



Wilde and Company

Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Reeve and Council of County of Vermilion River

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of County of Vermilion River, which comprise the statement of financial position as at December 31, 2013, the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of County of Vermilion River as at December 31, 2013, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Vegreville, AB
April 22, 2014

Wilde and Company
Chartered Accountants

COUNTY OF VERMILION RIVER
Consolidated Statement of Financial Position
As at December 31, 2013

	2013	2012
Financial Assets		
Cash and temporary investments (Note 4)	\$ 34,499,896	\$ 26,248,138
Receivables		
Taxes and grants in place of taxes receivable (Note 5)	646,121	696,566
Due from governments	459,057	783,862
Trade and other receivables	7,513,855	3,762,409
Debt charges recoverable (Note 6)	619,895	714,135
Due from Alberta East Central Water Corporation (Note 16)	271,038	2,615,008
Land held for resale	208,922	543,144
Investments (Note 7)	5,291,326	3,224,824
	49,510,110	38,588,086
Liabilities		
Accounts payable and accrued liabilities	5,783,552	5,568,743
Deposit liabilities	41,187	43,316
Deferred revenue (Note 8)	7,486,829	5,578,693
Long term debt (Note 9)	1,415,458	1,562,388
	14,727,026	12,753,140
Net Financial Assets (Debt)	34,783,084	25,834,946
Non-Financial Assets		
Tangible capital assets (Schedule 2)	215,810,327	218,462,452
Inventory for consumption	6,962,216	6,985,177
Prepaid expenses	346,436	523,817
	223,118,979	225,971,446
Accumulated Surplus (Schedule 1)	\$ 257,902,063	\$ 251,806,392

Commitments (Note 16)

Contingencies (Note 17)

COUNTY OF VERMILION RIVER
Consolidated Statement of Operations
Year Ended December 31, 2013

	Budget (Unaudited)	2013	2012
Revenue			
Net municipal taxes (Schedule 3)	\$ 21,779,610	\$ 21,900,508	\$ 17,953,487
Special levies for specified municipal purposes	1,978,445	2,731,528	2,092,638
Sales to other governments	5,513	4,468	211,725
User fees and sales of goods (Schedule 7 - gas sales)	15,104,047	15,779,427	11,289,453
Government transfers for operating (Schedule 4)	2,646,132	2,504,593	1,733,762
Investment income	371,000	1,291,818	613,459
Penalties and costs on taxes	85,000	157,018	138,674
Rentals	29,900	62,481	51,666
Licenses, permits and fines	58,690	28,594	37,163
Gain on disposal of tangible capital assets	-	173,937	13,770
Other	398,853	515,267	486,303
	42,457,190	45,149,639	34,622,100
Expenses			
Administration and legislative	2,887,356	2,503,590	2,358,062
Protective Services	1,134,593	907,339	1,033,367
Emergency and disaster services	192,247	144,602	172,483
Bylaw enforcement	142,830	128,777	134,665
Roads, streets, walks, lighting	23,412,732	23,187,229	20,706,178
Water and wastewater expenditures	452,312	433,261	546,646
Waste management	521,894	565,780	511,974
Family and community support	231,995	215,375	230,903
Cemetery	1,000	1,000	1,000
Land use planning, zoning and development	1,007,374	925,677	885,300
Economic and agricultural development	868,601	845,625	754,431
Subdivision land and development	1,094,190	828,478	1,171,166
Parks and recreation	588,433	506,271	517,492
Culture	85,024	85,024	81,390
Gas	10,554,341	13,664,998	8,375,391
Other	-	37,127	42,217
	43,174,922	44,980,153	37,522,665
Excess (deficiency) of revenue over expenses - before other	(717,732)	169,486	(2,900,565)
Other			
Government transfers for capital (Schedule 4)	5,147,104	1,553,143	1,586,719
Other capital contributions	2,281,855	4,373,042	2,326,240
Excess (deficiency) of revenues over expenses	6,711,227	6,095,671	1,012,394
Accumulated surplus - beginning of the year	251,806,392	251,806,392	250,793,998
Accumulated surplus - end of the year	\$ 258,517,619	\$ 257,902,063	\$ 251,806,392

