

TOWN OF VERMILION

ALBERTA

2023

MUNICIPAL FINANCIAL STATEMENTS

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TOWN OF VERMILION

For the Year Ended

December 31, 2023

Drafted by the Finance Department of the Town of Vermilion

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the Town of Vermilion is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Town's financial position as of December 31, 2023, and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized, and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

The Town Council fulfills its responsibilities for review of the consolidated financial statements principally through its Finance and Administration Committee. This committee meets annually with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Audit Committee with and without the presence of management. The Town Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by JDP Wasserman Chartered Professional Accountants; independent external auditors appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Chief Administrative Officer
Date
Town of Vermilion, Canada

Director of Corporate Services
Date
Town of Vermilion, Canada



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Chartered Professional Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of Council of Town of Vermilion

Opinion

We have audited the consolidated financial statements (the “financial statements”) of Town of Vermilion (the “Town”), which comprise the statement of financial position as at December 31, 2023, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2023, and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Matter

The financial statements of the Town for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those financial statements on April 18, 2023.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so. Those charged with governance (Town Council) are responsible for overseeing the Town's financial reporting process.

(continues)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Edmonton, Alberta
April 30, 2024

**JDP Wasserman
LLP**
Chartered Professional Accountants

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023**

	2023	2022
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	2,650,035	2,532,183
Taxes and grants in lieu receivable (Note 3)	167,798	233,132
Receivables from other governments	806,102	1,430,583
Trade and other receivables	1,140,221	1,131,337
Inventory held for resale	4,561,520	4,714,801
Debt charges recoverable (Note 4)	897,669	950,941
Investments (Note 5)	3,226,715	2,143,635
Other long-term assets	-	-
	13,450,060	13,136,612
LIABILITIES		
Payable to other governments	224,128	232,672
Accounts payable and accrued liabilities	340,130	530,741
Deposit liabilities	17,365	16,650
Deferred revenue (Note 6)	1,568,621	2,392,625
Employee benefit obligations (Note 7)	276,978	233,228
Long term debt (Note 9)	10,504,435	9,692,343
	12,931,657	13,098,259
NET FINANCIAL ASSETS	518,403	38,353
NON-FINANCIAL ASSETS		
Inventory for consumption	203,158	172,407
Prepaid expenses	928,366	998,359
Tangible capital assets (Note 11)	69,639,663	71,548,433
	70,771,187	72,719,199
ACCUMULATED SURPLUS (Note 13)	71,289,590	72,757,552

SIGNED ON BEHALF OF COUNCIL:

MAYOR

DEPUTY MAYOR

**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budget (Unaudited)	2023	2022
REVENUE			
Net municipal taxes (See Schedule of Property Taxes)	5,943,019	5,983,429	5,419,231
Local improvements	128,287	79,233	23,627
Franchise and concession contracts	698,000	793,675	854,211
Gain on sale of tangible capital assets	-	206,991	65,715
User fees and sales of goods	5,623,886	5,555,336	4,809,307
Government transfers for operating (See Sched of Govt Transfers)	697,665	729,460	806,753
Investment income	31,500	251,835	113,325
Penalties and costs of taxes	41,000	65,335	82,730
Contributed and donated assets	-	-	-
Licences and permits	76,000	63,192	64,831
Other	231,779	218,319	449,279
Total Revenue	13,471,136	13,946,805	12,689,009
EXPENSES			
Council and other legislative	250,000	213,432	237,580
General administration	1,210,000	990,907	970,009
Safety Program	23,530	11,191	10,055
Other general government	344,700	436,125	352,718
Police	253,850	219,888	169,776
Fire	268,000	291,311	265,888
Disaster and emergency services	18,000	14,215	22,288
Bylaw enforcement	137,349	131,742	119,470
Common services	204,592	165,777	196,445
Roads, streets, walks and lighting	1,336,101	1,240,297	1,118,363
Airport	95,782	94,337	46,341
Storm sewers and drainage	85,165	80,064	13,757
Water supply and distribution	2,340,400	2,360,622	2,901,624
Wastewater treatment and disposal	990,805	968,415	740,032
Waste management	744,330	740,145	721,185
Environmental use and protection	2,465	804	996
Family and community support	179,244	197,295	190,105
Cemeteries and crematoriums	64,302	60,616	32,485
Public health and welfare	47,000	60,701	48,275
Land use planning, zoning and development	151,100	115,988	109,325
Economic development	600,900	3,356,896	350,158
Community Services	6,800	4,558	2,436
Subdivision land & development	38,543	212,528	81,878
Land, housing and building rentals	-	-	-
Recreation board	221,900	164,310	164,203
Parks and recreation	1,258,733	1,251,678	1,219,304
Community hall	258,600	184,840	171,667
Culture and library	290,000	427,541	354,599
Amortization	2,665,000	2,940,355	2,994,191
Total Expenses	14,087,191	16,936,578	13,605,153
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	(616,055)	(2,989,773)	(916,144)
Government transfers for capital (page 9)	-	1,521,811	208,384
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	(616,055)	(1,467,962)	(707,760)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	72,757,552	72,757,552	73,465,312
ACCUMULATED SURPLUS, END OF YEAR	72,141,497	71,289,590	72,757,552

