

**County of Vermilion River
Consolidated Financial Statements**

December 31, 2017



Management's Responsibility

To the Reeve and Councillors of the County of Vermilion River:

The accompanying consolidated financial statements of the County of Vermilion River are the responsibility of management and have been approved by Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

Council is composed entirely of individuals who are neither management nor employees of the County. Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the County's external auditors.

MNP LLP is appointed by Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Council and management to discuss their audit findings.

April 24, 2018

SEVERED

Chief Administrative Officer

Independent Auditors' Report

To the Reeve and Councillors of the County of Vermilion River:

We have audited the accompanying consolidated financial statements of the County of Vermilion River, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations, change in net financial assets, cash flows, and schedules I through VII for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for 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.

Auditors' 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 an 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 auditors' 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 the 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 the audit evidence 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 the County of Vermilion River as at December 31, 2017, and the results of its operations, change in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

April 24, 2018
Leduc, Alberta

MNP LLP
Chartered Professional Accountants

County of Vermilion River
Consolidated Statement of Financial Position
As at December 31, 2017

| | 2017 | 2016 |
|---|--------------------|--------------------|
| Financial assets | | |
| Cash and equivalents (Note 2) | 5,347,641 | 6,040,436 |
| Investments (Note 3) | 37,504,723 | 34,986,769 |
| Property taxes receivable (Note 4) | 1,326,197 | 1,380,764 |
| Trade and other accounts receivable (Note 5) | 7,394,584 | 4,763,006 |
| Land held for resale | 30,805 | 30,805 |
| Debt charges recoverable (Note 6) | 3,793,952 | 4,141,830 |
| | 55,397,902 | 51,343,610 |
| Liabilities | | |
| Accounts payable and accrued liabilities (Note 7) | 3,806,365 | 5,146,315 |
| Reclamation liability | 1,322,130 | 713,507 |
| Deposit liabilities | 251,567 | 232,782 |
| Due to Alberta Central East Water Corporation | 267,605 | 878,967 |
| Deferred revenue (Note 8) | 1,078,889 | 1,548,250 |
| Long-term debt (Note 9) | 5,128,719 | 5,911,638 |
| | 11,855,275 | 14,431,459 |
| Net financial assets | 43,542,627 | 36,912,151 |
| Non-financial assets | | |
| Tangible capital assets (Schedule II) | 229,769,529 | 237,822,849 |
| Inventory for consumption (Note 10) | 5,962,048 | 5,813,038 |
| Land held for resale (Note 11) | 1,984,921 | 1,877,991 |
| Prepaid expenses | 2,993,819 | 3,036,328 |
| | 240,710,317 | 248,550,206 |
| Accumulated surplus (Schedule I) | 284,252,944 | 285,462,357 |

Contingency (Note 17)
Guarantees (Note 19)
Subsequent event (Note 20)

Approved on behalf of Council:

| | |
|---------|--------------|
| SEVERED | Reeve |
| | Deputy Reeve |

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Consolidated Statement of Operations

For the year ended December 31, 2017

| | 2017 Budget (Note 18) | 2017 | 2016 |
|---|--------------------------------------|--------------------|--------------------|
| Revenue | | | |
| Net municipal property taxes <i>(Schedule III)</i> | 24,403,090 | 24,608,652 | 26,962,309 |
| User fees and sales of goods | 10,635,390 | 10,785,971 | 9,736,518 |
| Government transfers <i>(Schedule IV)</i> | 1,941,081 | 2,034,031 | 2,125,447 |
| Interest income | 601,750 | 1,008,281 | 836,061 |
| Other | 1,197,825 | 690,054 | 456,116 |
| Fines | 495,415 | 324,440 | 521,801 |
| Penalties and costs on taxes | 100,000 | 251,096 | 264,498 |
| Sales to other governments | 2,298 | 53,299 | 54,820 |
| Rental | 31,886 | 48,788 | 65,971 |
| | 39,408,735 | 39,804,612 | 41,023,541 |
| Expenses | | | |
| Public works | 26,923,904 | 26,892,563 | 24,457,713 |
| Gas | 9,477,085 | 9,461,874 | 8,801,208 |
| Administration | 2,257,214 | 2,591,613 | 2,925,035 |
| Protective services | 1,424,612 | 1,192,177 | 1,164,031 |
| Agricultural services | 968,305 | 1,176,942 | 1,074,259 |
| Recreation and library | 708,445 | 877,602 | 820,494 |
| Planning and development | 1,379,807 | 842,044 | 1,010,688 |
| Waste management | 652,246 | 571,391 | 596,100 |
| Water supply and distribution | 521,469 | 563,841 | 479,213 |
| Legislative | 553,550 | 506,750 | 521,199 |
| Family and community support | 262,809 | 282,836 | 281,394 |
| Emergency disaster | 289,910 | 165,630 | 291,551 |
| Pest control | 160,052 | 147,463 | 129,547 |
| Environment management and rental | 292,869 | 138,201 | 218,586 |
| Water and wastewater | - | 37,228 | 34,231 |
| | 45,872,277 | 45,448,155 | 42,805,249 |
| Deficiency of revenue over expenses before other | (6,463,542) | (5,643,543) | (1,781,708) |
| Other | | | |
| Government transfers for capital <i>(Schedule IV)</i> | - | 2,869,931 | 10,836,042 |
| Other capital contributions | - | 231,837 | 517,512 |
| Gas capital | 1,100,000 | 1,332,362 | 487,463 |
| | 1,100,000 | 4,434,130 | 11,841,017 |
| Excess (deficiency) of revenue over expenses | (5,363,542) | (1,209,413) | 10,059,309 |
| Accumulated surplus, beginning of year | 285,462,357 | 285,462,357 | 275,403,048 |
| Accumulated surplus, end of year | 280,098,815 | 284,252,944 | 285,462,357 |

