

**County of Vermilion River  
Consolidated Financial Statements**

December 31, 2019



## **Management's Responsibility**

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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 28, 2020

Chief Administrative Officer

## **Independent Auditor's Report**

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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, 2019, 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, 2019, 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.

## Independent Auditor's Report

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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.

Leduc, Alberta  
April 28, 2020


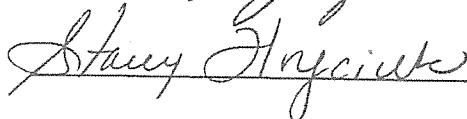
*MNP* LLP  
Chartered Professional Accountants

**County of Vermilion River**  
**Consolidated Statement of Financial Position**  
*As at December 31, 2019*

	<u>2019</u>	<u>2018</u>
<b>Financial assets</b>		
Cash and equivalents (Note 2)	10,203,410	11,207,272
Investments (Note 3)	36,651,071	34,369,250
Property taxes receivable (Note 4)	1,502,010	1,014,408
Trade and other accounts receivable (Note 5)	3,711,049	3,493,890
Debt charges recoverable (Note 6)	1,036,628	1,150,867
	<u>53,104,168</u>	<u>51,235,687</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	5,567,212	5,541,093
Reclamation liability (Note 9)	7,388,531	7,233,313
Deposit liabilities	192,185	241,159
Deferred revenue (Note 10)	2,655,623	2,281,297
Long-term debt (Note 11)	5,674,564	4,327,996
	<u>21,478,115</u>	<u>19,624,858</u>
<b>Net financial assets</b>	<u>31,626,053</u>	<u>31,610,829</u>
<b>Non-financial assets</b>		
Tangible capital assets (Schedule II)	237,463,431	237,571,090
Inventory for consumption (Note 12)	5,476,235	4,634,298
Land held for resale (Note 13)	2,094,849	2,089,443
Prepaid expenses	2,892,855	2,974,850
	<u>247,927,370</u>	<u>247,269,681</u>
<b>Accumulated surplus (Schedule I)</b>	<u>279,553,423</u>	<u>278,880,510</u>

Commitments (Note 19)  
Contingency (Note 20)  
Subsequent event (Note 22)

Approved on behalf of Council:

 \_\_\_\_\_ Reeve  
 \_\_\_\_\_ Deputy Reeve

*The accompanying notes are an integral part of these financial statements*

**County of Vermilion River**  
**Consolidated Statement of Operations**

*For the year ended December 31, 2019*

	<b>2019 Budget (Note 21)</b>	<b>2019</b>	<b>2018</b>
<b>Revenue</b>			
Net municipal property taxes ( <i>Schedule III</i> )	27,416,517	<b>27,075,148</b>	25,980,778
User fees and sales of goods	10,368,575	<b>9,069,720</b>	9,756,186
Government transfers ( <i>Schedule IV</i> )	1,638,599	<b>1,140,158</b>	1,224,370
Interest income	675,151	<b>934,336</b>	1,133,235
Other	1,300,187	<b>738,259</b>	1,001,078
Penalties and costs on taxes	150,000	<b>359,035</b>	222,712
Fines	303,843	<b>174,359</b>	250,713
Rental	33,150	<b>68,375</b>	62,629
Sales to other governments	2,696	<b>42,734</b>	49,833
	<b>41,888,718</b>	<b>39,602,124</b>	39,681,534
<b>Expenses</b>			
Public works	23,227,432	<b>25,493,855</b>	26,058,151
Gas	9,893,664	<b>8,873,980</b>	8,143,677
Administration	3,114,970	<b>3,057,338</b>	3,454,710
Protective services	1,269,905	<b>1,188,450</b>	1,293,056
Agricultural services	1,259,363	<b>1,148,539</b>	967,502
Planning and development	1,504,937	<b>876,546</b>	858,981
Recreation and library	929,819	<b>800,130</b>	727,537
Water supply and distribution	1,113,672	<b>655,482</b>	578,872
Legislative	669,317	<b>652,669</b>	571,149
Waste management	681,312	<b>630,141</b>	609,977
Family and community support	289,521	<b>275,823</b>	266,245
Emergency disaster	216,544	<b>179,566</b>	190,610
Environment management and rental	158,218	<b>136,515</b>	112,259
Pest control	178,624	<b>115,920</b>	121,134
Water and wastewater	18,770	<b>30,137</b>	32,438
	<b>44,526,068</b>	<b>44,115,091</b>	43,986,298
<b>Excess (deficiency) of revenue over expenses before other</b>	<b>(2,637,350)</b>	<b>(4,512,967)</b>	(4,304,764)
<b>Other</b>			
Government transfers for capital ( <i>Schedule IV</i> )	3,703,137	<b>3,698,872</b>	5,586,470
Gas capital	1,375,000	<b>1,487,008</b>	974,903
Other capital contributions	-	-	331,962
	<b>5,078,137</b>	<b>5,185,880</b>	6,893,335
<b>Excess of revenue over expenses</b>	<b>2,440,787</b>	<b>672,913</b>	2,588,571
<b>Accumulated surplus, beginning of year</b>	<b>278,880,510</b>	<b>278,880,510</b>	276,291,939
<b>Accumulated surplus, end of year</b>	<b>281,321,297</b>	<b>279,553,423</b>	278,880,510