**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budget (Unaudited)	2023	2022
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	(616,055)	(1,467,962)	(707,760)
Acquisition of tangible capital assets	(2,266,000)	(1,654,587)	(747,990)
Proceeds on disposal of tangible capital assets	-	212,591	65,715
Amortization of tangible capital assets	2,665,000	2,940,355	2,994,191
Loss on sale of tangible capital assets	-	617,405	-
Gain on sale of tangible capital assets	-	(206,991)	(65,715)
Write-down of tangible capital assets	-	-	-
	<u>399,000</u>	<u>1,908,773</u>	<u>2,246,201</u>
Change in inventory	-	(30,753)	(54,518)
Change in prepaid assets	-	69,992	83,361
	<u>-</u>	<u>39,239</u>	<u>28,843</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(217,055)	480,050	1,567,284
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>38,353</u>	<u>38,353</u>	<u>(1,528,931)</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>(178,702)</u>	<u>518,403</u>	<u>38,353</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	2023	2022
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
(Deficiency) Excess of revenue over expenses (Page 5)	(1,467,962)	(707,760)
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	2,940,355	2,994,191
Loss on sale of tangible capital assets	617,405	-
Gain on disposal of tangible capital assets	(206,991)	(65,715)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	65,334	51,401
Decrease (increase) in receivables from other governments	624,481	(352,366)
Decrease (increase) in trade and other receivables	(8,884)	25,868
Decrease (increase) in land inventory held for resale	153,281	15,345
Decrease (increase) in debt charges recoverable	53,272	52,895
Decrease (increase) in inventory for consumption	(30,753)	(54,519)
Decrease (increase) in prepaid expenses	69,992	83,361
Decrease (increase) in other long-term assets	-	-
Increase (decrease) in accounts payable and accrued liabilities	(199,155)	172,440
Increase (decrease) in deposit liabilities	715	360
Increase (decrease) in deferred revenue	(824,004)	484,058
Increase (decrease) in employee benefit obligations	43,750	(44,220)
Cash provided by operating transactions	1,830,836	2,655,339
CAPITAL		
Acquisition of tangible capital assets	(1,654,587)	(747,990)
Sale of tangible capital assets	212,591	65,715
Cash applied to capital transactions	(1,441,996)	(682,275)
INVESTING		
Decrease (increase) in investments	(1,083,080)	(2,143,635)
Decrease (increase) in restricted cash or cash equivalents	-	-
Cash provided by investing transactions	(1,083,080)	(2,143,635)
FINANCING		
Long term debt issued	1,650,000	19,141
Long term debt repaid	(837,908)	(1,078,051)
Cash provided by financing transactions	812,092	(1,058,910)
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	117,852	(1,229,481)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,532,183	3,761,664
CASH AND CASH EQUIVALENTS, END OF YEAR	2,650,035	2,532,183
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	2,650,035	2,532,183
Less: restricted portion of cash and temporary investments	-	-
	2,650,035	2,532,183