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2017

| | 2017 Budget (Note 18) | 2017 | 2016 |
|---|--------------------------------------|--------------------|--------------|
| Excess (deficiency) of revenue over expenses | (5,363,542) | (1,209,413) | 10,059,309 |
| Acquisition of tangible capital assets | (31,368,401) | (8,397,737) | (25,610,076) |
| Proceeds on disposal of tangible capital assets | 601,250 | 388,244 | 656,200 |
| Amortization of tangible capital assets | 14,982,000 | 16,059,806 | 15,898,169 |
| Loss on disposal of tangible capital assets | - | 3,007 | 10,388 |
| Development of land for resale | - | (106,930) | (475,848) |
| Decrease in prepaid expenses | - | 42,509 | 95,017 |
| Use (acquisition) of inventory for consumption | - | (149,010) | 359,571 |
| Increase (decrease) in net financial assets | (21,148,693) | 6,630,476 | 992,730 |
| Net financial assets, beginning of year | 36,912,151 | 36,912,151 | 35,919,421 |
| Net financial assets, end of year | 15,763,458 | 43,542,627 | 36,912,151 |

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Consolidated Statement of Cash Flows
For the year ended December 31, 2017

| | 2017 | 2016 |
|--|------------------|--------------------|
| <hr/> | | |
| Cash provided by (used for) the following activities: | | |
| Operating | | |
| Excess (deficiency) of revenue over expenses | (1,209,413) | 10,059,309 |
| Non-cash items: | | |
| Amortization of tangible capital assets | 16,059,806 | 15,898,169 |
| Loss on disposal of tangible capital assets | 3,007 | 10,388 |
| Net change in non-cash operating working capital balances: | | |
| Decrease in deferred revenue | (469,361) | (7,801,915) |
| Decrease in prepaid expenses | 42,509 | 95,017 |
| Decrease in accounts payable and accrued liabilities | (223,843) | (1,111,737) |
| Increase in trade and other accounts receivable | (2,631,578) | (424,605) |
| Decrease in property taxes receivable | 54,567 | 188,285 |
| Increase in deposit liabilities | 18,785 | 86,697 |
| Use (acquisition) of inventory for consumption | (149,010) | 359,571 |
| Increase in land held for resale | (106,930) | (475,848) |
| Increase in reclamation liability | 608,623 | 257,808 |
| Decrease in net amount due to ACE | (611,362) | (1,358,900) |
| | <hr/> | <hr/> |
| | 11,385,800 | 15,782,239 |
| <hr/> | | |
| Capital | | |
| Proceeds on disposal of tangible capital assets | 388,244 | 25,392 |
| Acquisition of tangible capital assets | (9,513,844) | (25,001,917) |
| | <hr/> | <hr/> |
| | (9,125,600) | (24,976,525) |
| <hr/> | | |
| Investing | | |
| Net change in investments | (2,517,954) | 3,423,860 |
| <hr/> | | |
| Financing | | |
| Net change in debt charges recoverable | 347,878 | (1,352,815) |
| Proceeds from long-term debt | - | 1,645,000 |
| Repayment of long-term debt | (782,919) | (722,377) |
| | <hr/> | <hr/> |
| | (435,041) | (430,192) |
| <hr/> | | |
| Decrease in cash and equivalents | (692,795) | (6,200,618) |
| <hr/> | | |
| Cash and equivalents, beginning of year | 6,040,436 | 12,241,054 |
| <hr/> | | |
| Cash and equivalents, end of year (Note 2) | 5,347,641 | 6,040,436 |
| <hr/> | | |