*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, 2019*

	<b>2019 Budget (Note 21)</b>	<b>2019</b>	<b>2018</b>
<b>Excess of revenue over expenses</b>	2,440,787	<b>672,913</b>	2,588,571
Acquisition of tangible capital assets	(11,135,477)	<b>(15,985,810)</b>	(26,298,191)
Proceeds on disposal of tangible capital assets	504,770	<b>523,207</b>	1,058,680
Amortization of tangible capital assets	1,909,012	<b>15,471,686</b>	17,178,899
Loss (gain) on disposal of tangible capital assets	-	<b>98,576</b>	259,050
Development of land for resale	-	<b>(5,406)</b>	(104,522)
Decrease in prepaid expenses	-	<b>81,995</b>	18,970
Use (acquisition) of inventory for consumption	-	<b>(841,937)</b>	1,327,750
<b>Increase (decrease) in net financial assets</b>	(6,280,908)	<b>15,224</b>	(3,970,793)
<b>Net financial assets, beginning of year</b>	31,610,829	<b>31,610,829</b>	35,581,622
<b>Net financial assets, end of year</b>	25,329,921	<b>31,626,053</b>	31,610,829

*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, 2019*

	<b>2019</b>	<b>2018</b>
<b>Cash provided by (used for) the following activities:</b>		
<b>Operating</b>		
Excess of revenue over expenses	672,913	2,588,571
Non-cash items:		
Amortization of tangible capital assets	15,471,686	17,178,899
Loss on disposal of tangible capital assets	98,576	259,050
Net change in non-cash operating working capital balances:		
Increase in deferred revenue	374,326	1,202,408
Decrease in prepaid expenses	81,995	18,970
Decrease (increase) in accounts payable and accrued liabilities	514,271	(348,988)
Decrease (increase) in trade and other accounts receivable	(217,159)	3,900,694
Decrease (increase) in property taxes receivable	(487,602)	311,789
Decrease in deposit liabilities	(48,974)	(10,408)
Use (acquisition) of inventory for consumption	(841,937)	1,327,750
Increase in land held for resale	(5,406)	(73,717)
Increase in reclamation liability	155,218	421,434
Decrease in net amount due to ACE	-	(267,605)
	<b>15,767,907</b>	<b>26,508,847</b>
<b>Capital</b>		
Proceeds on disposal of tangible capital assets	372,004	908,680
Acquisition of tangible capital assets	(16,322,760)	(24,064,475)
	<b>(15,950,756)</b>	<b>(23,155,795)</b>
<b>Investing</b>		
Net change in investments	(2,281,821)	3,135,473
<b>Financing</b>		
Net change in debt charges recoverable	114,239	171,829
Proceeds from long-term debt	2,100,000	-
Repayment of long-term debt	(753,431)	(800,723)
	<b>1,460,808</b>	<b>(628,894)</b>
<b>Increase (decrease) in cash and equivalents</b>	<b>(1,003,862)</b>	<b>5,859,631</b>
<b>Cash and equivalents, beginning of year</b>	<b>11,207,272</b>	<b>5,347,641</b>
<b>Cash and equivalents, end of year (Note 2)</b>	<b>10,203,410</b>	<b>11,207,272</b>