**SCHEDULE OF PROPERTY TAXES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budget (Unaudited)	2023	2022
TAXATION			
Property taxes			
- residential land and improvements	4,618,296	4,699,093	4,299,404
- non-residential land and improvements	2,585,216	2,585,116	2,409,222
- machinery and equipment	22,345	22,345	19,881
- linear property	325,783	325,783	295,040
- railway	6,239	6,239	5,517
- farmland	728	728	720
Government grants in place of property taxes			
- federal	22,732	22,732	19,725
- provincial	100,780	100,780	44,303
	<u>7,682,119</u>	<u>7,762,816</u>	<u>7,093,812</u>
REQUISITIONS			
Alberta School Foundation Fund	1,452,000	1,443,969	1,416,762
East Central AB Catholic Separate Schools Regional Division No. 16	243,000	196,128	213,445
Vermilion & District Housing Foundation	42,100	137,750	42,750
Designated Industrial Property	2,000	1,540	1,624
	<u>1,739,100</u>	<u>1,779,387</u>	<u>1,674,581</u>
NET MUNICIPAL TAXES	<u>5,943,019</u>	<u>5,983,429</u>	<u>5,419,231</u>

**SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budget (Unaudited)	2023	2022
TRANSFERS FOR OPERATING:			
Federal Government	-	-	1,600
Provincial Government	171,915	189,777	202,419
Other Local Governments	525,750	539,683	602,734
	<u>697,665</u>	<u>729,460</u>	<u>806,753</u>
TRANSFERS FOR CAPITAL:			
Federal Government	-	489,992	-
Provincial Government	-	1,031,819	208,384
Other Local Governments and Agencies	-	-	-
	<u>-</u>	<u>1,521,811</u>	<u>208,384</u>
TOTAL GOVERNMENT TRANSFERS	<u>697,665</u>	<u>2,251,271</u>	<u>1,015,137</u>

**SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budget (Unaudited)	2023	2022
Contracted and general services	4,158,761	6,436,132	3,852,455
Salaries, wages and benefits	4,088,930	3,784,617	3,784,099
Amortization of tangible capital assets	2,665,000	2,940,355	2,994,191
Materials, goods, supplies and utilities	1,937,418	2,046,026	1,855,719
Transfers to other governments	317,500	331,788	307,922
Interest on long term debt	287,000	275,281	277,911
Other expenditures	326,863	280,834	264,143
Transfers to individuals and organizations	293,719	214,618	259,534
Bank charges and short term interest	5,000	9,027	8,694
Purchases from other governments	1,000	495	485
Provision for allowances	6,000	-	-
Net loss on sale of tangible capital assets	-	617,405	-
	<u>14,087,191</u>	<u>16,936,578</u>	<u>13,605,153</u>

**Town of Vermilion
Schedule of Accumulated Surplus
For the Year Ended December 31, 2023**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2023 \$	2022 \$
BALANCE, BEGINNING OF YEAR	4,900,150	3,651,274	64,206,128	72,757,552	73,465,312
Excess (deficiency) of revenues over expenses	(1,467,962)	-		(1,467,962)	(707,760)
Unrestricted funds designated for future use	(2,034,117)	2,034,117		-	-
Restricted funds used for operations	329,992	(329,992)		-	-
Restricted funds used for tangible capital assets		(132,776)	132,776	-	-
Current year funds used for tangible capital assets	128,189		(128,189)	-	-
Donated and Contributed TCA				-	-
Disposal of tangible capital assets	623,008		(623,008)	-	-
Annual amortization expense	2,940,355		(2,940,355)	-	-
Long term debt repaid	(559,394)		559,394	-	-
				-	-
Change in accumulated surplus	(39,929)	1,571,349	(2,999,382)	(1,467,962)	(707,760)
BALANCE, END OF YEAR	4,860,221	5,222,623	61,206,746	71,289,590	72,757,552