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Schedule I - Schedule of Changes in Accumulated Surplus

For the year ended December 31, 2017

| | <i>Unrestricted Surplus</i> | <i>Restricted Operating Reserve</i> | <i>Restricted Capital Reserve</i> | <i>Equity in Tangible Capital Assets (Note 13)</i> | <i>2017</i> | <i>2016</i> |
|---|---------------------------------|---|---|--|--------------------|--------------------|
| Balance, beginning of year | 2,998,044 | 8,624,941 | 37,786,331 | 236,053,041 | 285,462,357 | 275,403,048 |
| Excess (deficiency) of revenue over expenses | (1,209,413) | - | - | - | (1,209,413) | 10,059,309 |
| Unrestricted funds designated for future use | (8,711,887) | 3,437,090 | 5,274,797 | - | - | - |
| Restricted funds for operations | 1,090,851 | (1,090,851) | - | - | - | - |
| Restricted funds used for tangible capital assets | - | - | (1,212,170) | 1,212,170 | - | - |
| Current year funds used for tangible capital assets | (7,185,567) | - | - | 7,185,567 | - | - |
| Disposal of tangible capital assets | 391,251 | - | - | (391,251) | - | - |
| Annual amortization expense | 16,059,806 | - | - | (16,059,806) | - | - |
| Net long-term debt repaid | (435,041) | - | - | 435,041 | - | - |
| Change in accumulated surplus | - | 2,346,239 | 4,062,627 | (7,618,279) | (1,209,413) | 10,059,309 |
| Balance, end of year | 2,998,044 | 10,971,180 | 41,848,958 | 228,434,762 | 284,252,944 | 285,462,357 |

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County of Vermilion River
Schedule II - Schedule of Tangible Capital Assets
For the year ended December 31, 2017

| | Construction in progress | Land Improvements | Land | Buildings | Engineered Structures | Machinery & Equipment | Vehicles | 2017 | 2016 |
|--|-----------------------------|----------------------|---------------|------------------|--------------------------|--------------------------|------------------|--------------------|--------------------|
| Cost: | | | | | | | | | |
| Balance, beginning of year | 13,939,692 | 5,316,977 | 90,251 | 6,606,735 | 497,315,857 | 26,911,447 | 7,563,754 | 557,744,713 | 533,690,292 |
| Acquisition of tangible capital assets | 27,603 | - | - | - | 7,412,685 | 498,918 | 458,531 | 8,397,737 | 25,610,076 |
| Disposal of tangible capital assets | (13,939,692) | - | - | - | 13,939,692 | (532,626) | (238,496) | (771,122) | (1,555,655) |
| Balance, end of year | 27,603 | 5,316,977 | 90,251 | 6,606,735 | 518,666,234 | 26,877,739 | 7,783,789 | 565,371,328 | 557,744,713 |
| Accumulated amortization: | | | | | | | | | |
| Balance, beginning of year | - | - | 17,950 | 2,031,722 | 304,774,247 | 9,652,576 | 3,445,369 | 319,921,864 | 304,912,762 |
| Annual amortization | - | - | 3,753 | 135,605 | 13,185,444 | 2,165,162 | 569,842 | 16,059,806 | 15,898,169 |
| Accumulated amortization on disposals | - | - | - | - | - | (184,846) | (195,025) | (379,871) | (889,067) |
| Balance, end of year | - | - | 21,703 | 2,167,327 | 317,959,691 | 11,632,892 | 3,820,186 | 335,601,799 | 319,921,864 |
| Net book value | 27,603 | 5,316,977 | 68,548 | 4,439,408 | 200,708,543 | 15,244,847 | 3,963,603 | 229,769,529 | 237,822,849 |
| 2016 net book value | 13,939,692 | 5,316,977 | 72,301 | 4,575,013 | 192,541,610 | 17,258,871 | 4,118,385 | 237,822,849 | |

During the year, tangible capital assets were acquired at an aggregate cost of \$8,397,737 (2016 - \$25,610,076), of which there was \$39,186 (2016 - \$1,155,293) in accounts payable at year end and \$nil (2016 - \$647,500) of a non-cash trade in of equipment; the remaining \$9,513,844 (2016 - \$25,001,917) was acquired by cash. Proceeds on disposal of tangible capital assets is made up of \$388,244 (2015 - \$25,392) of cash and \$nil (2016 - \$647,500) of direct trade in of equipment.

