

# Town of Vegreville



Province of Alberta

FINANCIAL STATEMENT  
&  
AUDITOR'S REPORT

For the year ended  
December 31, 2014





**Wilde and Company**

*Chartered Accountants*

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## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of Town of Vegreville

### *Report on the Consolidated Financial Statements*

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

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

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

### *Auditor's Responsibility*

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 controls 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 controls. 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 Vegreville as at December 31, 2014, the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Vegreville, AB  
April 13, 2015

*Wilde + Company*  
Chartered Accountants

**TOWN OF VEGREVILLE**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2014**

	2014	2013 <i>(Restated)</i>
<b>Financial Assets</b>		
Cash and temporary investments (Note 3)	\$ 4,913,794	\$ 5,780,975
Receivables		
Taxes and grants in place of taxes (Note 4)	487,926	373,737
Due from governments	340,120	133,786
Trade and other receivables	859,387	826,894
Land held for resale	886,616	886,616
Investments (Note 5)	4,019,000	3,500,000
Debt charges recoverable (Note 6)	159,681	220,725
	<b>11,666,524</b>	<b>11,722,733</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,707,835	1,113,881
Accrued employee obligations (Note 7)	465,743	395,063
Deposit liabilities	10,000	-
Deferred revenue (Note 8)	963,650	2,012,769
Long term debt (Note 9)	6,875,271	6,468,863
	<b>10,022,499</b>	<b>9,990,576</b>
<b>Net Financial Assets</b>		
	<b>1,644,025</b>	<b>1,732,157</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (Schedule 2)	56,597,244	56,396,354
Inventory for consumption	218,732	358,599
Prepaid expenses	93,275	97,063
	<b>56,909,251</b>	<b>56,852,016</b>
<b>Accumulated Surplus (Schedule 1, Note 14)</b>		
	<b>\$ 58,553,276</b>	<b>\$ 58,584,173</b>

Commitments and contingencies (Note 18)

**TOWN OF VEGREVILLE**  
**Consolidated Statement of Operations**  
**Year Ended December 31, 2014**

	<b>Budget (Unaudited)</b>	<b>2014</b>	<b>2013 (Restated)</b>
<b>Revenues</b>			
Net municipal taxes (Schedule 3)	\$ 8,505,119	\$ 8,505,850	\$ 8,206,424
User fees and sales of goods and services	3,518,478	3,975,058	3,655,550
Government transfers for operating (Schedule 4)	3,085,568	3,129,405	3,463,503
Investment income	86,150	171,930	181,483
Franchise and concession contracts	820,000	907,588	872,149
Penalties and costs on taxes	50,000	138,644	107,270
Rentals	511,295	639,831	492,965
Fines, licenses and permits	107,500	119,210	111,769
Loss on disposal of assets	-	(32,021)	(24,541)
Other	492,178	165,643	233,188
	<b>17,176,288</b>	<b>17,721,138</b>	<b>17,299,760</b>
<b>Expenses</b>			
Legislative	337,730	360,376	315,700
Administration	1,342,455	1,263,428	1,152,953
Fire protection and safety services	1,756,710	1,649,722	1,454,776
Ambulance services	1,668,740	1,844,511	1,601,351
Bylaw enforcement	257,470	284,246	289,402
Roads, streets, walks, lighting	5,156,950	4,703,622	4,629,223
Airport	140,530	145,379	121,379
Water supply and distribution	2,017,385	1,986,328	1,874,365
Wastewater treatment and disposal	659,630	589,105	380,530
Waste management	985,845	1,020,789	960,544
Family and community support	1,273,417	1,183,005	1,166,522
Cemetery	95,880	100,641	87,387
Subdivision land and development	568,745	540,692	534,651
Community and tourism	387,735	357,607	354,019
Culture	303,225	259,495	315,571
Parks and recreation	2,732,040	2,434,807	2,297,657
Facilities	2,219,854	1,912,063	1,880,058
	<b>21,904,341</b>	<b>20,635,816</b>	<b>19,416,088</b>
<b>Deficiency of revenue over expenses - before other</b>	<b>(4,728,053)</b>	<b>(2,914,678)</b>	<b>(2,116,328)</b>
<b>Other</b>			
Contributed assets	-	-	240,773
Government transfers for capital (Schedule 4)	3,002,630	2,883,781	2,537,799
<b>Excess (deficiency) of revenues over expenses</b>	<b>(1,725,423)</b>	<b>(30,897)</b>	<b>662,244</b>
<b>Accumulated surplus - beginning of the year</b>	<b>58,584,173</b>	<b>58,584,173</b>	<b>57,921,929</b>
<b>Accumulated surplus - end of the year</b>	<b>\$ 56,858,750</b>	<b>\$ 58,553,276</b>	<b>\$ 58,584,173</b>