COUNTY OF VERMILION RIVER
Consolidated Statement of Change in Net Financial Assets (Debt)
Year Ended December 31, 2013

	Budget (Unaudited)	2013	2012
Excess (deficiency) of revenues over expenses	\$ 6,711,227	\$ 6,095,671	\$ 1,012,394
Acquisition of tangible capital assets	(7,293,600)	(11,648,979)	(7,674,654)
Proceeds on disposal of tangible capital assets	729,333	796,950	289,685
Amortization of tangible capital assets	12,393,424	13,678,091	10,375,595
(Gain) loss on sale of tangible capital assets	(5,000)	(173,937)	104,658
	5,824,157	2,652,125	3,095,284
Use (acquisition) of supplies inventories	-	22,961	105,056
Use (acquisition) of prepaid assets	-	177,381	(237,332)
	-	200,342	(132,276)
(Increase) Decrease in net debt	12,535,384	8,948,138	3,975,402
Net Financial Assets (Debt), beginning of year	25,834,946	25,834,946	21,859,544
Net Financial Assets (Debt), end of year	\$ 38,370,330	\$ 34,783,084	\$ 25,834,946

COUNTY OF VERMILION RIVER
Consolidated Statement of Cash Flows
Year Ended December 31, 2013

	2013	2012
Operating		
Excess (deficiency) of revenue over expenses	\$ 6,095,671	\$ 1,012,394
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	13,678,091	10,375,595
(Gain) loss on disposal of tangible capital assets	(173,937)	104,658
Net changes in non-cash charges to operation		
Decrease (increase) in taxes and grants in lieu receivable	50,445	(295,551)
Decrease in government receivables	324,805	300,965
Increase in trade and other receivables	(3,751,446)	(574,467)
Decrease in land held for resale	334,222	211,661
Decrease (increase) in prepaid expenses	177,381	(237,332)
Decrease in debt charges recoverable	94,240	89,575
Decrease in inventory for consumption	22,961	105,056
Increase in accounts payable and accrued liabilities	214,809	97,595
Increase (decrease) in net amount due to Alberta Central East Water Corp.	2,343,970	(9,049,015)
Increase in deposit liabilities and deferred revenues	1,906,007	1,796,478
<i>Cash provided by operating transactions</i>	21,317,219	3,937,612
Capital		
Acquisition of tangible capital assets	(11,648,979)	(7,674,654)
Proceeds from sale of tangible capital assets	796,950	289,685
<i>Cash applied to capital transactions</i>	(10,852,029)	(7,384,969)
Investing		
Decrease (increase) in restricted cash or cash equivalents	(2,386,208)	4,583,559
Decrease (increase) in investments	(2,066,502)	1,021,488
<i>Cash provided by investing transactions</i>	(4,452,710)	5,605,047
Financing		
Long term debt repaid - operating	(146,930)	(140,261)
<i>Cash used in financing transactions</i>	(146,930)	(140,261)
Change in cash and cash equivalents during the year	5,865,550	2,017,429
Cash and cash equivalents, beginning of year	20,669,446	18,652,017
Cash and cash equivalents, end of year	\$ 26,534,996	\$ 20,669,446
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 4)	34,499,896	26,248,138
Less: restricted portion of cash and temporary investments (Note 4)	(7,964,900)	(5,578,692)
	\$ 26,534,996	\$ 20,669,446

See accompanying notes

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

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 Canadian Institute of Chartered Accountants. 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 expenditures, 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 municipality 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. Property tax revenue is recognized when the tax is levied.

Use of estimates

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

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COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

1. Significant accounting policies (*continued*)

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in 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 one year.

Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Debt charges recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long term debt, less actuarial requirements for the retirement of any sinking fund debentures.

Requisition over-levy and under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

Inventories for resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

Prepaid local improvement charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality and are recorded as revenue to match capital project costs incurred.

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COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

1. Significant accounting policies *(continued)*

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.