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Schedule III - Schedule of Property Taxes Levied

For the year ended December 31, 2017

| | 2017 Budget (Note 18) | 2017 | 2016 |
|--|--------------------------------------|--------------------|-------------|
| Taxation | | | |
| Real property taxes | 29,971,574 | 17,155,773 | 17,487,017 |
| Linear property taxes | - | 12,960,572 | 15,021,064 |
| Special assessments | 2,432,490 | 2,493,281 | 2,395,980 |
| | 32,404,064 | 32,609,626 | 34,904,061 |
| Requisitions | | | |
| Alberta Schools Foundation Fund | 8,000,974 | 8,000,974 | 7,941,752 |
| Net municipal property taxes | 24,403,090 | 24,608,652 | 26,962,309 |
| Less special levies | (2,432,490) | (2,504,423) | (2,407,122) |
| Net municipal property taxes for general purposes | 21,970,600 | 22,104,229 | 24,555,187 |

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Schedule IV - Schedule of Government Transfers
For the year ended December 31, 2017

| | 2017 Budget (Note 18) | 2017 | 2016 |
|-----------------------------------|--------------------------------------|------------------|-------------|
| Operating | | | |
| Provincial | 1,941,081 | 2,034,031 | 2,125,447 |
| Capital | | | |
| Provincial | - | 2,430,944 | 10,398,484 |
| Federal | - | 438,987 | 437,558 |
| | - | 2,869,931 | 10,836,042 |
| Total government transfers | 1,941,081 | 4,903,962 | 12,961,489 |

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Schedule V - Consolidated Schedule of Expenses by Object
For the year ended December 31, 2017

| | 2017 Budget (Note 18) | 2017 | 2016 |
|---|--------------------------------------|-------------------|------------|
| Amortization | 14,982,000 | 16,059,806 | 15,898,169 |
| Materials, goods and utilities | 10,321,829 | 9,814,800 | 8,861,269 |
| Salaries, wages and benefits | 9,708,968 | 9,213,226 | 8,804,958 |
| Contracted and general services | 8,946,705 | 8,111,070 | 6,851,469 |
| Grants to other governments and organizations | 877,365 | 1,127,213 | 813,154 |
| Transfers to local boards and agencies | 539,121 | 528,106 | 529,379 |
| Transfers to individuals and organizations | 347,216 | 364,546 | 353,401 |
| Interest on long-term debt | 140,445 | 135,543 | 134,312 |
| Provision for allowances | 4,060 | 86,185 | 542,494 |
| Bank charges and short-term interest | 4,568 | 4,653 | 6,256 |
| Loss on sale of tangible capital assets | - | 3,007 | 10,388 |
| | 45,872,277 | 45,448,155 | 42,805,249 |

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Schedule VI - Schedule of Segmented Disclosure
For the year ended December 31, 2017

