

TOWN OF VERMILION 2013

ALBERTA

MUNICIPAL FINANCIAL STATEMENT

INSIDE THIS STATEMENT	
<i>Auditor's Report</i>	1
<i>Consolidated Statement of Financial Position</i>	2
<i>Consolidated Statement of Operations and Accumulated Surplus</i>	3
<i>Consolidated Statement of Changes in Net Financial Assets</i>	4
<i>Statement of Cash Flows</i>	5
<i>Schedule of Property Taxes</i>	6
<i>Schedule of Government Transfers</i>	7
<i>Schedule of Consolidated Expenditures by Object</i>	8
<i>Schedules 1, 2 & 3</i>	9 to 11
<i>Notes to the Financial Statements</i>	12 to 20



TOWN OF VERMILION
For the Year Ended
December 31, 2013



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, 2013 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.

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, 2013 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.

Vermilion, Alberta
April 15, 2014

Leckie & Associates LLP

CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

	2013	2012
ASSETS		
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	813,716	3,334,536
Taxes and grants in lieu receivable (Note 3)	80,196	61,748
Receivables from other governments	18,566	43,541
Trade and other receivables	4,434,337	2,068,694
Inventory held for resale	10,594,171	5,190,209
Debt charges recoverable (Note 4)	655,552	747,301
Investments (Note 5)	850,000	1,081,068
Other long-term assets	7,460	7,685
	<hr/>	<hr/>
Total financial assets	17,453,998	12,534,782
LIABILITIES		
Accounts payable and accrued liabilities	2,326,740	835,282
Deposit liabilities	10,388	24,250
Deferred revenue (Note 6)	35,949	24,013
Employee benefit obligations (Note 7)	273,844	255,298
Long term debt (Note 9)	7,497,609	5,202,813
	<hr/>	<hr/>
Total liabilities	10,144,530	6,341,656
	<hr/>	<hr/>
NET FINANCIAL ASSETS	7,309,468	6,193,126
	<hr/>	<hr/>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	52,286,844	49,172,918
Inventory for consumption	86,874	121,435
Prepaid expenses	67,938	73,944
	<hr/>	<hr/>
	52,441,656	49,368,297
	<hr/>	<hr/>
ACCUMULATED SURPLUS (Note 13)	59,751,124	55,561,423
	<hr/>	<hr/>

SIGNED ON BEHALF OF COUNCIL:



MAYOR


 DEPUTY MAYOR

TOWN OF VERMILION

PAGE 3

**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget (Unaudited)	2013	2012
REVENUE			
Net municipal taxes (Page 6)	4,082,167	4,096,399	3,926,179
Local improvements	178,272	355,491	435,499
Franchise and concession contracts	318,000	343,937	289,265
Gain on sale of tangible capital assets	37,500	64,323	214,150
User fees and sales of goods	4,113,564	4,421,571	3,395,193
Government transfers for operating (Page7)	993,065	1,008,888	956,765
Investment income	77,200	107,877	262,511
Penalties and costs of taxes	28,300	19,592	29,477
Contributed and donated assets		45,090	17,500
Licences and permits	76,000	74,775	75,657
Other	4,397,951	8,682,862	2,918,067
Total Revenue	14,302,019	19,220,805	12,520,263
EXPENSES			
Council and other legislative	204,414	183,361	199,764
General administration	1,066,392	1,021,304	1,045,885
Other general government	204,200	177,969	198,316
Police	49,410	49,212	50,157
Fire	216,790	237,737	216,711
Disaster and emergency measures	8,880	1,834	6,556
Bylaw enforcement	116,361	77,814	107,075
Common Services	57,977	1,609	24,362
Roads, streets, walks and lighting	1,149,166	1,399,443	1,321,075
Airport	49,558	35,566	48,984
Storm sewers and drainage	61,789	53,789	29,336
Water supply and distribution	3,145,201	3,175,644	982,438
Wastewater treatment and disposal	302,827	266,651	275,175
Waste management	616,872	655,993	588,971
Environmental use and protection	5,760	1,023	976
Family and community support	162,788	160,489	160,317
Cemeteries and crematoriums	38,737	30,799	29,773
Public health and welfare	281,647	304,822	84,104
Land use planning, zoning and development	108,088	113,429	163,392
Economic development	350,582	438,800	352,540
Subdivision land & development	6,006,600	4,425,232	905,679
Land, housing and building rentals	2,700	4,000	278,121
Recreation board	190,826	185,080	174,027
Parks and recreation	976,111	965,738	937,611
Community Hall	262,310	241,239	249,556
Culture and library	304,724	307,762	416,239
Other general government		10,170	-
Amortization	1,968,014	2,033,804	1,958,880
Total Expenses	17,908,724	16,560,313	10,806,020
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	-3,606,705	2,660,492	1,714,243
OTHER			
Government transfers for capital (Page 7)	1,787,539	1,529,209	1,437,984
EXCESS OF REVENUE OVER EXPENSES	-1,819,166	4,189,701	3,152,227
ACCUMULATED SURPLUS, BEGINNING OF YEAR	55,612,038	55,561,423	52,409,196
ACCUMULATED SURPLUS, END OF YEAR	53,792,872	59,751,124	55,561,423

