



Province of Alberta

FINANCIAL STATEMENT
&
AUDITOR'S REPORT

For the year ended
December 31, 2018

Management's Responsibility for Reporting For the Year Ended December 31, 2018

The consolidated financial statements are the responsibility of the management of the Town of Vegreville.


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

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

The elected Council of the Town is responsible for ensuring that management fulfills its responsibilities for financial statements. The Council carries out its responsibility through review of quarterly financial information presented by management to Council as a whole.

Council meets annually with management and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council is also responsible for the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by Wilde and Company, Chartered Professional Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of Council, residents and ratepayers of the Town. Wilde and Company has full and free access to Council.



Town Manager



Corporate Services Director



Wilde and Company
Chartered Professional Accountants

P.O. BOX 70
4902 – 50 STREET
VEGREVILLE, AB T9C 1R1

TELEPHONE (780) 632-3673
TOLL FREE 1-800-808-0998
FAX (780) 632-6133
E-MAIL office@wildeandco.com

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of Town of Vegreville

Opinion

We have audited the consolidated financial statements of Town of Vegreville, which comprise of the statement of financial position at December 31, 2018, and the statements of operations, change in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2018, and the results of its operations and its 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Information

Our opinion on the consolidated financial statements does not cover Management's Annual Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Annual Report and, in doing so, consider whether the Annual Report is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Annual Report, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters relating 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 are responsible for overseeing the Town's financial reporting process.

(continues)

Independent Auditor's Report to the Mayor and Council of Town of Vegreville (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 auditor's report to the related disclosures in the consolidated 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 auditor's 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 consolidated financial statements, including the disclosures, and whether the consolidated 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.

Vegreville, AB
March 25, 2019

Wilde + Company
Chartered Professional Accountants

TOWN OF VEGREVILLE
Consolidated Statement of Financial Position
For the year ended December 31, 2018

	2018	2017 (Restated)
Financial Assets		
Cash and cash equivalents (Note 4)	\$ 4,810,357	\$ 5,546,092
Restricted cash and cash equivalents (Note 5)	669,970	494,100
Receivables		
Taxes and grants in place of taxes (Note 6)	701,325	1,440,669
Due from governments	349,673	474,908
Trade and other receivables	658,439	708,943
Land held for resale (Note 7)	597,287	271,030
Investments (Note 8)	2,274,606	750,000
	10,061,657	9,685,742
Liabilities		
Accounts payable and accrued liabilities (Note 9)	2,207,391	2,426,327
Accrued employee obligations (Note 10)	660,651	654,988
Deposit liabilities	1,500	75,000
Deferred revenue (Note 11)	590,323	415,725
Long-term debt (Note 12)	11,141,633	8,007,064
	14,601,498	11,579,104
Net Debt	(4,539,841)	(1,893,362)
Non-Financial Assets		
Tangible capital assets (Schedule 2)	59,721,146	57,763,223
Inventory for consumption	128,063	74,243
Prepaid expenses	264,232	568,214
Land held for resale (Note 7)	861,851	861,851
	60,975,292	59,267,531
Accumulated Surplus, as restated (Schedule 1, Note 16, Note 23)	\$ 56,435,451	\$ 57,374,169
Contingencies (Note 21)		
Commitments (Note 22)		

TOWN OF VEGREVILLE
Consolidated Statement of Operations
For the Year Ended December 31, 2018