**TOWN OF VEGREVILLE**  
**Consolidated Statement of Change in Net Financial Assets (Debt)**  
**Year Ended December 31, 2014**

	<b>Budget (Unaudited)</b>	<b>2014</b>	<b>2013 (Restated)</b>
Excess (deficiency) of revenues over expenses	\$ (1,725,423)	\$ (30,897)	\$ 662,244
Acquisition of tangible capital assets	(4,487,200)	(4,182,831)	(3,513,275)
Contributed tangible capital assets	-	-	(240,773)
Proceeds on disposal of tangible capital assets	-	9,756	-
Amortization of tangible capital assets	3,869,780	3,940,164	3,657,958
Loss on disposal of tangible capital assets	-	32,021	24,541
	<b>(2,342,843)</b>	<b>(231,787)</b>	<b>590,695</b>
Use (acquisition) of supplies inventories	-	139,867	(280,853)
Use of prepaid assets	-	3,788	83,950
	-	<b>143,655</b>	<b>(196,903)</b>
Increase (decrease) in net financial assets	(2,342,843)	(88,132)	393,792
Net financial assets, beginning of year	1,732,157	1,732,157	1,338,365
Net financial assets (debt), end of year	\$ (610,686)	\$ 1,644,025	\$ 1,732,157

**TOWN OF VEGREVILLE**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2014**

	2014	2013 <i>(Restated)</i>
<b>Operating</b>		
Excess (deficiency) of revenue over expenses	\$ (30,897)	\$ 662,244
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	3,940,164	3,657,958
Loss on disposal of tangible capital assets	32,021	24,541
Tangible capital assets received as contributions	-	(240,773)
Net changes in non-cash charges to operation		
Increase in taxes and grants in lieu receivable	(114,189)	(67,361)
Increase in government receivables	(206,334)	(16,793)
Decrease (increase) in trade and other receivables	(32,493)	72,515
Decrease in debt charges recoverable	61,044	69,165
Decrease in land held for resale	-	4,597
Decrease (increase) in inventory for consumption	139,867	(280,853)
Decrease in prepaid expenses	3,788	83,950
Increase (decrease) in accounts payable and accrued liabilities	593,954	(132,063)
Increase in accrued employee obligations	70,680	10,748
Increase (decrease) in deposit liabilities	10,000	(10,000)
Decrease in deferred revenues	(1,049,119)	(1,014,990)
	<b>3,449,383</b>	<b>2,160,641</b>
<i>Net cash provided by operating transactions</i>	<b>3,418,486</b>	<b>2,822,885</b>
<b>Capital</b>		
Acquisition of tangible capital assets	(4,182,831)	(3,513,275)
Proceeds on sale of tangible capital assets	9,756	-
<i>Net cash applied to capital transactions</i>	<b>(4,173,075)</b>	<b>(3,513,275)</b>
<b>Investing</b>		
Decrease in restricted cash or cash equivalents	1,049,119	1,014,990
Decrease (increase) in investments	(519,000)	300,000
<i>Net cash provided by (applied to) investing transactions</i>	<b>530,119</b>	<b>1,314,990</b>
<b>Financing</b>		
Long term debt issued - capital	875,000	-
Long term debt repaid - operating	(72,963)	(195,764)
Long term debt repaid - capital	(395,629)	(382,514)
<i>Net cash provided by (applied to) financing transactions</i>	<b>406,408</b>	<b>(578,278)</b>
<b>Change in cash and cash equivalents during the year</b>	<b>181,938</b>	<b>46,322</b>
Cash and cash equivalents, beginning of year	3,768,206	3,721,884
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,950,144</b>	<b>\$ 3,768,206</b>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	\$ 4,913,794	\$ 5,780,975
Less: restricted portion of cash and temporary investments (Note 3)	(963,650)	(2,012,769)
	<b>\$ 3,950,144</b>	<b>\$ 3,768,206</b>