*The accompanying notes are an integral part of these financial statements*



**County of Vermillion River**  
**Schedule I - Schedule of Changes in Accumulated Surplus**

*For the year ended December 31, 2019*

	Unrestricted Surplus	Restricted Operating Reserve	Restricted Capital Reserve	Restricted Equity in Tangible Capital Assets (Note 15)	2019	2018
<b>Balance, beginning of year</b>	(3,059,211)	9,146,460	36,116,993	236,676,268	278,880,510	276,291,939
Excess of revenue over expenses	672,913	-	-	-	672,913	2,588,571
Unrestricted funds designated for future use	(3,149,481)	422,038	2,727,443	-	-	-
Restricted funds for operations	2,113,500	(2,113,500)	-	-	-	-
Restricted funds used for tangible capital assets	-	-	(421,025)	421,025	-	-
Current year funds used for tangible capital assets	(15,564,785)	-	-	15,564,785	-	-
Disposal of tangible capital assets	621,783	-	-	(621,783)	-	-
Annual amortization expense	15,471,686	-	-	(15,471,686)	-	-
Capital proceeds of long-term debt	2,100,000	-	-	(2,100,000)	-	-
Capital long-term debt repaid	(444,904)	-	-	444,904	-	-
<b>Change in accumulated surplus</b>	1,820,712	(1,691,462)	2,306,418	(1,762,755)	672,913	2,588,571
<b>Balance, end of year</b>	(1,238,499)	7,454,998	38,423,411	234,913,513	279,553,423	278,880,510

*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, 2019*

	Construction in progress	Land Improvements	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2019	2018
<b>Cost:</b>									
Balance, beginning 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
Acquisition of tangible capital assets	3,291,927	-	-	10,500	10,109,042	2,370,440	203,901	15,985,810	26,298,191
Construction in progress	(1,198,819)	-	-	-	1,198,819	-	-	-	-
Disposal of tangible capital assets	-	-	-	-	-	(1,428,877)	(79,835)	(1,508,712)	(3,269,416)
Balance, end of year	3,520,760	7,206,977	90,251	6,617,235	548,543,337	28,693,050	8,205,591	602,877,201	588,400,103
<b>Accumulated amortization:</b>									
Balance, beginning of year	-	-	25,456	2,302,932	332,345,921	12,094,348	4,060,356	350,829,013	335,601,799
Annual amortization	-	-	3,753	135,605	12,336,631	2,376,631	619,066	15,471,686	17,178,899
Accumulated amortization on disposals	-	-	-	-	-	(807,094)	(79,835)	(886,929)	(1,951,685)
Balance, end of year	-	-	29,209	2,438,537	344,682,552	13,663,885	4,599,587	365,413,770	350,829,013
<b>Net book value</b>	<b>3,520,760</b>	<b>7,206,977</b>	<b>61,042</b>	<b>4,178,698</b>	<b>203,860,785</b>	<b>15,029,165</b>	<b>3,606,004</b>	<b>237,463,431</b>	<b>237,571,090</b>
2018 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	

During the year, tangible capital assets were acquired at an aggregate cost of \$15,985,810 (2018 - \$26,298,191), of which there was \$2,160,502 (2018 - \$2,648,652) in accounts payable at year-end and \$151,200 (2018 - \$150,000) of a non-cash trade-in of equipment; the remaining \$16,322,760 (2018 - \$24,064,475) was acquired by cash. Proceeds on disposal of tangible capital assets is made up of \$372,004 (2018 - \$908,680) of cash and \$151,200 (2018 - \$150,000) 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, 2019*

