

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, 2020, 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, 2020, 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.

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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.

Wilde & Company

Vegreville, AB
April 12, 2021

Chartered Professional Accountants

Management's Responsibility for Reporting For the Year Ended December 31, 2020

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

TOWN OF VEGREVILLE
Consolidated Statement of Financial Position
For the year ended December 31, 2020

	2020	2019
Financial Assets		
Cash and cash equivalents (Note 4)	\$ 7,084,343	\$ 7,980,957
Restricted cash and cash equivalents (Note 5)	1,409,553	575,166
Receivables		
Taxes and grants in place of taxes (Note 6)	2,287,479	1,038,601
Due from governments	381,303	100,807
Trade and other receivables	614,872	569,377
Land held for resale (Note 7)	530,709	600,355
Investments (Note 8)	-	750,770
	12,308,259	11,616,033
Liabilities		
Accounts payable and accrued liabilities (Note 9)	1,206,507	1,778,096
Accrued employee obligations (Note 10)	565,021	559,245
Deposit liabilities	90,000	97,500
Deferred revenue (Note 11)	1,409,553	575,166
Long-term debt (Note 12)	12,007,551	12,606,314
Asset retirement obligation (Note 14)	1,241,581	1,200,195
	16,520,213	16,816,516
Net Debt	(4,211,954)	(5,200,483)
Non-Financial Assets		
Tangible capital assets (Schedule 2)	57,578,165	58,988,003
Inventory for consumption	83,812	157,000
Prepaid expenses	50,837	89,606
Land held for development (Note 7)	998,525	998,525
	58,711,339	60,233,134
Accumulated Surplus (Schedule 1, Note 16)	\$ 54,499,385	\$ 55,032,651

Contingencies (Note 21)

TOWN OF VEGREVILLE
Consolidated Statement of Operations
For the Year Ended December 31, 2020

	Budget (unaudited)	2020	2019
Revenues			
Net municipal taxes (Schedule 3)	\$ 9,403,922	\$ 9,373,301	\$ 9,295,033
User fees and sales of goods and services	4,227,606	4,058,783	4,088,832
Government transfers for operating (Schedule 4)	1,622,094	1,915,229	2,705,869
Investment Income	120,000	120,979	159,301
Franchise and concession contracts	1,240,000	1,253,236	1,172,437
Fines, licenses, permits and penalties	329,000	301,398	372,219
Other	109,484	335,319	691,269
	17,052,106	17,358,245	18,484,960
Expenses			
General government services	2,497,875	2,428,783	2,676,454
Protective Services	2,400,147	2,263,708	3,280,195
Recreation, parks and culture	3,074,487	2,832,782	3,253,979
Facilities	1,828,350	1,974,819	1,967,238
Community services	1,113,663	895,504	1,080,757
Public works	4,671,290	4,448,438	4,339,285
Utilities	2,567,135	2,517,584	2,442,626
Municipal services	1,766,666	1,596,805	1,503,286
Subdivision and development services	416,885	234,204	264,368
	20,336,498	19,192,627	20,808,188
Deficiency of revenue over expenses – before other	(3,284,392)	(1,834,382)	(2,323,228)
Other			
Loss on disposal of tangible capital assets	-	(19,732)	(56,718)
Contributed assets	-	-	228,876
Government transfers for capital (Schedule 4)	1,653,000	1,320,848	1,914,685
Deficiency of revenue over expenses	(1,631,392)	(533,266)	(236,385)
Accumulated surplus, beginning of year	55,032,651	55,032,651	55,269,036
Accumulated surplus, end of year	\$ 53,401,259	\$ 54,499,385	\$ 55,032,651

TOWN OF VEGREVILLE
Consolidated Statement of Change in Net Debt
For the Year Ended December 31, 2020

	Budget (unaudited)	2020	2019
Deficiency of revenue over expenses	\$ (1,631,392)	\$ (533,266)	\$ (236,385)
Acquisition of tangible capital assets	(2,768,650)	(2,719,495)	(3,312,297)
Contributed tangible capital assets	-	-	(228,876)
Proceeds on disposal of tangible capital assets	-	-	130,000
Amortization of tangible capital assets	4,098,944	4,109,601	3,967,794
Loss on disposal of tangible capital assets	-	19,732	56,718
	(301,098)	1,409,838	613,339
Use (acquisition) of inventory for consumption	-	73,188	(28,942)
Use of prepaid expenses	-	38,769	174,626
Additions to land held for resale	-	-	(136,674)
	-	111,957	9,010
(Increase) decrease in net debt	(301,098)	988,529	385,964
Net debt, beginning of year	(5,200,483)	(5,200,483)	(5,586,447)
Net debt, end of year	\$ (5,501,581)	\$ (4,211,954)	\$ (5,200,483)