See accompanying notes

**TOWN OF VEGREVILLE**  
**Schedule of Changes in Accumulated Surplus**  
**Year Ended December 31, 2014**  
**Schedule 1**

	Unrestricted Surplus	Restricted Operating Reserves	Restricted Capital Reserves	Equity in Capital Assets	2014	2013 (Restated)
					\$	\$
Balance, beginning of year	2,794,366	4,271,426	1,370,167	50,148,214	58,584,173	57,921,929
Excess (deficiency) of revenues over expenses	(30,897)	-	-	-	(30,897)	662,244
Unrestricted funds designated for future use	(850,260)	775,975	74,285	-	-	-
Restricted funds used for operations	274,456	(274,456)	-	-	-	-
Restricted funds reclassified	-	(206,632)	206,632	-	-	-
Restricted funds used for TCA	-	-	(333,310)	333,310	-	-
Current year funds used for TCA	(3,849,521)	-	-	3,849,521	-	-
Disposals of TCA	606,317	-	-	(606,317)	-	-
Accumulated amortization of disposed assets	(564,540)	-	-	564,540	-	-
Annual amortization expense	3,940,164	-	-	(3,940,164)	-	-
Debtenture issued	875,000	-	-	(875,000)	-	-
TCA long term debt repaid	(395,629)	-	-	395,629	-	-
Change in accumulated surplus	5,090	294,887	(52,393)	(278,481)	(30,897)	662,244
Balance, end of year	2,799,456	4,566,313	1,317,774	49,869,733	58,553,276	58,584,173

**TOWN OF VEGREVILLE**  
**Schedule of Tangible Capital Assets**  
**Year Ended December 31, 2014**  
**Schedule 2**

	2014		2013 (Restated)				
	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	\$	\$
<b>Cost:</b>							
Balance, beginning of year	2,869,470	16,876,229	107,751,153	6,880,151	4,427,395	138,804,398	136,583,479
Acquisition of tangible capital assets	120,915	826,574	2,500,589	94,193	640,560	4,182,831	3,754,048
Disposal of tangible capital assets	-	-	(503,816)	(46,277)	(56,224)	(606,317)	(1,533,129)
Balance, end of year	2,990,385	17,702,803	109,747,926	6,928,067	5,011,731	142,380,912	138,804,398
<b>Accumulated amortization:</b>							
Balance, beginning of year	-	7,063,951	68,269,522	4,926,660	2,147,911	82,408,044	80,258,674
Annual amortization	-	391,428	2,774,848	307,474	466,414	3,940,164	2,171,275
2013 amortization adjustment (Note 12)	-	-	(462,039)	(46,277)	(56,224)	(564,540)	1,486,683
Accumulated amortization on disposals	-	-	-	-	-	-	(1,508,588)
Balance, end of year	-	7,455,379	70,582,331	5,187,857	2,558,101	85,783,668	82,408,044
<b>Net book value of tangible capital assets</b>	<b>2,990,385</b>	<b>10,247,424</b>	<b>39,165,595</b>	<b>1,740,210</b>	<b>2,453,630</b>	<b>56,597,244</b>	<b>56,396,354</b>
2013 net book value of tangible capital assets	2,869,470	9,809,238	39,484,671	1,953,491	2,279,484	56,396,354	56,396,354



**TOWN OF VEGREVILLE**  
**Schedule of Property and Other Taxes**  
**Year Ended December 31, 2014**  
**Schedule 3**

	<b>Budget</b> (Unaudited)	<b>2014</b>	<b>2013</b>
<b>Taxation</b>			
Real property taxes	\$ 9,046,248	\$ 9,046,979	\$ 8,802,294
Linear property	481,569	481,569	505,041
Government grants in place of property taxes	1,120,008	1,120,008	1,197,377
	10,647,825	10,648,556	10,504,712
<b>Requisitions</b>			
Alberta School Foundation Fund	2,034,004	2,034,004	2,185,548
Minburn Senior's Foundation	108,702	108,702	112,740
	2,142,706	2,142,706	2,298,288
<b>Net Municipal Taxes</b>	<b>\$ 8,505,119</b>	<b>\$ 8,505,850</b>	<b>\$ 8,206,424</b>