	<i>2019 Budget (Note 21)</i>	<i>2019</i>	<i>2018</i>
<b>Taxation</b>			
Real property taxes	32,307,257	<b>17,574,688</b>	17,752,531
Linear property taxes	-	<b>14,072,520</b>	12,998,759
Special assessments	2,619,525	<b>2,615,788</b>	2,558,314
	34,926,782	<b>34,262,996</b>	33,309,604
<b>Requisitions</b>			
Alberta Schools Foundation Fund	7,510,265	<b>7,187,848</b>	7,328,826
<b>Net municipal property taxes</b>	27,416,517	<b>27,075,148</b>	25,980,778
Less special levies	(2,619,525)	<b>(2,626,929)</b>	(2,569,456)
<b>Net municipal property taxes for general purposes</b>	24,796,992	<b>24,448,219</b>	23,411,322

*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, 2019*

	<b>2019 Budget (Note 21)</b>	<b>2019</b>	<b>2018</b>
<b>Operating</b>			
Provincial	1,638,599	<b>1,140,158</b>	1,224,370
<b>Capital</b>			
Provincial	3,703,137	<b>2,764,696</b>	5,130,511
Federal	-	<b>934,176</b>	455,959
	3,703,137	<b>3,698,872</b>	5,586,470
<b>Total government transfers</b>	5,341,736	<b>4,839,030</b>	6,810,840

*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, 2019*

	<b>2019</b>	<b>2018</b>
Amortization	<b>15,471,686</b>	17,178,899
Salaries, wages and benefits	<b>10,332,093</b>	9,574,454
Contracted and general services	<b>8,223,706</b>	6,575,748
Materials, goods and utilities	<b>7,703,319</b>	7,791,011
Grants to other governments and organizations	<b>843,023</b>	826,580
Transfers to local boards and agencies	<b>577,120</b>	546,688
Transfers to individuals and organizations	<b>462,481</b>	388,736
Provision for allowances	<b>298,493</b>	723,813
Interest on long-term debt	<b>101,195</b>	117,757
Loss on sale of tangible capital assets	<b>98,576</b>	259,050
Bank charges and short-term interest	<b>3,399</b>	3,562
	<b>44,115,091</b>	43,986,298

*The accompanying notes are an integral part of these financial statements*

**County of Vermillion River**  
**Schedule VI - Schedule of Segmented Disclosure**  
*For the year ended December 31, 2019*

	General Government	Legislative & Administrative	Public Works	Environmental Services	Protective Services	Public Health & Welfare	Agricultural Services	Recreation and Library	Planning, Environment & Rental	Gas	Total
<b>Revenue</b>											
Net municipal property taxes	24,455,753	-	-	662,625	1,014,521	-	-	942,249	-	-	27,075,148
User charges and sales of goods	-	19,964	817,705	520,239	302,384	-	36,844	-	(291,509)	7,664,093	9,069,720
Government transfers	-	184,395	3,707,272	-	144,603	232,316	283,400	17,500	138,749	130,799	4,839,030
Interest income	602,507	-	34,355	-	-	-	-	-	75,515	221,959	934,336
Other	388,301	259,697	900	14,192	1,000	-	355	-	56,267	17,547	738,259
Gas capital	-	-	-	-	-	-	-	-	-	1,487,008	1,487,008
Fines	-	-	-	3,644	58,094	-	-	-	112,621	-	174,359
Penalties and costs on taxes	359,035	-	-	-	-	-	-	-	-	-	359,035
Rental	-	-	-	-	7,350	-	-	3,000	58,025	-	68,375
Sales to other governments	33,692	-	-	-	7,747	-	-	-	1,295	-	42,734
	25,839,288	464,056	4,560,232	1,200,700	1,535,699	232,316	320,599	962,749	150,963	9,521,402	44,788,004
<b>Expenses</b>											
Salaries, wages, and benefits	-	1,698,929	4,708,952	254,784	573,600	18,061	350,448	-	538,084	2,189,235	10,332,093
Materials, goods, and utilities	-	97,567	2,709,510	73,278	177,782	14,005	299,125	-	3,190	4,328,862	7,703,319
Contracted and general services	-	1,359,257	4,376,881	185,007	285,760	3,557	409,037	91,386	446,787	1,069,034	8,223,706
Grants to other governments and organizations	-	3,318	38,890	630,141	170,674	-	-	-	-	-	843,023
Provision for allowances	-	296,752	-	-	-	-	-	-	-	1,741	298,493
Transfers to local boards and agencies	-	-	-	-	-	-	-	577,120	-	-	577,120
Transfers to individuals and organizations	-	55,000	25,000	-	38,948	240,200	4,833	72,500	26,000	-	462,481
Loss (gain) on sale of tangible capital assets	-	-	174,071	-	-	-	-	-	-	(75,495)	98,576
Interest on long-term debt	-	33,479	-	8,592	-	-	-	59,124	-	-	101,195
Bank charges and short-term interest	-	3,399	-	-	-	-	-	-	-	-	3,399
	-	3,547,701	12,033,304	1,149,802	1,246,764	275,823	1,063,443	800,130	1,013,061	7,513,377	28,643,405
<b>Net revenue, before amortization</b>	<b>25,839,288</b>	<b>(3,083,645)</b>	<b>(7,473,072)</b>	<b>50,898</b>	<b>288,935</b>	<b>(43,507)</b>	<b>(742,844)</b>	<b>162,619</b>	<b>(862,098)</b>	<b>2,008,025</b>	<b>16,144,599</b>
Amortization	-	162,306	13,460,551	165,958	237,172	-	85,096	-	-	1,360,603	15,471,686
Transfers between departments	-	(167,200)	(39,980)	13,234	5,400	39,746	(1,200)	-	-	150,000	-
<b>Net revenue</b>	<b>25,839,288</b>	<b>(3,413,151)</b>	<b>(20,973,603)</b>	<b>(101,826)</b>	<b>57,163</b>	<b>(3,761)</b>	<b>(829,140)</b>	<b>162,619</b>	<b>(862,098)</b>	<b>797,422</b>	<b>672,913</b>