TOWN OF VEGREVILLE
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Cash received from (paid to):		
Property taxes and penalties on taxes	\$ 10,548,600	\$ 11,377,713
Other levels of government	2,955,580	4,869,420
Sale of goods and services	4,508,146	5,065,820
Sale of land held for resale	140,000	-
Franchise agreements	1,223,189	1,171,344
Investment earnings	131,186	173,880
Employees and Council	(7,171,497)	(8,633,709)
Requisitioning authorities	(2,262,476)	(2,233,031)
Suppliers, vendors and contractors	(7,854,438)	(7,870,269)
Local boards and agencies	(131,833)	(252,088)
Bank fees and charges	(25,403)	(31,696)
Interest on long-term debt	(390,180)	(352,649)
Net cash provided by operating activities	1,670,874	3,284,735
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,719,495)	(3,312,298)
Proceeds on disposal of tangible capital assets	-	130,000
Net cash used in capital activities	(2,719,495)	(3,182,298)
INVESTING ACTIVITIES		
Decrease in investments	750,770	1,603,482
Net cash provided by investing activities	750,770	1,603,482
FINANCING ACTIVITIES		
Long-term debt issued	-	2,003,000
Long-term debt repaid	(598,763)	(538,319)
Net cash provided by (used in) financing activities	(598,763)	1,464,681
Change in cash and cash equivalents during the year	(896,614)	3,170,600
Cash and cash equivalents, beginning of year	7,980,957	4,810,357
Cash and cash equivalents, end of year	\$ 7,084,343	\$ 7,980,957

TOWN OF VEGREVILLE

**Schedule of Changes in Accumulated Surplus
For the year ended December 31, 2020**

(Schedule 1)

	Unrestricted Surplus	Restricted Operating Reserves	Restricted Capital Reserves	Equity in Tangible Capital Assets	2020 \$
Balance, beginning of year	3,945,054	3,212,178	1,493,730	46,381,689	55,032,651
Deficiency of revenues over expenses	(533,266)	-	-	-	(533,266)
Unrestricted funds designated for future use	(4,029,760)	(580,497)	4,610,257	-	-
Restricted funds used for operations	631,627	(631,627)	-	-	-
Restricted funds used for tangible capital assets	-	-	(738,538)	738,538	-
Current year funds used for tangible capital assets	(1,980,957)	-	-	1,980,957	-
Annual amortization expense	4,109,601	-	-	(4,109,601)	-
Disposal of tangible capital assets	19,732	-	-	(19,732)	-
Long-term debt repaid	(598,763)	-	-	598,763	-
Change in accumulated surplus	(2,381,786)	(1,212,124)	3,871,719	(811,075)	(533,266)
Balance, end of year - 2020	1,563,268	2,000,054	5,365,449	45,570,614	54,499,385
					2019
Balance, beginning of year	1,775,139	3,623,561	1,410,627	48,459,709	55,269,036
Deficiency of revenues over expenses	(236,385)	-	-	-	(236,385)
Unrestricted funds designated for future use	(645,456)	506,706	138,750	-	-
Restricted funds used for operations	914,811	(859,164)	(55,647)	-	-
Restricted funds used for tangible capital assets	130,000	(58,925)	-	(71,075)	-
Current year funds used for tangible capital assets	(3,253,372)	-	-	3,253,372	-
Contributed tangible capital assets	(228,876)	-	-	228,876	-
Annual amortization expense	3,967,794	-	-	(3,967,794)	-
Disposal of tangible capital assets	56,718	-	-	(56,718)	-
Long-term debt advanced	2,003,000	-	-	(2,003,000)	-
Long-term debt repaid	(538,319)	-	-	538,319	-
Change in accumulated surplus	2,169,915	(411,383)	83,103	(2,078,020)	(236,385)
Balance, end of year - 2019	3,945,054	3,212,178	1,493,730	46,381,689	55,032,651

