

**County of Vermilion River
Consolidated Financial Statements**

December 31, 2018



Management's Responsibility

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

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

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

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

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

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

April 30, 2019

Chief Administrative Officer

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of the County of Vermilion River (the "County"), which comprise the consolidated statement of financial position at December 31, 2018, the consolidated statements of operations, change in net financial assets, cash flows, and schedules I through VII for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the County of Vermilion River as at December 31, 2018, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the County in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the consolidated financial statements, management is responsible for assessing the County's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the County's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the County to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

April 30, 2019
Leduc, Alberta

MNP LLP
Chartered Professional Accountants

County of Vermilion River
Consolidated Statement of Financial Position

As at December 31, 2018

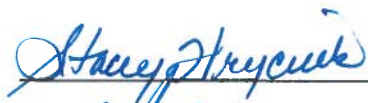

	2018	2017 <i>(Restated)</i> <i>(Note 22)</i>
Financial assets		
Cash and equivalents <i>(Note 2)</i>	11,207,272	5,347,641
Investments <i>(Note 3)</i>	34,369,250	37,504,723
Property taxes receivable <i>(Note 4)</i>	1,014,408	1,326,197
Trade and other accounts receivable <i>(Note 5)</i>	3,493,890	7,394,584
Land held for resale	-	30,805
Debt charges recoverable <i>(Note 6)</i>	1,150,867	1,322,696
	51,235,687	52,926,646
Liabilities		
Accounts payable and accrued liabilities <i>(Note 8)</i>	5,541,093	3,806,365
Reclamation liability <i>(Note 9)</i>	7,233,313	6,811,879
Deposit liabilities	241,159	251,567
Due to Alberta Central East Water Corporation	-	267,605
Deferred revenue <i>(Note 10)</i>	2,281,297	1,078,889
Long-term debt <i>(Note 11)</i>	4,327,996	5,128,719
	19,624,858	17,345,024
Net financial assets	31,610,829	35,581,622
Non-financial assets		
Tangible capital assets <i>(Schedule II)</i>	237,571,090	229,769,529
Inventory for consumption <i>(Note 12)</i>	4,634,298	5,962,048
Land held for resale <i>(Note 13)</i>	2,089,443	1,984,921
Prepaid expenses	2,974,850	2,993,819
	247,269,681	240,710,317
Accumulated surplus <i>(Schedule I)</i>	278,880,510	276,291,939

Commitments *(Note 19)*

Contingency *(Note 20)*

Subsequent events *(Note 23)*

Approved on behalf of Council:

 _____ Reeve *Acting*
 _____ Deputy Reeve

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Consolidated Statement of Operations

For the year ended December 31, 2018

	2018 Budget (Note 21)	2018	2017 (Restated) (Note 22)
Revenue			
Net municipal property taxes <i>(Schedule III)</i>	26,000,423	25,985,958	24,608,652
User fees and sales of goods	10,275,458	9,756,186	10,785,971
Government transfers <i>(Schedule IV)</i>	4,597,425	1,224,370	2,034,031
Interest income	692,776	1,133,235	1,008,281
Other	1,186,063	995,898	690,054
Fines	506,634	250,713	324,440
Penalties and costs on taxes	101,500	222,712	251,096
Rental	33,150	62,629	48,788
Sales to other governments	-	49,833	53,299
	43,393,429	39,681,534	39,804,612
Expenses			
Public works	29,032,289	26,058,151	26,829,429
Gas	7,799,732	8,143,677	9,461,874
Administration	2,675,330	3,454,710	2,596,281
Protective services	1,596,899	1,293,056	1,232,149
Agricultural services	994,370	967,502	917,356
Planning and development	1,466,077	858,981	1,161,056
Recreation and library	723,890	727,537	693,839
Waste management	566,869	609,977	571,391
Water supply and distribution	559,319	578,872	526,103
Legislative	564,621	571,149	506,750
Family and community support	293,880	266,245	285,337
Emergency disaster	276,278	190,610	165,897
Pest control	132,895	121,134	141,501
Environment management and rental	284,535	112,259	138,201
Water and wastewater	-	32,438	37,228
	46,966,984	43,986,298	45,264,392
Deficiency of revenue over expenses before other	(3,573,555)	(4,304,764)	(5,459,780)
Other			
Government transfers for capital <i>(Schedule IV)</i>	-	5,586,470	2,869,931
Gas capital	-	974,903	1,332,362
Other capital contributions	124,955	331,962	231,837
	124,955	6,893,335	4,434,130
Excess (deficiency) of revenue over expenses	(3,448,600)	2,588,571	(1,025,650)
Accumulated surplus, beginning of year, as restated	284,252,944	276,291,939	277,317,589
Accumulated surplus, end of year	280,804,344	278,880,510	276,291,939