**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget (Unaudited)	2013	2012
EXCESS OF REVENUES OVER EXPENSES	(1,819,166)	4,189,701	3,152,227
Acquisition of tangible capital assets	3,506,284	(5,154,750)	(4,781,102)
Tangible capital assets adjustments	-	921	21,048
Contributed tangible capital assets	-	(45,090)	-
Proceeds on disposal of tangible capital assets	-	65,198	257,985
Amortization on tangible capital assets	1,968,014	2,033,804	1,958,880
Gain on sale of tangible capital assets	-	(14,009)	(158,456)
	<u>5,474,298</u>	<u>(3,113,926)</u>	<u>(2,701,645)</u>
Change in inventory	-	34,561	42,409
Change in prepaid assets	-	6,006	(42,985)
	-	<u>40,567</u>	<u>(576)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	3,655,132	1,116,342	450,006
NET FINANCIAL ASSETS, BEGINNING OF YEAR	5,372,948	6,193,126	5,743,120
NET FINANCIAL ASSETS, END OF YEAR	<u>9,028,080</u>	<u>7,309,468</u>	<u>6,193,126</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013	2012
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses (Page 3)	4,189,701	3,152,227
Non-cash items included in excess of revenues over expenses:		
Contributed Assets	(45,090)	
Amortization of tangible capital assets	2,033,804	1,958,880
Gain on disposal of tangible capital assets	(14,009)	(158,456)
Write down of tangible capital assets	921	21,048
Non-cash charges to operations (net change):		
(Increase) decrease in taxes and grants in lieu receivable	(18,448)	35,414
Decrease in receivables from other governments	24,975	290,471
(Increase) decrease in trade and other receivables	(2,365,643)	662,958
(Increase) in land inventory held for resale	(5,403,962)	(2,448,908)
Decrease in debt charges recoverable	91,749	87,369
Decrease in inventory for consumption	34,561	42,409
Decrease (increase) in prepaid expenses	6,006	(42,985)
Decrease (Increase) in other long-term assets	225	(135)
Increase (decrease) in accounts payable and accrued liabilities	1,491,458	(817,133)
(Decrease) increase in deposit liabilities	(13,862)	14,990
Increase in deferred revenue	11,936	8,465
Increase in employee benefit obligations	18,546	24,813
Cash provided by operating transactions	42,868	2,831,427
CAPITAL		
Acquisition of tangible capital assets	(5,154,750)	(4,781,102)
Sale of tangible capital assets	65,198	257,985
Cash applied to capital transactions	(5,089,552)	(4,523,117)
INVESTING		
Decrease (increase) in investments	231,068	(92,177)
Decrease in restricted cash or cash equivalents	58,653	540,260
Cash provided by investing transactions	289,721	448,083
FINANCING		
Long term debt issued	2,899,833	1,352,900
Long term debt repaid	(605,037)	(429,996)
Cash provided by financing transactions	2,294,796	922,904
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(2,462,167)	(320,703)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,209,038	3,529,741
CASH AND CASH EQUIVALENTS, END OF YEAR	746,871	3,209,038
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	813,716	3,334,536
Less: restricted portion of cash and temporary investments (Note 2)	66,845	125,498
	746,871	3,209,038

TOWN OF VERMILION

PAGE 6

**SCHEDULE OF PROPERTY TAXES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget (Unaudited)	2013	2012
TAXATION			
Property taxes			
- residential land and improvements	3,644,286	3,656,005	3,494,934
- non-residential land and improvements	1,371,271	1,373,783	1,237,356
- machinery and equipment	24,450	24,450	24,374
- linear property	208,608	208,608	210,913
- railway	1,854	1,854	1,650
- farmland	9,555	9,555	7,187
Government grants in place of property taxes			0
- federal	7,228	7,228	6,291
- provincial	107,889	107,889	103,267
	<u>5,375,141</u>	<u>5,389,372</u>	<u>5,085,972</u>
REQUISITIONS			
Alberta School Foundation Fund	1,088,818	1,088,818	984,525
East Central AB Catholic Separate Schools Regional Division No. 16	204,156	204,155	175,268
	<u>1,292,974</u>	<u>1,292,973</u>	<u>1,159,793</u>
NET MUNICIPAL TAXES	<u>4,082,167</u>	<u>4,096,399</u>	<u>3,926,179</u>