	Budget (unaudited)	2018	2017 (Restated)
Revenues			
Net municipal property taxes (Schedule 3)	\$ 9,218,627	\$ 9,174,231	\$ 8,950,317
User fees, sales of goods and services, and rental	4,132,630	4,109,053	4,211,795
Government transfers for operating (Schedule 4)	3,576,004	3,414,939	3,459,141
Investment income	85,000	156,091	101,447
Franchise and concession contracts	1,250,000	1,104,374	1,194,961
Fines, licenses, permits and penalties	241,500	344,312	423,044
Other	145,600	700,686	202,547
	18,649,361	19,003,686	18,543,252
Expenses			
General government services	1,847,005	2,313,522	2,144,259
Strategic services	930,705	643,961	415,539
Protective services	4,229,146	4,348,419	4,179,982
Recreation, parks and culture	3,212,463	3,161,826	3,118,230
Facilities	1,606,304	1,684,579	1,641,592
Community services	1,127,251	924,882	1,313,288
Public works	4,727,800	4,401,967	4,957,407
Utilities	2,428,863	2,452,038	2,526,768
Municipal services	1,467,359	1,315,965	1,255,929
Subdivision and development services	402,000	234,173	275,295
	21,978,896	21,481,332	21,828,289
Deficiency of revenue over expenses – before other, as restated	(329,535)	(2,477,646)	(3,285,037)
Other			
Loss on disposal of tangible capital assets	-	(50,350)	-
Contributed assets	-	190,112	248,678
Government transfers for capital (Schedule 4)	2,293,000	1,399,166	1,866,020
Deficiency of revenue over expenses	(1,036,535)	(938,718)	(1,170,339)
Accumulated surplus, beginning of year	57,374,169	57,374,169	58,289,114
Prior period adjustment (Note 23)	-	-	255,394
Accumulated surplus, beginning of year as restated	57,374,169	57,374,169	58,544,508
Accumulated surplus, end of year, as restated	\$ 56,337,634	\$ 56,435,451	\$ 57,374,169

TOWN OF VEGREVILLE
Consolidated Statement of Change in Net Debt
For the Year Ended December 31, 2018

	Budget (unaudited)	2018	2017 (Restated)
Deficiency of revenue over expenses, as restated	\$ (1,036,535)	\$ (938,718)	\$ (1,170,339)
Acquisition of tangible capital assets	(2,660,200)	(5,880,332)	(3,925,835)
Contributed tangible capital assets	-	(190,112)	(248,678)
Amortization of tangible capital assets	4,106,488	4,062,171	3,992,643
Loss on disposal of tangible capital assets	-	50,350	-
	1,446,288	(1,957,923)	(181,870)
(Acquisition) use of inventory for consumption	-	(53,820)	28,925
Use (acquisition) of prepaid expenses	-	303,982	(348,922)
Reclassification of land held for resale	-	-	(861,851)
	-	250,162	(1,181,848)
Increase (decrease) in net financial assets (debt)	409,753	(2,646,479)	(2,534,057)
(Net debt) net financial assets, beginning of year	(1,893,362)	(1,893,362)	640,695
Net debt, end of year	\$ (1,483,609)	\$ (4,539,841)	\$ (1,893,362)

TOWN OF VEGREVILLE
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2018

	2018	2017 (Restated)
OPERATING		
Cash received from (paid to):		
Property taxes and penalties on taxes	\$ 12,279,579	\$ 11,195,631
Other levels of government	4,939,340	4,966,504
Sale of goods and services	4,750,346	4,850,955
Sale of land held for resale	371,500	-
Franchise agreements	1,103,557	1,203,158
Investment earnings	145,275	101,447
Employees and Council	(8,756,006)	(8,807,150)
Requisitioning authorities	(2,271,661)	(2,410,100)
Suppliers, vendors and contractors	(8,484,378)	(7,938,913)
Local boards and agencies	(209,935)	(254,881)
Bank fees and charges	(49,441)	(53,200)
Interest on long-term debt	(283,542)	(260,622)
Net cash provided by operating activities	3,534,634	2,592,828
CAPITAL		
Acquisition of tangible capital assets	(5,880,332)	(3,925,835)
Net cash used in capital activities	(5,880,332)	(3,925,835)
INVESTING		
(Increase) decrease in investments	(1,524,606)	2,227,645
Net cash provided by (used in) investing activities	(1,524,606)	2,227,645
FINANCING		
Long-term debt issued	4,000,000	-
Long-term debt repaid	(865,431)	(897,158)
Net cash provided by (used in) financing activities	3,134,569	(897,158)
Change in cash and cash equivalents during the year	(735,735)	(2,519)
Cash and cash equivalents, beginning of year	5,546,092	5,548,611
Cash and cash equivalents, end of year	\$ 4,810,357	\$ 5,546,092

TOWN OF VEGREVILLE

Schedule of Changes in Accumulated Surplus For the year ended December 31, 2018

(Schedule 1)