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2018

	2018 Budget (Note 21)	2018	2017 (Restated) (Note 22)
Excess (deficiency) of revenue over expenses	(3,448,600)	2,588,571	(1,025,650)
Acquisition of tangible capital assets	(17,951,766)	(26,298,191)	(8,397,737)
Proceeds on disposal of tangible capital assets	710,351	1,058,680	388,244
Amortization of tangible capital assets	16,720,000	17,178,899	16,059,806
Loss on disposal of tangible capital assets	-	259,050	3,007
Development of land for resale	425,000	(104,522)	(106,930)
Decrease in prepaid expenses	-	18,970	42,509
Use (acquisition) of inventory for consumption	-	1,327,750	(149,010)
Increase (decrease) in net financial assets	(3,970,015)	(3,970,793)	6,814,239
Net financial assets, beginning of year, as previously stated	43,542,627	43,542,627	36,912,151
Prior period adjustments (Note 22)	-	(7,961,005)	(8,144,770)
Net financial assets, beginning of year, as restated	43,542,627	35,581,622	28,767,383
Net financial assets, end of year	39,572,612	31,610,829	35,581,622

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Consolidated Statement of Cash Flows
For the year ended December 31, 2018

	2018	2017 <i>(Restated)</i> <i>(Note 22)</i>
Cash provided by (used for) the following activities:		
Operating		
Excess (deficiency) of revenue over expenses	2,588,571	(1,025,650)
Non-cash items:		
Amortization of tangible capital assets	17,178,899	16,059,806
Loss on disposal of tangible capital assets	259,050	3,007
Net change in non-cash operating working capital balances:		
Increase (decrease) in deferred revenue	1,202,408	(469,361)
Decrease in prepaid expenses	18,970	42,509
Decrease in operating accounts payable and accrued liabilities	(348,988)	(749,593)
Decrease (increase) in trade and other accounts receivable	3,900,694	(2,631,578)
Decrease in property taxes receivable	311,789	54,567
Increase (decrease) in deposit liabilities	(10,408)	18,785
Use (acquisition) of inventory for consumption	1,327,750	(149,010)
Increase in land held for resale	(73,717)	(106,930)
Increase in reclamation liability	421,434	608,623
Decrease in net amount due to ACE	(267,605)	(611,362)
	26,508,847	11,043,813
Capital		
Proceeds on disposal of tangible capital assets	908,680	388,244
Acquisition of tangible capital assets	(24,064,475)	(8,988,094)
	(23,155,795)	(8,599,850)
Investing		
Net change in investments	3,135,473	(2,517,954)
Financing		
Net change in debt charges recoverable	171,829	164,115
Repayment of long-term debt	(800,723)	(782,919)
	(628,894)	(618,804)
Increase (decrease) in cash and equivalents	5,859,631	(692,795)
Cash and equivalents, beginning of year	5,347,641	6,040,436
Cash and equivalents, end of year (Note 2)	11,207,272	5,347,641

