



**Wilde and Company**

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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, 2017, and the statements of operations, change in net financial assets 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, 2017, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Vegreville, AB  
March 26, 2018

*Wilde + Company*  
Chartered Professional Accountants

**TOWN OF VEGREVILLE**  
**Consolidated Statement of Financial Position**  
**For the year ended December 31, 2017**

	2017	2016
<b>Financial Assets</b>		
Cash and temporary investments (Note 3)	\$ 5,961,523	\$ 5,914,684
Receivables		
Taxes and grants in place of taxes (Note 4)	1,440,669	1,067,172
Due from governments	474,908	116,251
Trade and other receivables	708,942	939,419
Land held for resale	1,132,881	886,616
Investments (Note 5)	828,670	3,082,187
	<b>10,547,593</b>	<b>12,006,329</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	2,426,327	1,446,688
Accrued employee obligations (Note 7)	654,988	581,651
Deposit liabilities	75,000	40,000
Deferred revenue (Note 8)	415,725	393,073
Long-term debt (Note 9)	8,007,064	8,904,222
	<b>11,579,104</b>	<b>11,365,634</b>
<b>Net Financial (Debt) Assets</b>	<b>(1,031,511)</b>	<b>640,695</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (Schedule 2)	57,520,599	57,325,959
Inventory for consumption	74,243	103,168
Prepaid expenses	568,214	219,292
	<b>58,163,056</b>	<b>57,648,419</b>
<b>Accumulated Surplus (Schedule 1, Note 13)</b>	<b>\$ 57,131,545</b>	<b>\$ 58,289,114</b>

**Contingencies (Note 18)**

**Commitments (Note 19)**

**TOWN OF VEGREVILLE**  
**Consolidated Statement of Operations**  
**For the Year Ended December 31, 2017**

	<b>Budget</b> <b>(unaudited)</b>	<b>2017</b>	<b>2016</b>
<b>Revenues</b>			
Net municipal taxes (Schedule 3)	\$ 8,952,955	\$ 8,950,317	\$ 9,007,824
User fees and sales of goods and services	3,747,205	3,732,153	3,833,204
Government transfers for operating (Schedule 4)	3,655,747	3,459,141	3,325,313
Investment income	65,000	101,447	75,367
Franchise and concession contracts	1,200,000	1,194,961	1,053,906
Penalties and costs on taxes	50,000	208,711	154,741
Rentals	499,025	479,642	588,026
Fines, licenses and permits	135,500	214,334	168,000
Loss on disposal of assets	-	-	(122,496)
Other	145,510	202,546	302,009
	<b>18,450,942</b>	<b>18,543,252</b>	<b>18,385,894</b>
<b>Expenses</b>			
Legislative	366,805	347,409	307,312
Administration	1,549,619	1,924,265	1,633,396
Strategic Services	504,635	410,135	327,626
Fire protection and safety services	2,163,167	2,010,090	1,789,005
Ambulance services	1,789,843	1,832,506	1,879,533
Bylaw enforcement	313,703	324,616	295,622
Roads, streets, walks and lighting	4,845,742	4,766,030	4,406,029
Airport	94,060	87,846	72,930
Water supply and distribution	1,830,123	1,822,709	1,800,113
Wastewater treatment and disposal	662,189	704,059	659,955
Waste management	1,035,873	945,474	943,791
Family and community support	1,038,728	1,033,857	1,012,114
Cemetery	93,867	103,530	101,368
Subdivision land and development	389,395	275,296	312,777
Community services and health	262,997	279,431	231,254
Culture	488,881	491,599	580,460
Parks and recreation	3,058,995	2,818,986	2,565,715
Facilities	1,634,907	1,637,681	1,719,555
	<b>22,123,529</b>	<b>21,815,519</b>	<b>20,372,884</b>
<b>Deficiency of revenue over expenses – before other</b>	<b>(3,672,587)</b>	<b>(3,272,267)</b>	<b>(1,986,990)</b>
<b>Other</b>			
Contributed assets	-	248,678	101,843
Government transfers for capital (Schedule 4)	2,182,820	1,866,020	1,120,624
<b>Deficiency of revenue over expenses</b>	<b>(1,489,767)</b>	<b>(1,157,569)</b>	<b>(764,523)</b>
Accumulated surplus, beginning of year	58,289,114	58,289,114	59,053,637
<b>Accumulated surplus, end of year</b>	<b>\$ 56,799,347</b>	<b>\$ 57,131,545</b>	<b>\$ 58,289,114</b>