TOWN OF VEGREVILLE

**Schedule of Tangible Capital Assets
For the Year Ended December 31, 2020**

(Schedule 2)

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress	2020 \$
Cost:							
Balance, beginning of year	3,094,385	24,790,334	114,779,599	8,722,187	5,613,623	53,177	157,053,305
Acquisition of tangible capital assets	-	-	1,645,020	594,553	113,850	366,072	2,719,495
Disposal of tangible capital assets	-	-	(423,655)	-	(138,168)	-	(561,823)
Balance, end of year	3,094,385	24,790,334	116,000,964	9,316,740	5,589,305	419,249	159,210,977
Accumulated Amortization:							
Balance, beginning of year	-	9,611,313	78,736,582	6,498,434	3,218,973	-	98,065,302
Annual amortization	-	561,635	2,862,292	370,195	315,479	-	4,109,601
Accumulated amortization on disposals	-	-	(403,923)	-	(138,168)	-	(542,091)
Balance, end of year	-	10,172,948	81,194,951	6,686,629	3,396,284	-	101,632,812
Net book value -2020	3,094,385	14,617,386	34,806,013	2,448,111	2,193,021	419,249	57,578,165
	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress	2019
Cost:							
Balance, beginning of year	3,094,385	18,644,478	115,568,418	8,527,005	5,851,989	5,905,009	157,591,284
Acquisition of tangible capital assets	-	142,494	1,963,991	456,115	71,274	678,423	3,312,297
Contribution of tangible capital assets	-	-	-	-	228,876	-	228,876
Disposal of tangible capital assets	-	-	(3,279,703)	(260,933)	(538,516)	-	(4,079,152)
Adjustments	-	6,003,362	526,893	-	-	(6,530,255)	-
Balance, end of year	3,094,385	24,790,334	114,779,599	8,722,187	5,613,623	53,177	157,053,305
Accumulated Amortization:							
Balance, beginning of year	-	9,169,745	79,199,052	6,339,504	3,281,641	-	97,989,942
Annual amortization	-	441,568	2,798,050	361,368	366,808	-	3,967,794
Accumulated amortization on disposals	-	-	(3,260,520)	(202,438)	(429,476)	-	(3,892,434)
Balance, end of year	-	9,611,313	78,736,582	6,498,434	3,218,973	-	98,065,302
Net book value -2019	3,094,385	15,179,021	36,043,017	2,223,753	2,394,650	53,177	58,988,003

TOWN OF VEGREVILLE
Schedule of Property and Other Taxes
For the Year Ended December 31, 2020

(Schedule 3)

	Budget (unaudited)	2020	2019
Taxation			
Real property taxes	\$ 10,079,355	\$ 10,101,742	\$ 10,009,687
Designated Industrial Property taxes	526,620	542,266	510,753
Government grants in place of property taxes	1,015,624	991,769	1,007,624
	11,621,598	11,635,777	11,528,064
Requisitions			
Alberta School Foundation Fund	2,109,291	2,154,708	2,117,823
Minburn Senior's Foundation	106,450	105,831	113,273
Designated Industrial Properties	1,935	1,937	1,935
	2,217,676	2,262,476	2,233,031
Net Municipal Taxes	\$ 9,403,922	\$ 9,373,301	\$ 9,295,033

TOWN OF VEGREVILLE
Schedule of Government Transfers
For the Year Ended December 31, 2020

(Schedule 4)

	Budget (unaudited)	2020	2019
Transfers for Operating			
Federal Government	\$ 2,000	\$ 29,400	\$ 6,075
Provincial Government	1,023,164	1,285,277	2,073,291
Local Government	596,930	600,552	626,503
	1,622,094	1,915,229	2,705,869
Transfers for Capital			
Federal Government	-	37,975	-
Provincial Government	1,653,000	1,282,873	1,914,685
	1,653,000	1,320,848	1,914,685
Total Government Transfers	\$ 3,275,094	\$ 3,236,077	\$ 4,620,554

TOWN OF VEGREVILLE
Schedule of Consolidated Expenses by Object
For the Year Ended December 31, 2020

(Schedule 5)