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COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

1. Significant accounting policies *(continued)*

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

a) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Land improvements	15-20
Buildings	25-50
Engineered structures	
Gas	10-50
Road and sidewalk structures	30-40
Water system	45-75
Wastewater system	45-75
Machinery and equipment	5-40
Vehicles	5-25

Annual amortization commences in the year after purchase or in the year the asset is put into use. Amortization is recorded in the year of disposal if the asset is not already fully amortized. Assets under construction are not amortized until the asset is available for productive use.

b) Contributions of tangible capital assets

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

c) Leases

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

d) Inventories

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

e) Cultural and historical tangible capital assets

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

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

2. Adoption of recent accounting pronouncements

The following accounting standards have been issued by the Canadian Institute of Chartered Accountants (CICA). These sections are effective for fiscal periods beginning on or after April 1, 2012 and have been applied retrospectively.

Section PS 3410 – Government Transfers

This section establishes standards on how to account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective. There was no significant effect of adopting this accounting policy on the current period financial results. This standard was adopted as it was issued by the Canadian Institute of Chartered Accountants (CICA).

Section PS 3510 – Tax Revenue

This new standard establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in financial statements. There was no significant effect of adopting this accounting policy on the current period financial results. This standard was adopted as it was issued by the Canadian Institute of Chartered Accountants (CICA).

3. Recent accounting pronouncements published but not yet adopted

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

Section PS 3260 – Liability for Contaminated Sites

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

Section PS 3450 - Financial Instruments

The new section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. In conjunction with this new section, section PS 1201, section PS 2601 and section 3041 have been amended as a consequence of the introduction of new financial instruments standards. These amendments were required to present the associated gains and losses with financial instruments recognized under the new section. The new section and the related amendments are effective for fiscal periods beginning on or after April 1, 2016.

For government organizations, as defined in section PS 1300, the new section and the related amendments are effective for fiscal periods beginning on or after April 1, 2012.

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

4. Cash and temporary investments	2013	2012
Cash	\$ (872,066)	\$ 66,363
Temporary investments	35,371,962	26,181,775
	\$ 34,499,896	\$ 26,248,138

Temporary investments have effective interest rates of 1.3% to 2.12% (2012 - 1.3% to 2.5%) and mature on a regular monthly basis during the 2014 year.

Included in temporary investments is a restricted amount of \$7,486,829 (2012 – \$5,578,692) for funds received from Alberta Transportation, Municipal Affairs and other sources held exclusively for capital and other externally approved projects.

5. Taxes and grants in place of taxes receivable	2013	2012
Current taxes and grants in place of taxes	\$ 623,011	\$ 623,902
Arrears taxes	182,912	201,564
	805,923	825,466
Less: allowance for doubtful accounts	(159,802)	(128,900)
	\$ 646,121	\$ 696,566

6. Debt charges recoverable	2013	2012
Current debt charges recoverable	\$ 99,388	\$ 94,243
Non-current debt charges recoverable	518,822	618,209
	618,210	712,452
	-	
Accrued interest on debt charges recoverable	1,685	1,683
	\$ 619,895	\$ 714,135

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COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

6. Debt charges recoverable (*continued*)

Principal and interest repayment terms are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 99,388	\$ 31,982	\$ 131,370
2015	104,814	26,556	131,370
2016	110,537	20,834	131,371
2017	116,572	14,799	131,371
2018	122,936	8,435	131,371
Thereafter	63,963	1,723	65,686
	<u>\$ 618,210</u>	<u>\$ 104,329</u>	<u>\$ 722,539</u>

In 2004, the municipality undertook a joint project to assist the Vermilion and District Housing Foundation with the funding of a senior citizen's lodge. The County assumed long term financing totaling \$1,340,000 in relation to the project. The full principal amount plus interest at 5.387% is recoverable from the Vermilion and District Housing Foundation in blended semi-annual instalments of \$65,685 and matures June 15th, 2019.

In the event the Vermilion and District Housing Foundation is unable to meet the annual payment, the municipality will levy a mill rate on the assessed value of all lands and improvements shown on the assessment roll sufficient to provide an annual tax to pay the principal and interest due.