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, 2018

	<i>Unrestricted Surplus</i>	<i>Restricted Operating Reserve</i>	<i>Restricted Capital Reserve</i>	<i>Equity in Tangible Capital Assets (Note 15)</i>	<i>2018</i>	<i>2017</i>
Balance, beginning of year, as previously stated	2,998,044	10,971,180	41,848,958	228,434,762	284,252,944	285,462,359
Prior period adjustments <i>(Note 22)</i>	(2,471,257)	-	(5,489,748)	-	(7,961,005)	(8,144,770)
Balance, beginning of year, as restated	526,787	10,971,180	36,359,210	228,434,762	276,291,939	277,317,589
Excess (deficiency) of revenue over expenses	2,588,571	-	-	-	2,588,571	(1,025,650)
Unrestricted funds designated for future use	(7,251,071)	1,389,518	5,861,553	-	-	-
Restricted funds for operations	3,214,238	(3,214,238)	-	-	-	-
Restricted funds used for tangible capital assets	-	-	(6,103,770)	6,103,770	-	-
Current year funds used for tangible capital assets	(20,194,421)	-	-	20,194,421	-	-
Disposal of tangible capital assets	1,317,731	-	-	(1,317,731)	-	-
Annual amortization expense	17,178,899	-	-	(17,178,899)	-	-
Capital long-term debt repaid	(439,945)	-	-	439,945	-	-
Change in accumulated surplus	(3,585,998)	(1,824,720)	(242,217)	8,241,506	2,588,571	(1,025,650)
Balance, end of year	(3,059,211)	9,146,460	36,116,993	236,676,268	278,880,510	276,291,939

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, 2018

	<i>Construction in progress</i>	<i>Land</i>	<i>Land Improvements</i>	<i>Buildings</i>	<i>Engineered Structures</i>	<i>Machinery & Equipment</i>	<i>Vehicles</i>	<i>2018</i>	<i>2017</i>
Cost:									
Balance, beginning of year	27,603	5,316,977	90,251	6,606,735	518,668,234	26,877,739	7,783,789	565,371,328	557,744,713
Acquisition of tangible capital assets	1,400,049	1,890,000	-	-	18,567,242	3,769,612	671,288	26,298,191	8,397,737
Disposal of tangible capital assets	-	-	-	-	-	(2,895,864)	(373,552)	(3,269,416)	(771,122)
Balance, end of year	1,427,652	7,206,977	90,251	6,606,735	537,235,476	27,751,487	8,081,525	588,400,103	565,371,328
Accumulated amortization:									
Balance, beginning of year	-	-	21,703	2,167,327	317,959,691	11,632,892	3,820,186	335,601,799	319,921,864
Annual amortization	-	-	3,753	135,605	14,386,230	2,039,499	613,812	17,178,899	16,059,806
Accumulated amortization on disposals	-	-	-	-	-	(1,578,043)	(373,642)	(1,951,685)	(379,871)
Balance, end of year	-	-	25,456	2,302,932	332,345,921	12,094,348	4,060,356	350,829,013	335,601,799
Net book value	1,427,652	7,206,977	64,795	4,303,803	204,889,555	15,657,139	4,021,169	237,571,090	229,769,529
2017 net book value	27,603	5,316,977	68,548	4,439,408	200,708,543	15,244,847	3,963,603	229,769,529	

During the year, tangible capital assets were acquired at an aggregate cost of \$26,298,191 (2017 - \$8,397,737), of which there was \$2,648,652 (2017 - \$564,936) in accounts payable at year-end and \$150,000 (2017 - \$nil) of a non-cash trade-in of equipment; the remaining \$24,064,475 (2017 - \$8,988,094) was acquired by cash. Proceeds on disposal of tangible capital assets is made up of \$908,680 (2017 - \$388,244) of cash and \$150,000 (2017 - \$nil) 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, 2018

	2018 Budget (Note 21)	2018	2017
Taxation			
Real property taxes	30,782,486	17,746,569	17,155,773
Linear property taxes	-	12,998,759	12,960,572
Special assessments	2,569,602	2,569,456	2,493,281
	33,352,088	33,314,784	32,609,626
Requisitions			
Alberta Schools Foundation Fund	7,351,665	7,328,826	8,000,974
Net municipal property taxes	26,000,423	25,985,958	24,608,652
Less special levies	(2,581,250)	(2,580,597)	(2,504,423)
Net municipal property taxes for general purposes	23,419,173	23,405,361	22,104,229

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, 2018

	2018 Budget (Note 21)	2018	2017
Operating			
Provincial	4,597,425	1,224,370	2,034,031
Capital			
Provincial	-	5,130,511	2,430,944
Federal	-	455,959	438,987
	-	5,586,470	2,869,931
Total government transfers	4,597,425	6,810,840	4,903,962