**TOWN OF VEGREVILLE****Consolidated Statement of Change in Net Financial Assets (Debt)****For the Year Ended December 31, 2017**

	<b>Budget (unaudited)</b>	<b>2017</b>	<b>2016</b>
Deficiency of revenue over expenses	\$ (1,489,767)	\$ (1,157,569)	\$ (764,523)
Acquisition of tangible capital assets	(10,488,500)	(3,925,835)	(3,318,332)
Contributed tangible capital assets	-	(248,678)	(101,483)
Proceeds on disposal of tangible capital assets	-	-	1,000
Amortization of tangible capital assets	3,950,161	3,979,873	3,924,884
Loss on disposal of tangible capital assets	-	-	122,496
	(8,028,106)	(194,640)	(136,318)
Use (acquisition) of inventory for consumption	-	28,925	(9,329)
(Acquisition) use of prepaid expenses	-	(348,922)	152,903
	-	(319,997)	143,574
(Decrease) increase in net financial assets	(8,028,106)	(1,672,206)	7,256
Net financial assets, beginning of year	640,695	640,695	633,439
Net financial (debt) assets, end of year	\$ (7,387,411)	\$ (1,031,511)	\$ 640,695

**TOWN OF VEGREVILLE**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2017**

	2017	2016
<b>Operating</b>		
Deficiency of revenue over expenses	\$ (1,157,569)	\$ (764,523)
Amortization of tangible capital assets	3,979,873	3,924,884
Loss on disposal of tangible capital assets	-	122,496
Contributed tangible capital assets	(248,678)	(101,843)
Net changes in non-cash charges to operations		
Increase in taxes and grants in place of taxes receivable	(373,497)	(347,695)
(Increase) decrease in due from governments	(358,657)	133,937
(Increase) decrease in trade and other receivables	230,477	(29,124)
Increase in land held for resale	(246,265)	-
(Increase) decrease in inventory for consumption	28,925	(9,329)
(Increase) decrease in prepaid expenses	(348,922)	152,903
Increase (decrease) in accounts payable and accrued liabilities	979,639	(563,210)
Increase in accrued employee obligations	73,337	119,753
Increase in deposit liabilities	35,000	-
Increase (decrease) in deferred revenues	22,652	(57,567)
	3,773,884	3,345,205
<b>Net cash provided by operating activities</b>	<b>2,616,315</b>	<b>2,580,682</b>
<b>Capital</b>		
Acquisition of tangible capital assets	(3,925,835)	(3,318,332)
Proceeds on sale of tangible capital assets	-	1,000
<b>Net cash applied in capital activities</b>	<b>(3,925,835)</b>	<b>(3,317,332)</b>
<b>Investing</b>		
(Increase) decrease in restricted cash or cash equivalents	(22,652)	57,567
(Increase) decrease in investments	2,253,517	(504,645)
<b>Net cash provided by (used in) investing activities</b>	<b>2,230,865</b>	<b>(447,078)</b>
<b>Financing</b>		
Long-term debt issued – capital	-	2,080,500
Long-term debt repaid – capital	(897,158)	(722,488)
<b>Net cash provided by financing activities</b>	<b>(897,158)</b>	<b>1,358,012</b>
<b>Change in cash and cash equivalents during the year</b>	<b>24,187</b>	<b>174,284</b>
Cash and cash equivalents, beginning of year	5,521,611	5,347,327
<b>Cash and cash equivalents, end of year</b>	<b>5,545,798</b>	<b>\$ 5,521,611</b>
Cash and cash equivalents consist of:		
Cash and temporary investments (Note 3)	\$ 5,961,523	\$ 5,914,684
Less: restricted portion of cash and temporary investments (Note 3)	(415,725)	(393,073)
	\$ 5,545,798	\$ 5,521,611
Cash flows supplementary information:		
Interest received	\$ 101,447	\$ 75,367
Interest paid	\$ 259,788	\$ 235,434

**TOWN OF VEGREVILLE****Schedule of Changes in Accumulated Surplus****(Schedule 1)****For the year ended December 31, 2017**