	Unrestricted Surplus	Restricted Operating Reserves	Restricted Capital Reserves	Equity in Capital Assets	2018 \$
Balance, beginning of year as restated	2,821,473	3,719,491	1,077,046	49,756,159	57,374,169
Deficiency of revenues over expenses	(938,718)	-	-	-	(938,718)
Unrestricted funds designated for future use	(1,183,772)	664,123	519,649	-	-
Restricted funds used for operations	793,053	(760,053)	(33,000)	-	-
Restricted funds used for tangible capital assets	-	-	(153,068)	153,068	-
Current year funds used for tangible capital assets	(5,727,264)	-	-	5,727,264	-
Contributed tangible capital assets	(190,112)	-	-	190,112	-
Annual amortization expense	4,062,171	-	-	(4,062,171)	-
Disposal of capital assets	50,350	-	-	(50,350)	-
Long-term debt advanced	4,000,000	-	-	(4,000,000)	-
Long-term debt repaid	(865,431)	-	-	865,431	-
Change in accumulated surplus	277	(95,930)	333,581	(1,176,646)	(938,718)
Balance, end of year	2,821,750	3,623,561	1,410,627	48,579,513	56,435,451
					2017 \$
Balance, beginning of year	2,819,469	5,528,128	1,519,780	48,421,737	58,289,114
Prior period adjustment (Note 23)	-	-	-	255,394	255,394
Balance, beginning of year as restated	2,819,469	5,528,128	1,519,780	48,677,131	58,544,508
Deficiency of revenues over expenses	(1,170,339)	-	-	-	(1,170,339)
Unrestricted funds designated for future use	(400,600)	241,500	159,100	-	-
Restricted funds used for operations	2,562,405	(2,050,137)	(512,268)	-	-
Restricted funds used for tangible capital assets	-	-	(89,566)	89,566	-
Current year funds used for tangible capital assets	(3,836,269)	-	-	3,836,269	-
Contributed tangible capital assets	(248,678)	-	-	248,678	-
Annual amortization expense	3,992,643	-	-	(3,992,643)	-
Long-term debt repaid	(897,158)	-	-	897,158	-
Change in accumulated surplus	2,004	(1,808,637)	(442,734)	1,079,028	(1,170,339)
Balance, end of year as restated	2,821,473	3,719,491	1,077,046	49,756,159	57,374,169

TOWN OF VEGREVILLE

Schedule of Tangible Capital Assets

For the Year Ended December 31, 2018

(Schedule 2)

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress	2018 \$
Cost:							
Balance, beginning of year, as restated	3,094,385	18,644,478	116,560,274	8,193,293	6,327,520	1,549,701	154,369,651
Acquisition of tangible capital assets	-	-	1,192,813	333,712	214,553	4,139,254	5,880,332
Contribution of tangible capital assets	-	-	-	-	-	190,112	190,112
Disposal of tangible capital assets	-	-	(213,141)	-	-	-	(213,141)
Adjustments	-	-	(25,942)	-	(690,084)	25,942	(690,084)
Balance, end of year	3,094,385	18,644,478	117,514,004	8,527,005	5,851,989	5,905,009	159,536,870
Accumulated Amortization:							
Balance, beginning of year, as restated	-	8,728,177	78,328,270	6,000,587	3,549,394	-	96,606,428
Annual amortization	-	441,568	2,859,355	338,917	422,331	-	4,062,171
Accumulated amortization on disposals	-	-	(162,791)	-	-	-	(162,791)
Adjustments	-	-	-	-	(690,084)	-	(690,084)
Balance, end of year	-	9,169,745	81,024,834	6,339,504	3,281,641	-	99,815,724
Net book value -2018	3,094,385	9,474,733	36,489,170	2,187,501	2,570,348	5,905,009	59,721,146
2017							
Cost:							
Balance, beginning of year	3,094,385	18,644,478	114,467,783	8,151,475	5,591,803	-	149,949,924
Prior period adjustment (Note 23)	-	-	-	-	319,242	-	319,242
Balance, beginning of year as restated	3,094,385	18,644,478	114,467,783	8,151,475	5,911,045	-	150,269,166
Acquisition of tangible capital assets	-	-	2,166,519	41,818	416,475	1,301,023	3,925,835
Contribution of tangible capital assets	-	-	-	-	-	248,678	248,678
Disposal of tangible capital assets	-	-	(74,028)	-	-	-	(74,028)
Balance, end of year	3,094,385	18,644,478	116,560,274	8,193,293	6,327,520	1,549,701	154,369,651
Accumulated Amortization:							
Balance, beginning of year	-	8,286,939	75,561,455	5,652,421	3,123,150	-	92,623,965
Prior period adjustment (Note 23)	-	-	-	-	63,848	-	63,848
Balance, beginning of year, as restated	-	8,286,939	75,561,455	5,652,421	3,186,998	-	92,687,813
Annual amortization	-	441,238	2,840,843	348,166	362,396	-	3,992,643
Accumulated amortization on disposals	-	-	(74,028)	-	-	-	(74,028)
Balance, end of year	-	8,728,177	78,328,270	6,000,587	3,549,394	-	96,606,428
Net book value - 2017, as restated	3,094,385	9,916,301	38,232,004	2,192,706	2,778,126	1,549,701	57,763,223

