

**County of Vermilion River
Financial Statements**

December 31, 2016



Management's Responsibility

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

The accompanying 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 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 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 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 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 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 25, 2017

Chief Administrative Officer

Independent Auditors' Report

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

We have audited the accompanying financial statements of the County of Vermilion River, which comprise the statement of financial position as at December 31, 2016, the 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of County of Vermilion River as at December 31, 2016, 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.

Other Matter

The financial statements as at and for the year ended December 31, 2015 were audited by other auditors, who expressed an unqualified opinion on these statements in their report dated April 28, 2016.

April 25, 2017
Leduc, Alberta


MNP LLP
Chartered Professional Accountants

County of Vermilion River
Statement of Financial Position
As at December 31, 2016

	2016	2015 <i>(Restated)</i> <i>(Note 19)</i>
Financial assets		
Cash and equivalents <i>(Note 2)</i>	6,040,436	12,241,054
Investments <i>(Note 3)</i>	34,986,769	38,410,629
Property taxes receivable <i>(Note 4)</i>	1,380,764	1,569,049
Trade and other accounts receivable <i>(Note 5)</i>	4,763,006	4,338,401
Land held for resale	30,805	30,805
Debt charges recoverable <i>(Note 6)</i>	4,141,830	2,789,015
	51,343,610	59,378,953
Liabilities		
Accounts payable and accrued liabilities <i>(Note 7)</i>	5,146,314	6,280,700
Reclamation liability	713,507	455,700
Deposit liabilities	232,782	146,085
Due to Alberta Central East Water Corporation	878,967	2,237,867
Deferred revenue <i>(Note 8)</i>	1,548,250	9,350,165
Long-term debt <i>(Note 9)</i>	5,911,638	4,989,015
	14,431,458	23,459,532
Net financial assets	36,912,152	35,919,421
Non-financial assets		
Tangible capital assets <i>(Schedule II)</i>	237,822,849	228,777,530
Inventory for consumption <i>(Note 10)</i>	5,813,038	6,172,609
Land held for resale <i>(Note 11)</i>	1,877,991	1,402,143
Prepaid expenses	3,036,328	3,131,345
	248,550,206	239,483,627
Accumulated surplus <i>(Schedule I)</i>	285,462,358	275,403,048

Contingencies *(Note 17)*

Approved on behalf of Council:

 _____ Reeve

 _____ Deputy Reeve

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Statement of Operations
For the year ended December 31, 2016

	2016 <i>Budget</i> <i>(Note 18)</i>	2016	2015 <i>(Restated)</i> <i>(Note 19)</i>
Revenue			
Net municipal property taxes <i>(Schedule III)</i>	26,939,137	26,962,309	27,444,320
User fees and sales of goods	10,470,722	9,736,518	11,075,947
Government transfers <i>(Schedule IV)</i>	1,856,751	2,125,447	2,022,380
Interest income	680,000	836,061	1,019,596
Fines	488,240	521,801	281,896
Other	438,968	456,116	740,090
Penalties and costs on taxes	100,000	264,498	209,033
Rental	47,864	65,971	50,861
Sales to other governments	1,870	54,820	31,881
	41,023,552	41,023,541	42,876,004
Expenses			
Public works	26,758,197	24,457,713	25,241,322
Gas	10,908,419	8,801,208	10,164,575
Administration	2,177,650	2,925,035	2,780,587
Protective services	1,394,044	1,164,031	1,254,656
Agricultural services	1,161,287	1,074,259	1,035,553
Planning and development	1,326,600	1,010,688	923,047
Recreation and library	735,468	820,494	836,748
Waste management	668,985	596,100	633,832
Legislative	527,660	521,199	548,700
Water supply and distribution	474,822	482,969	480,535
Emergency disaster	178,660	291,551	182,441
Family and community support	250,144	277,637	221,903
Environment management and rental	296,538	218,586	228,305
Pest control	150,187	129,547	134,636
Water and wastewater	7,000	34,231	14,885
	47,015,661	42,805,248	44,681,725
Deficiency of revenue over expenses before other	(5,992,109)	(1,781,707)	(1,805,721)
Other			
Government transfers for capital <i>(Schedule IV)</i>	11,254,000	10,836,042	2,552,118
Other capital contributions	-	517,512	860,700
Gas capital	2,000,000	487,463	917,365
	13,254,000	11,841,017	4,330,183
Excess of revenue over expenses	7,261,891	10,059,310	2,524,462
Accumulated surplus, beginning of year, as restated	274,717,584	275,403,048	272,878,586
Accumulated surplus, end of year	281,979,475	285,462,358	275,403,048

