

TOWN OF
VERMILION
 ALBERTA

2012

MUNICIPAL FINANCIAL STATEMENT

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 STATEMENT**

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TOWN OF VERMILION

For the Year Ended

December 31, 2012

INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

We have audited the accompanying consolidated financial statements of Town of Vermilion, which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statement of operations and accumulated surplus, consolidated statement of changes in net financial assets and the consolidated statement of cash flows of the Town of Vermilion 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

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continues)

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Town of Vermilion as at December 31, 2012 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lloydminster, Alberta
April 2, 2013

Leckie + Associates LLP

LECKIE & ASSOCIATES LLP
CHARTERED ACCOUNTANTS



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012**

	2012	2011
ASSETS		
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	3,334,536	4,195,499
Taxes and grants in lieu receivable (Note 3)	61,748	97,162
Receivables from other governments	43,541	334,012
Trade and other receivables	2,068,694	2,731,652
Inventory held for resale	5,190,209	2,741,301
Debt charges recoverable (Note 4)	747,301	834,670
Investments (Note 5)	1,081,068	988,891
Other long-term assets	7,685	7,550
	<hr/>	<hr/>
Total financial assets	12,534,782	11,930,737
LIABILITIES		
Accounts payable and accrued liabilities	835,282	1,652,415
Deposit liabilities	24,250	9,260
Deferred revenue (Note 6)	24,013	15,548
Employee benefit obligations (Note 7)	255,298	230,485
Long term debt (Note 9)	5,202,813	4,279,909
	<hr/>	<hr/>
Total liabilities	6,341,656	6,187,617
	<hr/>	<hr/>
NET FINANCIAL ASSETS	6,193,126	5,743,120
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	49,172,918	46,471,273
Inventory for consumption	121,435	163,844
Prepaid expenses	73,944	30,959
	<hr/>	<hr/>
	49,368,297	46,666,076
	<hr/>	<hr/>
ACCUMULATED SURPLUS (Note 13)	55,561,423	52,409,196
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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, 2012**

	Budget (Unaudited)	2012	2011
REVENUE			
Net municipal taxes (Page 6)	3,921,495	3,926,179	3,652,672
Local improvements	180,896	435,499	660,110
Franchise and concession contracts	300,000	289,265	272,487
Gain on sale of tangible capital assets		214,150	9,304
User fees and sales of goods	3,448,720	3,395,193	4,065,850
Government transfers for operating (Page 7)	863,498	956,765	989,266
Investment income	240,585	262,511	104,368
Penalties and costs of taxes	26,800	29,477	26,923
Contributed and donated assets		17,500	52,569
Licences and permits	86,000	75,657	74,306
Other	3,827,405	2,918,067	1,633,785
Total Revenue	<u>12,895,399</u>	<u>12,520,263</u>	<u>11,541,640</u>
EXPENSES			
Council and other legislative	233,714	199,764	185,687
General administration	1,154,590	1,045,885	1,052,314
Other general government	211,525	198,316	167,856
Police	65,005	50,157	46,763
Fire	282,943	216,711	203,155
Disaster and emergency measures	14,125	6,556	11,717
Bylaw enforcement	117,587	107,075	89,011
Common Services	173,560	24,362	50,924
Roads, streets, walks and lighting	1,810,692	1,321,075	1,194,774
Airport	79,873	48,984	30,685
Storm sewers and drainage	73,202	29,336	42,414
Water supply and distribution	1,207,045	982,438	1,755,604
Wastewater treatment and disposal	364,300	275,175	270,621
Waste management	654,626	588,971	528,535
Environmental use and protection	5,760	976	4,306
Family and community support	162,769	160,317	162,716
Cemeteries and crematoriums	34,991	29,773	38,338
Public health and welfare	115,527	84,104	85,568
Land use planning, zoning and development	220,562	163,392	162,546
Economic development	332,599	352,540	275,011
Subdivision land & development	4,020,600	905,679	380,215
Land, housing and building rentals		278,121	-
Recreation board	172,789	174,027	172,819
Parks and recreation	1,156,369	937,611	897,918
Community Hall	389,699	249,556	-
Culture and library	482,876	416,239	467,178
Amortization	1,968,014	1,958,880	1,994,989
Total Expenses	<u>15,505,342</u>	<u>10,806,020</u>	<u>10,271,664</u>
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	-2,609,943	1,714,243	1,269,976
OTHER			
Government transfers for capital (Page 7)	1,623,827	1,437,984	1,534,178
EXCESS OF REVENUE OVER EXPENSES	-986,116	3,152,227	2,804,154
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>49,605,042</u>	<u>52,409,196</u>	<u>49,605,042</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>48,618,926</u>	<u>55,561,423</u>	<u>52,409,196</u>