| | General Government | Legislative & Administrative | Public Works | Environmental Services | Protective Services | Public Health & Welfare | Agricultural Services | Recreation and Library | Environment & Planning | Gas | Total |
|--|--------------------|------------------------------|---------------------|------------------------|---------------------|-------------------------|-----------------------|------------------------|------------------------|-------------------|--------------------|
| Revenue | | | | | | | | | | | |
| Net municipal property taxes | 22,115,371 | - | - | 635,133 | 957,082 | - | - | 901,066 | - | - | 24,608,652 |
| User charges and sales of goods | - | 16,305 | 944,629 | 514,662 | 260,080 | - | 42,114 | - | 70,354 | 8,937,827 | 10,785,971 |
| Government transfers | - | 212,972 | 3,476,421 | 21,189 | 303,172 | 232,316 | 603,392 | 9,500 | 45,000 | - | 4,903,962 |
| Gas capital | - | - | - | - | - | - | - | - | - | 1,332,362 | 1,332,362 |
| Interest income | 754,665 | - | - | - | - | - | - | 8,828 | 142,071 | 102,717 | 1,008,281 |
| Other | 574,897 | 37,836 | - | 3,426 | 571 | - | 13,634 | 47,341 | 230,449 | 12,349 | 690,054 |
| Fines | - | - | - | 5,654 | 88,337 | - | - | - | - | - | 324,440 |
| Penalties and costs on taxes | 251,096 | - | - | - | - | - | - | - | - | - | 251,096 |
| Other capital contributions | - | - | 231,837 | - | - | - | - | - | - | - | 231,837 |
| Sales to other governments | 47,779 | - | - | - | 4,695 | - | - | - | 825 | - | 53,299 |
| Rental | - | - | - | - | 6,150 | - | - | 3,000 | 39,638 | - | 48,788 |
| | 23,743,808 | 257,113 | 4,652,887 | 1,180,064 | 1,620,087 | 232,316 | 659,140 | 922,394 | 575,678 | 10,385,255 | 44,238,742 |
| Expenses | | | | | | | | | | | |
| Materials, goods, and utilities | - | 91,503 | 3,764,506 | 106,898 | 178,295 | 24,411 | 205,968 | - | 3,549 | 5,439,670 | 9,814,800 |
| Salaries, wages, and benefits | - | 1,287,305 | 4,085,863 | 229,534 | 504,882 | 21,936 | 343,615 | - | 578,186 | 2,161,905 | 9,213,226 |
| Contracted and general services | - | 1,371,371 | 4,767,970 | 771,813 | 388,609 | 4,173 | 230,644 | 268,441 | 374,510 | 629,539 | 8,111,070 |
| Grants to other governments and organizations | - | 47,249 | 39,202 | 570,141 | 144,610 | - | 326,011 | - | - | - | 1,127,213 |
| Transfers to local boards and agencies | - | - | - | - | - | - | - | 528,106 | - | - | 528,106 |
| Transfers to individuals and organizations | - | 10,000 | 25,000 | - | 58,730 | 232,316 | - | 12,500 | 26,000 | - | 364,546 |
| Interest on long-term debt | - | 47,445 | - | 19,543 | - | - | - | 68,555 | - | - | 135,543 |
| Provision for allowances | - | 85,071 | - | - | - | - | - | - | - | 1,114 | 86,185 |
| Bank charges and short-term interest | - | 4,653 | - | - | - | - | - | - | - | - | 4,653 |
| Loss (gain) on sale of tangible capital assets | - | - | 41,539 | - | - | - | (4,820) | - | - | (33,712) | 3,007 |
| | - | 2,944,597 | 12,724,080 | 1,003,929 | 1,275,126 | 282,836 | 1,101,418 | 877,602 | 980,245 | 8,198,516 | 29,388,349 |
| Net revenue, before amortization | 23,743,808 | (2,677,484) | (8,071,193) | 176,135 | 344,961 | (50,520) | (442,278) | 44,792 | (404,567) | 2,186,739 | 14,850,393 |
| Amortization | - | 153,765 | 14,168,484 | 168,531 | 230,144 | - | 75,523 | - | - | 1,263,359 | 16,059,806 |
| Transfers between departments | - | (167,200) | 4,193 | 48,637 | 5,400 | 17,032 | (1,200) | - | (57,263) | 150,401 | - |
| Net revenue | 23,743,808 | (2,998,449) | (22,235,484) | 56,241 | 120,217 | (33,488) | (519,001) | 44,792 | (461,830) | 1,073,781 | (1,209,413) |

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Schedule VII - Schedule of Gas Gross Profit and Sales Volume
For the year ended December 31, 2017

| Gross profit | 2017 | | | | | |
|-----------------------------|-----------|-------|---------------|-------|--------------|-------|
| | Sales | | Cost of Sales | | Gross Profit | |
| | \$ | \$/GJ | \$ | \$/GJ | \$ | \$/GJ |
| Residential and farm | 2,762,212 | 3.87 | 1,938,083 | 2.71 | 824,129 | 1.15 |
| Industrial - transportation | 601,700 | 0.35 | - | - | 601,700 | 0.35 |
| Industrial - sale of gas | 3,863,687 | 3.20 | 3,106,776 | 2.58 | 756,911 | 0.63 |
| | 7,227,599 | | 5,044,859 | | 2,182,740 | |

| Gross profit | 2016 | | | | | |
|-----------------------------|-----------|-------|---------------|-------|--------------|-------|
| | Sales | | Cost of Sales | | Gross Profit | |
| | \$ | \$/GJ | \$ | \$/GJ | \$ | \$/GJ |
| Residential and farm | 2,351,772 | 3.68 | 1,603,929 | 2.51 | 747,843 | 1.17 |
| Industrial - transportation | 518,768 | 0.34 | - | - | 518,768 | 0.34 |
| Industrial - sale of gas | 3,436,945 | 3.01 | 2,806,609 | 2.46 | 630,336 | 0.55 |
| | 6,307,485 | | 4,410,538 | | 1,896,947 | |

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

1. Significant accounting policies

The consolidated financial statements of the County of Vermilion River (the "County") are the representations of management prepared in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of CPA Canada. Significant aspects of the accounting policies adopted by the County are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue, expenses, and changes 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 County and are, therefore, accountable to County Council for the administration of their financial affairs and resources, including Family and Community Support Services.

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

The consolidated financial statements exclude trust assets that are administered for the benefit of external parties.

Basis of accounting

The consolidated 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.

Measurement uncertainty (use of estimates)

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

Trade and other accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Gravel inventory is valued using calculations which have some estimation involved. The reclamation liability is an estimated cost to bring the gravel pit site back to its original condition prior to mining.

Cash and equivalents

Cash and equivalents include balances with banks and short-term investments with maturities of three months or less.