7. Investments

	<u>2013 Cost</u>	<u>2012 Cost</u>
Gas Alberta Class A common shares	\$ 1,123	\$ 1,021
Gas Alberta debenture receivable	97,500	97,500
AAMD&C equity and shares	4,697	4,697
Credit Union shares	95,259	91,606
Guaranteed investment certificates	5,092,747	3,030,000
	<u>\$ 5,291,326</u>	<u>\$ 3,224,824</u>

Under an agreement with Gas Alberta, the municipality is required to invest in Gas Alberta shares and provide a debenture to Gas Alberta for initial operating capital. The debenture is non-interest bearing. The current agreement, dated July 2006, is in effect until notification by either party of a request to terminate. The request to terminate must be provided in writing five years in advance of the expected termination date.

The guaranteed investment certificates have effective interest rates of 2.45% to 3.00% (2012 - 2.12% to 3.0%) with maturity dates from October 15, 2015 to October 16, 2018.

Council has designated funds of \$36,721,274 (2012 - \$28,035,706) for reserves. Cash, temporary investments and receivables are designated to support the reserves (Note 4).

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

8. Deferred revenue

	2013	2012
AB Infrastructure - Alberta Municipal Infrastructure program	\$ -	\$ 334,136
AB Infrastructure - New Deal for Cities program	-	13,100
Federal Gas tax	655,524	(3,861)
AB Infrastructure - Street Improvement program	5,432	5,432
AB Infrastructure - Municipal Sustainability program	5,829,448	4,493,114
Thorpe Recovery Centre funding	104,548	104,548
Final mile program	213,750	-
Bridge funding	204,447	-
Gas project in capital	164,838	-
Alternative Land Use Services (ALUS)	29,454	29,454
Agricultural Service Board	-	49,000
Oil companies contributions for road projects	-	230,000
Clandonald Fire Association	-	45,000
Internal Trust fund - Wetlands Restoration	212,104	195,486
Other deferred revenue	67,284	83,284
	\$ 7,486,829	\$ 5,578,693

Funding received from the various grant programs noted above are restricted to the eligible operating and capital projects as approved in the funding agreements. Unexpended funds of \$7,486,829 (2012 - \$5,578,693) related to the funding advances are supported by restricted cash or cash and investments (see Note 4).

9. Long term debt

	2013	2012
Tax and special levy supported debentures - operating	\$ 797,249	\$ 849,936
Vermilion and District Housing Foundation (Note 6)	618,209	712,452
	\$ 1,415,458	\$ 1,562,388

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COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

9. Long term debt (*continued*)

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 153,930	\$ 59,319	\$ 213,249
2015	161,275	51,974	213,249
2016	168,984	44,265	213,249
2017	177,075	36,173	213,248
2018	185,568	27,680	213,248
Thereafter	<u>568,626</u>	<u>70,203</u>	<u>638,829</u>
	<u>\$ 1,415,458</u>	<u>\$ 289,614</u>	<u>\$ 1,705,072</u>

The current portion of the long term debt amounts to \$153,930 (2012 - \$146,931).

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.488% to 5.387% per annum and matures in periods 2019 through 2025. The average annual interest rate is 4.45% for 2013 (2012 - 4.48%).

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

Interest on long term debt amounted to \$66,317 (2012 - \$73,198).

The municipality's total cash payments for interest were \$66,314 (2012 - \$73,409).