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, 2019*

Gross profit	2019					
	Sales		Cost of Sales		Gross Profit	
	\$	\$/GJ	\$	\$/GJ	\$	\$/GJ
Residential and farm	3,009,511	3.65	1,958,521	2.37	1,050,990	1.27
Industrial - transportation	713,734	0.41	-	-	713,734	0.41
Industrial - sale of gas	2,022,871	2.79	1,577,332	2.18	445,539	0.61
Industrial - receipt tariff	28,269	0.02	-	-	28,269	0.18
	5,774,385		3,535,852		2,238,533	

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	

*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, 2019*

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**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, 2019.

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.

**County of Vermilion River**  
**Notes to the Consolidated Financial Statements**

*For the year ended December 31, 2019*

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**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.

**County of Vermilion River**  
**Notes to the Consolidated Financial Statements**

*For the year ended December 31, 2019*

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**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, 2019*

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**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.

***Future Accounting Standards***

**Effective on or after April 1, 2021:**

**PS 3450 *Financial Instruments***, a new standard establishing guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives.

**PS 3280 *Asset Retirement Obligations***, a new standard establishing guidance on the recognition, measurement, presentation and disclosure of a liability for retirement of a tangible capital asset. As this standard includes solid waste landfill sites active and post-closing obligations upon adoption of this new standard, existing Solid Waste Landfill Closure and Post-Closure Liability section PS 3270 will be withdrawn.

The extent of the impact on adoption of these future standards is not known at this time.

**2. Cash and equivalents**

	<b>2019</b>	<b>2018</b>
Cash	3,576,838	6,968,522
Temporary investments	6,626,572	4,238,750
	10,203,410	11,207,272

Temporary investments have an effective interest rate of 2.46% (2018 - 2.51%) and mature in three months or less.

**3. Investments**

	<b>2019</b>		<b>2018</b>	
	<b>Cost</b>	<b>Market Value</b>	<b>Cost</b>	<b>Market Value</b>
Government bonds	3,000,000	3,000,000	4,000,000	4,000,000
Guaranteed investment certificates	33,426,045	33,426,045	30,148,680	30,148,680
Other	225,026	225,026	220,570	220,570
	36,651,071	36,651,071	34,369,250	34,369,250

Government bonds have effective interest rates of 2.37% to 2.83% (2018 - 2.30% to 3.45%) with maturity dates from June 2020 to March 2022. Guaranteed investment certificates have effective interest rates of 2.44% to 2.79% (2018 - 2.38% to 3.00%) with maturity dates from January 2020 to December 2020. Other investments include Gas Alberta Inc. and Credit Union shares and equity in United Farmers of Alberta and Rural Municipalities of Alberta.