TOWN OF VEGREVILLE**Schedule of Property and Other Taxes****(Schedule 3)****For the Year Ended December 31, 2018**

	Budget		2018		2017
	(unaudited)				
Taxation					
Real property taxes	\$ 9,982,835	\$	10,034,343	\$	9,875,468
Linear property taxes	540,314		445,005		534,683
Government grants in place of property taxes	966,383		966,543		950,266
	11,489,532		11,445,891		11,360,417
Requisitions					
Alberta School Foundation Fund	2,162,986		2,162,985		2,299,807
Minburn Senior's Foundation	107,919		107,919		110,293
Designated Industrial Properties	-		756		-
	2,270,905		2,271,660		2,410,100
Net Municipal Taxes	\$ 9,218,627	\$	9,174,231	\$	8,950,317

TOWN OF VEGREVILLE**Schedule of Government Transfers****(Schedule 4)****For the Year Ended December 31, 2018**

	Budget (unaudited)	2018	2017
Transfers for Operating			
Federal Government	\$ 9,500	\$ 6,528	\$ 6,999
Provincial Government	2,966,626	2,787,919	2,859,279
Local Government	599,878	620,492	592,863
	3,576,004	3,414,939	3,459,141
Transfers for Capital			
Provincial Government	2,293,000	1,399,166	1,866,020
Total Government Transfers	\$ 5,869,004	\$ 4,814,105	\$ 5,325,161

TOWN OF VEGREVILLE**Schedule of Consolidated Expenses by Object****(Schedule 5)****For the Year Ended December 31, 2018**

	Budget		2018	2017
	(unaudited)			(Restated)
Consolidated Expenses by Object				
Salaries, wages and benefits	\$ 8,911,901	\$	8,761,669	\$ 8,880,487
Contracted and general services	3,411,161		2,952,333	3,409,002
Purchases from other governments	1,177,750		1,110,715	1,161,676
Materials, goods, supplies and utilities	3,655,874		3,354,596	3,456,631
Other transactions, allowances and adjustments	59,700		661,266	359,981
Transfers to local boards and agencies	305,945		209,935	254,881
Bank charges and short term interest	40,950		49,441	53,200
Interest on long term debt	309,127		319,206	259,788
Amortization of tangible capital assets (Note 23)	4,106,488		4,062,171	3,992,643
	\$ 21,978,896	\$	21,481,332	\$ 21,828,289

TOWN OF VEGREVILLE
Schedule of Segmented Disclosure
For the Year Ended December 31, 2018

(Schedule 6)