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Statement of Change in Net Financial Assets

For the year ended December 31, 2016

	2016 Budget (Note 18)	2016	2015 (Restated) (Note 19)
Excess of revenue over expenses	7,261,891	10,059,310	2,524,462
Acquisition of tangible capital assets	(46,302,260)	(25,610,076)	(17,265,149)
Proceeds on disposal of tangible capital assets	977,000	656,200	408,064
Amortization of tangible capital assets	14,583,072	15,898,169	14,712,097
Loss on disposal of tangible capital assets	-	10,388	712,597
Development of land for resale	-	(475,848)	(48,149)
Decrease (increase) in prepaid expenses	-	95,017	(76,374)
Use (acquisition) of inventory for consumption	-	359,571	(774,471)
Increase (decrease) in net financial assets	(23,480,297)	992,731	193,077
Net financial assets, beginning of year, as previously stated	37,297,176	37,297,176	36,550,353
Prior period adjustments (Note 19)	-	(1,377,755)	(824,009)
Net financial assets, beginning of year, as restated	37,297,176	35,919,421	35,726,344
Net financial assets, end of year	13,816,879	36,912,152	35,919,421

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Statement of Cash Flows
For the year ended December 31, 2016

	2016	2015 <i>(Restated)</i>
Cash provided by (used for) the following activities:		
Operating		
Excess of revenue over expenses	10,059,310	2,524,462
Non-cash items:		
Amortization of tangible capital assets	15,898,169	14,712,097
Loss on disposal of tangible capital assets	10,388	712,597
Net change in non-cash operating working capital balances:		
Increase (decrease) in deferred revenue	(7,801,915)	1,387,925
Decrease (increase) in prepaid expenses	95,017	(76,374)
Decrease in accounts payable and accrued liabilities	(1,111,738)	(1,095,790)
Decrease (increase) in trade and other accounts receivable	(424,605)	2,140,485
Decrease (increase) in property taxes receivable	188,285	(595,367)
Increase in deposit liabilities	86,697	6,149
Use (acquisition) of inventory for consumption	359,571	(774,471)
Increase in land held for resale	(475,848)	(48,149)
Increase in reclamation liability	257,808	242,978
Increase (decrease) in net amount due to ACE	(1,358,900)	4,290,883
	15,782,239	23,427,425
Capital		
Proceeds on disposal of tangible capital assets	25,392	61,064
Acquisition of tangible capital assets	(25,001,917)	(15,723,515)
	(24,976,525)	(15,662,451)
Investing		
Net change in investments	3,423,860	(3,920,284)
Financing		
Net increase in debt charges recoverable	(1,352,815)	(1,527,487)
Proceeds from long-term debt	1,645,000	3,180,000
Repayment of long-term debt	(722,377)	(202,512)
	(430,192)	1,450,001
Increase (decrease) in cash and equivalents	(6,200,618)	5,294,691
Cash and equivalents, beginning of year	12,241,054	6,946,363
Cash and equivalents, end of year (Note 2)	6,040,436	12,241,054