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

10. Debt limits

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

	2013	2012
Total debt limit	\$ 74,284,022	\$ 55,422,510
Total debt	(1,415,458)	(1,562,388)
Amount of debt limit unused	\$ 72,868,564	\$ 53,860,122
Debt servicing limit	\$ 12,380,670	\$ 9,237,085
Debt servicing	(213,249)	(213,249)
Amount of debt servicing limit unused	\$ 12,167,421	\$ 9,023,836

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

11. Equity in tangible capital assets

	2013	2012
Tangible capital assets (Schedule 2)	\$496,267,864	\$486,277,876
Accumulated amortization (Schedule 2)	280,457,537)	267,815,424)
	\$215,810,327	\$218,462,452

12. Accumulated surplus

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

	2013	2012
Unrestricted surplus (deficit)	\$ 5,370,462	\$ 5,308,234
Operating reserves - municipal	22,612,940	13,911,437
Operating reserves - gas	2,314,508	2,038,455
Capital reserves - municipal	4,186,650	3,771,244
Capital reserves - gas	7,607,176	8,314,570
Equity in tangible capital assets	215,810,327	218,462,452
	\$257,902,063	\$251,806,392

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

13. Segmented disclosure

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

Refer to the Schedule of Segmented Disclosure (Schedule 6).

14. Salary and benefits disclosure

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

	Salary	(1)	Benefits & allowances (2)	2013 Total	2012 Total			
Reeve (2)	\$	66,115	\$	12,556	\$	78,671	\$	55,616
Division 1		45,971		11,949		57,920		47,003
Division 2		41,472		10,405		51,877		48,924
Division 3		8,848		2,193		11,041		60,215
Division 4		51,360		12,073		63,433		50,685
Division 5 (2)		41,762		4,453		46,215		33,659
Division 6		47,066		11,195		58,261		49,404
Division 7		8,558		1,370		9,928		-
Chief Administrative Officer		135,892		23,184		159,076		154,940
Agricultural Fieldman		88,566		18,956		107,522		107,464
Development Officer (2)		81,075		18,691		99,766		99,870
Fire Protection Officer (.70 FTE)		65,355		12,239		77,594		76,204
	\$	682,040	\$	139,264	\$	821,304	\$	783,984

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.
3. An automobile is provided and no amount is included in the benefits and allowances figure.
4. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

15. Local Authorities Pension Plan

Employees of the municipality 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 about 224,000 people and 428 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 expenditures in the year in which they become due.

The municipality is required to make current service contributions to the LAPP of 10.43% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.47% on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% on pensionable salary above this amount.

Total current service contributions by the municipality to the LAPP in 2013 were \$618,470 (2012 - \$541,691). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2013 were \$565,260 (2012 - \$492,429).

At December 31, 2012, the LAPP disclosed an actuarial deficiency of \$4.635 billion.

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

16. Commitments

The municipality is the managing partner for the Alberta Central East Water Corporation (ACE) regional water system project to design and construct a water transfer and pump station, three fill stations, a truck fill station and 81 kilometres of pipeline. The estimated costs for Stage 1 of the project has been approved at \$31,128,000. Additional approval was received for Stage 2 extending the pipeline from Lavoy to the Town of Vermilion. The estimated project cost for Stage 2 is \$38,519,000. Stage 3 extends the pipeline from Two Hills to Myrnam with estimated costs of \$10,733,000. Stage 4 application has been submitted but funding approval has not been received.

Provincial government funding for Stage 1 is approved under the Water for Life Strategy as part of the Alberta Municipal Water/Wastewater Partnership program. The Provincial government is committed to fund 93.53% of the estimated project costs to a maximum of \$29,114,018. The balance of the funding will be contributed by the 13 member municipalities based on a per capita formula. Based on the current participating membership, the County's contribution towards the municipal portion of the funding agreement was \$231,988. As the Regional Water System is not a County owned asset, none of the related liabilities, funding or expenditures are reflected in the County financial statement. Costs incurred to December 31, 2013 for Stage 1 are \$33,416,533 (2012 - \$33,173,075).

Provincial government funding for Stage 2 is also approved under the Water for Life Strategy as part of the Alberta Municipal Water/Wastewater Partnership program. The Provincial government is committed to fund 87.15% of the estimated project costs to a maximum of \$33,519,000. The balance of the funding will be contributed by the 13 member municipalities based on a per capita formula. Based on the current participating membership, the County's contribution towards the municipal portion of the funding agreement was \$572,159. As the Regional Water System is not a County owned asset, none of the related liabilities, funding or expenditures are reflected in the County financial statement. Costs incurred to December 31, 2013 for Stage 2 are \$41,496,754 (2012 - \$37,867,078).