	General Government	Protective Services	Recreation, Parks & Culture	Facilities	Community Services	Public Works	Utilities	Municipal Services	Planning & Development	2018
REVENUES										
Net municipal taxes	9,174,231	-	-	-	-	-	-	-	-	9,174,231
Government transfers	106,337	2,061,962	619,772	-	597,708	680,042	646,882	101,402	-	4,814,105
User fees and sale of goods	8,202	391,561	405,896	316,231	23,123	237,945	2,081,176	643,447	1,473	4,109,054
Investment income	156,091	-	-	-	-	-	-	-	-	156,091
Other	1,694,565	250,339	254,881	6,898	19,822	-	-	29,709	83,269	2,339,483
	11,139,426	2,703,862	1,280,549	323,129	640,653	917,987	2,728,058	774,558	84,742	20,592,964
EXPENSES										
Salaries, wages and benefits	1,409,437	2,315,461	1,653,441	276,200	591,113	782,877	684,320	887,587	161,233	8,761,669
Contracted and general services	840,199	1,446,660	578,260	468,576	95,559	371,587	97,029	112,572	52,606	4,063,048
Materials, goods, supplies and utilities	98,638	287,302	497,904	413,010	35,653	663,351	1,132,772	210,311	15,655	3,354,596
Interest on long-term debt	-	8,471	15,527	216,342	-	58,948	19,918	-	-	319,206
Other	609,208	22,185	23,676	57,871	201,935	27,874	27,732	511	-	970,992
	2,957,482	4,080,079	2,768,808	1,431,999	924,260	1,904,637	1,961,771	1,210,981	229,494	17,469,511
Net revenue (expense) before amortization	8,181,944	(1,376,217)	(1,488,259)	(1,108,870)	(283,607)	(986,650)	766,287	(436,423)	(144,752)	3,123,453
Amortization	-	268,340	415,359	252,580	622	2,497,926	517,680	104,985	4,679	4,062,171
Net Revenue (expense)	8,181,944	(1,644,557)	(1,903,618)	(1,361,450)	(284,229)	(3,484,576)	248,607	(541,408)	(149,431)	(938,718)
										2017
										(Restated)
REVENUES										
Net municipal taxes	8,950,317	-	-	-	-	-	-	-	-	8,950,317
Government transfers	51,366	2,054,850	460,423	53,194	816,111	1,433,944	101,957	353,316	-	5,325,161
User fees and sale of goods	3,678	444,469	372,655	346,479	48,776	261,735	2,072,098	658,023	3,881	4,211,794
Investment income	101,447	-	-	-	-	-	-	-	-	101,447
Other	1,412,795	150,923	319,623	23,182	43,969	558	195	32,823	85,163	2,069,231
	10,519,603	2,650,242	1,152,701	422,855	908,856	1,696,237	2,174,250	1,044,162	89,044	20,657,950
EXPENSES										
Salaries, wages and benefits	1,336,305	2,249,217	1,652,912	280,523	840,284	761,556	656,510	896,635	206,545	8,880,487
Contracted and general services	779,078	1,434,412	518,839	529,906	156,509	787,860	192,635	125,368	46,071	4,570,678
Materials, goods, supplies and utilities	91,289	221,641	504,533	429,345	60,961	830,066	1,145,326	155,469	18,001	3,456,631
Interest on long-term debt	-	9,416	16,151	140,095	-	70,636	23,490	-	-	259,788
Other	353,047	21,997	979	2,490	254,881	27,335	5,910	1,423	-	668,062
	2,559,719	3,936,683	2,693,414	1,382,359	1,312,635	2,477,453	2,023,871	1,178,895	270,617	17,835,646
Net revenue (expense) before amortization	7,959,884	(1,286,441)	(1,540,713)	(959,504)	(403,779)	(781,216)	150,379	(134,733)	(181,573)	2,822,304
Amortization (Note 22)	-	216,027	427,668	250,636	622	2,486,497	504,504	102,009	4,680	3,992,643
Net revenue (expense), as restated	7,959,884	(1,450,248)	(1,968,381)	(1,210,140)	(404,401)	(3,267,713)	(354,125)	(236,742)	(186,253)	(1,170,339)

TOWN OF VEGREVILLE

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

1. Significant accounting policies

The consolidated financial statements of the municipality 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 Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the municipality 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 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 expense 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.

Significant estimates include:

- providing for amortization of capital assets;
- the estimated useful lives of assets;
- landfill post-closure liability;
- the allowance for doubtful accounts; and
- the recoverability of tangible assets.

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

Cash and temporary investments

Cash includes cash and cash equivalents. Cash equivalents are investments in money market 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.

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.

Investments

Investments are short-term deposits with original maturities of twelve months or less with redemption beginning thirty days after purchase without penalty. 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.