**TOWN OF VEGREVILLE**  
**Schedule of Government Transfers**  
**Year Ended December 31, 2014**  
**Schedule 4**

	<b>Budget (Unaudited)</b>	<b>2014</b>	<b>2013</b>
<b>Transfers for Operating</b>			
Federal Government	7,435	<b>9,101</b>	3,246
Provincial Government	\$ 2,740,108	\$ <b>2,636,457</b>	\$ 3,045,595
Local Government	338,025	<b>483,847</b>	414,662
	<b>3,085,568</b>	<b>3,129,405</b>	<b>3,463,503</b>
<b>Transfers for Capital</b>			
Federal Government	616,000	<b>609,212</b>	208,859
Provincial Government	2,382,430	<b>2,250,229</b>	2,236,668
Local Government	4,200	<b>24,340</b>	92,272
	<b>3,002,630</b>	<b>2,883,781</b>	<b>2,537,799</b>
<b>Total Government Transfers</b>	<b>\$ 6,088,198</b>	<b>\$ 6,013,186</b>	<b>\$ 6,001,302</b>

**TOWN OF VEGREVILLE**  
**Schedule of Consolidated Expenses by Object**  
**Year Ended December 31, 2014**  
**Schedule 5**

	<b>Budget (Unaudited)</b>	<b>2014</b>	<b>2013 (Restated)</b>
<b>Consolidated Expenses by Object</b>			
Salaries, wages and benefits	\$ 8,792,699	\$ 8,553,142	\$ 8,182,448
Contracted and general services	4,687,944	3,931,261	3,404,991
Purchases from other governments	1,064,780	1,058,001	988,716
Materials, goods, supplies and utilities	3,007,648	2,647,462	2,716,439
Other transactions, allowances and adjustments	70,480	135,784	43,664
Transfers to local boards and agencies	146,905	91,444	141,012
Bank charges and short term interest	37,000	45,081	37,379
Interest on long term debt	227,105	233,477	243,479
Amortization of tangible capital assets	3,869,780	3,940,164	3,657,960
	<b>\$ 21,904,341</b>	<b>\$ 20,635,816</b>	<b>\$ 19,416,088</b>

**TOWN OF VEGREVILLE**  
**Schedule of Segmented Disclosure**  
**Year Ended December 31, 2014**  
**Schedule 6**

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health	Planning & Development	Recreation & Culture	Other	Total \$
<b>Revenue</b>									
Net municipal taxes	-	-	-	-	-	-	-	8,505,850	8,505,850
Government transfers	-	1,967,439	1,511,656	1,323,112	814,644	12,303	384,807	-	6,013,961
User fees and sales of goods	7,786	566,658	-	2,767,596	262,173	188,346	776,268	138,644	4,707,471
Investment income	-	-	-	-	11,151	-	-	160,779	171,930
Other revenues	34,254	61,186	3,156	35,429	48,223	7,046	(28,839)	912,001	1,072,456
	42,040	2,595,283	1,514,812	4,126,137	1,136,191	207,695	1,132,236	9,717,274	20,471,668
<b>Expenses</b>									
Salaries, wages and benefits	1,161,299	2,068,869	978,448	1,169,136	862,974	484,393	1,828,023	-	8,553,142
Contracted and general services	256,314	1,061,367	485,246	303,204	345,583	274,049	1,205,498	-	3,931,261
Materials, goods, supplies and utilities	108,987	234,434	752,508	1,575,633	67,448	30,671	935,782	-	3,705,463
Transfers to local boards and agencies	-	-	-	-	25,000	66,444	-	-	91,444
Interest on long term debt	-	-	61,335	29,627	11,150	-	131,365	-	233,477
Other expenses	95,897	19,824	61,884	1,552	(98)	-	1,806	-	180,865
	1,622,497	3,384,494	2,339,421	3,079,152	1,312,057	855,557	4,102,474	-	16,695,652
<b>Net revenue before amortization</b>	(1,580,457)	(789,211)	(824,609)	1,046,985	(175,866)	(647,862)	(2,970,238)	9,717,274	3,776,016
Amortization of tangible capital assets	1,307	393,985	2,509,580	517,070	9,651	4,680	503,891	-	3,940,164
<b>Net revenue (expense)</b>	(1,581,764)	(1,183,196)	(3,334,189)	529,915	(185,517)	(652,542)	(3,474,129)	9,717,274	(164,148)
2013 net revenue (expense)	(1,442,333)	(748,451)	(1,502,239)	244,904	(329,015)	(1,813,725)	(3,097,528)	9,350,631	662,244

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

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1. Significant accounting policies

The consolidated financial statements of the Town are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town are as follows:

Reporting entity

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

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

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.

