2,156,347	2,033,804
Net loss on sale of tangible capital assets		1,794	46,314
Write down of tangible capital assets		-	921
	<u>19,360,932</u>	<u>14,485,741</u>	<u>16,275,574</u>

**Town of Vermilion**  
**Schedule of Accumulated Surplus**  
**For the Year Ended December 31, 2014**  
**Schedule 1**

	2014	2013
	\$	\$
<b>BALANCE, BEGINNING OF YEAR</b>	<b>54,305,534</b>	<b>52,544,065</b>
Excess (deficiency) of revenues over expenses	2,179,927	1,761,469
Unrestricted funds designated for future use	(3,733,846)	-
Restricted funds used for operations	2,461,434	-
Restricted funds used for tangible capital assets	-	-
Current year funds used for tangible capital assets	(2,489,064)	-
Donated and Contributed TCA	(26,799)	-
Disposal of tangible capital assets	1,794	-
Annual amortization expense	2,140,389	-
Long term debt repaid	(467,818)	-
Other adjustments	(65,862)	-
	<b>(65,862)</b>	<b>(15,958)</b>
Change in accumulated surplus	<b>2,098,107</b>	<b>1,761,469</b>
<b>BALANCE, END OF YEAR</b>	<b>56,403,641</b>	<b>54,305,534</b>

Unrestricted Surplus      Restricted Surplus      Equity in Tangible Capital Assets

2,033,579      4,092,809      48,179,146

2,179,927      -      -

(3,733,846)      3,733,846      -

2,461,434      (2,461,434)      -

-      464,268      (464,268)

(2,489,064)      2,489,064      2,489,064

(26,799)      26,799      -

1,794      (1,794)      -

2,140,389      (2,156,347)      -

(467,818)      467,818      -

(65,862)      -      -

155      1,736,680      361,272

**2,033,734**      **5,829,489**      **48,540,418**

**Town of Vermilion**  
**Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2014**  
**Schedule 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2014 \$	2013 \$
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	1,715,188	3,890,145	11,086,114	61,863,744	4,581,852	2,262,785	85,399,828	80,969,311
Prior Period Adjustment		224,373			(224,373)		-	
Acquisition of tangible capital assets	-	144,164	-	895,945	312,622	58,671	1,411,402	4,984,245
Construction-in-progress	-	3,000	3,250	3,168,493	5,000	-	3,179,743	162,410
Disposal of tangible capital assets	-	-	-	(492,629)	(172,458)	-	(665,087)	(716,138)
Write down of tangible capital assets	-	-	-	-	-	-	-	-
<b>BALANCE, END OF YEAR</b>	<b>1,715,188</b>	<b>4,261,682</b>	<b>11,089,364</b>	<b>65,435,553</b>	<b>4,502,643</b>	<b>2,321,456</b>	<b>89,325,886</b>	<b>85,399,828</b>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	753,993	1,956,682	28,037,086	2,185,762	924,216	33,857,739	32,487,963
Prior Period Adjustment		161,236			(161,236)			
Annual amortization	-	231,631	220,520	1,201,955	330,305	171,936	2,156,347	2,033,804
Accumulated amortization on disposals	-	-	-	(492,629)	(170,665)	-	(663,294)	(664,028)
Accumulated amortization on write-downs	-	-	-	-	-	-	-	-
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>1,146,860</b>	<b>2,177,202</b>	<b>28,746,412</b>	<b>2,184,166</b>	<b>1,096,152</b>	<b>35,350,792</b>	<b>33,857,739</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>1,715,188</b>	<b>3,114,822</b>	<b>8,912,162</b>	<b>36,689,141</b>	<b>2,318,477</b>	<b>1,225,304</b>	<b>53,975,094</b>	<b>51,542,089</b>
2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,715,188	3,136,152	9,129,432	33,826,658	2,396,090	1,338,569	51,542,089	

Town of Vermilion  
Schedule of Segmented Disclosure  
For the Year Ended December 31, 2014  
Schedule 3