Provincial government funding for Stage 3 is also approved under the Water for Life Strategy as part of the Alberta Municipal Water/Wastewater Partnership program. The Provincial government is committed to fund 90% of the estimated project costs to a maximum of \$9,659,700. The balance of the funding will be contributed by the 13 member municipalities based on a per capita formula. Based on the current participating membership, the County's contribution towards the municipal portion of the funding agreement was \$34,137 (2012 - \$12,794). As the Regional Water System is not a County owned asset, none of the related liabilities, funding or expenditures are reflected in the County financial statement. Costs incurred to December 31, 2013 for Stage 3 are \$3,042,032 (2012 - \$1,052,937).

Based on the current participating membership, the County's contribution towards the municipal portion of the funding agreement for Stage 4 was \$0 (2012 - \$24). As the Regional Water System is not a County owned asset, none of the related liabilities, funding or expenditures are reflected in the County financial statement. Costs incurred to December 31, 2013 for Stage 4 are \$2,500 (2012 - \$2,500).

The balance of funds held at December 31, 2013 due from the Alberta East Central Water Corporation is \$271,038 (2012 - \$2,615,008).

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

17. Contingent liability

The County of Vermilion River is a member of a reciprocal insurance exchange (GENESIS) to cover its liability insurance needs. GENESIS 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 of Vermilion River 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.

In previous years salt contamination on adjacent land to the storage site occurred. The County is reviewing remediation options. It has not been determined what the financial impact will be.

18. Financial instruments

The municipality's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long term debt. It is management's opinion that the municipality is not exposed to significant interest or currency risks arising from these financial instruments.

The municipality 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 municipality provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

19. Subsequent events

Onion Lake Cree Nation has had discussions with Indian and Northern Affairs Canada to create a reserve in the County of Vermilion River. Indian and Northern Affairs Canada has been completing consulting work and been in discussions with the County of Vermilion River to determine if this should occur. It is currently indeterminable what the impact on the County will be.

Lloydminster is proceeding with an letter of intent for annexation, which the County should receive mid 2014. It has not been determined what the financial impact will be. The County is expecting boundaries and remuneration for the annexation will take a couple of years to resolve.

20. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

21. Budget amounts

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

COUNTY OF VERMILION RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

22. Approval of financial statements

Council and Management have approved these financial statements.

COUNTY OF VERMILION RIVER
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2013
Schedule 1

	2013	2012
	\$	\$
Balance, beginning of year	251,806,392	250,793,998
Excess (deficiency) of revenues over expenses	6,095,671	1,012,394
Unrestricted funds designated for future use	(11,743,398)	-
Restricted funds used for operations	283,619	-
Restricted funds used for TCA	-	2,774,211
Current year funds used for TCA	(8,874,768)	8,874,768
Disposal of TCA - net book value	623,013	(623,013)
Annual amortization expense	13,678,091	(13,678,091)
TCA long term debt repaid	-	-
Change in accumulated surplus	62,228	(291,988)
Balance, end of year	257,902,063	251,806,392

COUNTY OF VERMILION RIVER
Schedule of Tangible Capital Assets
Year Ended December 31, 2013
Schedule 2

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2013	2012
						\$	\$
Cost:							
Balance, beginning of year	5,316,977	6,251,029	452,221,597	18,120,082	4,368,191	486,277,876	479,454,970
Acquisition of tangible capital assets	-	22,374	6,154,477	3,629,829	1,842,299	11,648,979	7,674,654
Disposal of tangible capital assets	-	-	(115,245)	(1,503,894)	(39,852)	(1,658,991)	(851,748)
Balance, end of year	5,316,977	6,273,403	458,260,829	20,246,017	6,170,638	496,267,864	486,277,876
Accumulated amortization:							
Balance, beginning of year	-	1,514,393	258,018,222	6,303,100	1,979,708	267,815,423	257,897,234
Annual amortization	-	128,327	11,818,543	1,331,584	399,637	13,678,091	10,375,595
Accumulated amortization on disposals	-	-	(113,043)	(883,482)	(39,452)	(1,035,977)	(457,405)
Balance, end of year	-	1,642,720	269,723,722	6,751,202	2,339,893	280,457,537	267,815,424
Net Book Value of tangible capital assets	5,316,977	4,630,683	188,537,107	13,494,815	3,830,745	215,810,327	218,462,452