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# TOWN OF VEGREVILLE

## Notes to Consolidated Financial Statements

Year Ended December 31, 2014

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### 1. Significant accounting policies *(continued)*

#### Cash and temporary investments

Cash includes cash and cash equivalents. Cash equivalents are investments in municipal funds, bonds and guaranteed investment certificates and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

#### Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. 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.

#### 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.

#### Inventories for resale

Land 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 levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

#### Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

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**TOWN OF VEGREVILLE**

**Notes to Consolidated Financial Statements**

**Year Ended December 31, 2014**

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1. Significant accounting policies *(continued)*

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 include 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.

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.

*(continues)*

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

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1. Significant accounting policies (*continued*)

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 revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

a) 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 the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	<b>YEARS</b>
Land improvements	15-45
Buildings	25-50
Engineered structures	
Roadway system	5-65
Water system	45-75
Wastewater system	45-75
Storm system	45-75
Other engineered structures	10-80
Machinery and equipment	5-40
Vehicles	5-40

Amortization will not be calculated in the year in which the asset is acquired, put into service, or constructed. Amortization will be calculated in the year in which the asset is disposed. During the year, management revised the estimated useful life of vehicles.

b) Contributions 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.

c) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

d) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

e) Cultural and historical tangible capital assets

Works of art for display are not recorded as tangible capital assets but are disclosed.



## TOWN OF VEGREVILLE

### Notes to Consolidated Financial Statements

Year Ended December 31, 2014

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#### 2. Recent accounting pronouncements published but not yet adopted

The following accounting standards have been issued by the Canadian Institute of Chartered Accountants (CICA) but are not yet effective. The municipality is currently evaluating the effect of adopting these standards on their financial statements.

##### Section PS 3260 – Liability for Contaminated Sites

This new section establishes recognition, measurement, and disclosure standards for liabilities relating to contaminated sites of governments and those organizations applying the CICA Public Sector Accounting Handbook. This section is effective for fiscal periods beginning on or after April 1, 2014.

##### Section PS 3450 - Financial Instruments

The new section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. In conjunction with this new section, section PS1201, section PS 2601 and section 3041 have been amended as a consequence of the introduction of new financial instruments standards. These amendments were required to present the associated gains and losses with financial instruments recognized under the new section. The new section and the related amendments are effective for fiscal periods beginning on or after April 1, 2016.

#### 3. Cash and temporary investments

	2014	2013
Cash	\$ 552,245	\$ 748,294
Cash held in trust	128,847	128,076
Temporary investments	4,232,702	4,904,605
	<b>\$ 4,913,794</b>	<b>\$ 5,780,975</b>

Temporary investments are short term deposits with original maturities of three months or less.

Council has designated funds of \$1,317,774 (2013 - \$1,370,167) included in the above amounts for capital projects.

Included in cash and temporary investments is a restricted amount of \$963,650 (2013 - \$2,012,769) for deferred revenue. Of the restricted amount \$128,847 (2013 - \$128,076) has been received from Alberta Housing and Urban Affairs and the balance from Municipal Sustainability Initiative, Fire Services and Emergency Preparedness, Regional Collaboration Grants, FCSS funding and donations for various projects (Note 8).

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

4. Taxes and grants in place of taxes receivable

	2014	2013
Current taxes and grants in place of taxes	\$ 361,855	\$ 212,743
Arrears taxes	54,701	96,958
Property acquired	194,303	186,969
	610,859	496,670
Less: allowance for doubtful accounts	(122,933)	(122,933)
	<b>\$ 487,926</b>	<b>\$ 373,737</b>

5. Investments

	2014		2013	
	Cost	Market Value	Cost	Market Value
Term deposits	\$ 4,019,000	\$ 4,019,000	\$ 3,500,000	\$ 3,500,000

Term deposits have effective interest rates of 1.68% to 2.02% (2013 - 1.76% to 1.90%) with maturity dates from January 5, 2015 to August 14, 2015.