TOWN OF VERMILION

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget (Unaudited)	2013	2012
TRANSFERS FOR OPERATING:			
Federal Government	3,000	12,566	10,415
Provincial Government	436,415	435,687	427,074
Other Local Governments and Agencies	550,650	560,635	519,276
	990,065	1,008,888	956,765
TRANSFERS FOR CAPITAL:			
Federal Government	317,625	317,550	256,782
Provincial Government	1,174,414	1,153,338	1,114,957
Other Local Governments and Agencies	295,500	58,321	66,245
	1,787,539	1,529,209	1,437,984
TOTAL GOVERNMENT TRANSFERS	2,777,604	2,538,097	2,394,749

TOWN OF VERMILION

PAGE 8

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget (Unaudited)	2013	2012
Salaries, wages and benefits	3,315,333	3,324,750	3,043,252
Contracted and general services	7,472,624	8,081,549	4,104,515
Purchases from other governments	1,400	1,789	1,908
Materials, goods, supplies and utilities	4,195,222	1,939,547	593,623
Transfers to other governments	328,600	358,790	307,154
Transfers to Local Boards and Agencies		9,500	-
Transfers to individuals and organizations	294,896	308,219	291,318
Bank charges and short term interest	4,925	2,531	3,231
Interest on long term debt	204,397	221,841	174,397
Other expenditures	285,058	230,758	250,999
Amortization of tangible capital assets	1,968,014	2,033,804	1,958,880
Net loss on sale of tangible capital assets		46,314	55,695
Write down of tangible capital assets		921	21,048
	18,070,469	16,560,313	10,806,020

Town of Vermilion
Schedule of Accumulated Surplus
For the Year Ended December 31, 2013
Schedule 1

	2013	2012	
	\$	\$	
	Unrestricted Surplus	Restricted Surplus	
		Equity in Tangible Capital Assets	
BALANCE, BEGINNING OF YEAR	2,066,498	8,082,478	45,412,447
Excess (deficiency) of revenues over expenses	4,189,701	-	
Unrestricted funds designated for future use	(4,103,834)	4,103,834	
Restricted funds used for operations	1,506,261	(1,506,261)	
Restricted funds used for tangible capital assets	-	(1,886,407)	1,886,407
Current year funds used for tangible capital assets	(3,268,343)	-	3,268,343
Donated and Contributed TCA	(45,090)	-	45,090
Disposal of tangible capital assets	52,110	-	(52,110)
Annual amortization expense	2,033,804	-	(2,033,804)
Long term debt repaid	(397,528)	-	397,528
Change in accumulated surplus	(32,919)	711,166	3,511,454
BALANCE, END OF YEAR	2,033,579	8,793,644	48,923,901
	4,189,701	4,189,701	3,152,227
	55,561,423	55,561,423	52,409,196

Town of Vermilion
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2013
Schedule 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2013 \$	2012 \$
COST:								
BALANCE, BEGINNING 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
Prior Period Adjustment		119,880			(119,880)		-	
Acquisition of tangible capital assets	-	684,580	439,602	3,539,114	347,190	26,944	5,037,430	2,940,673
Construction-in-progress	-	1,440	-	41,722	119,248	-	162,410	1,840,429
Disposal of tangible capital assets	(921)	-	(15,000)	(128,893)	(321,074)	(250,250)	(716,138)	(573,614)
Write down of tangible capital assets		-	-	-	-	-	-	(34,665)
BALANCE, END OF YEAR	1,715,188	3,878,815	11,086,114	62,619,829	4,581,852	2,262,785	86,144,583	81,660,881
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	473,619	1,762,733	27,041,371	2,211,849	998,391	32,487,963	31,016,785
Prior Period Adjustment		87,191			(87,191)			
Annual amortization	-	193,183	202,049	1,097,043	365,454	176,075	2,033,804	1,958,880
Accumulated amortization on disposals	-	-	(8,100)	(101,328)	(304,350)	(250,250)	(664,028)	(474,086)
Accumulated amortization on write-downs	-	-	-	-	-	-	-	(13,616)
BALANCE, END OF YEAR	-	753,993	1,956,682	28,037,086	2,185,762	924,216	33,857,739	32,487,963
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,715,188	3,124,822	9,129,432	34,582,743	2,396,090	1,338,569	52,286,844	49,172,918
2012 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	