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, 2016

	<i>Unrestricted Surplus</i>	<i>Restricted Operating Reserve</i>	<i>Restricted Capital Reserve</i>	<i>Equity in Tangible Capital Assets (Note 13)</i>	2016	<i>2015 (Restated) (Note 19)</i>
Balance, beginning of year, as previously stated	3,932,597	8,490,636	35,716,821	226,577,530	274,717,584	272,135,879
Prior period adjustments <i>(Note 19)</i>	685,464	-	-	-	685,464	742,707
Balance, beginning of year, as restated	4,618,061	8,490,636	35,716,821	226,577,530	275,403,048	272,878,586
Excess of revenue over expenses	10,059,310	-	-	-	10,059,310	2,524,462
Unrestricted funds designated for future use	(7,538,500)	2,039,258	5,499,242	-	-	-
Restricted funds for operations	1,904,953	(1,904,953)	-	-	-	-
Restricted funds used for tangible capital assets	-	-	(3,429,732)	3,429,732	-	-
Current year funds used for tangible capital assets	(22,180,344)	-	-	22,180,344	-	-
Disposal of tangible capital assets	666,588	-	-	(666,588)	-	-
Annual amortization expense	15,898,169	-	-	(15,898,169)	-	-
Long-term debt repaid	(430,193)	-	-	430,193	-	-
Change in accumulated surplus	(1,620,017)	134,305	2,069,510	9,475,512	10,059,310	2,524,462
Balance, end of year	2,998,044	8,624,941	37,786,331	236,053,042	285,462,358	275,403,048

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Schedule II - Schedule of Tangible Capital Assets
For the year ended December 31, 2016

	Construction in progress (Restated)	Land Improvements	Land	Buildings	Engineered Structures (Restated)	Machinery & Equipment	Vehicles	2016	2015
Cost:									
Balance, beginning of year	2,789,426	5,316,977	90,251	6,366,210	489,136,329	22,842,803	7,148,296	533,690,292	519,523,715
Acquisition of tangible capital assets	11,150,266	-	-	240,525	9,337,640	4,313,632	568,013	25,610,076	17,265,149
Disposal of tangible capital assets	-	-	-	-	-	(1,403,100)	(152,555)	(1,555,655)	(3,098,572)
Balance, end of year	13,939,692	5,316,977	90,251	6,606,735	498,473,969	25,753,335	7,563,754	557,744,713	533,690,292
Accumulated amortization:									
Balance, beginning of year	-	-	14,197	1,900,928	292,269,423	7,672,107	3,056,107	304,912,762	292,178,576
Annual amortization	-	-	3,753	130,795	13,021,601	2,197,707	544,313	15,898,169	14,712,097
Accumulated amortization on disposals	-	-	-	-	-	(719,820)	(169,247)	(889,067)	(1,977,911)
Balance, end of year	-	-	17,950	2,031,723	305,291,024	9,149,994	3,431,173	319,921,864	304,912,762
Net book value	13,939,692	5,316,977	72,301	4,575,012	193,182,945	16,603,341	4,132,581	237,822,849	228,777,530
2015 net book value	2,789,426	5,316,977	76,054	4,465,282	196,866,906	15,170,696	4,092,189	228,777,530	

During the year, tangible capital assets were acquired at an aggregate cost of \$25,610,076 (2015 - \$17,265,149), of which there was \$1,155,293 (2015 - \$1,194,634) in accounts payable at year end and \$647,500 (2015 - \$347,000) of a non-cash trade in of equipment; the remaining \$25,001,917 (2015 - \$15,723,515) was acquired by cash. Proceeds on disposal of tangible capital assets is made up of \$25,392 (2015 - \$61,064) of cash and \$647,500 (2015 - \$347,000) 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, 2016

	2016 Budget	2016	<i>2015</i>
Taxation			
Real property taxes	32,475,625	17,487,017	16,716,927
Linear property taxes	-	15,021,064	15,724,009
Special assessments	2,405,264	2,395,980	2,315,285
	34,880,889	34,904,061	34,756,221
Requisitions			
Alberta Schools Foundation Fund	7,941,752	7,941,752	7,311,901
Net municipal property taxes	26,939,137	26,962,309	27,444,320
Less special levies	(2,405,264)	(2,407,122)	(2,326,426)
Net municipal property taxes for general purposes	24,533,873	24,555,187	25,117,894

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, 2016

	2016 Budget	2016	<i>2015</i>
Operating			
Provincial	1,856,751	2,125,447	2,022,380
Capital			
Provincial	11,254,000	10,398,484	1,065,840
Federal	-	437,558	1,486,278
	11,254,000	10,836,042	2,552,118
Total government transfers	13,110,751	12,961,489	4,574,498

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Schedule V - Schedule of Expenses by Object