1. Significant accounting policies *(continued)*

Investments

Investments are recorded at cost. Investment premiums and discounts are amortized 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.

Tax sale proceeds

Tax sale proceeds and the associated liabilities consist of the excess funds collected on the sale of seized properties put up for tax auction after outstanding property taxes were recovered. Under the *Municipal Government Act*, the County is required to hold these funds for up to 10 years and attempt to disperse them to the former property owners.

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 un-matured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

Property tax requisition over-levy and under-levy

Over-levies and under-levies arise from the difference between the actual 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.

Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the County is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2017.

At each financial reporting date, the County reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The County continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

1. Significant accounting policies *(continued)*

Revenue recognition

i. 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.

The County recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the County recognizes revenue as the liability is settled.

ii. Tax revenue

The County recognizes taxes as assets and revenue when they meet the definition of an asset, are authorized by Council, and the taxable event has occurred. Tax revenue is initially measured at management's best estimate of the amount resulting from the original taxable event in accordance with legislation. The related tax receivable is initially recognized at its realizable value at the date of acquisition. At each financial statement date, the County evaluates the tax receivable for collectibility and records a valuation allowance to reflect the tax receivable at its net recoverable amount, if necessary.

iii. Fines

Traffic fine revenue is recorded as cash is received, which is not materially different than recording such revenue on an accrual basis.

iv. Other revenue

Other sources of revenue are recorded when received or receivable.

Non-financial assets

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations.

1. Significant accounting policies *(continued)*

Non-financial assets *(continued)*

i. 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:

| | |
|--|-------------|
| Land improvements | 15-30 years |
| Buildings | 10-50 years |
| Engineered structures, roads and bridges | 10-75 years |
| Machinery and equipment | 5-25 years |
| Vehicles | 5-25 years |

Amortization is not charged in the year of acquisition and disposal. Assets under construction are not amortized until the asset is available for productive use. The net book value of assets under construction in the current year is \$27,603 (2016 - \$13,939,692).

ii. Contributions of tangible capital assets

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

iii. Inventories

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

iv. Prepaid expenses

Prepaid expenses include pre-payments on goods and services which will be utilized in the following fiscal year.

v. Land for resale

Land for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisitions 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 tangible capital assets under the respective function.

Segments

The County conducts its business through a number of reportable segments. These operating segments are established by senior management to facilitate the achievement of the County's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2017

1. Significant accounting policies *(continued)*

Pensions

The County participates in a multi-employer defined benefit pension plan. The plan is accounted for as a defined contribution plan.

2. Cash and equivalents

| | 2017 | 2016 |
|-----------------------|------------------|-------------|
| Cash | 4,900,603 | 3,763,757 |
| Temporary investments | 447,038 | 2,276,679 |
| | 5,347,641 | 6,040,436 |

Temporary investments have an effective interest rate of 3.97% (2016 - 1.40%) and mature in three months or less.

3. Investments

| | 2017 | | 2016 | |
|------------------------------------|-------------------|---------------------|-------------|---------------------|
| | Cost | Market Value | Cost | Market Value |
| Government bonds | 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 |
| Protected note | 1,000,000 | 1,049,000 | 1,000,000 | 1,022,600 |
| Guaranteed investment certificates | 32,288,395 | 32,288,395 | 29,774,242 | 29,774,242 |
| Other | 216,328 | 216,328 | 212,527 | 212,527 |
| | 37,504,723 | 37,553,723 | 34,986,769 | 35,009,369 |

Government bonds have effective interest rates of 2.30% to 2.85% (2016 - 2.58% to 9.98%) with maturity dates from June 30, 2019 to March 30, 2022. The protected note matures on January 24, 2022 and will earn 4.80% interest at that date. Guaranteed investment certificates have effective interest rates of 1.82% to 3.45% (2016 - 1.30% to 3.45%) with maturity dates from February 2018 to November 2018. Other investments include Gas Alberta and Credit Union shares and equity in United Farmers of Alberta and AAMDC.

4. Property taxes receivable

| | 2017 | 2016 |
|--------------------------------------|------------------|-------------|
| Current taxes | 883,475 | 907,183 |
| Arrears taxes | 835,469 | 826,962 |
| | 1,718,944 | 1,734,145 |
| Less allowance for doubtful accounts | (392,747) | (353,381) |
| | 1,326,197 | 1,380,764 |

County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2017

5. Trade and other accounts receivable

| | <i>2017</i> | <i>2016</i> |
|-----------------------------|------------------|-------------|
| Trade and other receivables | 4,246,668 | 3,023,281 |
| Due from governments | 3,147,916 | 1,739,725 |
| | 7,394,584 | 4,763,006 |

6. Debt charges recoverable

The County has assisted various organizations in expansions and upgrades. As at December 31, 2017 the following amounts are outstanding:

Vermilion and District Housing Foundation

Three debentures totaling \$1,322,694 (2016 - \$1,486,809) plus interest at an average rate of 2.84% (2016 - 2.84%), recoverable in semi-annual blended instalments of \$211,983 (2016 - \$203,888), maturing in periods 2019 through 2036.