The accompanying notes are an integral part of these financial statements

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

For the year ended December 31, 2018

	2018	2017 <i>(Restated)</i> <i>(Note 22)</i>
Amortization	17,178,899	16,059,806
Salaries, wages and benefits	9,574,454	9,213,226
Materials, goods and utilities	7,791,011	9,470,125
Contracted and general services	6,575,748	8,271,982
Grants to other governments and organizations	826,580	1,127,213
Provision for allowances	723,813	86,185
Transfers to local boards and agencies	546,688	528,106
Transfers to individuals and organizations	388,736	364,546
Loss on sale of tangible capital assets	259,050	3,007
Interest on long-term debt	117,757	135,543
Bank charges and short-term interest	3,562	4,653
	43,986,298	45,264,392

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, 2018

	General Government	Legislative & Administrative	Public Works	Environmental Services	Protective Services	Public Health & Welfare	Agricultural Services	Recreation and Library	Planning, Environment & Rental	Gas	Total
Revenue											
Net municipal property taxes	23,416,377	-	-	643,412	1,000,850	-	-	925,319	-	-	25,985,958
User charges and sales of goods	-	18,915	1,107,591	487,310	223,972	-	25,271	-	52,298	7,840,829	9,756,186
Government transfers	-	310,934	5,548,316	5,219	218,936	232,316	303,820	9,500	86,900	94,899	6,810,840
Interest income	796,896	-	23,584	-	-	-	-	10,441	112,216	190,098	1,133,235
Other	420,715	247,948	37,384	24,504	-	-	10,110	-	47,644	207,593	995,898
Gas capital	-	-	-	-	-	-	-	-	-	974,903	974,903
Other capital contributions	-	-	331,962	-	-	-	-	-	-	-	331,962
Fines	-	-	-	6,251	106,787	-	-	-	137,675	-	250,713
Penalties and costs on taxes	222,712	-	-	-	-	-	-	-	-	-	222,712
Rental	-	-	-	-	6,300	-	-	3,000	53,329	-	62,629
Sales to other governments	40,067	-	-	-	8,740	-	-	-	1,026	-	49,833
	24,896,767	577,797	7,048,837	1,166,696	1,565,585	232,316	339,201	948,260	491,088	9,308,322	46,574,869
Expenses											
Salaries, wages, and benefits	-	1,467,535	4,169,275	245,714	616,811	19,208	406,055	-	585,866	2,063,990	9,574,454
Materials, goods, and utilities	-	102,565	3,171,868	85,949	165,138	6,657	201,765	-	1,895	4,055,174	7,791,011
Contracted and general services	-	1,513,346	3,187,374	94,690	357,916	3,814	269,275	86,861	320,562	741,910	6,575,748
Grants to other governments and organizations	-	42,739	38,662	609,977	183,763	-	-	-	36,917	-	826,580
Provision for allowances	-	705,368	-	-	-	-	-	-	-	18,445	723,813
Transfers to local boards and agencies	-	-	-	-	-	-	-	546,688	-	-	546,688
Transfers to individuals and organizations	-	5,000	25,000	-	63,670	236,566	3,000	29,500	26,000	-	388,736
Loss (gain) on sale of tangible capital assets	-	74,779	259,525	-	(26,873)	-	-	-	-	(48,381)	259,050
Interest on long-term debt	-	39,716	-	13,553	-	-	-	64,488	-	-	117,757
Bank charges and short-term interest	-	3,562	-	-	-	-	-	-	-	-	3,562
	-	3,869,132	10,851,704	1,049,883	1,360,425	266,245	880,095	727,537	971,240	6,831,138	26,807,399
Net revenue, before amortization	24,896,767	(3,291,335)	(3,802,867)	116,813	205,160	(33,929)	(540,894)	220,723	(480,152)	2,477,184	19,767,470
Amortization	-	156,727	15,206,447	171,404	244,375	-	87,407	-	-	1,312,539	17,178,899
Transfers between departments	-	(167,200)	(35,590)	13,000	6,471	37,769	(798)	-	-	146,348	-
Net revenue	24,896,767	(3,615,262)	(19,044,904)	(41,591)	(32,744)	3,840	(629,099)	220,723	(480,152)	1,310,993	2,588,571