For the year ended December 31, 2016

	2016 Budget	2016	2015
Amortization	14,583,072	15,898,169	14,712,096
Materials, goods and utilities	9,736,789	8,861,268	10,453,580
Salaries, wages and benefits	10,623,894	8,804,958	9,908,803
Contracted and general services	10,166,463	6,851,469	6,758,262
Grants to other governments and organizations	932,655	813,154	967,022
Provision for allowances	7,000	542,494	109,450
Transfers to local boards and agencies	643,672	529,379	471,855
Transfers to individuals and organizations	317,116	353,401	495,938
Interest on long-term debt	-	134,312	82,896
Loss on sale of tangible capital assets	-	10,388	712,597
Bank charges and short-term interest	5,000	6,256	9,226
	47,015,661	42,805,248	44,681,725

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, 2016

	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	24,566,329	-	-	609,826	977,825	-	-	808,329	-	-	26,962,309
Government transfers	-	177,051	11,426,052	313,129	286,500	247,158	420,145	14,859	76,595	-	12,961,489
User charges and sales of goods	-	70,791	868,564	525,598	242,133	-	40,880	-	56,629	7,931,923	9,736,518
Interest income	600,327	-	41,649	-	-	-	-	4,409	104,639	85,037	836,061
Fines	-	-	-	6,998	91,261	-	-	-	423,542	-	521,801
Other capital contributions	-	-	517,512	-	-	-	-	-	-	-	517,512
Gas capital	-	-	-	-	-	-	-	-	-	487,463	487,463
Other	95,850	77,088	14,750	85,055	7,153	-	20	-	56,686	119,514	456,116
Penalties and costs on taxes	264,498	-	-	-	4,500	-	-	3,000	-	-	264,498
Rental	-	-	-	-	2,741	-	-	-	389	-	65,971
Sales to other governments	51,690	-	-	-	-	-	-	-	-	-	54,820
	25,578,694	324,930	12,868,527	1,540,606	1,612,113	247,158	461,045	830,597	776,951	8,623,937	52,864,558
Expenses											
Materials, goods, and utilities	-	155,496	3,273,154	71,571	197,658	8,617	233,246	-	30,369	4,891,157	8,861,268
Salaries, wages, and benefits	-	1,164,860	3,467,947	203,618	497,965	14,554	467,546	-	629,531	2,358,937	8,804,958
Contracted and general services	-	1,333,937	3,533,517	69,013	482,212	2,149	293,524	222,287	569,374	345,456	6,851,469
Grants to other governments and organizations	-	40,520	42,231	596,100	134,303	-	-	-	-	-	813,154
Provision for allowances	-	540,636	-	170	-	-	-	-	-	1,688	542,494
Transfers to local boards and agencies	-	-	-	-	-	-	-	529,379	-	-	529,379
Transfers to individuals and organizations	-	-	29,098	-	62,486	252,317	-	9,500	-	-	353,401
Interest on long-term debt	-	51,673	-	23,311	-	-	-	59,328	-	-	134,312
Loss (gain) on sale of tangible capital assets	-	-	35,780	-	-	-	-	-	-	(25,392)	10,388
Bank charges and short-term interest	-	6,256	-	-	-	-	-	-	-	-	6,256
	-	3,293,378	10,381,727	963,783	1,374,624	277,637	994,316	820,494	1,229,274	7,571,846	26,907,079
Net revenue, before amortization	25,578,694	(2,968,448)	2,486,800	576,823	237,489	(30,479)	(533,271)	10,103	(452,323)	1,052,091	25,957,479
Amortization	-	152,856	14,075,986	149,517	210,505	-	79,943	-	-	1,229,362	15,898,169
Transfers between departments	(7,348)	(167,200)	140,672	14,186	(508)	21,550	22,233	-	(172,399)	148,814	-
Net revenue	25,571,346	(3,288,504)	(1,448,514)	441,492	26,476	(8,929)	(590,981)	10,103	(624,722)	(28,457)	10,059,310

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, 2016

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	

Gross profit					2015	
	Sales		Cost of Sales		Gross Profit	
	\$	\$/GJ	\$	\$/GJ	\$	\$/GJ
Residential and farm	2,523,920	3.98	1,823,023	2.88	700,897	1.11
Industrial - transportation	646,048	0.34	-	-	646,048	0.34
Industrial - sale of gas	4,088,199	3.42	3,659,888	2.98	542,182	0.44
	7,372,038		5,482,911		1,889,127	

The accompanying notes are an integral part of these financial statements

1. Significant accounting policies

The 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 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.