Village of Dewberry

One debenture of \$1,281,037 (2016 - \$1,360,808) plus interest of 2.351% (2016 - 2.351%) is recoverable through special tax levies of \$111,297 annually and matures in 2031.

Village of Marwayne

One debenture of \$567,297 (2016 - \$627,800) plus interest of 3.488% (2016 - 3.488%) is recoverable through special tax levies of \$81,878 annually and matures in 2025.

Village of Paradise Valley

One debenture of \$622,924 (2016 - \$666,413) plus interest of 2.676% (2016 - 2.676%) is recoverable through special tax levies of \$61,034 annually and matures in 2029.

| | <i>Principal</i> | <i>Interest</i> | <i>Total</i> |
|-------------|------------------|-----------------|------------------|
| 2018 | 360,777 | 105,326 | 466,103 |
| 2019 | 308,529 | 91,890 | 400,419 |
| 2020 | 251,484 | 83,248 | 334,732 |
| 2021 | 258,604 | 76,128 | 334,732 |
| 2022 | 265,931 | 68,802 | 334,733 |
| To maturity | 2,348,627 | 325,081 | 2,673,708 |
| | 3,793,952 | 750,475 | 4,544,427 |

County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2017

7. Accounts payable

| | <i>2017</i> | <i>2016</i> |
|--|------------------------------|-----------------------|
| Accounts payable and accrued liabilities | 3,613,708 | 4,908,114 |
| Vacation and overtime accruals | 192,657 | 238,201 |
| | <hr/> 3,806,365 <hr/> | <hr/> 5,146,315 <hr/> |

8. Deferred revenue

| | <i>2017</i> | <i>2016</i> |
|--|------------------------------|-----------------------|
| Other | 339,473 | 100,434 |
| Wetlands Restoration | 261,013 | 328,224 |
| Husky Oil | 200,000 | 200,000 |
| Alberta Community Partnership - Enforcement | 188,403 | 350,000 |
| Alberta Community Partnership - Governance | 50,000 | - |
| Alberta Community Partnership - Regional Collaboration | 40,000 | 57,500 |
| Municipal Sustainability Initiative - capital | - | 512,092 |
| | <hr/> 1,078,889 <hr/> | <hr/> 1,548,250 <hr/> |

Included in the County's deferred revenue are government transfers and grant revenue which are restricted to eligible projects as approved under the funding agreements.

County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2017

9. Long-term debt

| | <i>2017</i> | <i>2016</i> |
|---|------------------|------------------|
| Blackfoot Development | 1,334,767 | 1,769,808 |
| Village of Dewberry | 1,281,037 | 1,360,808 |
| Vermilion and District Housing Foundation | 904,890 | 942,973 |
| Village of Paradise Valley | 622,924 | 666,413 |
| Village of Marwayne | 567,297 | 627,800 |
| Vermilion and District Housing Foundation | 230,906 | 240,366 |
| Vermilion and District Housing Foundation | 186,898 | 303,470 |
| | 5,128,719 | 5,911,638 |

Payments of interest and principal are due as follows:

| | <i>Principal</i> | <i>Interest</i> | <i>Total</i> |
|-------------|------------------|-----------------|------------------|
| 2018 | 800,722 | 119,096 | 919,818 |
| 2019 | 753,431 | 100,701 | 854,132 |
| 2020 | 701,403 | 87,044 | 788,447 |
| 2021 | 258,604 | 76,218 | 334,822 |
| 2022 | 265,931 | 68,802 | 334,733 |
| To maturity | 2,348,628 | 325,081 | 2,673,709 |
| | 5,128,719 | 776,942 | 5,905,661 |

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 1.12% to 5.39% (2016 - 1.12% to 5.39%) per annum and mature in periods 2019 through 2036. The average annual interest rate is 2.94% (2016 - 2.94%). Debenture debt is issued on the credit and security of the County at large.

The County's cash payments for interest in 2017 were \$136,898 (2016 - \$133,785).

10. Inventory for consumption

| | <i>2017</i> | <i>2016</i> |
|------------------|------------------|------------------|
| Gravel inventory | 4,411,386 | 4,477,273 |
| Shop inventory | 1,550,662 | 1,335,765 |
| | 5,962,048 | 5,813,038 |

11. Land for resale

Land for resale includes land that the County intends to sell in the future. It is presented as a non-financial asset as it does not meet the criteria of a tangible capital asset or a financial asset held for sale.