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, 2018

Gross profit	2018					
	Sales		Cost of Sales		Gross Profit	
	\$	\$/GJ	\$	\$/GJ	\$	\$/GJ
Residential and farm	2,605,330	3.32	1,622,550	2.07	982,780	1.25
Industrial - transportation	662,948	0.39	-	-	662,948	0.39
Industrial - sale of gas	2,743,166	2.61	1,999,408	1.90	743,758	0.71
	6,011,443		3,621,958		2,389,486	

Gross profit	2017					
	Sales		Cost of Sales		Gross Profit	
	\$	\$/GJ	\$	\$/GJ	\$	\$/GJ
Residential and farm	2,762,212	3.87	1,938,083	2.71	824,129	1.15
Industrial - transportation	601,700	0.35	-	-	601,700	0.35
Industrial - sale of gas	3,863,687	3.20	3,106,766	2.58	756,911	0.63
	7,227,599		5,044,859		2,182,740	

The accompanying notes are an integral part of these financial statements

County of Vermilion River
Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

1. Significant accounting policies

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

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue, expenses, and changes in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the County and are, therefore, accountable to County Council for the administration of their financial affairs and resources, including Family and Community Support Services.

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

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

Basis of accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Measurement uncertainty (use of estimates)

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

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

Pursuant to the *Environmental Protection and Enhancement Act*, the County is required to fund the future reclamation of gravel pits. Closure activities include the final top soil cover, landscaping, and visual inspection. The requirement is being provided for based on the estimated costs and length of time until the site is expected to be inactive.

Cash and equivalents

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

1. Significant accounting policies *(continued)*

Investments

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

Tax sale proceeds

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

Debt charges recoverable

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

Property tax requisition over-levy and under-levy

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

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

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

Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the County is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2018.

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 and penalties

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

iv. Other revenue

Other sources of revenue are recorded when received or receivable.

Non-financial assets

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

1. Significant accounting policies *(continued)*

Non-financial assets *(continued)*

i. Tangible capital assets

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

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

Amortization is not charged in the year of acquisition and disposal. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of tangible capital assets

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

iii. Inventories

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

iv. Prepaid expenses

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

v. Land for resale

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

Segments

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

County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

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 as the plan is administered independently from the County.

2. Cash and equivalents

	2018	2017
Cash	6,968,522	4,900,603
Temporary investments	4,238,750	447,038
	11,207,272	5,347,641

Temporary investments have an effective interest rate of 2.51% (2017 - 3.97%) and mature in three months or less.

3. Investments

	2018		2017	
	Cost	Market Value	Cost	Market Value
Government bonds	4,000,000	4,000,000	4,000,000	4,000,000
Protected note	-	-	1,000,000	1,049,000
Guaranteed investment certificates	30,148,680	30,148,680	32,288,395	32,288,395
Other	220,570	220,570	216,328	216,328
	34,369,250	34,369,250	37,504,723	37,553,723

Government bonds have effective interest rates of 2.30% to 3.45% (2017 - 2.30% to 2.85%) with maturity dates from June 30, 2019 to March 30, 2022. The protected note was redeemed during the year. Guaranteed investment certificates have effective interest rates of 2.38% to 3.00% (2017 - 1.82% to 3.45%) with maturity dates from February 2019 to December 2019. Other investments include Gas Alberta Inc. and Credit Union shares and equity in United Farmers of Alberta and Rural Municipalities of Alberta.

4. Property taxes receivable

	2018	2017
Current taxes	926,466	883,475
Arrears taxes	832,194	835,469
	1,758,660	1,718,944
Less allowance for doubtful accounts	(744,252)	(392,747)
	1,014,408	1,326,197

County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

5. Trade and other accounts receivable

	<i>2018</i>	<i>2017</i>
Trade and other receivables	2,938,306	4,246,668
Due from governments	555,584	3,147,916
	3,493,890	7,394,584

6. Debt charges recoverable

The County has assisted the following organization in expansions and upgrades. As at December 31, 2018 the following amounts are outstanding:

Vermilion and District Housing Foundation

Three debentures totaling \$1,150,867 (2017 - \$1,322,694) plus interest at an average rate of 2.59% (2017 - 2.59%), recoverable in semi-annual blended instalments, maturing in periods 2019 through 2036.