	Budget (unaudited)	2020	2019
Consolidated Expenses by Object			
Salaries, wages and benefits	\$ 7,826,183	\$ 7,177,273	\$ 8,532,305
Contracted and general services	3,090,168	2,577,182	2,872,262
Purchases from other governments	1,124,739	1,104,508	1,021,761
Materials, goods, supplies and utilities	3,449,336	3,287,431	3,523,309
Other transactions, allowances and adjustments	47,980	391,066	257,371
Transfers to local boards and agencies	276,087	131,833	252,088
Bank charges and short-term interest	32,973	25,403	31,696
Interest on long term debt	390,178	388,330	349,602
Amortization of tangible capital assets	4,098,944	4,109,601	3,967,794
	\$ 20,336,498	\$ 19,192,627	\$ 20,808,188

TOWN OF VEGREVILLE
Schedule of Segmented Disclosure
For the Year Ended December 31, 2020

(Schedule 6)

	General Government	Protective Services	Recreation, Parks & Culture	Facilities	Community Services	Public Works	Utilities	Municipal Services	Planning & Development	2020
REVENUES										
Net municipal taxes	9,373,301	-	-	-	-	-	-	-	-	9,373,301
Government transfers	376,752	414,908	429,305	-	550,794	1,034,718	354,600	75,000	-	3,236,077
User fees and sale of goods	30,685	223,157	166,840	487,328	5,732	270,369	2,111,328	761,524	1,820	4,058,783
Franchise fees	1,253,236	-	-	-	-	-	-	-	-	1,253,236
Investment income	113,483	-	-	-	-	7,496	-	-	-	120,979
Other	330,953	82,006	31,136	64,560	5,235	17,559	1,087	37,441	66,740	636,717
	11,478,410	720,071	617,281	551,888	561,761	1,330,143	2,467,015	873,965	68,560	18,679,093
EXPENSES										
Salaries, wages and benefits	1,432,211	705,198	1,442,154	191,353	682,191	801,047	565,495	1,179,393	178,231	7,177,273
Contracted and general services	684,512	1,271,083	407,333	551,366	74,388	326,441	180,299	162,034	24,234	3,681,690
Materials, goods, supplies and utilities	62,645	90,466	520,237	389,735	31,992	832,129	1,196,685	148,839	14,703	3,287,431
Interest on long-term debt	-	6,435	14,058	307,035	-	44,976	15,826	-	-	388,330
Other	230,295	13,065	12,690	163,865	106,933	11,970	14,643	438	14,135	568,034
	2,409,663	2,086,247	2,386,472	1,603,354	895,504	2,016,563	1,972,948	1,490,704	231,303	15,102,758
Net revenue (expense) before amortization	9,068,747	(1,366,176)	(1,769,191)	(1,051,466)	(333,743)	(686,420)	494,067	(616,739)	(162,743)	3,576,335
Amortization	19,120	177,461	436,310	371,465	-	2,440,819	555,424	106,102	2,900	4,109,601
Net Revenue (expense)	9,049,627	(1,543,637)	(2,205,501)	(1,422,931)	(333,743)	(3,127,239)	(61,357)	(722,841)	(165,643)	(533,266)
2019										
REVENUES										
Net municipal taxes	9,295,033	-	-	-	-	-	-	-	-	9,295,033
Government transfers	281,255	1,228,271	449,051	-	635,989	1,863,304	66,511	96,173	-	4,620,554
User fees and sale of goods	18,503	327,737	382,667	352,283	19,450	248,956	2,082,521	654,940	1,775	4,088,832
Franchise fees	1,172,437	-	-	-	-	-	-	-	-	1,172,437
Investment income	159,301	-	-	-	-	-	-	-	-	159,301
Other	322,692	408,885	75,033	334,107	19,939	2,822	-	33,922	94,964	1,292,364
	11,249,221	1,964,893	906,751	686,390	675,378	2,115,082	2,149,032	785,035	96,739	20,628,521
EXPENSES										
Salaries, wages and benefits	1,461,157	1,548,641	1,785,558	339,703	686,896	781,566	617,843	1,115,735	195,206	8,532,305
Contracted and general services	879,830	1,275,071	475,608	568,279	97,361	251,450	124,977	161,688	59,759	3,894,023
Materials, goods, supplies and utilities	86,785	174,306	574,782	536,636	39,797	833,301	1,153,846	118,620	5,236	3,523,309
Interest on long-term debt	-	7,461	14,799	259,889	-	50,301	17,152	-	-	349,602
Other	229,562	77,554	527	-	259,813	21,583	7,152	413	1,269	597,873
	2,657,334	3,083,033	2,851,274	1,704,507	1,083,867	1,938,201	1,920,970	1,396,456	261,468	16,897,112
Net revenue (expense) before amortization	8,591,887	(1,118,140)	(1,944,523)	(1,018,117)	(408,489)	176,881	228,062	(611,421)	(164,729)	3,731,409
Amortization	19,120	230,967	411,266	254,170	622	2,416,869	525,052	106,830	2,898	3,967,794
Net Revenue (expense)	8,572,767	(1,349,107)	(2,355,789)	(1,272,287)	(409,111)	(2,239,988)	(296,990)	(718,251)	(167,629)	(236,385)