TOWN OF VERMILION

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CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget (Unaudited)	2012	2011
EXCESS OF REVENUES OVER EXPENSES	(986,116)	3,152,227	2,804,154
Acquisition of tangible capital assets	(6,423,633)	(4,781,102)	(4,836,310)
Tangible capital assets written down	-	21,048	8,014
Proceeds on disposal of tangible capital assets	-	257,985	26,120
Amortization on tangible capital assets	1,968,014	1,958,880	1,994,989
(Gain) loss on sale of tangible capital assets	-	(158,456)	318,970
	<u>(4,455,619)</u>	<u>(2,701,645)</u>	<u>(2,488,217)</u>
Change in inventory	-	42,409	42,507
Change in prepaid assets	-	(42,985)	11,728
	<u>-</u>	<u>(576)</u>	<u>54,235</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(5,441,735)	450,006	370,172
NET FINANCIAL ASSETS, BEGINNING OF YEAR	5,372,948	5,743,120	5,372,948
NET FINANCIAL ASSETS, END OF YEAR	<u>(68,787)</u>	<u>6,193,126</u>	<u>5,743,120</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	2012	2011
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses (Page 3)	3,152,227	2,804,154
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	1,958,880	1,994,989
Loss (gain) on disposal of tangible capital assets	(158,456)	318,970
Write down of tangible capital assets	21,048	8,014
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	35,414	(9,224)
Decrease in receivables from other governments	290,471	113,008
Decrease (increase) in trade and other receivables	662,958	(680,390)
(Increase) in land inventory held for resale	(2,448,908)	(1,153,224)
Decrease in debt charges recoverable	87,369	83,200
Decrease in inventory for consumption	42,409	42,507
(Increase) decrease in prepaid expenses	(42,985)	11,728
(Increase) decrease in other long-term assets	(135)	71
(Decrease) increase in accounts payable and accrued liabilities	(817,133)	963,354
Increase in deposit liabilities	14,990	670
Increase (decrease) in deferred revenue	8,465	(37,429)
Increase in employee benefit obligations	24,813	79,862
Cash provided by operating transactions	2,831,427	4,540,260
CAPITAL		
Acquisition of tangible capital assets	(4,781,102)	(4,836,310)
Sale of tangible capital assets	257,985	26,120
Cash applied to capital transactions	(4,523,117)	(4,810,190)
INVESTING		
(Increase) decrease in investments	(92,177)	267,205
Decrease in restricted cash or cash equivalents	540,260	72,221
Cash provided by investing transactions	448,083	339,426
FINANCING		
Long term debt issued	1,352,900	763,782
Long term debt repaid	(429,996)	(335,413)
Cash provided by financing transactions	922,904	428,369
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(320,703)	497,865
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,529,741	3,031,876
CASH AND CASH EQUIVALENTS, END OF YEAR	3,209,038	3,529,741
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	3,334,536	4,195,499
Less: restricted portion of cash and temporary investments (Note 2)	125,498	665,758
	3,209,038	3,529,741

TOWN OF VERMILION

SCHEDULE OF PROPERTY TAXES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget (Unaudited)	2012	2011
TAXATION			
Property taxes			
- residential land and improvements	3,492,800	3,494,934	3,271,747
- non-residential land and improvements	1,234,980	1,237,356	1,095,090
- machinery and equipment	24,201	24,374	22,541
- linear property	210,912	210,913	203,374
- railway	1,650	1,650	1,556
- farmland	7,187	7,187	6,100
Government grants in place of property taxes			
- federal	6,291	6,291	7,702
- provincial	103,267	103,267	98,675
	<u>5,081,288</u>	<u>5,085,972</u>	<u>4,706,785</u>
REQUISITIONS			
Alberta School Foundation Fund	984,525	984,525	895,415
East Central AB Catholic Separate Schools Regional Division No. 16	175,268	175,268	158,698
	<u>1,159,793</u>	<u>1,159,793</u>	<u>1,054,113</u>
NET MUNICIPAL TAXES	<u>3,921,495</u>	<u>3,926,179</u>	<u>3,652,672</u>