Town of Vermilion
Schedule of Segmented Disclosure
For the Year Ended December 31, 2013
Schedule 3

	General	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total
	Government	Services	Services	Development	& Culture	Services		\$
REVENUE								
Net municipal taxes	4,096,399							4,096,399
Government transfers	1,189,977	96,450	683,575	403,224	403,224	1,683	163,188	2,538,097
User fees and sales of goods	10,112	23,600	12,659	923,198	321,897	2,926,560	203,545	4,421,571
Investment income	107,877							107,877
Contributed assets							45,090	45,090
Other revenues		61,658	469,532	6,400,277	543,345	2,063,030	3,138	9,540,980
	5,404,365	181,708	1,165,766	7,323,475	1,268,466	4,991,273	414,961	20,750,014
EXPENSES								
Contract & general services	371,236	81,413	331,089	4,274,034	287,239	2,544,360	192,178	8,081,549
Salaries & wages	791,507	189,655	628,130	235,589	751,240	476,705	251,924	3,324,750
Goods & supplies	64,244	77,142	494,142	330,399	428,748	502,686	42,186	1,939,547
Transfers to other governments	3,144					355,646		358,790
Long-term debt interest	34,545		37,046	35,661	52,017	42,580	19,992	221,841
Other expenses	117,958	18,387		105,778	180,575	177,334		600,032
	1,382,634	366,597	1,490,407	4,981,461	1,699,819	4,099,311	506,280	14,526,509
NET REVENUE, BEFORE AMORTIZATION								
Amortization expense	72,453	100,635	968,633	7,386	414,709	457,628	12,360	2,033,804
NET REVENUE	3,949,278	(285,524)	(1,293,274)	2,334,628	(846,062)	434,334	(103,679)	4,189,701

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013**

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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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>2013</u>	<u>2012</u>
Cash	61,672	661,915
Temporary investments	<u>752,044</u>	<u>2,672,622</u>
	<u>813,716</u>	<u>3,334,536</u>

Temporary investments consist of term deposits with maturities of twelve months or less. Included in the above balances are \$66,845 (2012 - \$125,498) of funds that are restricted in use.

TOWN OF VERMILION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2013</u>	<u>2012</u>
Current taxes and grants in lieu	68,915	52,806
Tax arrears and grants in lieu	<u>16,281</u>	<u>13,942</u>
	85,196	66,748
Less: allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
	<u>80,196</u>	<u>61,748</u>

During the current and prior year no impairments were recorded.

4. DEBT CHARGES RECOVERABLE

	<u>2013</u>	<u>2012</u>
Current debt charges recoverable	96,348	91,749
Non-current debt charges recoverable	<u>559,204</u>	<u>655,552</u>
	<u>655,552</u>	<u>747,301</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>
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	117,166	10,460	127,626
2019	<u>123,039</u>	<u>4,587</u>	<u>127,626</u>
	<u>655,552</u>	<u>110,204</u>	<u>765,756</u>

5. INVESTMENTS

Investments consist of term deposits bearing interest at rates ranging from 1.05% to 3.34% per annum, with maturity dates between 2014 and 2018.

6. DEFERRED REVENUE

	<u>2013</u>	<u>2012</u>
Provincial Wellness Coalition grant		18,878
Land Leases	3,329	3,435
Advertising leases	3,750	1,500
Airport Leases	934	200
Prepaid Local Improvements	<u>27,936</u>	<u>0</u>
	<u>35,949</u>	<u>24,013</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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>2013</u>	<u>2012</u>
Accrued employee vacation	189,670	178,518
Accrued sickness	51,086	49,780
Accrued overtime	<u>33,088</u>	<u>27,000</u>
	<u>273,844</u>	<u>255,298</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 2013 cost of \$10,873.

9. LONG-TERM DEBT

	<u>2013</u>	<u>2012</u>
Tax supported debentures	<u>7,497,609</u>	<u>5,202,813</u>

The current portion of the long-term debt amounts to \$719,891 (2012 - \$556,737).

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	719,891	254,653	974,544
2015	736,854	228,437	965,291
2016	746,278	201,777	948,055
2017	757,367	174,805	932,172
2018	771,711	147,461	919,172
2019 and subsequent	<u>3,765,508</u>	<u>467,413</u>	<u>4,232,921</u>
	<u>7,497,609</u>	<u>1,474,546</u>	<u>8,972,155</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 2014 through 2028. The average annual interest rate is 3.64% for 2013 (2012 – 3.6%).