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

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 tangible capital assets;
- the estimated useful lives of assets;
- the allowance for doubtful accounts;
- the recoverability of tangible assets; and
- the valuation of asset retirement obligations

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

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.

Asset retirement obligation

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 accreted value from the initial obligation to the end of the useful life of the landfill.

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

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 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

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.

d) *Inventories*

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

e) *Cultural and historical tangible capital assets*

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

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

2. Adoption of recent accounting pronouncements

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. This standard is effective for fiscal periods beginning on or after April 1, 2022. Early adoption is permitted. The Town adopted PS 3280 retrospectively for the fiscal period ended December 31, 2019.

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, 2022.

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, 2023. Earlier adoption is permitted.

4. Cash and cash equivalents

	2020	2019
Cash on hand	\$ 2,236	\$ 2,335
General bank account	5,869,442	4,510,828
Temporary investments	2,622,218	4,042,960
Less cash restricted for deferred revenues	(1,409,553)	(575,166)
	\$ 7,084,343	\$ 7,980,957

Temporary investments are short-term deposits with original maturities of three months or less. Council has designated funds of \$5,365,449 (2019 - \$1,493,730) included in the above amounts for capital projects. BMO Bank of Montreal has authorized the Town to a maximum overdraft of \$1,000,000. The overdraft bears interest at prime. As at December 31, 2020, there was no balance on the overdraft.

5. Restricted cash and cash equivalents

	2020	2019
Cash restricted for deferred revenues	\$ 1,409,553	\$ 575,166

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

6. Taxes and grants in place of taxes

	2020		2019	
Current taxes and grants in place of taxes	\$	1,509,673	\$	572,060
Arrears taxes		360,463		81,212
Property acquired		440,706		408,692
		2,310,842		1,061,964
Less allowance for doubtful accounts		(23,363)		(23,363)
	\$	2,287,479	\$	1,038,601

7. Land held for resale and development

	2020		2019	
Land held for resale as financial asset	\$	530,709	\$	600,355
Land held for development		998,525		998,525

Land held for development is being held by the Town for sale or future development.

8. Investments

	2020				2019			
	Cost		Market value		Cost		Market Value	
Term deposits	\$	-	\$	-	\$	750,770	\$	750,770
						750,770		750,770

Investments are short-term deposits with original maturities of twelve months or less with redemption beginning thirty days after purchase without penalty. There are no short-term deposits as at December 31, 2020.

9. Accounts payable and accrued liabilities

	2020		2019	
Trade accounts payable and accrued liabilities	\$	1,183,295	\$	1,709,065
Government payroll remittance payable		23,212		69,031
	\$	1,206,507	\$	1,778,096

10. Accrued employee obligations

	2020		2019	
Vacation	\$	421,468	\$	426,052
Accumulated sick leave		143,553		133,193
	\$	565,021	\$	559,245

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, 2020

11. Deferred revenue

	2020		2019	
Municipal Sustainability grant	\$	1,117,407	\$	373,384
Gas Tax Fund		64,547		36,681
Family Community Support Services grant		22,438		15,046
Specified donations		10,408		10,408
Other		194,753		139,647
	\$	1,409,553	\$	575,166

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

	2020		2019	
Tax supported debentures	\$	11,094,671	\$	11,553,093
Self supported debentures		912,880		1,053,221
	\$	12,007,551	\$	12,606,314

The current portion of long-term debt amounts to \$608,031 (2019 - \$598,763).

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

	Principal		Interest		Total	
2021	\$	608,031	\$	372,065	\$	980,096
2022		626,496		353,600		980,096
2023		645,551		334,545		980,096
2024		665,215		314,881		980,096
2025		685,509		294,414		979,923
Thereafter		8,776,749		2,669,005		11,495,754
	\$	12,007,551	\$	4,338,510	\$	16,396,061

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 2026 through 2049. The average annual interest rate is 3.14% (2019 – 3.16%).