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

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.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and 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.

Investments

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.

1. Significant accounting policies *(continued)*

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, 2016.

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.

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	10-30 years
Buildings	10-50 years
Engineered structures, roads and bridges	5-75 years
Machinery and equipment	5-40 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 \$13,939,692 (2015 - \$2,789,426).

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.

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.

Recent accounting pronouncements

i. Financial instruments

In June 2011, the Public Sector Accounting Board ("PSAB") issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections.

PS 3450 is effective for fiscal years beginning on or after April 1, 2019. Earlier adoption is permitted. The County does not expect the adoption of the new section to have a material impact on its financial statements.

ii. Financial statement presentation

In June 2011, as a result of the issuance of PS 3450 *Financial Instruments*, the PSAB issued new PS 1201 *Financial Statement Presentation*, which revises and replaces PS 1200 *Financial Statement Presentation*.

This section is effective for governments in the same period PS 3450 is adopted. PS 3450 are to be added together and are effective for fiscal years beginning on or after April 1, 2019. Early adoption is permitted. The County does not expect the adoption of the new section to have a material impact on its financial statements.

iii. Portfolio investments

In March 2012, as a result of the issuance of PS 3450 *Financial Instruments*, the PSAB issued new PS 3041 *Portfolio Investments*, which revises and replaces PS 3030 *Temporary Investments* and PS 3040 *Portfolio Investments*.

This Section is effective in the same period PS 1201 *Financial Statement Presentation* and PS 3450 are adopted. PS 1201, PS 3041, and PS 3450 are to be adopted together and are effective for fiscal years beginning on or after April 1, 2019. Early adoption is permitted. The County does not expect the adoption of the new section to have a material impact on its financial statements.

2. Cash and equivalents

	2016	2015 <i>(Restated)</i>
Cash	3,763,757	7,658,854
Temporary investments	2,276,679	4,582,200
	6,040,436	12,241,054

Temporary investments have an effective interest rate of 1.40% (2015 - 1.28% to 1.43%) and mature in three months or less.

County of Vermilion River
Notes to the Financial Statements
For the year ended December 31, 2016

3. Investments

	2016		2015	
	Cost	Market Value	Cost	Market Value
Government bonds	3,969,052	4,000,000	3,975,858	4,000,000
Protected note	1,022,600	1,000,000	1,000,000	1,000,000
Guaranteed investment certificates	29,774,242	29,774,242	33,201,535	33,201,535
Other	212,527	212,527	209,094	209,094
	34,978,421	34,986,769	38,386,487	38,410,629

Government bonds have effective interest rates of 2.58% to 9.98% (2015 - 2.58% to 9.98%) with maturity dates from June 24, 2024 to June 30, 2108. 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 1.30% to 3.45% (2015 - 1.28% to 3.45%). Other investments include Gas Alberta and Credit Union shares and equity in United Farmers of Alberta and AAMDC.

4. Property taxes receivable

	2016	2015
Current taxes	907,183	1,037,771
Arrears taxes	826,962	544,527
	1,734,145	1,582,298
Less allowance for doubtful accounts	(353,381)	(13,249)
	1,380,764	1,569,049

5. Trade and other accounts receivable

	2016	2015
Trade and other receivables	3,023,281	3,765,831
Due from governments	1,739,725	572,570
	4,763,006	4,338,401

County of Vermilion River
Notes to the Financial Statements
For the year ended December 31, 2016

6. Debt charges recoverable

The County has assisted various organizations in expansions and upgrades. As at December 31, 2016 the following amounts are outstanding:

Vermilion and District Housing Foundation

Three debentures totaling \$1,486,809 (2015 - \$1,394,006) plus interest at an average rate of 3.66% (2015 - 4.11%), recoverable in semi-annual blended instalments of \$105,947, maturing in periods 2019 through 2036.