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

The Town's total cash payment for interest in 2013 was \$221,841 (2012 - \$173,708).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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>2013</u>	<u>2012</u>
Total debt limit	28,851,054	18,853,512
Total guaranteed loans (Note 17)	275,269	290,881
Total debt outstanding	<u>7,497,609</u>	<u>5,202,813</u>
Amount of debt limit unused	<u>21,078,176</u>	<u>13,359,818</u>
Debt servicing limit	4,808,509	3,125,691
Debt servicing	<u>974,544</u>	<u>741,664</u>
Amount of debt servicing limit unused	<u>3,833,965</u>	<u>2,384,027</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>2013</u>	<u>2012</u>
Land	1,715,188	1,716,109
Land Improvements	3,123,382	2,599,296
Land Improvements-construction in progress	1,440	
Buildings	9,129,432	8,409,321
Buildings-construction in progress		489,458
Engineering Structures		
Roadway system	15,889,870	13,760,274
Roadway System-construction in progress	75,613	1,071,621
Water distribution system	12,996,008	12,319,543
Water distribution system-construction in progress	14,487	59,154
Wastewater treatment system	3,602,750	3,204,298
Wastewater treatment system-construction in progress	4,087	48,755
Storm System	1,999,928	1,662,870
Machinery, equipment and furnishings	2,396,090	2,137,054
Machinery, equipment and furnishings-construction in progress		207,465
Vehicles	<u>1,338,569</u>	<u>1,487,700</u>
	<u>52,286,844</u>	<u>49,172,918</u>

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2013</u>	<u>2012</u>
Tangible capital assets (Schedule 2)	86,144,583	81,660,881
Accumulated amortization (Schedule 2)	<u>(33,857,739)</u>	<u>(32,487,963)</u>
Long-term debt	<u>(3,362,943)</u>	<u>(2,681,457)</u>
	<u>48,923,901</u>	<u>45,412,447</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

13. ACCUMULATED SURPLUS

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

	<u>2013</u>	<u>2012</u>
Unrestricted surplus	2,033,579	2,066,498
Restricted	8,793,644	8,082,478
Equity in tangible capital assets	<u>48,923,901</u>	<u>45,412,447</u>
	<u>59,751,124</u>	<u>55,561,423</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>2013</u>			<u>2012</u>
	<u>Salary/ Fee</u>	<u>Benefits and Allowances</u>	<u>Total</u>	<u>Total</u>
Mayor				
Bruce Marriott	20,490	532	21,022	29,118
Bruce MacDuff	4,040	104	4,144	
Councillors				
Greg Barr	3,595	90	3,685	
Mark Butler	10,525	232	10,757	17,878
Linda Jacejko	15,420	365	15,785	22,672
Harp Khela	3,460	85	3,545	
Clinton McCullough	15,990	354	16,344	16,768
Caroline McAuley	18,750	446	19,196	18,374
Robert Pulyk	16,970	387	17,357	18,002
Richard Yaceyko	12,565	241	12,806	14,764
Town Manager				
Dion Pollard	117,906	22,970	140,876	127,537
Director Fin & Admin				
Denise MacDonald	104,178	21,400	125,578	120,940
Director Transportation				
David Brozuk	100,171	20,792	120,963	112,212
Director Community Serv				
Shawn Bell	92,614	16,978	109,592	101,707

- Salary/fee includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.
- Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.
- 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, 2013**

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 223,346 people and 428 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 10.43% (2012 – 9.91%) of pensionable earnings up to the year’s maximum pensionable earnings under the Canada Pension Plan and 14.47% (2012 – 13.74%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 9.43% (2012 – 8.91%) of pensionable salary up to the year’s maximum pensionable salary and 13.47% (2012 – 12.74%) on pensionable salary above this amount.

Total current service contributions by the Town of Vermilion to the LAPP in 2013 were \$239,390 (2012 - \$217,448). Total current service contributions by the employees of the Town of Vermilion to the LAPP in 2013 were \$220,702 (2012 - \$196,991).

At December 31, 2012, the LAPP disclosed an actuarial deficiency of \$4,977,303.

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, 2013 is \$550,538. The loan is in good standing as at December 31, 2013.

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 (2012 - \$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 Municipal Water/Wastewater Partnership 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	\$5,351,968
Stage 3	\$1,447,092
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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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.

20. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.