County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2017

12. Debt limits

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits as defined by Alberta Regulation 255/00 for the County be disclosed as follows:

| | 2017 | 2016 |
|---------------------------------------|-------------------|-------------|
| Total debt limit | 60,054,674 | 62,311,580 |
| Total debt | 5,128,719 | 5,911,638 |
| <hr/> | | |
| Amount of debt limit unused | 54,925,955 | 56,399,942 |
| <hr/> | | |
| Service on debt limit | 10,009,112 | 10,385,263 |
| Service on debt | 919,818 | 261,419 |
| <hr/> | | |
| Amount of debt servicing limit unused | 9,089,294 | 10,123,844 |
| <hr/> | | |

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

13. Equity in tangible capital assets

| | 2017 | 2016 |
|---|----------------------|---------------|
| Tangible capital assets (<i>Schedule II</i>) | 565,371,328 | 557,744,713 |
| Accumulated amortization (<i>Schedule II</i>) | (335,601,799) | (319,921,864) |
| Debt charges recoverable (<i>Note 6</i>) | 3,793,952 | 4,141,830 |
| Long-term debt (<i>Note 9</i>) | (5,128,719) | (5,911,638) |
| <hr/> | | |
| | 228,434,762 | 236,053,041 |
| <hr/> | | |

County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2017

14. Salary and benefits disclosure

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer ("CAO") and designated officers as required by Alberta Regulation 313/2000 is as follows:

| | Salary/ remuneration | Benefits & allowances | 2017 | 2016 |
|------------------------------------|---------------------------------|--------------------------------------|-------------|-------------|
| Reeve | 51,130 | 10,666 | 61,796 | 83,549 |
| Reeve | 13,976 | 991 | 14,967 | - |
| Councilor Division 1 | 28,342 | 6,432 | 34,774 | 62,912 |
| Councilor Division 1 | 10,829 | 1,602 | 12,431 | - |
| Councilor Division 3 | 51,467 | 7,138 | 58,605 | 54,600 |
| Councilor Division 4 | 47,281 | 7,009 | 54,290 | 46,477 |
| Councilor Division 5 | 34,698 | 2,834 | 37,532 | 49,799 |
| Councilor Division 5 | 10,340 | 1,577 | 11,917 | - |
| Councilor Division 6 | 44,994 | 9,933 | 54,927 | 72,065 |
| Councilor Division 6 | 10,503 | 748 | 11,251 | - |
| Councilor Division 7 | 38,512 | 5,497 | 44,009 | 54,415 |
| Councilor Division 7 | 11,644 | 1,264 | 12,908 | - |
| CAO | 167,750 | 32,702 | 200,452 | 184,805 |
| Development Officer | 108,075 | 23,776 | 131,851 | 128,229 |
| Agriculture Fieldman 1 | 106,271 | 23,478 | 129,749 | 55,103 |
| Fire Protection Officer (0.75 FTE) | 84,195 | 6,855 | 91,050 | 88,638 |
| Agriculture Fieldman 2 | - | - | - | 46,888 |

Salary/remuneration includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

Benefits and allowances includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

15. Local Authorities Pension Plan

Employees of the County participate in the Local Authorities Pension Plan ("LAPP"), which is one of the plans covered by the *Alberta Public Sector Pension Plans Act*. The LAPP serves approximately 253,862 people and 417 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenses in the year in which they become due.

The County 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. Employees of the County are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the County to the LAPP in 2017 were \$771,135 (2016 - \$795,221). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2017 were \$710,735 (2016 - \$732,681).

At December 31, 2016, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial deficiency of \$637,357,000 (2015 - \$923,416,000).

16. Segments

The County provides a range of services to its ratepayers. For each reported segment, the revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

Refer to Schedule VI - Schedule of Segmented Disclosure.

17. Contingency

The County is a member of a the Genesis Reciprocal Insurance Exchange ("GRIE") to cover its liability insurance needs. GRIE was previously referred to as Jubilee Reciprocal Insurance Exchange ("JRIE"). A statement of claim was filed in 2004 by some of the previous subscribers of JRIE. The statement of claim requests the return of surplus funds. Under the terms of the membership, the County 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.

18. Budget information

The disclosed budget information has been approved by Council. Included in the approved budget is transfers from operating and capital reserves, acquisition of tangible capital assets, and transfers between departments that are not included on the consolidated statement of operations.

19. Guarantees

The County has guaranteed a line of credit of \$350,000 for the Vermilion District Housing Foundation.

20. Subsequent event

Subsequent to year end, the County purchased land for the development of a new administration building.

21. Comparative figures

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