Village of Dewberry

One debenture of \$1,360,808 (2015 - nil) plus interest of 2.351% is recoverable through special tax levies of \$111,297 annually and matures in 2031.

Village of Marwayne

One debenture of \$627,800 (2015 - \$686,247) plus interest of 3.488% is recoverable through special tax levies of \$81,878 annually and matures in 2025.

Village of Paradise Valley

One debenture of \$666,413 (2015 - \$708,762) plus interest of 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>
2017	347,878	118,225	466,103
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
To maturity	2,614,558	393,883	3,008,441
	4,141,830	868,700	5,010,530

7. Accounts payable

	2016	2015
Accounts payable and accrued liabilities	4,908,113	6,060,119
Vacation and overtime accruals	238,201	220,581
	5,146,314	6,280,700

County of Vermilion River
Notes to the Financial Statements
For the year ended December 31, 2016

8. Deferred revenue

	2016	2015
Municipal Sustainability Initiative - capital	512,092	7,986,968
ACP - Enforcement	350,000	-
Wetlands Restoration	328,224	448,416
Husky Oil	200,000	200,000
Other	100,434	494,781
ACP - Regional Collaboration	57,500	220,000
	1,548,250	9,350,165

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.

9. Long-term debt

	2016	2015
Blackfoot Development	1,769,808	2,200,000
Village of Dewberry	1,360,808	-
Vermilion and District Housing Foundation	942,973	980,000
Village of Paradise Valley	666,413	708,762
Village of Marwayne	627,800	686,247
Vermilion and District Housing Foundation	303,470	414,006
Vermilion and District Housing Foundation	240,366	-
	5,911,638	4,989,015

Payments of interest and principal are due as follows:

	Principal	Interest	Total
2017	782,920	136,898	919,818
2018	800,722	119,096	919,818
2019	753,431	100,701	854,132
2020	701,403	87,044	788,447
2021	258,604	76,128	334,732
To maturity	2,614,558	393,883	3,008,441
	5,911,638	913,750	6,825,388

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 1.12% to 5.39% (2015 - 1.24% to 5.39%) per annum and mature in periods 2019 through 2036. The average annual interest rate is 2.94% (2015 - 2.89%). Debenture debt is issued on the credit and security of the County at large.

The County's cash payments for interest in 2016 were \$133,785 (2015 - \$71,770).

County of Vermilion River
Notes to the Financial Statements
For the year ended December 31, 2016

10. Inventory for consumption

	2016	2015
Gravel inventory	4,477,273	4,923,536
Shop inventory	1,335,765	1,249,073
	5,813,038	6,172,609

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.

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:

	2016	2015
Total debt limit	62,311,580	65,605,056
Total debt	5,911,638	4,989,015
	56,399,942	60,616,041
Service on debt limit	10,385,263	10,934,176
Service on debt	919,818	261,419
	9,465,445	10,672,757

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

	2016	2015
Tangible capital assets (<i>Schedule II</i>)	557,744,713	533,690,292
Accumulated amortization (<i>Schedule II</i>)	(319,921,864)	(304,912,762)
Debt charges recoverable (<i>Note 6</i>)	4,141,830	2,789,015
Long-term debt (<i>Note 9</i>)	(5,911,637)	(4,989,015)
	236,053,042	226,577,530

County of Vermilion River
Notes to the Financial Statements
For the year ended December 31, 2016

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:

	<i>Salary/ remuneration</i>	<i>Benefits & allowances</i>	<i>2016</i>	<i>2015</i>
Reeve	69,543	14,006	83,549	82,064
Councilor Division 6	59,288	12,777	72,065	92,580
Councilor Division 1	51,223	11,689	62,912	64,626
Councilor Division 3	47,752	6,848	54,600	59,862
Councilor Division 7	47,555	6,860	54,415	54,548
Councilor Division 5	46,250	3,549	49,799	44,249
Councilor Division 4	40,854	5,623	46,477	58,335
CAO	153,520	31,285	184,805	181,644
Development Officer	104,938	23,291	128,229	126,918
Fire Protection Officer (0.75 FTE)	81,641	6,997	88,638	89,787
Agriculture Fieldman 1	43,724	11,379	55,103	125,483
Agriculture Fieldman 2	40,226	6,662	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 244,621 people and 426 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 2016 were \$795,221 (2015 - \$780,848). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2016 were \$732,681 (2015 - \$719,527).