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

6. Debt charges recoverable	2014	2013
Current debt charges recoverable	\$ 28,624	\$ 72,965
Non-current debt charges recoverable	131,057	147,760
	<b>\$ 159,681</b>	<b>\$ 220,725</b>

Principal and interest repayment terms are as follows:

	Principal	Interest	Total
2015	\$ 28,624	\$ 12,080	\$ 40,704
2016	17,543	6,300	23,843
2017	18,426	5,417	23,843
2018	19,354	4,489	23,843
2019	20,327	3,515	23,842
Thereafter	55,407	4,199	59,606
	<b>\$ 159,681</b>	<b>\$ 36,000</b>	<b>\$ 195,681</b>

The Town of Vegreville has undertaken a joint project to assist the MD of Minburn Foundation with a senior citizen's lodge. The Town assumed long term financing totaling \$600,000 in 1999, however the full amount plus interest at 5.625% is recoverable from the MD of Minburn Foundation with respect to the financing.

The Town of Vegreville undertook an additional joint project to assist the MD of Minburn Foundation in 2007. The Town assumed additional long term financing totaling \$250,000. The full amount of the debenture plus interest at 4.971% is recoverable from the MD of Minburn Foundation.

**7. Employee benefit obligations**

	2014	2013
Vacation	\$ 465,743	\$ 395,063

The vacation liability is comprised of the vacation that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

The Town also has accumulating non-vesting sick leave benefits.

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

8. Deferred revenue

	2014	2013
Municipal Sustainability grant	\$ 667,940	\$ 1,390,328
Emergency Services grant	59,250	67,853
Family Community Support Services - grant programs	36,928	23,952
Alberta Housing and Urban Affairs	128,847	128,076
Specified donations	11,776	13,555
Federal Gas Tax Fund	-	296,290
Other items	58,909	92,715
	<b>\$ 963,650</b>	<b>\$ 2,012,769</b>

Funding received from the various grant programs noted above are restricted to the eligible operating and capital projects as approved in the funding agreements. Unexpended funds related to the funding advances are supported by cash and temporary investments (Note 3).

9. Long-term debt

	2014	2013
Tax supported debentures	\$ 6,727,511	\$ 6,248,138
Recoverable from MD of Minburn Foundation (Note 6)	147,760	220,725
	<b>\$ 6,875,271</b>	<b>\$ 6,468,863</b>

The current portion of the long-term debt amounts to \$458,004 (2013 - \$468,592)

Principal and interest repayments are as follows:

	Principal	Interest	Total
2015	\$ 458,004	\$ 236,575	\$ 694,579
2016	473,959	220,620	694,579
2017	490,510	204,069	694,579
2018	429,023	187,209	616,232
2019	236,584	172,478	409,062
Thereafter	4,787,191	1,402,319	6,189,510
	<b>\$ 6,875,271</b>	<b>\$ 2,423,270</b>	<b>\$ 9,298,541</b>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.60% to 4.97% per annum and matures in periods 2017 through 2037. The average annual interest rate is 3.50% for 2014 (3.57% for 2013).

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

Interest on long-term debt amounted to \$233,477 (2013 - \$243,479).

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

10. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Town be disclosed as follows:

	2014	2013
Total debt limit	\$ 26,581,707	\$ 25,949,640
Total debt	(6,875,271)	(6,468,863)
<b>Amount of debt limit unused</b>	<b>\$ 19,706,436</b>	<b>\$ 19,480,777</b>
Debt servicing limit	\$ 4,430,285	\$ 4,324,940
Debt servicing	(694,579)	(695,690)
<b>Amount of debt servicing limit unused</b>	<b>\$ 3,735,706</b>	<b>\$ 3,629,250</b>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) 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 that could be 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. Equity in tangible capital assets

	2014	2013
Tangible capital assets (Schedule 2)	\$142,380,912	\$138,804,398
Accumulated amortization (Schedule 2)	(85,783,668)	(82,408,044)
Long-term debt (Note 9)	(6,875,271)	(6,468,863)
Operating portion of long term debt	147,760	220,723
	<b>\$ 49,869,733</b>	<b>\$ 50,148,214</b>

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

12. Prior period adjustment

The Town has restated its tangible capital assets to adjust amortization expense in the prior year to actual.