	General	Protective	Transportation	Planning &	Recreation	Environmental	Other	Total
	Government	Services	Services	Development	& Culture	Services		\$
<b>REVENUE</b>								
Net municipal taxes	4,441,409							4,441,409
Government transfers	1,116,354	99,565	544,700		289,873	1,000	275,745	2,327,237
User fees and sales of goods	9,217	45,070	11,303	3,550,983	284,003	3,331,602	168,992	7,401,170
Investment income	37,097		4,000			5,974		47,071
Contributed assets							26,799	26,799
Other revenues	506,507	59,480	431,524	1,013,616	344,009	31,593	19,295	2,406,024
	6,110,584	204,115	991,527	4,564,599	917,885	3,370,169	490,831	16,649,710
<b>EXPENSES</b>								
Contract & general services	438,814	80,018	199,194	3,917,240	418,591	2,409,784	349,824	7,813,465
Salaries & wages	826,552	181,959	644,241	237,582	819,238	494,622	261,733	3,465,927
Goods & supplies	64,935	70,058	534,565	(1,754,799)	415,722	234,820	34,046	(400,653)
Transfers to other governments	29,880		32,248	122,770	47,435	340,035	18,318	340,035
Long-term debt interest	109,019	17,597	94,820	76,361	421,432	243,781	(171,575)	319,185
Other expenses	1,469,200	349,632	1,505,068	2,599,154	2,122,418	3,791,576	492,346	12,329,394
<b>NET REVENUE, BEFORE AMORTIZATION</b>								
Amortization expense	72,872	103,363	1,027,325	14,176	423,745	503,677	11,189	2,156,347
<b>NET REVENUE</b>	<b>4,568,512</b>	<b>(248,880)</b>	<b>(1,540,866)</b>	<b>1,951,269</b>	<b>(1,628,278)</b>	<b>(925,084)</b>	<b>(12,704)</b>	<b>2,163,969</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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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 Counseling and Social Services

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

**Basis of Accounting**

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

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

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the municipality has met any eligibility criteria, and reasonable estimates of the amounts can be made.

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

**Use of Estimates**

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

**Fund Accounting**

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



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

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**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.

**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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES - continued

**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.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2014</u>	<u>2013</u>
Cash	491,464	61,672
Temporary investments	<u>16,106</u>	<u>752,044</u>
	<u>507,570</u>	<u>813,716</u>

Temporary investments consist of term deposits with maturities of twelve months or less. Included in the above balances are \$127,551(2013 - \$66,845) of funds that are restricted in use.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2014</u>	<u>2013</u>
Current taxes and grants in lieu	47,431	68,915
Tax arrears and grants in lieu	<u>17,849</u>	<u>16,281</u>
	65,280	85,196
Less: allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
	<u>60,280</u>	<u>80,196</u>

During the current and prior year no impairments were recorded.

4. DEBT CHARGES RECOVERABLE

	<u>2014</u>	<u>2013</u>
Current debt charges recoverable	101,177	96,248
Non-current debt charges recoverable	<u>458,027</u>	<u>559,204</u>
	<u>559,204</u>	<u>655,552</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 will be recovered from the Vermilion and District Housing Foundation with respect to this financing. Amounts are recoverable in blended semi-annual installments of \$63,813.08 including interest, and matures in 2019.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	101,177	26,449	127,626
2016	106,248	21,378	127,626
2017	111,574	16,052	127,626
2018	117,166	10,460	127,626
2019	<u>123,039</u>	<u>4,587</u>	<u>127,626</u>
	<u>559,204</u>	<u>78,926</u>	<u>638,130</u>

5. INVESTMENTS

Investments consist of term deposits bearing interest at rates ranging from 1.25% to 3.34% per annum, with maturity dates between 2015 and 2018.

6. DEFERRED REVENUE

	<u>2014</u>	<u>2013</u>
Land Leases	6,480	3,329
Advertising leases	2,000	3,750
Airport Leases	349	934
Prepaid Local Improvements	<u>123,187</u>	<u>27,936</u>
	<u>132,016</u>	<u>35,949</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**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>2014</u>	<u>2013</u>
Accrued employee vacation	197,025	189,670
Accrued sickness	53,687	51,086
Accrued overtime	<u>39,762</u>	<u>33,088</u>
	<u>290,474</u>	<u>273,844</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 2014 cost of \$12,410.

**9. LONG-TERM DEBT**

	<u>2014</u>	<u>2013</u>
Tax supported debentures	<u>9,504,000</u>	<u>7,497,609</u>

The current portion of the long-term debt amounts to \$890,836 (2013 - \$719,891).