	<b>Unrestricted Surplus</b>	<b>Restricted Operating Reserves</b>	<b>Restricted Capital Reserves</b>	<b>Equity in Capital Assets</b>	<b>2017 \$</b>	<b>2016 \$</b>
Balance, beginning of year	2,819,469	5,528,128	1,519,780	48,421,737	<b>58,289,114</b>	59,053,637
Deficiency of revenues over expenses	(1,157,569)				<b>(1,157,569)</b>	(764,523)
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	3,979,873	-	-	(3,979,873)	-	-
Long-term debt repaid	(897,158)	-	-	897,158	-	-
Change in accumulated surplus	2,004	(1,808,637)	(442,734)	1,091,798	<b>(1,157,569)</b>	(764,523)
Balance, end of year	2,821,473	3,719,491	1,077,046	49,513,535	<b>57,131,545</b>	58,289,114

# TOWN OF VEGREVILLE

## Schedule of Tangible Capital Assets

(Schedule 2)

For the Year Ended December 31, 2017

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress	2017 \$
<b>Cost:</b>							
Balance, beginning of year	3,094,385	18,644,478	114,467,783	8,151,475	5,591,803	-	149,949,924
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	6,008,278	1,549,701	154,050,409
<b>Accumulated Amortization:</b>							
Balance, beginning of year	-	8,286,939	75,561,455	5,652,421	3,123,150	-	92,623,965
Annual amortization	-	441,238	2,840,843	348,166	349,626	-	3,979,873
Accumulated amortization on disposals	-	-	(74,028)	-	-	-	(74,028)
Balance, end of year	-	8,728,177	78,328,270	6,000,587	3,472,776	-	96,529,810
<b>Net book value -2017</b>	<b>3,094,385</b>	<b>9,916,301</b>	<b>38,232,004</b>	<b>2,192,706</b>	<b>2,535,502</b>	<b>1,549,701</b>	<b>57,520,599</b>

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress	2016 \$
<b>Cost:</b>							
Balance, beginning of year	2,990,385	18,644,478	112,323,584	7,884,855	5,066,903	-	146,910,205
Contribution of tangible capital assets	-	-	-	101,843	-	-	101,843
Acquisition of tangible capital assets	105,000	-	2,523,655	164,777	524,900	-	3,318,332
Disposal of tangible capital assets	(1,000)	-	(379,456)	-	-	-	(380,456)
Balance, end of year	3,094,385	18,644,478	114,467,783	8,151,475	5,591,803	-	149,949,924
<b>Accumulated Amortization:</b>							
Balance, beginning of year	-	7,846,873	73,029,458	5,313,997	2,765,713	-	88,956,041
Annual amortization	-	440,066	2,788,957	338,424	357,437	-	3,924,884
Accumulated amortization on disposals	-	-	(256,960)	-	-	-	(256,960)
Balance, end of year	-	8,286,939	75,561,455	5,652,421	3,123,150	-	92,623,965
<b>Net book value -2016</b>	<b>3,094,385</b>	<b>10,357,539</b>	<b>38,906,328</b>	<b>2,499,054</b>	<b>2,468,653</b>	<b>-</b>	<b>57,325,959</b>

**TOWN OF VEGREVILLE****Schedule of Property and Other Taxes****(Schedule 3)****For the Year Ended December 31, 2017**

	<b>Budget</b> <b>(unaudited)</b>	<b>2017</b>	<b>2016</b>
<b>Taxation</b>			
Real property taxes	\$ 9,981,950	\$ 9,875,468	\$ 9,639,837
Linear Property taxes	430,399	534,683	491,966
Government grants in place of property taxes	949,849	950,266	963,945
	11,362,198	11,360,417	11,095,748
<b>Requisitions</b>			
Alberta School Foundation Fund	2,298,950	2,299,807	1,982,059
Minburn Senior's Foundation	110,293	110,293	105,865
	2,409,243	2,410,100	2,087,924
<b>Net Municipal Taxes</b>	\$ 8,952,955	\$ 8,950,317	\$ 9,007,824



**TOWN OF VEGREVILLE**  
**Schedule of Government Transfers**  
**For the Year Ended December 31, 2017**

***(Schedule 4)***

	<b>Budget (unaudited)</b>	<b>2017</b>	<b>2016</b>
<b>Transfers for Operating</b>			
Federal Government	\$ 8,000	\$ 6,999	\$ 12,712
Provincial Government	3,043,361	2,859,279	2,647,528
Local Government	604,386	592,863	665,073
	3,655,747	3,459,141	3,325,313
<b>Transfers for Capital</b>			
Provincial Government	2,182,820	1,866,020	1,120,624
<b>Total Government Transfers</b>	\$ 5,838,567	\$ 5,325,161	\$ 4,445,937