COUNTY OF VERMILION RIVER
Schedule of Property and Other Taxes
Year Ended December 31, 2013
Schedule 3

	Budget (Unaudited)	2013	2012
Taxation			
Real property taxes	\$ 16,044,188	\$ 16,915,598	\$ 14,227,583
Linear property	14,136,876	14,139,446	11,603,356
	30,181,064	31,055,044	25,830,939
Requisitions			
Alberta School Foundation Fund - residential	2,549,597	2,549,589	2,279,861
Alberta School Foundation Fund - non-residential	3,873,412	3,873,419	3,504,953
	6,423,009	6,423,008	5,784,814
Net Municipal Taxes	23,758,055	24,632,036	20,046,125
Less: Special Levies	(1,978,445)	(2,731,528)	(2,092,638)
Net Municipal Taxes for General Purposes	\$ 21,779,610	\$ 21,900,508	\$ 17,953,487

COUNTY OF VERMILION RIVER
Schedule of Government Transfers
Year Ended December 31, 2013
Schedule 4

	Budget (Unaudited)	2013	2012
Transfers for operating			
Provincial Government	\$ 2,646,132	\$ 2,504,593	\$ 1,733,762
Federal Government	-	-	-
	2,646,132	2,504,593	1,733,762
Transfers for Capital			
Provincial Government	5,147,104	1,553,143	1,586,719
Total Government Transfers	\$ 7,793,236	\$ 4,057,736	\$ 3,320,481

COUNTY OF VERMILION RIVER
Schedule of Consolidated Expenses by Object
Year Ended December 31, 2013
Schedule 5

	Budget (Unaudited)	2013	2012
Consolidated Expenses by Object			
Salaries, wages and benefits	\$ 7,764,892	\$ 8,762,467	\$ 7,664,846
Contracted and general services	10,551,122	8,825,038	10,315,704
Purchases from other governments	6,049,152	6,708,452	4,511,014
Materials, goods, supplies and utilities	6,007,053	7,712,303	4,662,692
Transfers to local boards and agencies	605,457	536,321	511,924
Transfers to individuals and organizations	385,441	361,808	291,565
Bank charges and short term interest	2,600	2,152	9,529
Interest on long term debt	60,000	66,317	73,189
Loss on disposal of tangible capital assets	-	-	118,428
Other adjustments and discounts	4,000	194,437	2,216
Amortization of tangible capital assets	12,393,424	13,678,091	10,375,595
Internal road construction - cost recovery	(648,219)	(1,867,233)	(1,014,037)
	\$ 43,174,922	\$ 44,980,153	\$ 37,522,665