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	890,836	312,011	1,202,847
2016	905,066	280,544	1,185,610
2017	921,111	248,615	1,169,726
2018	940,568	216,160	1,156,728
2019	962,734	182,944	1,145,678
2020 and subsequent	<u>4,883,685</u>	<u>655,868</u>	<u>5,539,553</u>
	<u>9,504,000</u>	<u>1,896,142</u>	<u>11,400,142</u>

Debenture debt is repayable to Alberta Capital Finance Authority, bears interest at rates ranging from 2.177% to 4.971% per annum, and matures in periods 2015 through 2029. The average annual interest rate is 3.52% for 2014 (2013 – 3.64%).

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

The Town's total cash payment for interest in 2014 was \$319,185 (2013 - \$221,841).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**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>2014</u>	<u>2013</u>
Total debt limit	22,888,823	28,851,054
Total guaranteed loans (Note 17)	259,657	275,269
Total debt outstanding	<u>9,504,000</u>	<u>7,497,609</u>
Amount of debt limit unused	<u>13,125,165</u>	<u>21,078,176</u>
Debt servicing limit	3,814,804	4,808,509
Debt servicing	<u>1,202,847</u>	<u>974,544</u>
Amount of debt servicing limit unused	<u>2,611,957</u>	<u>3,833,965</u>

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

**11. TANGIBLE CAPITAL ASSETS**

<b>Net Book Value</b>	<u>2014</u>	<u>2013</u>
Land	1,715,188	1,715,188
Land Improvements	3,111,822	3,134,713
Land Improvements-construction in progress	3,000	1,440
Buildings	8,908,912	9,129,432
Buildings-construction in progress	3,250	-
Engineering Structures		
Roadway system	14,691,841	14,832,457
Roadway System-construction in progress	1,417,785	75,613
Water distribution system	12,770,547	13,106,511
Water distribution system-construction in progress	789,313	14,487
Wastewater treatment system	3,717,998	3,793,571
Wastewater treatment system-construction in progress	571,266	4,087
Storm System	2,246,075	1,999,931
Storm System-construction in progress	484,317	
Machinery, equipment and furnishings 2,396,090		1,986,763
Machinery, equipment and furnishings-construction in progress		331,713
Vehicles	<u>1,225,304</u>	<u>1,338,569</u>
	<u>53,975,094</u>	<u>51,542,089</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2014</u>	<u>2013</u>
Tangible capital assets (Schedule 2)	89,325,886	85,399,828
Accumulated amortization (Schedule 2)	(35,350,792)	(33,857,739)
Long-term debt	<u>(5,434,676)</u>	<u>(3,362,943)</u>
	<u>48,540,418</u>	<u>48,179,146</u>

13. ACCUMULATED SURPLUS

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

	<u>2014</u>	<u>2013</u>
Unrestricted surplus	2,033,734	2,033,579
Restricted	5,829,489	4,092,809
Equity in tangible capital assets	<u>48,540,418</u>	<u>48,179,146</u>
	<u>56,403,641</u>	<u>54,305,534</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).

15. 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 230,534 people and 418 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Town of Vermilion is required to make current service contributions to the LAPP of 11.39% (2013 – 10.43%) of pensionable earnings up to the year’s maximum pensionable earnings under the Canada Pension Plan and 15.84% (2013 – 14.47%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 10.39% (2013 – 9.43%) of pensionable salary up to the year’s maximum pensionable salary and 14.84% (2013 – 13.47%) on pensionable salary above this amount.

Total current service contributions by the Town of Vermilion to the LAPP in 2014 were \$278,558 (2013 - \$239,390). Total current service contributions by the employees of the Town of Vermilion to the LAPP in 2014 were \$256,021 (2013 - \$220,702).

At December 31, 2013, the LAPP disclosed an actuarial deficiency of \$4,861,516.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**16. 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:

	2014			2013
	Salary/ Fee	Benefits and Allowances	Total	Total
Mayor				
Bruce Marriott				21,022
Bruce MacDuff	21,685	542	22,227	4,144
Councillors				
Greg Barr	16,205	362	16,567	3,685
Mark Butler				10,757
Linda Jacejko				15,785
Harp Khela	16,375	367	16,742	3,545
Clinton McCullough	17,200	394	17,594	16,344
Caroline McAuley	20,645	508	21,153	19,196
Robert Pulyk	17,125	392	17,517	17,357
Richard Yaceyko	14,790	315	15,105	12,806
Town Manager				
Dion Pollard	122,680	26,033	148,713	140,876
Director Fin & Admin				
Denise MacDonald	107,304	23,481	130,785	125,578
Director Transportation				
David Brozuk	107,304	23,481	130,785	120,963
Director Community Serv				
Shawn Bell	99,209	19,321	118,530	109,592

- (a) Salary/fee includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (b) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.
- (c) Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.
- (d) An automobile is provided to the Director of Engineering and Public Works for Town business use only and no amount is included in the benefits and allowances figure.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**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, 2014 is \$519,314. The loan is in good standing as at December 31, 2014.

