



**Wilde and Company**

*Chartered Accountants*

P.O. BOX 70  
4902 – 50 STREET  
VEGREVILLE, AB T9C 1R1

TELEPHONE (780) 632-3673  
TOLL FREE 1-800-808-0998  
FAX (780) 632-6133  
E-MAIL [office@wildeandco.com](mailto:office@wildeandco.com)

## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of Town of Vegreville

### *Report on the Consolidated Financial Statements*

We have audited the accompanying consolidated financial statements of Town of Vegreville, which comprise of the statement of financial position at December 31, 2016, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Town of Vegreville as at December 31, 2016, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Vegreville, AB  
April 10, 2017

*Wilde + Company*  
Chartered Accountants

**TOWN OF VEGREVILLE**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2016**

	2016	2015 <i>(restated)</i>
<b>Financial Assets</b>		
Cash and temporary investments (Note 3)	\$ 5,914,684	\$ 5,797,967
Receivables		
Taxes and grants in place of taxes (Note 4)	1,067,172	719,477
Due from governments	116,251	250,188
Trade and other receivables	939,419	910,295
Land held for resale	886,616	886,616
Investments (Note 5)	3,082,187	2,577,542
	<b>12,006,329</b>	<b>11,142,085</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	1,446,688	2,009,898
Accrued employee obligations (Note 7)	581,651	461,898
Deposit liabilities	40,000	40,000
Deferred revenue (Note 8)	393,073	450,640
Long term debt (Note 9)	8,904,222	7,546,210
	<b>11,365,634</b>	<b>10,508,646</b>
<b>Net Financial Assets</b>	<b>640,695</b>	<b>633,439</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (Schedule 2)	57,325,959	57,954,164
Inventory for consumption	103,168	93,839
Prepaid expenses	219,292	372,195
	<b>57,648,419</b>	<b>58,420,198</b>
<b>Accumulated Surplus (Schedule 1, Note 14)</b>	<b>\$ 58,289,114</b>	<b>\$ 59,053,637</b>

**TOWN OF VEGREVILLE**  
**Consolidated Statement of Operations**  
**Year Ended December 31, 2016**

	Budget (unaudited)	2016	2015 (restated)
<b>Revenues</b>			
Net municipal taxes (Schedule 3)	\$ 9,022,250	\$ 9,007,824	\$ 8,790,743
User fees and sales of goods and services	4,017,827	3,898,440	3,933,710
Government transfers for operating (Schedule 4)	3,361,097	3,260,077	3,371,255
Investment income	75,000	75,367	93,039
Franchise and concession contracts	900,000	1,053,906	972,112
Penalties and costs on taxes	50,000	154,741	107,223
Rentals	509,555	588,026	629,033
Fines, licenses and permits	113,500	168,000	142,919
Loss on disposal of assets	-	(122,496)	(62,773)
Other	148,186	302,009	215,041
	<b>18,197,415</b>	<b>18,385,894</b>	<b>18,192,302</b>
<b>Expenses</b>			
Legislative	393,110	307,312	338,302
Administration	1,584,487	1,633,396	1,375,224
Fire protection and safety services	1,964,074	1,789,005	1,890,077
Ambulance services	1,779,116	1,879,533	1,791,007
Bylaw enforcement	302,589	295,622	302,201
Roads, streets, walks, lighting	4,631,379	4,406,029	4,625,984
Airport	59,593	72,930	60,339
Water supply and distribution	1,895,959	1,800,113	2,019,761
Wastewater treatment and disposal	690,880	659,955	623,208
Waste management	1,056,909	943,791	925,313
Family and community support	1,325,474	1,012,114	1,161,668
Cemetery	91,706	101,368	91,006
Subdivision land and development	378,291	312,719	446,554
Community and tourism	598,385	558,880	531,143
Culture	586,813	583,141	581,197
Parks and recreation	2,484,305	2,299,702	2,432,196
Facilities	1,844,997	1,717,274	1,543,465
	<b>21,668,067</b>	<b>20,372,884</b>	<b>20,738,645</b>
<b>Deficiency of revenue over expenses - before other</b>	<b>(3,470,652)</b>	<b>(1,986,990)</b>	<b>(2,546,343)</b>
<b>Other</b>			
Contributed assets	-	101,843	361,111
Government transfers for capital (Schedule 4)	349,000	1,120,624	2,269,635
<b>(Deficiency) excess of revenues over expenses</b>	<b>(3,121,652)</b>	<b>(764,523)</b>	<b>84,403</b>
<b>Accumulated surplus - beginning of the year</b>	<b>59,053,637</b>	<b>59,053,637</b>	<b>58,969,234</b>
<b>Accumulated surplus - end of the year</b>	<b>\$ 55,931,985</b>	<b>\$ 58,289,114</b>	<b>\$ 59,053,637</b>