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

Interest on long-term debt amounted to \$388,330 (2019 – \$349,602).

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

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:

	2020	2019
Total debt limit	\$ 26,037,368	\$ 27,727,440
Total Debt	(12,007,551)	(12,606,314)
Amount of debt limit unused	14,029,817	15,121,126
Debt servicing limit	\$ 4,339,562	\$ 4,621,240
Debt servicing	(980,096)	(988,941)
Amount of debt servicing unused	\$ 3,359,466	\$ 3,632,299

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. Asset retirement obligation

In 2019 the Town of Vegreville retrospectively adopted Section PS 3280 – Asset Retirement Obligations.

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 initial asset retirement obligation is based on current year expectations for costs discounted to 1982. Retirement obligations are accreted at the discount rate from the initial obligation created as of 1982, to the end of the useful life of the landfill in the case of closure costs; and to the end of the post closure period for post closure costs. Accreted value of the asset retirement obligations are calculated using the average 10 year long term borrowing rate of 3.4482%.

The following table summarizes the total accreted value of the asset retirement obligation for the estimated costs of closure and post-closure care:

	2020	2019
Estimated closure costs, beginning of year	\$ 1,172,009	\$ 1,132,943
Accretion expense	40,414	39,066
Estimated closure costs, end of year	\$ 1,212,423	\$ 1,172,009
Estimated post closure costs, beginning of year	\$ 28,186	\$ 27,245
Accretion expense	972	941
Estimated post closure costs, end of year	\$ 29,158	\$ 28,186
Total closure and post closure costs, end of year	\$ 1,241,581	\$ 1,200,195

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
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14. Asset retirement obligation (continued)

At the current capacity, it is estimated that the Vegreville Sanitary Landfill has approximately 44 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 settling closure and post-closure liabilities.

15. Equity in tangible capital assets

	2020		2019
Tangible capital assets (Schedule 2)	\$ 159,210,977	\$	157,053,305
Accumulated amortization (Schedule 2)	(101,632,812)		(98,065,302)
Long-term debt (Note 12)	(12,007,551)		(12,606,314)
	\$ 45,570,614	\$	46,381,689

16. Accumulated surplus

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

	2020		2019
Unrestricted surplus	\$ 1,563,268	\$	3,945,054
Restricted surplus			
Operating reserves	2,000,054		3,212,178
Capital reserves	5,365,449		1,493,730
Equity in tangible capital assets	45,570,614		46,381,689
	\$ 54,499,385	\$	55,032,651

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.

Refer to Schedule of Segmented Disclosure (Schedule 6).

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

18. Salary and benefits

Disclosure of salaries and benefits for municipal officials, the Town Manager and designated officers as required by Alberta Regulation 313/2000 is as follows:

	Salaries ⁽¹⁾		Benefits and allowances ⁽²⁾⁽³⁾		2020	2019
T. MacPhee, Mayor	\$	52,000	\$	8,304	\$ 60,304	\$ 66,181
D. Berry, Councillor		28,100		6,458	34,558	35,383
M. Brodziak, Councillor		27,500		2,457	29,957	34,029
J. Lemko, Councillor		28,700		6,557	35,257	35,866
T. Rudyk, Councillor		30,500		6,692	37,192	44,573
T. Warawa, Councillor		26,200		6,369	32,569	29,953
A. Waters, Councillor		26,200		6,369	32,569	33,931
Town Manager		161,074		29,071	190,145	171,449
Town Directors (3)		395,417		68,897	464,314	393,573
	\$	775,691	\$	141,174	\$ 916,865	\$ 844,938

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 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.

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 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2020 were \$458,916 (2019 - \$513,510). Total current service contributions by the employees of the Town to the LAPP in 2020 were \$413,982 (2019 - \$463,386).

As at December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.9 billion.

TOWN OF VEGREVILLE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020

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. Pandemic risk

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies. As at April 12, 2021, the Municipality is aware of these changes in its operations as a result of the COVID-19 crisis. Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance. As a result we are unable to estimate the potential impact on the Municipality's operations as of the date of these financial statements.

23. Approval of financial statements

Council and Management have approved these consolidated financial statements.

24. Budget amounts

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

25. Comparative figures

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