**County of Vermilion River**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2019*

**4. Property taxes receivable**

	<i>2019</i>	<i>2018</i>
Current taxes	1,342,374	926,466
Arrears taxes	1,208,904	832,194
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	2,551,278	1,758,660
Less allowance for doubtful accounts	(1,049,268)	(744,252)
<hr/>		
	1,502,010	1,014,408

**5. Trade and other accounts receivable**

	<i>2019</i>	<i>2018</i>
Trade and other receivables	3,319,600	2,938,306
Due from governments	391,449	555,584
<hr/>		
	3,711,049	3,493,890

**6. Debt charges recoverable**

The County has assisted the following organization in expansions and upgrades. As at December 31, 2019 the following amounts are outstanding:

*Vermilion and District Housing Foundation*

Three debentures totaling \$1,036,628 (2018 - \$1,150,867) plus interest at an average rate of 2.81% (2018 - 2.59%), recoverable in semi-annual blended instalments, maturing in periods 2035 through 2036.

	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
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
2024	57,820	22,703	80,523
To maturity	763,035	130,729	893,764
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	1,036,628	259,751	1,296,379

**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 October 31, 2019. As at December 31, 2019, the prime rate was 3.95% (2018 - 3.95%).

As at December 31, 2019 the County had not drawn any funds (2018 - \$ nil) on the line of credit.

**County of Vermilion River**  
**Notes to the Consolidated Financial Statements**

*For the year ended December 31, 2019*

**8. Accounts payable and accrued liabilities**

	<b>2019</b>	<b>2018</b>
Accounts payable and accrued liabilities	5,132,983	4,526,369
Due to governments	175,584	778,440
Vacation and overtime accruals	258,645	236,284
	5,567,212	5,541,093

**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 \$7,388,531 (2018 - \$7,233,313) 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**

	<b>2019</b>	<b>2018</b>
Municipal Sustainability Initiative - capital	1,380,871	1,368,856
Wetlands Restoration	500,225	208,715
Other	454,139	273,697
Husky Oil	200,000	200,000
Alberta Community Partnership - Enforcement	96,476	94,492
Alberta Community Partnership - Governance	23,912	23,420
Strategic Transportation Infrastructure Program	-	97,117
Alberta Community Partnership - Regional Collaboration	-	15,000
	2,655,623	2,281,297

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**

	<b>2019</b>	<b>2018</b>
Highway 16 and Range Road 14	2,100,000	-
Village of Dewberry	1,115,791	1,199,380
Vermilion and District Housing Foundation	825,435	865,721
Village of Paradise Valley	532,398	578,262
Blackfoot Development	449,918	894,822
Village of Marwayne	439,829	504,665
Vermilion and District Housing Foundation	211,193	221,184
Vermilion and District Housing Foundation	-	63,962
	5,674,564	4,327,996

**County of Vermilion River**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2019*

**11. Long-term debt (continued)**

Payments of interest and principal are due as follows:

	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2020	783,784	138,284	922,068
2021	343,028	125,325	468,353
2022	352,447	115,906	468,353
2023	362,131	106,222	468,353
2024	372,088	96,265	468,353
To maturity	3,461,086	547,473	4,008,559
	5,674,564	1,129,475	6,804,039

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 1.12% to 3.49% (2018 - 1.12% to 5.39%) per annum and mature in periods 2020 through 2039. The average annual interest rate is 2.53% (2018 - 2.94%). Debenture debt is issued on the credit and security of the County at large.

The County's cash payments for interest in 2019 were \$100,701 (2018 - \$119,096). The loans which are capital in nature are the Highway 16 and Range Road 14 loan and the Blackfoot Development loan for \$2,100,000 and \$449,918, respectively. The total of the capital loans in the year is \$2,549,918 (2018 - \$894,822).