Town of Vermilion
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2023

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2023 \$	2022 \$
COST:								
BALANCE, BEGINNING OF YEAR	1,715,189	5,237,218	14,173,004	92,483,248	6,730,797	3,976,142	124,315,598	123,798,368
Acquisition of tangible capital assets	-	56,828	47,158	489,992	940,590	95,000	1,629,568	747,990
Construction-in-progress	-	-	5,219	19,800	-	-	25,019	-
Disposal of tangible capital assets	-	-	-	-	(1,049,400)	(32,630)	(1,082,030)	(230,761)
Write-down of tangible capital assets	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	1,715,189	5,294,046	14,225,381	92,993,040	6,621,987	4,038,512	124,888,155	124,315,597
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	3,035,236	4,126,194	39,488,159	4,229,839	1,887,735	52,767,163	50,003,734
Annual amortization	-	217,255	284,454	1,848,587	345,056	245,003	2,940,355	2,994,191
Accumulated amortization on disposals	-	-	-	-	(426,395)	(32,630)	(459,025)	(230,761)
Accumulated amortization on write-downs	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	-	3,252,491	4,410,647	41,336,746	4,148,500	2,100,108	55,248,493	52,767,164
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,715,189	2,041,555	9,814,734	51,656,294	2,473,487	1,938,403	69,639,663	71,548,433
2022 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,715,189	2,201,982	10,046,811	52,995,087	2,500,957	2,088,407	71,548,433	

Town of Vermilion
Schedule of Segmented Disclosure
For the Year Ended December 31, 2023

Town of Vermilion

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total \$
REVENUE								
Net municipal taxes	5,983,429							5,983,429
Government transfers	1,143,312	125,568	490,103	5,850	353,804	(29,449)	162,084	2,251,271
User fees and sales of goods	12,509	67,957	123,184	198,084	366,959	4,600,302	186,340	5,555,336
Investment income	251,835	-	-	-	-	-	-	251,835
Contributed assets	-	-	-	-	-	-	-	-
Other revenues	915,019	5,106	288,736	129,598	51,874	22,675	13,737	1,426,745
	8,306,104	198,631	902,023	333,532	772,636	4,593,528	362,161	15,468,616
EXPENSES								
Contract and general services	471,600	268,557	203,949	2,550,409	666,133	2,234,802	40,683	6,436,132
Salaries and wages	953,959	253,941	795,542	276,940	758,301	588,401	157,533	3,784,617
Goods and supplies	79,736	84,248	665,284	181,323	436,603	566,439	32,392	2,046,026
Transfers to other governments	24,284	19,937	8,606	59,024	-	163,428	-	275,281
Long-term debt interest	8,562	-	-	-	-	466	-	9,027
Other expenses	113,514	30,473	(92,906)	617,714	167,334	516,450	92,561	1,445,139
	1,651,654	657,156	1,580,475	3,685,412	2,028,370	4,069,986	323,170	13,996,223
NET REVENUE, BEFORE AMORTIZATION								
	6,654,451	(458,526)	(678,452)	(3,351,880)	(1,255,734)	523,542	38,991	1,472,394
Amortization expense	56,055	165,334	1,199,478	55,975	461,936	986,269	15,309	2,940,355
NET REVENUE	6,598,395	(623,860)	(1,877,929)	(3,407,854)	(1,717,670)	(462,727)	23,683	(1,467,962)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

1. SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Vermilion Public Library
Family Community and Support Services

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

Basis of Accounting

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

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

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

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

Use of Estimates

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

Fund Accounting

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

Government Transfers

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

1. SIGNIFICANT ACCOUNTING POLICIES - continued

Requisition Over-levy and Under-levy

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

Non-Financial Assets

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

Tangible Capital Assets

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

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

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

Contribution of Tangible Capital Assets

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

Inventories

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

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

Investments

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

1. SIGNIFICANT ACCOUNTING POLICIES - continued

Debt Charges Recoverable

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

Prepaid Local Improvement Charges

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

Landfill Closure and Post-Closure Liability

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

Asset Retirement

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Town to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to the asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with the use of the asset are recognized in the period incurred with a corresponding asset retirement cost expenses in the period.