At December 31, 2015, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial deficiency of \$923,416,000 (2014 - \$2,454,636,000).

County of Vermilion River
Notes to the Financial Statements
For the year ended December 31, 2016

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 financial statements as disclosed in Note 1.

Refer to Schedule VI - Schedule of Segmented Disclosure.

17. Contingencies

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. The following is a reconciliation between the budget approved and that showing in the financial statements:

	<i>Budget</i>
	2016
Approved budgeted operating deficit	(14,568,073)
Transfers between departments	(1,486,218)
Property tax revenue used for capital	7,585,000
Transfer from reserve	(518,502)
Operating transfer to reserve	2,995,684
<hr/>	
Deficiency of revenue over expenses before other (<i>Statement of Operations</i>)	(5,992,109)
<hr/>	
Approved budgeted capital surplus	-
Capital reserve transfer	24,486,260
Amortization, budgeted for in operating	(14,583,072)
Property tax revenue, budgeted for in operating	7,585,000
<hr/>	
Capital surplus	17,488,188
<hr/>	
Decrease in net financial assets (<i>Statement of Change in Net Financial Assets</i>)	(23,480,297)
<hr/>	

19. Prior period adjustments

During the year it was noted that the following adjustments were required to the prior year financial statements:

- i. Cash and cash equivalents included temporary investments that matured beyond three months. The overall effect on the financial statements in the prior year is a decrease of cash and cash equivalents and an increase of investments of \$28,644,035.
- ii. A debenture recoverable was not recorded in the County's assets. The overall effect on the financial statements in the prior year is an increase of accounts payable and debt recoverable of \$980,000.
- iii. Amounts were included in the County's accounts payable that related to Alberta Central East Water Corporation ("ACE"). The overall effect on the financial statements in the prior year is a decrease of accounts payable and an increase in due to ACE of \$1,150,054.
- iv. Inventory for consumption included prepaid contracts for the rights to crush gravel. The overall effect on the financial statements in the prior year is a decrease of inventory for consumption and an increase in prepaid expenses of \$2,917,928.
- v. Construction in progress was not identified for a large road project. The overall effect on the financial statements in the prior year is an increase in construction in progress and a decrease in engineered structures on Schedule II of \$2,789,426.

The above adjustments had no effect on accumulated surplus or net financial assets.

- i. A prior year debenture recoverable that related to 2011 was not included in the County's assets. This error resulted in an increase to 2014 debt recoverable of \$742,707 and an increase in 2015 opening accumulated surplus of \$742,707. The effect of this adjustment in 2015 was an increase in debt recoverable of \$686,247, an increase in 2016 opening accumulated surplus of \$686,247, and increase in expenses of \$56,460. In addition, a minor adjustment was made to agree the debt recoverable to the long-term debt in the amount of \$783. The adjustment resulted in a decrease of debt recoverable of \$783 and an increase to administration expenses of \$783 in the prior year.
- ii. Land for resale was incorrectly classified. The overall effect on the financial statements in the prior year is a reclassification of land for resale from financial assets to non-financial assets of \$1,402,143 and a decrease in net financial assets of the same amount. For the 2014 year, the adjustment required was \$1,353,994.
- iii. Accounts payable and prepaid expenses were incorrectly classified. The overall effect on the financial statements in the prior year is an increase in accounts payable and prepaid expenses of \$205,376.
- iv. Liability for gravel reclamation was netted against inventory for consumption. The overall effect on the financial statements in the prior year is an increase of reclamation liability and inventory for consumption of \$455,700. For the 2014 year, the adjustment required was \$212,722.

19. Prior period adjustments *(continued)*

The cumulative effect of the above adjustments on the financial statements in the current year is an increase to 2015 opening accumulated surplus of \$742,707 and 2016 opening accumulated surplus of \$685,464, and a decrease in 2015 opening net financial assets of \$824,009 and 2016 opening net financial assets of \$1,377,755.

20. Comparative figures

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