**TOWN OF VEGREVILLE**  
**Consolidated Statement of Change in Net Financial Assets**  
**Year Ended December 31, 2016**

	Budget (unaudited)	2016	2015 (restated)
(Deficiency) excess of revenues over expenses	\$ (3,121,652)	\$ (764,523)	\$ 84,403
Acquisition of tangible capital assets	(531,000)	(3,318,332)	(4,447,171)
Contributed tangible capital assets	-	(101,843)	(361,111)
Proceeds on disposal of tangible capital assets	-	1,000	24,500
Amortization of tangible capital assets	3,978,477	3,924,884	3,780,047
Loss on disposal of tangible capital assets	-	122,496	62,773
	325,825	(136,318)	(856,559)
(Acquisition) use of supplies inventories	-	(9,329)	124,893
Use (acquisition) of prepaid assets	-	152,903	(278,920)
	-	143,574	(154,027)
Decrease in net financial assets	325,825	7,256	(1,010,586)
Net financial assets, beginning of year	633,439	633,439	1,644,025
Net financial assets, end of year	\$ 959,264	\$ 640,695	\$ 633,439

**TOWN OF VEGREVILLE**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2016**

	2016	2015 <i>(restated)</i>
<b>Operating</b>		
Excess (deficiency) of revenue over expenses	\$ (764,523)	\$ 84,403
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	3,924,884	3,780,047
Loss on disposal of tangible capital assets	122,496	62,773
Contributed tangible capital assets	(101,843)	(361,111)
Net changes in non-cash charges to operation		
Increase in taxes and grants in lieu receivable	(347,695)	(231,551)
Decrease in government receivables	133,937	89,932
Increase in trade and other receivables	(29,124)	(50,908)
Decrease (increase) in inventory for consumption	(9,329)	124,893
Decrease (increase) in prepaid expenses	152,903	(278,920)
Increase (decrease) in accounts payable and accrued liabilities	(563,210)	302,063
Decrease in accrued employee obligations	119,753	(3,845)
Increase in deposit liabilities	-	30,000
Decrease in deferred revenues	(57,567)	(513,010)
	<b>3,345,205</b>	<b>2,950,363</b>
<i>Net cash provided by operating transactions</i>	<b>2,580,682</b>	<b>3,034,766</b>
<b>Capital</b>		
Acquisition of tangible capital assets	(3,318,332)	(4,447,171)
Proceeds on sale of tangible capital assets	1,000	24,500
<i>Net cash applied to capital transactions</i>	<b>(3,317,332)</b>	<b>(4,422,671)</b>
<b>Investing</b>		
Decrease in restricted cash or cash equivalents	57,567	513,010
Decrease (increase) in investments	(504,645)	1,441,458
Decrease in debt charges recoverable	-	159,681
<i>Net cash provided by investing transactions</i>	<b>(447,078)</b>	<b>2,114,149</b>
<b>Financing</b>		
Long term debt issued - capital	2,080,500	1,260,000
Long term debt repaid - operating	-	(147,760)
Long term debt repaid - capital	(722,488)	(441,301)
<i>Net cash provided by financing transactions</i>	<b>1,358,012</b>	<b>670,939</b>
<b>Change in cash and cash equivalents during the year</b>	<b>174,284</b>	<b>1,397,183</b>
Cash and cash equivalents, beginning of year	5,347,327	3,950,144
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,521,611</b>	<b>\$ 5,347,327</b>
Cash and cash equivalents consist of:		
Cash and temporary investments (Note 3)	\$ 5,914,684	\$ 5,797,967
Less: restricted portion of cash and temporary investments (Note 3)	(393,073)	(450,640)
	<b>\$ 5,521,611</b>	<b>\$ 5,347,327</b>
Cash flows supplementary information:		
Interest received	\$ 75,367	\$ 93,039
Interest paid	\$ 235,434	\$ 236,575

See accompanying notes

**TOWN OF VEGREVILLE**

**Schedule of Changes in Accumulated Surplus  
Year Ended December 31, 2016**

**(Schedule 1)**

	2016	2015 (restated)				
	Unrestricted Surplus	Restricted Operating Reserves	Restricted Capital Reserves	Equity in Capital Assets	\$	\$
Balance, beginning of year	2,804,760	4,291,785	1,549,138	50,407,954	59,053,637	58,969,234
Excess (deficiency) of revenues over expenses	(764,523)	-	-	-	(764,523)	84,403
Unrestricted funds designated for future use	(1,875,530)	1,726,030	149,500	-	-	-
Restricted funds used for operations	489,687	(489,687)	-	-	-	-
Restricted funds used for tangible capital assets	-	-	(178,858)	178,858	-	-
Current year funds used for tangible capital assets	(3,139,474)	-	-	3,139,474	-	-
Contributed tangible capital assets	(101,843)	-	-	101,843	-	-
Disposals of tangible capital assets	123,496	-	-	(123,496)	-	-
Annual amortization expense	3,924,884	-	-	(3,924,884)	-	-
Long term debt issued	2,080,500	-	-	(2,080,500)	-	-
Long term debt repaid	(722,488)	-	-	722,488	-	-
Change in accumulated surplus	14,709	1,236,343	(29,358)	(1,986,217)	(764,523)	84,403
Balance, end of year	2,819,469	5,528,128	1,519,780	48,421,737	58,289,114	59,053,637