TOWN OF VERMILION

**SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budget (Unaudited)	2012	2011
TRANSFERS FOR OPERATING:			
Federal Government		10,415	9,786
Provincial Government	395,933	427,074	513,003
Other Local Governments and Agencies	467,565	519,276	466,477
	<u>863,498</u>	<u>956,765</u>	<u>989,266</u>
TRANSFERS FOR CAPITAL:			
Federal Government	325,108	256,782	334,551
Provincial Government	1,229,219	1,114,957	1,172,166
Other Local Governments and Agencies	69,500	66,245	27,461
	<u>1,623,827</u>	<u>1,437,984</u>	<u>1,534,178</u>
TOTAL GOVERNMENT TRANSFERS	<u>2,487,325</u>	<u>2,394,749</u>	<u>2,523,444</u>

TOWN OF VERMILION

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SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget (Unaudited)	2012	2011
Salaries, wages and benefits	3,048,080	3,043,252	2,850,793
Contracted and general services	5,578,393	4,104,515	3,570,411
Purchases from other governments	1,300	1,908	1,514
Materials, goods, supplies and utilities	1,963,566	593,623	652,678
Transfers to other governments	307,900	307,154	280,586
Transfers to individuals and organizations	305,138	291,318	251,133
Bank charges and short term interest	4,825	3,231	2,783
Interest on long term debt	174,166	174,397	170,526
Other expenditures	185,920	250,999	159,963
Amortization of tangible capital assets	1,968,014	1,958,880	1,994,989
Net loss on sale of tangible capital assets		55,695	328,274
Write down of tangible capital assets		21,048	8,014
	13,537,302	10,806,020	10,271,664

Town of Vermilion
Schedule of Accumulated Surplus
For the Year Ended December 31, 2012
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2012 \$	2011 \$
BALANCE, BEGINNING OF YEAR	2,065,964	6,553,416	43,789,816	52,409,196	49,605,042
Excess (deficiency) of revenues over expenses	3,152,227	-		3,152,227	2,804,154
Unrestricted funds designated for future use	(4,855,109)	4,855,109		-	-
Restricted funds used for operations	1,067,407	(1,067,407)		-	-
Restricted funds used for tangible capital assets	-	(2,258,640)	2,258,640	-	-
Current year funds used for tangible capital assets	(1,152,062)		1,152,062	-	-
Donated and Contributed TCA	(17,500)		17,500	-	-
Disposal of tangible capital assets	99,529		(99,529)	-	-
Annual amortization expense	1,958,880		(1,958,880)	-	-
Long term debt repaid	(273,886)		273,886	-	-
Write down of tangible capital assets (other)	21,048		(21,048)	-	-
Change in accumulated surplus	534	1,529,062	1,622,631	<u>3,152,227</u>	<u>2,804,154</u>
BALANCE, END OF YEAR	2,066,498	8,082,478	45,412,447	55,561,423	52,409,196

Town of Vermillion
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2012
Schedule 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2012 \$	2011 \$
COST:								
BALANCE, BEGINNING OF YEAR	1,759,944	2,956,664	10,172,054	56,125,988	4,401,897	2,071,511	77,488,058	73,831,657
Prior Period Adjustment	-	-	-	-	-	-	-	-
Acquisition of tangible capital assets	-	103,896	-	2,138,973	268,224	429,580	2,940,673	4,787,931
Construction-in-progress	-	12,355	489,458	1,131,151	207,465	-	1,840,429	48,378
Disposal of tangible capital assets	(43,835)	-	-	(228,226)	(286,553)	(15,000)	(573,614)	(1,159,540)
Write down of tangible capital assets	-	-	-	-	(34,665)	-	(34,665)	(20,368)
BALANCE, END OF YEAR	1,716,109	3,072,915	10,661,512	59,167,886	4,556,368	2,486,091	81,660,881	77,488,058
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	290,800	1,560,684	26,161,575	2,142,012	861,714	31,016,785	29,848,601
Prior Period Adjustment	-	-	-	-	-	-	-	-
Annual amortization	-	182,819	202,049	1,064,787	357,548	151,677	1,958,880	1,994,989
Accumulated amortization on disposals	-	-	-	(184,991)	(274,095)	(15,000)	(474,086)	(814,451)
Accumulated amortization on write downs	-	-	-	-	(13,616)	-	(13,616)	(12,354)
BALANCE, END OF YEAR	-	473,619	1,762,733	27,041,371	2,211,849	998,391	32,487,963	31,016,785
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,716,109	2,599,296	8,898,779	32,126,515	2,344,519	1,487,700	49,172,918	46,471,273
2011 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,759,944	2,665,864	8,611,370	29,964,413	2,259,885	1,209,797	46,471,273	

Town of Vermillion
Schedule of Segmented Disclosure
For the Year Ended December 31, 2012
Schedule 3