**TOWN OF VEGREVILLE****Schedule of Consolidated Expenses by Object  
For the Year Ended December 31, 2017****(Schedule 5)**

	<b>Budget (unaudited)</b>	<b>2017</b>	<b>2016</b>
<b>Consolidated Expenses by Object</b>			
Salaries, wages and benefits	\$ 8,983,415	\$ 8,797,701	\$ 9,077,343
Contracted and general services	3,773,736	3,492,195	2,685,289
Purchases from other governments	1,175,774	1,161,566	971,434
Materials, goods, supplies and utilities	3,523,424	3,456,630	3,203,080
Other transactions, allowances and adjustments	107,144	359,685	149,309
Transfers to local boards and agencies	290,405	254,881	76,193
Bank charges and short term interest	41,950	53,200	40,622
Interest on long term debt	277,520	259,788	244,730
Amortization of tangible capital assets	3,950,161	3,979,873	3,924,884
	\$ 22,123,529	\$ 21,815,519	\$ 20,372,884

# TOWN OF VEGREVILLE

## Schedule of Segmented Disclosure

For the Year Ended December 31, 2017

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health	Planning & Development	Recreation & Culture	Other	Total \$
<b>Revenue</b>									
Net municipal taxes	-	-	-	-	-	-	-	8,950,317	<b>8,950,317</b>
Government transfers	51,366	2,054,850	1,358,385	530,832	816,112	-	513,616	-	<b>5,325,161</b>
User fees and sales of goods	3,550	581,839	22,032	2,911,371	107,229	101,150	698,958	208,711	<b>4,634,840</b>
Investment income	-	-	-	-	-	-	-	101,447	<b>101,447</b>
Other revenues	8,963	13,553	558	33,019	43,969	19,458	331,703	1,194,961	<b>1,646,184</b>
	<b>63,879</b>	<b>2,650,242</b>	<b>1,380,975</b>	<b>3,475,222</b>	<b>967,310</b>	<b>120,608</b>	<b>1,544,277</b>	<b>10,455,436</b>	<b>20,657,949</b>
<b>Expenses</b>									
Salaries, wages and benefits	1,189,820	2,217,905	983,099	1,220,761	911,004	421,784	1,853,328	-	<b>8,797,701</b>
Contracted and general services	741,771	1,492,996	760,270	344,266	164,863	131,959	1,017,637	-	<b>4,653,762</b>
Materials, goods, supplies and utilities	85,859	221,641	812,129	1,304,908	74,786	28,185	929,122	-	<b>3,456,630</b>
Transfers to local boards and agencies	-	-	-	-	254,881	-	-	-	<b>254,881</b>
Interest on long term debt	-	9,416	35,400	58,725	-	-	156,247	-	<b>259,788</b>
Other expenses	352,748	21,997	27,335	7,333	-	-	3,470	-	<b>412,883</b>
	<b>2,370,198</b>	<b>3,963,955</b>	<b>2,618,233</b>	<b>2,935,993</b>	<b>1,405,534</b>	<b>581,928</b>	<b>3,959,804</b>	<b>-</b>	<b>17,835,645</b>
<b>Net revenue before amortization</b>	<b>(2,306,319)</b>	<b>(1,313,713)</b>	<b>(1,237,258)</b>	<b>539,229</b>	<b>(438,224)</b>	<b>(461,320)</b>	<b>(2,415,527)</b>	<b>10,455,436</b>	<b>2,822,304</b>
Amortization of tangible capital assets	-	203,257	2,232,944	849,403	11,285	4,680	678,304	-	<b>3,979,873</b>
<b>2017 net revenue (expense)</b>	<b>(2,306,319)</b>	<b>(1,516,970)</b>	<b>(3,470,202)</b>	<b>(310,174)</b>	<b>(449,509)</b>	<b>(466,000)</b>	<b>(3,093,831)</b>	<b>10,455,436</b>	<b>(1,157,569)</b>
<b>2016 net revenue (expense)</b>	<b>(1,884,122)</b>	<b>(1,345,042)</b>	<b>(4,062,943)</b>	<b>206,922</b>	<b>(415,064)</b>	<b>(471,627)</b>	<b>(3,084,485)</b>	<b>10,291,838</b>	<b>(764,523)</b>

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2017**

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**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;
- 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, 2017**

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***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 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.