At each financial reporting date, the Town reviews the carrying amount of the liability. The Town recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Town continues to recognize the liability until it is settled or otherwise extinguished. Disbursement made to settle the liability are deducted from the reported liability when they are made.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2023</u>	<u>2022</u>
Cash	1,644,875	327,315
Temporary investments	<u>1,005,160</u>	<u>2,204,868</u>
	<u>2,650,035</u>	<u>2,532,183</u>

TOWN OF VERMILION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2023</u>	<u>2022</u>
Current taxes and grants in lieu	130,509	157,877
Tax arrears and grants in lieu	<u>42,289</u>	<u>80,255</u>
	172,798	238,132
Less: allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
	<u>167,798</u>	<u>233,132</u>

During the current and prior year no impairments were recorded.

4. DEBT CHARGES RECOVERABLE

	<u>2023</u>	<u>2022</u>
Current debt charges recoverable	56,887	54,338
Non-current debt charges recoverable	<u>840,782</u>	<u>896,603</u>
	<u>896,603</u>	<u>950,941</u>

Current debt charges accrued interest 1,065

The Town of Vermilion has undertaken a joint development project with the Vermilion and District Housing Foundation. The Town assumed long-term financing totaling \$1,340,000 in 2004; however, the total of the \$1,340,000 plus interest at rate of 4.951% per annum was recovered from the Vermilion and District Housing Foundation. Amounts were recoverable in blended semi-annual installments of \$63,813.08 including interest and matured in 2019. A second joint development project for \$1,225,000 was commenced in 2017; at a rate of 2.711%. Amounts are recoverable in blended semiannual installments of \$39,876 including interest and matures in 2037.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	55,821	23,931	79,752
2025	57,345	22,407	79,752
2026	58,910	20,842	79,752
2027	60,517	19,235	79,752
2028	62,170	17,582	79,752
2029 and subsequent	<u>601,840</u>	<u>76,056</u>	<u>677,896</u>
	<u>896,603</u>	<u>180,053</u>	<u>1,076,656</u>

5. INVESTMENTS

Investments consisted of two term deposits bearing interest at rate 2.3%, 2.4% and 5.47% per annum, with maturity date in 2024 and 2025.

6. DEFERRED REVENUE

	<u>2023</u>	<u>2022</u>
Municipal Sustainability Initiative Capital	1,006,207	1,510,517
Canada Community Building Fund	535,074	786,511
Unearned Revenue	19,060	21,600
Vermilion Wellness Coalition	5,909	-
Land Leases	1,438	-
FCSS Grants-CMHA & RIFS	933	3,066
Regional Centre Rent	-	1,000
Prepaid Local Improvements	=	<u>69,931</u>
	<u>1,568,621</u>	<u>2,392,625</u>

TOWN OF VERMILION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

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>2023</u>	<u>2022</u>
Accrued employee vacation	172,929	210,589
Accrued Salary	89,319	0
Accrued overtime	<u>14,730</u>	<u>22,639</u>
	<u>276,978</u>	<u>233,228</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 2022 cost of \$27,934 and 2023 cost of \$14,082.

9. LONG-TERM DEBT

	<u>2023</u>	<u>2022</u>
Tax supported debentures	<u>10,504,435</u>	<u>9,692,343</u>

The current portion of the long-term debt amounts to \$888,821 (2022 - \$837,908).

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	888,821	320,572	1,209,394
2025	875,714	294,715	1,170,429
2026	867,041	269,340	1,136,381
2027	877,775	243,545	1,121,320
2028	825,373	217,279	1,042,652
2029 and subsequent	<u>6,169,711</u>	<u>1,850,525</u>	<u>8,020,236</u>
	<u>10,504,435</u>	<u>3,195,976</u>	<u>13,700,411</u>

Debenture debt is repayable to Alberta Capital Finance Authority, bears interest at rates ranging from 1.416% to 5.430% per annum, and matures in periods 2024 through 2044. The average annual interest rate is 2.617% for 2023 (2022 – 2.489%).