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 leveling 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.

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.

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

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.

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 (deficiency) of revenues over expenses, provides the consolidated Change in Net 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:

Tangible Capital Asset	Years
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	10-80
Machinery and equipment	5-40
Vehicles	5-40

Amortization is not calculated in the year in which an asset is acquired, put into service, or constructed. Amortization is calculated in the year in which the asset is disposed.

b) ***Contributions 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.

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.

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

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.

2. Adoption of recent accounting pronouncements

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPAC). This section is effective for fiscal periods beginning on or after April 1, 2017 and have been applied retrospectively.

Section PS 3210 - Assets

This new section provides guidance for applying the definition of assets set out in Financial Statement Concepts, Section PS 1000, and establishes general disclosure standards for assets.

Section PS 3320 – Contingent Assets

This new section defines and establishes disclosure standards on contingent assets.

Section PS 3380 – Contractual Rights

This new section defines and establishes disclosure standards on contractual rights.

Section PS 2200 – Related Party Disclosure

This new section defines a related party and establishes disclosures required for related party transactions.

Section PS 3420 – Inter-entity Transactions

This new section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and a recipient perspective.

3. Recent accounting pronouncements published but not yet adopted

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

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, 2019.

Section PS 3430 - Restructuring Transactions

This new Section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. This Section applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

Section PS 3280 – Asset Retirement Obligations

This new section establishes standards on how to account and report a liability for asset retirement obligations (ARO). This Section identifies the main attributes of an ARO and provides guidance on how to establish the fair value of the ARO. The new Section applies to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted.

Section PS 3400 – Revenue

This new section establishes standards on how to account for and report on revenue. This Section differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. The new Section applies to fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted.

4. Cash and cash equivalents

	2018	2017
Cash on hand	\$ 2,930	\$ 2,811
General bank account	289,464	922,757
Temporary investments	5,108,286	5,036,249
Less cash designated for deferred revenues	(590,323)	(415,725)
	\$ 4,810,357	\$ 5,546,092

Temporary investments are short-term deposits with original maturities of three months or less. Council has designated funds of \$1,410,627 (2017 - \$1,077,046) included in the above amounts for capital projects. Bank of Montreal has authorized the Town to a maximum overdraft of \$1,000,000. The overdraft bears interest at prime less 1.85%. At December 31, 2018 there was no balance on the overdraft.

5. Restricted cash and cash equivalents

	2018	2017
Cash designated for deferred revenues	\$ 590,323	\$ 415,725
Tax sale surplus investments	79,647	78,375
	\$ 669,970	\$ 494,100

Restricted cash and cash equivalents include short term deposits with original maturity dates of twelve months or less with redemption beginning thirty days after purchase without penalty. Interest rates on these short-term deposits range from 1.25% to 1.50% (2017 – 1.10% to 1.15%).

6. Taxes and grants in place of taxes

	2018	2017
Current taxes and grants in place of taxes	\$ 258,047	\$ 1,134,081
Arrears taxes	69,519	98,032
Property acquired	397,122	334,056
	724,688	1,566,169
Less allowance for doubtful accounts	(23,363)	(125,500)
	701,325	1,440,669

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

7. Land held for resale

	2018		2017	
Land held for resale as financial asset	\$	597,287	\$	271,030
Land held for resale as non-financial asset	\$	861,851	\$	861,851

Certain land held for resale has been reclassified as a non-financial asset in the current year as it does not meet the requirement of reasonable expectation of sale within the next twelve months.

8. Investments

	2018		2017	
	Cost	Market value	Cost	Market Value
Term deposits	\$ 2,274,606	\$ 2,274,606	\$ 750,000	\$ 750,000
	2,274,606	2,274,606	750,000	750,000

Investments are short-term deposits with original maturities of twelve months or less with redemption beginning thirty days after purchase without penalty. Interest rates on these short-term deposits range from 2.10% to 2.35% (2017 – 1.10% to 1.15%).