	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2019	114,239	31,969	146,208
2020	51,703	28,820	80,523
2021	53,168	27,355	80,523
2022	54,676	25,847	80,523
2023	56,226	24,297	80,523
To maturity	820,855	153,433	974,288
	1,150,867	291,721	1,442,588

7. Bank indebtedness

The County has a revolving line of credit with Servus Credit Union with a maximum limit of \$200,000. Interest accrues monthly on the outstanding balance at a rate of prime less 0.50%. The line of credit arrangement is reviewed annually by the bank with the most recent review date being November 1, 2018. As at December 31, 2018, the prime rate was 3.95% (2017 - 3.20%).

As at December 31, 2018 the County had not drawn any funds (2017 - \$ nil) on the line of credit.

8. Accounts payable and accrued liabilities

	<i>2018</i>	<i>2017</i>
Accounts payable and accrued liabilities	4,526,369	3,526,033
Due to governments	778,440	87,675
Vacation and overtime accruals	236,284	192,657
	5,541,093	3,806,365

County of Vermilion River
Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

9. Reclamation liability

Under Provincial legislation, the County is required to reclaim certain land used for the extraction of aggregate material. Reclamation requirements have been defined in accordance with industry standards and include re-vegetation of sites upon closure. The County owns and operates aggregate extraction sites. The aggregate is used for road maintenance and construction projects within the County. An amount of \$7,233,313 (2017 - \$6,811,879) has been accrued.

The reported liabilities are based on estimates and assumptions using the best information available at the end of the reporting period. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total liabilities and will be recognized prospectively, as a change in estimate, when applicable.

10. Deferred revenue

	2018	2017
Municipal Sustainability Initiative - capital	1,368,856	-
Other	273,697	339,473
Wetlands Restoration	208,715	261,013
Husky Oil	200,000	200,000
Strategic Transportation Infrastructure Program	97,117	-
Alberta Community Partnership - Enforcement	94,492	188,403
Alberta Community Partnership - Governance	23,420	50,000
Alberta Community Partnership - Regional Collaboration	15,000	40,000
	2,281,297	1,078,889

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.

11. Long-term debt

	2018	2017
Village of Dewberry	1,199,380	1,281,037
Blackfoot Development	894,822	1,334,767
Vermilion and District Housing Foundation	865,721	904,890
Village of Paradise Valley	578,262	622,924
Village of Marwayne	504,665	567,297
Vermilion and District Housing Foundation	221,184	230,906
Vermilion and District Housing Foundation	63,962	186,898
	4,327,996	5,128,719

County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

11. Long-term debt (continued)

Payments of interest and principal are due as follows:

	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2019	753,431	100,701	854,132
2020	701,403	87,044	788,447
2021	258,604	76,128	334,732
2022	265,931	68,802	334,733
2023	273,470	61,263	334,733
To maturity	2,075,157	263,818	2,338,975
	4,327,996	657,756	4,985,752

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 1.12% to 5.39% (2017 - 1.12% to 5.39%) per annum and mature in periods 2019 through 2036. The average annual interest rate is 2.94% (2017 - 2.94%). Debenture debt is issued on the credit and security of the County at large.

The County's cash payments for interest in 2018 were \$119,096 (2017 - \$136,898).

12. Inventory for consumption

	<i>2018</i>	<i>2017</i>
Gravel inventory	3,145,774	4,411,386
Shop inventory	1,488,524	1,550,662
	4,634,298	5,962,048

13. Land held for resale

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

County of Vermilion River
Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

14. 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:

	2018	2017
Total debt limit	60,020,244	60,054,674
Total debt	4,327,996	5,128,719
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Amount of debt limit unused	55,692,248	54,925,955
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Service on debt limit	10,003,374	10,009,112
Service on debt	854,132	919,818
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Amount of debt servicing limit unused	9,149,242	9,089,294
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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.