The Town of Vermilion has been named as a defendant in a legal hearing to recover funds for unfair compensation and loss of revenue for development on land that was expropriated by the Town. The legal hearing is still pending, and as litigation is subject to many uncertainties, it is not possible to predict the outcome of the legal hearing or estimate the loss, if any, which may result.

**18. COMMITMENTS**

The Town of Vermilion is committed to pay fifty percent of the annual deficit incurred in operating the swimming pool or such other amount that the Town may authorize by resolution of Town of Council for a period of twenty years, expiring in 2027. The current allocation is \$92,500 (2013 - \$90,000).

The municipality is a partner in the Alberta Central East Water Corporation (ACE) regional Water system project to design and construct a water transfer and pump station, 3 fill stations, a truck fill station and 81 kilometers of pipeline. The Provincial government is committed to fund approximately 90% of the estimated project costs as part of the Alberta Water for Life program. The remaining 10% of costs will be distributed between the municipal partners. The Municipal costs to date have been as follows:

Stage 1	\$2,162,380
Stage 2	\$5,496,661
Stage 3	\$ 644,677
Stage 4	\$ 250

The Town of Vermilion has 25% of the voting shares and is responsible for 35.88% of all costs estimated to total \$16,646,779. As the Regional Water System is not a Town owned asset, none of the related liabilities, funding or expenditures are reflected in the Town's Financial Statement except for the town's portion and consumption costs.

**19. FINANCIAL INSTRUMENTS**

The Town's financial instruments consist of cash, accounts receivable, investments, debt charges recoverable, accounts payable and accrued liabilities, deposit liabilities, employee benefit obligations and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in lieu receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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, 2014**

**20. PRIOR PERIOD ADJUSTMENT**

During the year the Town discovered that inventory and tangible capital assets were overstated. This was a result of accounting entries that occurred over the past several years. These entries affected the inventory, tangible capital assets, and revenue and expense accounts. The changes have been applied retrospectively, resulting in changes to beginning equity and restatement of certain assets as described below.

This change in the beginning balance of accumulated surplus as at December 31, 2013 has been restated from \$55,561,423 to \$52,544,065 (decrease of \$3,017,358). This change is due to the beginning balance decrease in land held for resale and reserves by \$2,325,788, and the beginning balance decrease in tangible capital assets and equity in tangible capital assets by \$691,570. These adjustments account for the net effect of errors recorded prior to 2013.

	December 31, 2013	Adjustment	Restated
<u>Balance sheet as at December 31, 2013</u>			
Inventory held for sale	10,594,170	(4,800,735)	5,893,336
Tangible capital assets			
Tangible capital assets (cost)	86,144,581	(744,755)	85,399,826
Tangible capital assets (accumulated amortization)	<u>(33,857,737)</u>	-	<u>(33,857,737)</u>
	52,286,844	(744,755)	51,542,089
Accumulated surplus			
Unrestricted surplus	(2,033,579)	-	(2,033,579)
Restricted surplus	(8,793,643)	4,700,835	(4,092,809)
Equity in tangible capital assets	<u>(48,923,901)</u>	<u>744,755</u>	<u>(48,179,146)</u>
Accumulated surplus, beginning of year	(59,751,123)	5,445,590	(54,305,534)
<u>Net income for the year ended December 31, 2013</u>			
Other revenue	8,682,862	(2,712,972)	5,969,890
Subdivision land & development	4,425,232	(284,739)	4,140,493
<u>Cash flow statement for the year ended December 31, 2013</u>			
Excess of revenue over expenses	4,189,701	(2,428,232)	1,761,469
(Increase) in land inventory held for resale	(5,403,962)	2,375,047	(3,028,915)

**21. COMPARATIVE FIGURES**

The prior year comparative figures were audited by another firm of public accountants. Some of the comparative figures have been reclassified to conform to the current year's presentation.

**22. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.