9. Accounts payable and accrued liabilities

	2018		2017	
Trade accounts payable and accrued liabilities	\$	2,014,334	\$	2,197,893
Landfill post closure liability		113,581		91,952
Government payroll remittance payable		79,476		136,482
	\$	2,207,391	\$	2,426,327

10. Accrued employee obligations

	2018		2017	
Vacation	\$	520,777	\$	516,451
Accumulated sick leave		139,874		138,537
	\$	660,651	\$	654,988

The vacation liability is comprised of the vacation and overtime 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. Employees accrue one day of sick time per month to a maximum of twelve days. Sick time is not paid out upon termination or retirement.

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

11. Deferred revenue

	2018	2017
Municipal Sustainability grant	\$ 201,107	\$ -
Emergency Services grant	-	24,318
Family Community Support Services grant	19,839	21,823
Alberta Housing and Urban Affairs	130,535	129,257
Specified donations	10,408	10,408
Other	228,434	229,919
	\$ 590,323	\$ 415,725

Funding received from the various grant programs noted above are restricted to eligible operating and capital projects as approved in the funding agreements. Unexpended funds related to the funding advances are supported by restricted cash and cash equivalents (Note 5).

12. Long-term debt

	2018	2017
Tax supported debentures	\$ 9,951,242	\$ 6,682,604
Self supported debentures	1,190,391	1,324,460
	\$ 11,141,633	\$ 8,007,064

The current portion of long-term debt amounts to \$538,319 (2017 - \$841,097).

Principal and interest payments for the next five years and to maturity are as follows:

	Principal	Interest	Total
2019	\$ 538,319	352,650	890,969
2020	554,776	336,193	890,969
2021	562,844	319,280	882,124
2022	580,076	302,048	882,124
2023	597,864	284,260	882,124
Thereafter	8,307,754	2,597,321	10,875,075
	\$ 11,141,633	4,191,752	15,333,385

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.081% to 4.395% per annum and mature in periods 2019 through 2048. The average annual interest rate is 3.20% (2017 – 3.08%).

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

Interest on long-term debt amounted to \$319,206 (2017 – \$259,788).

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

13. 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 of Vegreville be disclosed as follows:

		2018		2017
Total debt limit	\$	28,505,529	\$	27,814,878
Total debt		(11,141,633)		(8,007,064)
Amount of debt limit unused		17,363,896		19,807,814
Debt servicing limit	\$	4,750,922	\$	4,635,813
Debt servicing		(890,969)		(1,082,264)
Amount of debt servicing unused	\$	3,859,953	\$	3,553,549

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/2000) and the debt service limit is calculated as 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. These calculations taken alone do not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

14. Equity in tangible capital assets

		2018		2017 (Restated)
Tangible capital assets (Schedule 2)	\$	159,536,870	\$	154,369,651
Accumulated amortization (Schedule 2)		(99,815,724)		(96,606,428)
Long-term debt (Note 12)		(11,141,633)		(8,007,064)
	\$	48,579,513	\$	49,756,159

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

15. Landfill closure and post-closure liability

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

The accrued liability for closure and post-closure care of the Town's landfill site is recognized over the life of the site, using the total estimated costs of closure and post-closure care, prorated on the basis of the estimated life remaining. The net present value of the estimated closure and post-closure costs were calculated using a discount rate of 1.56%, which assumes annual inflation of 1.80% and an annual rate of return of 3.38%.

The following table summarizes the total net present value for the estimated costs of closure and post-closure care:

	2018	2017
Estimated closure costs	\$ 853,821	\$ 795,643
Estimated post-closure costs	58,338	54,388
	\$ 912,159	\$ 850,031
Estimated capacity remaining	88%	89%
Accrued liability	\$ 113,581	\$ 91,952
Estimated capacity used	12%	11%
Portion of liability remaining to be recognized	\$ 798,578	\$ 758,079

At the current capacity, it is estimated that the Vegreville Sanitary Landfill has approximately 64 years of life remaining.

Post closure care commences 30 days following closure of the landfill and continues for a minimum period of 25 years.

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

16. Accumulated surplus

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

	2018	2017 (Restated)
Unrestricted surplus	\$ 2,821,750	\$ 2,821,473
Restricted surplus		
Operating reserves	3,623,561	3,719,491
Capital reserves	1,410,627	1,077,046
Equity in tangible capital assets	48,579,513	49,756,159
	\$ 56,435,451	\$ 57,374,169

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

17. Segmented disclosure

The Town provides a range of services to its ratepayers. For each reporting segment, revenues and expenses represent 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.