**12. Inventory for consumption**

	<i>2019</i>	<i>2018</i>
Gravel inventory	<b>3,887,569</b>	3,145,774
Shop inventory	<b>1,588,666</b>	1,488,524
	<b>5,476,235</b>	4,634,298

**13. Land held for resale**

Land held 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, 2019*

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**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:

	<b>2019</b>	<b>2018</b>
Total debt limit	<b>59,403,186</b>	60,020,244
Total debt	<b>5,674,564</b>	4,327,996
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Amount of debt limit unused	<b>53,728,622</b>	55,692,248
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Service on debt limit	<b>9,900,531</b>	10,003,374
Service on debt	<b>922,068</b>	854,132
<hr/>		
Amount of debt servicing limit unused	<b>8,978,463</b>	9,149,242
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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**

	<b>2019</b>	<b>2018</b>
Tangible capital assets ( <i>Schedule II</i> )	<b>602,877,201</b>	588,400,103
Accumulated amortization ( <i>Schedule II</i> )	<b>(365,413,770)</b>	(350,829,013)
Capital long-term debt ( <i>Note 11</i> )	<b>(2,549,918)</b>	(894,822)
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	<b>234,913,513</b>	236,676,268
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**County of Vermilion River**  
**Notes to the Consolidated Financial Statements**

*For the year ended December 31, 2019*

**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:

	<i>Salary/ remuneration</i>	<i>Benefits &amp; allowances</i>	<i>2019</i>	<i>2018</i>
Reeve	72,846	10,076	82,922	74,727
Councilor Division 1	62,214	10,016	72,230	56,936
Councilor Division 3	62,370	15,655	78,025	88,379
Councilor Division 4	54,554	10,002	64,556	53,740
Councilor Division 5	56,485	10,016	66,501	57,017
Councilor Division 6	58,697	6,533	65,230	57,808
Councilor Division 7	66,364	8,662	75,026	67,541
CAO	65,897	14,075	79,972	-
Former CAO	76,570	12,518	89,088	202,270
Interim CAO	163,467	3,953	167,420	-
Development Officer	118,839	23,224	142,063	135,087
Agriculture Fieldman 1	114,593	22,615	137,208	132,764
Fire Protection Officer (0.75 FTE)	90,911	6,664	97,575	96,193

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 265,813 people and 421 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 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the County to the LAPP in 2019 were \$739,368 (2018 - \$768,096). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2019 were \$671,402 (2018 - \$703,271).

At December 31, 2018, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial surplus of \$3,469,347,000 (2017 - \$4,835,515,000).

**County of Vermilion River**  
**Notes to the Consolidated Financial Statements**

*For the year ended December 31, 2019*

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**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:

2020	\$1,234,914
2021	\$986,192
2022	\$727,000
2023	\$507,000
2024	\$157,000
Thereafter	\$607,000

**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, 2019*

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**21. Budget information**

The disclosed budget information was approved by Council on April 30, 2019. The following is a reconciliation between the budget approved and that showing in the financial statements:

	<b><i>Budget</i></b>
	<b><i>2019</i></b>
Approved budgeted net surplus	124,579
Transfers between departments	(2,686,132)
Operating and capital reserve transfers	(2,174,355)
Development of land held for resale	425,000
Provision for allowances	130,000
Long-term debt proceeds	(2,100,000)
<hr/>	
Decrease in net financial assets ( <i>Statement of Change in Net Financial Assets</i> )	(6,280,908)

**22. Subsequent event**

Subsequent to year-end, there was a global outbreak of COVID-19, which has had a significant impact on municipal government operations through the restrictions put in place by the Canadian and provincial governments as well as municipal governments regarding travel, isolation/quarantine orders, closures of County facilities, cancellation/postponement of programs and tax and utility deferral programs. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the County as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the virus, and the duration of the outbreak, including the duration of County facility closures, program and service disruptions, and isolation/quarantine measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

**23. Change in accounting policy**

Effective January 1, 2019, the County adopted the recommendations relating to the following Section, as set out in the CPA Canada Public Sector Accounting Handbook: PS 3430 *Restructuring 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 Section.

**24. Comparative figures**

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