	General	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total
								\$
REVENUE								
Net municipal taxes	4,278,628							4,278,628
Government transfers for capital	800,017	59,295	532,659	-	46,013	-	-	1,437,984
User fees and sales of goods	11,850	27,900	4,879	386,825	352,931	2,585,158	25,650	3,395,193
Investment income	271,202							271,202
Contributed assets					17,500			17,500
Other revenues	432,967	137,915	276,035	2,914,945	437,215	123,273	235,390	4,557,740
	5,794,664	225,110	813,573	3,301,770	853,659	2,708,431	261,040	13,958,247
EXPENSES								
Contract & general services	418,385	105,883	430,545	2,309,717	386,191	425,006	28,788	4,104,515
Salaries & wages	777,956	193,351	574,599	221,786	721,260	442,630	111,670	3,043,252
Goods & supplies	60,219	68,761	437,679	(948,527)	457,221	497,775	20,493	593,623
Transfers to other governments	3,578		39,377	912	56,379	303,576		307,154
Long-term debt interest	38,988		(58,443)	115,844	156,382	17,149	21,592	174,397
Other expenses	144,839	12,503		115,844	156,382	161,423	91,651	624,199
	1,443,965	380,499	1,423,757	1,699,732	1,777,433	1,847,560	274,194	8,847,140
Amortization expense	66,279	92,468	902,929	4,560	422,481	457,803	12,360	1,958,880
NET REVENUE	4,284,420	(247,857)	(1,513,113)	1,597,478	(1,346,255)	403,068	(25,514)	3,152,227

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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 expenditure 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, 2012**

1. SIGNIFICANT ACCOUNTING POLICIES - continued

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 follow:

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Inventories

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

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

Investments

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

Debt Charges Recoverable

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

Prepaid Local Improvement Charges

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

Landfill Closure and Post-Closure Liability

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

2. CASH AND TEMPORARY INVESTMENTS

	<u>2012</u>	<u>2011</u>
Cash	661,915	1,759,864
Temporary investments	<u>2,672,622</u>	<u>2,435,635</u>
	<u>3,334,536</u>	<u>4,195,499</u>

Temporary investments consist of term deposits with maturities of twelve months or less. Included in the above balances are \$125,498 (2011 - \$665,758) of funds that are restricted in use.

TOWN OF VERMILION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2012</u>	<u>2011</u>
Current taxes and grants in lieu	52,806	75,342
Tax arrears and grants in lieu	<u>13,942</u>	<u>26,820</u>
	66,748	102,162
Less: allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
	<u>61,748</u>	<u>97,162</u>

4. DEBT CHARGES RECOVERABLE

	<u>2012</u>	<u>2011</u>
Current debt charges recoverable	91,749	87,370
Non-current debt charges recoverable	<u>655,552</u>	<u>747,300</u>
	<u>747,301</u>	<u>834,670</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 \$400,000 in 1999 and \$1,340,000 in 2004; however, a total of \$1,740,000 plus interest at rates of 5.875% and 4.951% per annum will be recovered from the Vermilion and District Housing Foundation with respect to this financing. Amounts are recoverable in annual instalments of \$127,626 including interest, and mature in 2019.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	91,749	35,877	127,626
2014	96,348	31,278	127,626
2015	101,177	26,449	127,626
2016	106,248	21,378	127,626
2017	111,574	16,052	127,626
2018 and subsequent	<u>240,205</u>	<u>15,047</u>	<u>255,252</u>
	<u>747,301</u>	<u>146,081</u>	<u>893,382</u>

5. INVESTMENTS

Investments consist of term deposits bearing interest at rates ranging from 1.15% to 8.5% per annum, with maturity dates between 2013 and 2015.

6. DEFERRED REVENUE

	<u>2012</u>	<u>2011</u>
Provincial Wellness Coalition grant	18,878	0
Land Leases	3,435	4,260
Advertising leases	1,500	3,500
Airport Leases	200	262
Library Grant	0	<u>7,526</u>
	<u>24,013</u>	<u>15,548</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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>2012</u>	<u>2011</u>
Accrued employee vacation	178,518	178,337
Accrued sickness	49,780	40,860
Accrued overtime	<u>27,000</u>	<u>11,288</u>
	<u>255,298</u>	<u>230,485</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 2012 cost of \$13,216.54.

9. LONG-TERM DEBT

	<u>2012</u>	<u>2011</u>
Tax supported debentures	<u>5,202,813</u>	<u>4,279,909</u>

The current portion of the long-term debt amounts to \$556,737 (2011 - \$419,494).