	2014
<b>Adjustments to opening accumulated surplus:</b>	
As previously reported	\$ 60,070,856
Adjustment to net book value of tangible capital assets	(1,486,683)
<b>As restated</b>	<b>\$ 58,584,173</b>
<b>Adjustments to excess of revenues over expenses:</b>	
As previously reported	\$ 2,148,927
Adjustment to amortization expense	(1,486,683)
<b>As restated</b>	<b>\$ 662,244</b>
<b>Adjustments to tangible capital assets:</b>	
As previously reported	\$ 57,883,037
Accumulated amortization recorded	(1,486,683)
<b>As restated</b>	<b>\$ 56,396,354</b>

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

13. Landfill closure and post-closure liability

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The accrued liabilities for closure and post-closure care of the municipality's landfill sites are recognized over the life of the sites, using the total estimated costs of closure and post-closure care, prorated on the basis of estimated life remaining.

The Town has not designated assets for settling closure and post-closure liabilities.

	<b>2014</b>	
Estimated closure costs	<b>\$ 1,830,200</b>	
Estimated post-closure costs	<b>169,800</b>	
<b>Estimated total liability</b>	<b>\$ 2,000,000</b>	
	<b>2014</b>	<b>2013</b>
Accrued liability	<b>\$ 60,000</b>	<b>\$ 40,000</b>
<b>Portion of liability remaining to be recognized</b>	<b>\$ 1,940,000</b>	<b>\$ 1,960,000</b>

At the current capacity, it is estimated that the Vegreville Sanitary Landfill has approximately 97 years of life remaining.

Post-closure is a minimum of 25 years which begins 30 days following the final landfill closure.

14. Accumulated surplus

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

	<b>2014</b>	<b>2013</b>
Unrestricted surplus	<b>\$ 2,799,456</b>	<b>\$ 2,794,366</b>
Restricted surplus		
Operating reserves	<b>4,566,313</b>	<b>4,271,426</b>
Capital reserves	<b>1,317,774</b>	<b>1,370,167</b>
<b>Equity in tangible capital assets</b>	<b>49,869,733</b>	<b>50,148,214</b>
	<b>\$ 58,553,276</b>	<b>\$ 58,584,173</b>

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

15. Segmented disclosure

The Town 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 6).

16. Salary 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:

	Salary	(1)	Benefits & allowances (2)	2014	2013
R. Coleman, Mayor	\$ -	\$ -	\$ -	\$ -	\$ 51,389
M. Hayduk, Mayor	46,700		8,401	55,101	29,823
J. Cooper	-		-	-	20,400
A. Kozakiewicz	33,900		6,986	40,886	30,934
G. Kurulok	-		-	-	22,727
T. Rudyk	30,500		6,611	37,111	36,042
N. Toroshenko	-		-	-	27,981
M. Brodziak	29,200		6,467	35,667	6,507
M. Simpson	33,300		6,920	40,220	6,174
D. Berry	28,800		5,569	34,369	5,591
T. MacPhee	24,700		5,970	30,670	4,841
Town Manager	145,161		23,491	168,652	173,805
	\$ 372,261	\$ 70,415	\$ 442,676	\$ 416,214	

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. 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.
3. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.



## TOWN OF VEGREVILLE

### Notes to Consolidated Financial Statements

Year Ended December 31, 2014

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#### 17. Local Authorities Pension Plan

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pension Plans Act. 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 is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2014 were \$594,367 (2013 - \$523,273). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2014 were \$545,521 (2013 - \$476,320).

At December 31, 2013, the LAPP disclosed an actuarial deficiency of \$4.86 billion.

#### 18. Commitments and contingencies

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town 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.

During 2006, the Town paid out a \$200,000 loan previously guaranteed by the Town for the Vegreville Golf Association. Since 2006, the Town has advanced an additional \$60,000 to the Golf Association for operating costs. The total due from the Golf Association at December 31, 2014 is \$221,000 (2013 - \$221,000).

#### 19. Financial instruments

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, 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 place of taxes receivable 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.

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2014**

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21. Budget amounts

Budget amounts are included for information purposes only and are not audited.