***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.

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2017**

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***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.

***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>Tangible Capital Asset</b>	<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	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.

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2017**

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b) Contributions of tangible capital assets

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

**2. 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 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. This section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

***Section PS 3320 – Contingent Assets***

This new Section defines and establishes disclosure standards on contingent assets. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

***Section PS 3380 – Contractual Rights***

This new Section defines and establishes disclosure standards on contractual rights. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

***Section PS 3430 – Restructuring Transactions***

This new Section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities 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**  
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**2. Recent accounting pronouncements published but not yet adopted (continued)**

***Section PS 2200 – Related Party Disclosure***

This new Section defines a related party and establishes disclosures required for related party transactions. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

***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. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

**3. Cash and temporary investments**

	<b>2017</b>		<b>2016</b>
Cash	\$ 925,569	\$	1,415,836
Cash held in trust	-		129,475
Temporary investments	5,035,954		4,369,373
	\$ 5,961,523	\$	5,914,684

Temporary investments are short-term deposits with original maturities of three months or less. Council has designated funds of \$1,077,046 (2016 - \$1,519,870) included in the above amounts for capital projects.

Included in cash and temporary investments is a restricted amount of \$415,725 (2016 - \$393,073) for deferred revenue (Note 8).

**4. Taxes and grants in place of taxes**

	<b>2017</b>		<b>2016</b>
Current taxes and grants in place of taxes	\$ 1,134,081	\$	389,348
Arrears taxes	98,032		598,282
Property acquired	334,056		202,475
	1,566,169		1,190,105
Less allowance for doubtful accounts	(125,500)		(122,933)
	1,440,669		1,067,172



**TOWN OF VEGREVILLE**  
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**5. Investments**

	<b>2017</b>		<b>2016</b>	
	<b>Cost</b>	<b>Market value</b>	<b>Cost</b>	<b>Market Value</b>
Term deposits	\$ 828,670	\$ 828,670	\$ 3,082,187	\$ 3,082,187

Term deposits have effective interest rates of 1.10% to 1.15% (2016 – 0.75% to 1.50%) with maturity dates from September 22, 2018 to December 12, 2018.

**6. Accounts payable and accrued liabilities**

	<b>2017</b>	<b>2016</b>
Trade accounts payable and accrued liabilities	\$ 2,197,893	\$ 1,262,850
Landfill post closure liability	91,952	45,316
Government payroll remittance payable	136,482	138,522
	\$ 2,426,327	\$ 1,446,688

**7. Accrued employee obligations**

	<b>2017</b>	<b>2016</b>
Vacation	\$ 516,451	\$ 460,252
Accumulated sick leave	138,537	121,399
	\$ 654,988	\$ 581,651

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 accrues one day of sick time per month to a maximum of twelve days. Sick time is not paid out upon termination or retirement.

**8. Deferred revenue**

	<b>2017</b>	<b>2016</b>
Municipal Sustainability grant	\$ -	\$ 101,648
Emergency Services grant	24,318	35,000
Family Community Support Services grant	21,823	68,808
Alberta Housing and Urban Affairs	129,257	129,475
Specified donations	10,408	11,776
Other	229,919	46,366
	\$ 415,725	\$ 393,073

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 cash and temporary investments (Note 3).

**TOWN OF VEGREVILLE**  
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**9. Long-term debt**

	<b>2017</b>		<b>2016</b>	
Tax supported debentures	\$	<b>6,682,604</b>	\$	7,448,722
Self supported debentures		<b>1,324,460</b>		1,455,500
	\$	<b>8,007,064</b>	\$	8,904,222

The current portion of long-term debt amounts to \$841,097 (2016 - \$897,158).

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

	<b>Principal</b>		<b>Interest</b>		<b>Total</b>
2018	\$	841,097	\$	241,167	\$ 1,082,264
2019		458,034		221,326	679,360
2020		471,804		207,556	679,360
2021		477,095		193,420	670,515
2020		491,456		179,059	670,515
Thereafter		5,267,578		1,081,109	6,348,687
	\$	<b>8,007,064</b>	\$	<b>2,123,637</b>	\$ 10,130,701

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 0.708% to 4.395% per annum and mature in periods 2017 through 2038. The average annual interest rate is 3.08% (2016 – 3.02%).