15. Equity in tangible capital assets

	2018	2017
Tangible capital assets (<i>Schedule II</i>)Ac	588,400,103	565,371,328
accumulated amortization (<i>Schedule II</i>)C	(350,829,013)	(335,601,799)
capital long-term debt (<i>Note 11</i>)	(894,822)	(1,334,767)
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	236,676,268	228,434,762
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County of Vermilion River
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

16. Salary and benefits disclosure

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

	Salary/ remuneration	Benefits & allowances	2018	2017
Reeve	66,986	7,741	74,727	61,796
Former Reeve	-	-	-	14,967
Councilor Division 1	49,693	7,243	56,936	12,431
Former Councilor Division 1	-	-	-	34,774
Councilor Division 3	57,381	30,998	88,379	58,605
Councilor Division 4	46,570	7,170	53,740	54,290
Councilor Division 5	49,853	7,164	57,017	11,917
Former Councilor Division 5	-	-	-	37,532
Councilor Division 6	53,931	3,877	57,808	11,251
Former Councilor Division 6	-	-	-	54,927
Councilor Division 7	61,393	6,148	67,541	12,908
Former Councilor Division 7	-	-	-	44,009
CAO	170,868	31,402	202,270	200,452
Development Officer	111,754	23,333	135,087	131,851
Agriculture Fieldman 1	109,740	23,024	132,764	129,749
Fire Protection Officer (0.75 FTE)	89,243	6,950	96,193	91,050

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.

17. 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 259,714 people and 420 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 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current service contributions by the County to the LAPP in 2018 were \$768,096 (2017 - \$771,135). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2018 were \$703,271 (2017 - \$710,735).

At December 31, 2017, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial surplus of \$4,835,515,000 (2016 - deficit of \$637,357,000).

18. Segments

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

Refer to Schedule VI - Schedule of Segmented Disclosure.

19. Commitments

The County has entered into an agreement to support the Lloydminster Region Health Foundation, as well as various contracts related to the purchase of gravel. The commitments over the next five years and thereafter are as follows:

2019	\$552,200
2020	\$207,200
2021	\$204,200
2022	\$153,500
2023	\$153,500
Thereafter	\$760,500

20. Contingency

The County is a member of the Genesis Reciprocal Insurance Exchange ("GENESIS"). Under the terms of membership, the County could become liable for its proportionate share of any claim losses in excess of the funds held by GENESIS. Any liability incurred would be accounted for as a current transaction in the years the losses are determined.

County of Vermilion River
Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

21. Budget information

The disclosed budget information was approved by Council on April 24, 2018. Included in the approved budget is transfers from operating and capital reserves, acquisition of tangible capital assets, and transfers between departments that are not included on the consolidated statement of operations.

22. Prior period adjustments

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

- i. Prior year debt charges recoverable that related to fiscal years prior to 2017 were incorrectly included in the County's assets. This error resulted in a decrease to the 2016 debt charges recoverable of \$2,655,022 and a decrease in the 2017 opening accumulated surplus of \$2,655,022.
- ii. In 2017, the overall effect on the consolidated financial statements is a decrease of debt charges recoverable in the amount of \$2,471,257 and contracted and general services of \$183,765.
- iii. The estimated cost of completing gravel reclamation was understated prior to fiscal 2016 in the amount of \$5,489,748. During the year, the County had an engineering firm complete an assessment of the estimated cost to reclaim the County owned gravel pits to their original condition, which identified the error. This error resulted in an increase to the gravel reclamation liability and a decrease to opening accumulated surplus of \$5,489,748, respectively.
- iv. The overall effect of the adjustments above on 2018 opening accumulated surplus and 2017 opening accumulated surplus are a decrease of \$7,961,005 and \$8,144,770, respectively.

23. Subsequent events

Subsequent to year-end, the County acquired indebtedness by the issuance of debenture in the amount of \$2,100,000 and awarded a contract in the amount of \$6,727,531 for road construction projects.

24. Change in accounting policies

Effective January 1, 2018, the County adopted the recommendations relating to the following Sections, as set out in the CPA Canada Public Sector Accounting Handbook: PS 3210 *Assets*, PS 3320 *Contingent Assets*, PS 3380 *Contractual Rights*, PS 2200 *Related Party Disclosures*, PS 3420 *Inter-Entity Transactions*. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statements of adopting the new Sections.

25. Comparative figures

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