During the year, the Town underwent a reorganization of its corporate structure with an effective date of January 1, 2019. The segments reported on the Schedule of Segmented Disclosure (Schedule 6) have been determined as if the reorganization occurred on January 1, 2018.

Refer to Schedule of Segmented Disclosure (Schedule 6).

18. Salary and benefits

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:

	Salaries ⁽¹⁾		Benefits and allowances ⁽²⁾⁽³⁾		2018	2017
T. MacPhee, Mayor	\$	51,800	\$	7,890	\$ 59,690	\$ 43,465
D. Berry		28,100		6,058	34,158	36,098
M. Brodziak		28,300		6,128	34,428	35,617
J. Lemko		27,900		6,032	33,932	6,517
T. Rudyk		35,400		6,660	42,060	41,437
T. Warawa		23,200		5,677	28,877	6,197
A. Waters		29,300		6,137	35,437	6,517
M. Hayduk, Mayor (Jan–Oct)		-		-	-	48,343
M. Simpson		-		-	-	25,015
Town Manager		142,513		27,508	170,021	168,218
Town Directors (3)		337,418		62,310	399,728	415,349
	\$	703,931	\$	134,400	\$ 838,331	\$ 844,900

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employers share of all employee benefits and contribution or payments made on behalf of employees including, pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, short and long 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
For the Year Ended December 31, 2018

19. 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 come due.

The Town is required to make current service contributions to the LAPP of 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2018 were \$593,500 (2017 - \$617,290). Total current service contributions by the employees of the Town to the LAPP in 2018 were \$541,185 (2017 - \$566,993).

As at December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.8 billion.

20. Financial instruments

The Town's financial instruments consist of cash and temporary investments, receivables, investments, 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 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 instruments approximates fair value.

21. 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 claims losses in excess of the funds held by MUNIX. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The Town is named as a defendant in a lawsuit alleging breach of contract. The Town has filed a statement of defence denying the allegations. No amount has been accrued as a liability in these financial statements as the amount of the liability, if any, cannot be reasonably estimated at this time.

22. Commitments

The Town is committed to a contract for construction of a new RCMP detachment building. The total estimated cost of the contract is \$4,996,000 and completion of construction is expected in March 2019.

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018

23. Prior period adjustment

In 2011, the Town of Vegreville acquired a tangible capital asset (the asset) for a nominal amount of \$1 from a neighboring municipality. The fair value of the asset at the time of acquisition was \$319,242 and the estimated useful life was 25 years. The acquisition of the asset was not recorded in the Town's financial statements in 2011. The prior period financial statements have been adjusted to reflect the fair value of the asset as a contributed asset in 2011, net of accumulated depreciation for the periods from the year of acquisition. The following adjustments were made to restate the 2017 financial statements presented as comparatives:

	Amounts recorded in 2017 financial statements	Adjustment to reflect acquisition of tangible capital asset	Amounts restated in 2017 financial statements presented as comparatives
Tangible capital assets, net book value	57,520,599	242,624	57,763,223
Tangible capital assets, cost	154,050,409	319,242	154,369,651
Tangible capital assets, accumulated amortization	92,623,965	63,848	96,606,428
Accumulated surplus, beginning of the year	58,289,114	255,394	58,544,508
Accumulated surplus, end of the year	57,131,545	242,624	57,374,169
Equity in capital assets	49,513,535	242,624	49,756,159
Expenses	21,815,519	12,770	21,828,289
Deficiency of revenue over expenses	(1,157,569)	12,770	(1,170,339)
Amortization of tangible capital assets	3,979,873	12,770	3,992,643

24. Subsequent events

The Town announced that the Ambulance Service would be divesting to Alberta Health Services with a Council resolution made on February 11, 2019. The financial effect of this decision cannot be reasonably estimated at this time.

25. Approval of financial statements

Council and management have approved these consolidated financial statements.

26. Budget amounts

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

27. Comparative figures

Certain comparative figures have been reclassified to correspond with the current year presentation.