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

Interest on long-term debt amounted to \$259,788 (2016 – \$244,730).

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**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 of Vegreville be disclosed as follows:

		<b>2017</b>		<b>2016</b>
Total debt limit	\$	<b>27,814,878</b>	\$	27,578,841
Total Debt		<b>(8,007,064)</b>		(8,904,222)
Amount of debt limit unused	\$	<b>19,807,814</b>		18,674,619
Debt servicing limit	\$	<b>4,635,813</b>	\$	4,596,474
Debt servicing		<b>(1,082,264)</b>		(1,160,611)
Amount of debt servicing unused	\$	<b>3,553,549</b>	\$	3,435,863

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.

**11. Equity in tangible capital assets**

		<b>2017</b>		<b>2016</b>
Tangible capital assets (Schedule 2)	\$	<b>154,050,409</b>	\$	149,949,924
Accumulated amortization (Schedule 2)		<b>(96,529,810)</b>		(92,623,965)
Long-term debt (Note 9)		<b>(8,007,064)</b>		(8,904,222)
	\$	<b>49,513,535</b>	\$	48,421,737

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2017**

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**12. 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 1.394%, which assumes annual inflation of 1.77% and an annual rate of return of 3.164%.

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

	2017	2016
Estimated closure costs	\$ 795,643	\$ 491,120
Estimated post-closure costs	54,388	32,490
	<b>\$ 850,031</b>	<b>\$ 523,610</b>
Estimated Capacity Remaining	89%	91%
Accrued liability	\$ 91,952	\$ 45,316
Estimated capacity used	11%	9%
Portion of liability remaining to be recognized	<b>\$ 758,079</b>	<b>\$ 478,294</b>

At the current capacity, it is estimated that the Vegreville Sanitary Landfill has approximately 77 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.

**13. Accumulated surplus**

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

	2017	2016
Unrestricted surplus	\$ 2,821,473	\$ 2,819,469
Restricted surplus		
Operating reserves	3,719,491	5,528,128
Capital reserves	1,077,046	1,519,780
Equity in tangible capital assets	49,513,535	48,421,737
	<b>\$ 57,131,545</b>	<b>\$ 58,289,114</b>

**TOWN OF VEGREVILLE**  
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**14. 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.

Refer to Schedule of Segmented Disclosure (Schedule 6).

**15. 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:

	<b>Salaries</b>		<b>Benefits and allowances</b>			
	<b>(1)</b>		<b>(2)(3)</b>		<b>2017</b>	<b>2016</b>
M. Hayduk, Mayor (Jan–Oct)	\$	41,900	\$	5,806	\$ <b>47,706</b>	\$ 54,477
T. MacPhee, Mayor (Oct-Dec)		36,700		6,765	<b>43,465</b>	32,601
D. Berry		29,900		6,198	<b>36,098</b>	30,809
M. Brodziak		29,400		6,217	<b>35,617</b>	34,016
A. Kozakiewicz		-		-	-	23,161
J. Lemko		5,400		1,117	<b>6,517</b>	-
T. Rudyk		35,000		6,637	<b>41,637</b>	36,376
M. Simpson		20,200		4,370	<b>24,570</b>	34,377
A. Waters		5,400		1,117	<b>6,517</b>	-
T. Warawa		5,100		1,097	<b>6,197</b>	-
Town Manager (current)		142,604		8,900	<b>151,504</b>	118,299
Town Manager (previous)		-		-	-	317,011
	\$	351,604	\$	48,224	\$ <b>399,828</b>	\$ 681,127

(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, and club memberships.

**TOWN OF VEGREVILLE**  
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**16. 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 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 2017 were \$617,290 (2016 - \$630,327). Total current service contributions by the employees of the Town to the LAPP in 2017 were \$566,993 (2016 - \$579,008).

As at December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 million.

**17. 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.

**18. 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.

**19. 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 December 2018.

**20. Subsequent events**

The RCMP detachment building will be funded by an Albert Capital Finance Authority debenture. On March 15, 2018, \$2,500,000 was advanced to the Town.

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2017**

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**21. Approval of financial statements**

Council has approved these consolidated financial statements.

**22. Budget amounts**

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

**23. Comparative figures**

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