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	556,736	184,928	741,664
2014	565,675	163,960	729,635
2015	577,647	142,737	720,384
2016	581,915	121,231	703,146
2017	587,681	99,583	687,264
2018 and subsequent	<u>2,333,159</u>	<u>193,087</u>	<u>2,526,246</u>
	<u>5,202,813</u>	<u>905,526</u>	<u>6,108,339</u>

Debenture debt is repayable to Alberta Capital Finance Authority, bears interest at rates ranging from 2.17% to 5.125% per annum, and matures in periods 2013 through 2022. The average annual interest rate is 3.8% for 2012 (2011 - 4.4%).

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

Interest on long-term debt amounted to \$174,397 (2011 - \$170,526).

The Town's total cash payment for interest in 2012 was \$176,624 (2011 - \$173,708).

TOWN OF VERMILION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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>2012</u>	<u>2011</u>
Total debt limit	18,754,145	17,233,606
Total guaranteed loans (Note 17)	581,762	401,904
Total debt outstanding	<u>5,202,813</u>	<u>4,279,909</u>
Amount of debt limit unused	<u>12,969,570</u>	<u>12,551,793</u>
Debt servicing limit	3,125,691	2,872,268
Debt servicing	<u>741,664</u>	<u>588,407</u>
Amount of debt servicing limit unused	<u>2,384,027</u>	<u>2,283,861</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

Net Book Value	<u>2012</u>	<u>2011</u>
Land	1,716,109	1,759,944
Land Improvements	2,591,098	2,665,866
Land Improvements-construction in progress	8,198	
Buildings	8,409,321	8,611,370
Buildings-construction in progress	489,458	
Engineering Structures		
Roadway system	13,760,274	12,878,795
Roadway System-construction in progress	1,071,621	33,891
Water distribution system	12,319,543	12,335,098
Water distribution system-construction in progress	59,154	14,487
Wastewater treatment system	3,204,298	3,131,898
Wastewater treatment system-construction in progress	48,755	
Storm System	1,662,870	1,570,244
Machinery, equipment and furnishings	2,137,054	2,259,883
Machinery, equipment and furnishings-construction in progress	207,465	
Vehicles	<u>1,487,700</u>	<u>1,209,797</u>
	<u>49,172,918</u>	<u>46,471,273</u>

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2012</u>	<u>2011</u>
Tangible capital assets (Schedule 2)	81,660,881	77,488,058
Accumulated amortization (Schedule 2)	(32,487,963)	(31,016,785)
Long-term debt	<u>(3,760,471)</u>	<u>(2,681,457)</u>
	<u>45,412,447</u>	<u>43,789,816</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

13. ACCUMULATED SURPLUS

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

	<u>2012</u>	<u>2011</u>
Unrestricted surplus	2,066,498	2,065,964
Restricted	8,082,478	6,553,416
Equity in tangible capital assets	<u>45,412,447</u>	<u>43,789,816</u>
	<u>55,561,423</u>	<u>52,409,196</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. 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:

	<u>2012</u>			<u>2011</u>
	<u>Salary/ Fee</u>	<u>Benefits and Allowances</u>	<u>Total</u>	<u>Total</u>
Mayor				
Bruce Marriott	28,355	763	29,118	29,520
Councilors				
Mark Butler	17,475	403	17,878	17,517
Linda Jacejko	22,155	557	22,672	23,229
Clinton McCullough	16,000	768	16,768	18,311
Caroline McAuley	17,955	419	18,374	18,194
Robert Pulyk	17,595	407	18,002	18,385
Richard Yaceyko	14,460	304	14,764	15,838
Town Manager				
Dion Pollard/Robert Watt	106,913	20,624	127,537	119,448
Director Fin & Admin				
Denise MacDonald	101,144	19,796	120,940	117,602
Director Eng & Pub Wrks				
David Brozuk	93,513	18,699	112,212	103,547
Director Community Serv				
Shawn Bell	86,458	15,249	101,707	94,839

- (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, 2012

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 206,249 people and 421 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The Town of Vermilion is required to make current service contributions to the LAPP of 9.91% (2011 – 9.49%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.74% (2011 – 13.13%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.91% (2011 – 8.49%) of pensionable salary up to the year's maximum pensionable salary and 12.74% (2011 – 12.13%) on pensionable salary above this amount.

Total current service contributions by the Town of Vermilion to the LAPP in 2012 were \$216,521 (2011 - \$188,232). Total current service contributions by the employees of the Town of Vermilion to the LAPP in 2012 were \$196,155 (2011 - \$170,262).

At December 31, 2011, the LAPP disclosed an actuarial deficiency of \$4,635,250.

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, 2012 is \$581,762. The loan is in good standing as at December 31, 2012.

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 \$90,000 (2011 - \$86,500).

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.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

20. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.