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

The Town's total cash payment for interest in 2023 was \$254,405 (2022 - \$282,436).

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>2023</u>	<u>2022</u>
Total debt limit	20,672,795	18,727,485
Total guaranteed loans (Note 4)	448,301	475,470
Total debt outstanding	<u>10,504,435</u>	<u>9,692,343</u>
Amount of debt limit unused	<u>9,720,059</u>	<u>8,559,672</u>
Debt servicing limit	3,445,466	3,121,248

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Debt servicing	<u>1,209,394</u>	<u>1,092,313</u>
Amount of debt servicing limit unused	<u>2,236,072</u>	<u>2,028,935</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>2023</u>	<u>2022</u>
Land	1,715,189	1,715,189
Land Improvements	2,041,555	2,201,982
Buildings	9,814,734	10,046,810
Engineering Structures		
Roadway system	13,333,932	13,769,868
Water distribution system	12,240,890	12,563,472
Wastewater treatment system	23,405,584	23,935,551
Storm System	2,675,888	2,726,199
Machinery, equipment and furnishings	2,473,487	2,500,958
Vehicles	<u>1,938,403</u>	<u>2,088,407</u>
	<u>69,639,662</u>	<u>71,548,436</u>

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2023</u>	<u>2022</u>
Tangible capital assets (Schedule 2)	124,888,155	124,315,597
Accumulated amortization (Schedule 2)	<u>(55,248,493)</u>	<u>(52,767,164)</u>
Long-term debt	<u>(8,432,916)</u>	<u>(7,342,305)</u>
	<u>61,206,746</u>	<u>64,206,128</u>

13. ACCUMULATED SURPLUS

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

	<u>2023</u>	<u>2022</u>
Unrestricted surplus	4,860,221	4,900,150
Restricted	5,222,623	3,651,274
Equity in tangible capital assets	<u>61,206,746</u>	<u>64,206,128</u>
	<u>71,289,590</u>	<u>72,757,552</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:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	2023			2022
	Salary/ Fee	Benefits and Allowances	Total	Total
Mayor				
Greg Thronson	32,100	1,702	33,802	36,901
Councilors				
Robert Pulyk	22,100	1,107	23,207	23,953
Paul Conlon	18,700	858	19,558	20,835
Kevin Martin	19,050	931	19,981	21,258
Joshua Rayment	21,450	1,068	22,518	21,786
Robert Snow	22,300	1,072	23,372	24,799
Kirby Whitlock	20,325	1,001	21,326	24,481
Chief Administrative Officer				
Kevin Lucas	151,363	26,259	177,622	171,694

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

16. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Vermilion participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 301,223 people and 444 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund. Contributions for current service are recorded as expenditures in the year in which they become due.

The Town of Vermilion is required to make current service contributions to the LAPP of 8.45% (2022– 8.45%) of pensionable earnings up to the year’s maximum pensionable earnings under the Canada Pension Plan and 12.23% (2022 – 12.8%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 7.45% (2022 – 7.45%) of pensionable salary up to the year’s maximum pensionable salary and 11.23% (2022 – 11.8%) on pensionable salary above this amount.

Total current service contributions by the Town of Vermilion to the LAPP in 2023 were \$229,051 (2022 - \$233,869). Total current service contributions by the employees of the Town of Vermilion to the LAPP in 2023 were \$204,002 (2022 - \$208,524). At December 31, 2022, the LAPP disclosed an actuarial surplus of \$12.7 billion.

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, 2023 is \$238,298. The loan is in good standing as at December 31, 2023.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

18. COMMITMENTS

The Town of Vermilion is committed to pay fifty percent of the annual deficit incurred in operating the Lakeland College swimming pool or such other amount that the Town may authorize by resolution of Town of Vermilion for a period of twenty years, expiring in 2027. The current allocation is \$120,000 (2022 - \$120,000).

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.