COUNTY OF VERMILION RIVER
 Schedule of Segmented Disclosure - including inter-departmental transfers
 Year Ended December 31, 2013
 Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	ASB	Planning & Development	Recreation & Culture	Gas	Other	Total
										\$
Revenue										
Net municipal taxes	-	-	-	-	-	-	-	-	21,900,508	21,900,508
Special levies	-	884,645	-	491,859	-	737,968	617,056	-	-	2,731,528
Sales to other governments	81	4,387	-	-	-	-	-	-	-	4,468
User fees and sales of goods	30,340	425,560	1,996,042	433,185	15,982	431,582	-	12,446,736	-	15,779,427
Government transfers	188,479	528,202	1,961,232	294,111	319,052	538,255	26,272	8,537	193,596	4,057,736
Investment income	-	-	97,053	-	-	553,404	3,801	134,393	503,167	1,291,818
Rentals	-	6,300	-	-	-	50,181	6,000	-	-	62,481
Licenses, permits and fines	-	6,228	-	3,817	-	18,549	-	-	-	28,594
Other capital contributions	-	-	-	-	-	1,571,393	-	2,801,649	-	4,373,042
Other revenues	52,277	59,533	148,724	-	10	250	-	14,101	571,327	846,222
Interdepartmental transfers	167,200	38	1,572,313	-	1,200	3,488	-	118,014	(1,862,253)	-
	438,377	1,914,893	5,775,364	1,222,972	336,244	3,905,070	653,129	15,523,430	21,306,345	51,075,824
Expenses										
Salaries, wages and benefits	1,054,657	392,436	4,094,822	182,657	362,063	338,476	-	2,328,464	8,892	8,762,467
Contracted and general services	1,137,274	277,261	5,344,482	54,822	187,095	991,613	9,753	818,926	3,812	8,825,038
Purchased from other governments	41,876	182,079	62,517	562,139	-	-	-	5,859,841	-	6,708,452
Materials, goods, supplies and utilities	77,981	161,345	3,333,808	73,415	229,157	424,065	3,592	3,398,925	10,075	7,712,303
Transfers to local boards and agencies	-	-	-	-	-	-	536,321	-	-	536,321
Transfers to individuals and organizations	58,059	68,827	29,026	-	-	-	12,500	-	193,596	361,808
Interest on long term debt	-	-	-	-	-	-	29,190	-	37,127	66,317
Other expenses	62,377	-	-	-	-	-	-	134,212	-	196,589
Interdepartmental transfers	-	5,559	(67,507)	13,000	(121)	-	3,488	13,982	31,599	-
	2,432,224	1,087,307	12,797,148	886,033	778,194	1,754,154	594,784	12,554,950	285,101	33,169,295
Net revenue before amortization	(1,993,847)	827,586	(7,021,784)	336,939	(441,950)	2,150,916	58,345	2,969,080	21,021,244	17,906,529
Amortization of tangible capital assets	71,366	98,970	12,189,805	126,008	67,310	-	-	1,124,632	-	13,678,091
Internal road construction - cost recovery	-	-	(1,867,233)	-	-	-	-	-	-	(1,867,233)
Net revenue	(2,065,213)	728,616	(17,344,356)	210,931	(509,260)	2,150,916	58,345	1,844,448	21,021,244	6,095,671

COUNTY OF VERMILION RIVER
Schedule of Gross Profit and Sales Volume
Year Ended December 31, 2013
Schedule 7

Gross Profit

	2013							
	Sales		Cost of Sales		Cost of Gas Loss		Gross Profit	
	\$	\$/G.J.	\$	\$/G.J.	\$	\$/G.J.	\$	\$/G.J.
Residential and farm	3,004,189	4.29	2,312,127	3.30	(2,192)	3.30	694,254	0.99
Industrial - Transportation	739,402	0.34	-	-	0	-	739,402	0.34
Industrial - Sale of gas	7,251,107	3.90	6,406,642	3.45	(6,075)	3.45	850,540	0.46
Total	10,994,698		8,718,769		(8,267)		2,284,196	

Gross Profit

	2012							
	Sales		Cost of Sales		Cost of Gas Loss		Gross Profit	
	\$	\$/G.J.	\$	\$/G.J.	\$	\$/G.J.	\$	\$/G.J.
Residential and farm	2,436,113	3.82	1,828,535	2.86	5,640	2.86	601,938	0.95
Industrial - Transportation	924,506	0.35	-	-	-	-	924,506	0.35
Industrial - Sale of gas	3,330,788	3.15	2,821,601	2.66	8,703	2.66	500,483	0.47
Total	6,691,407		4,650,136		14,343		2,026,927	

	Sales Volume		Gas Loss Allocated	
	2013	2012	2013	2012
	G.J.'s	G.J.'s	G.J.'s	G.J.'s
Residential and farm	701,755	636,354	(665)	1,969
Industrial - Gas sales	1,858,078	1,058,891	(1,760)	3,276
Subtotal	2,559,833	1,695,245	(2,425)	5,245
Industrial - Transportation	2,199,007	2,634,914	0	-
Total	4,758,840	4,330,159	(2,425)	5,245