**TOWN OF VEGREVILLE**  
**Schedule of Tangible Capital Assets**  
**Year Ended December 31, 2016**

(Schedule 2)

						2016	2015
						\$	(restated) \$
	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles		
<b>Cost:</b>							
Balance, beginning of year	2,990,385	18,644,478	112,323,584	7,884,855	5,066,903	146,910,205	142,900,859
Contribution of tangible capital assets	-	-	-	101,843	-	101,843	361,111
Acquisition of tangible capital assets	105,000	-	2,523,655	164,777	524,900	3,318,332	4,447,171
Disposal of tangible capital assets	(1,000)	-	(379,456)	-	-	(380,456)	(798,936)
<b>Balance, end of year</b>	<b>3,094,385</b>	<b>18,644,478</b>	<b>114,467,783</b>	<b>8,151,475</b>	<b>5,591,803</b>	<b>149,949,924</b>	<b>146,910,205</b>
<b>Accumulated amortization:</b>							
Balance, beginning of year	-	7,846,873	73,029,458	5,313,997	2,765,713	88,956,041	85,887,657
Annual amortization	-	440,066	2,788,957	338,424	357,437	3,924,884	3,780,047
Accumulated amortization on disposals	-	-	(256,960)	-	-	(256,960)	(711,663)
<b>Balance, end of year</b>	<b>-</b>	<b>8,286,939</b>	<b>75,561,455</b>	<b>5,652,421</b>	<b>3,123,150</b>	<b>92,623,965</b>	<b>88,956,041</b>
<b>Net book value of tangible capital assets - 2016</b>	<b>3,094,385</b>	<b>10,357,539</b>	<b>38,906,328</b>	<b>2,499,054</b>	<b>2,468,653</b>	<b>57,325,959</b>	<b>57,954,164</b>
Net book value of tangible capital assets - 2015	2,990,385	10,797,605	39,294,126	2,570,858	2,301,190	57,954,164	57,954,164

**TOWN OF VEGREVILLE**  
**Schedule of Property and Other Taxes**  
**Year Ended December 31, 2016**

*(Schedule 3)*

	Budget (unaudited)	2016	2015 (restated)
<b>Taxation</b>			
Real property taxes	\$ 9,654,263	\$ 9,639,837	\$ 9,360,766
Linear property	491,966	491,966	493,583
Government grants in place of property taxes	963,945	963,945	1,159,200
	11,110,174	11,095,748	11,013,549
<b>Requisitions</b>			
Alberta School Foundation Fund	1,982,059	1,982,059	2,114,643
Minburn Senior's Foundation	105,865	105,865	108,163
	2,087,924	2,087,924	2,222,806
<b>Net Municipal Taxes</b>	<b>\$ 9,022,250</b>	<b>\$ 9,007,824</b>	<b>\$ 8,790,743</b>



**TOWN OF VEGREVILLE**  
**Schedule of Government Transfers**  
**Year Ended December 31, 2016**

*(Schedule 4)*

	<b>Budget</b> <i>(unaudited)</i>	<b>2016</b>	<b>2015</b> <i>(restated)</i>
<b>Transfers for Operating</b>			
Federal Government	\$ -	\$ 12,712	\$ 74,863
Provincial Government	2,923,601	2,647,528	2,789,854
Local Government	437,496	599,837	506,538
	<b>3,361,097</b>	<b>3,260,077</b>	<b>3,371,255</b>
<b>Transfers for Capital</b>			
Provincial Government	349,000	1,120,624	2,269,635
<b>Total Government Transfers</b>	<b>\$ 3,710,097</b>	<b>\$ 4,380,701</b>	<b>\$ 5,640,890</b>

**TOWN OF VEGREVILLE**  
**Schedule of Consolidated Expenses by Object**  
**Year Ended December 31, 2016**

*(Schedule 5)*

	Budget (unaudited)	2016	2015 (restated)
<b>Consolidated Expenses by Object</b>			
Salaries, wages and benefits	\$ 9,391,843	\$ 9,157,370	\$ 9,013,226
Contracted and general services	4,196,392	3,517,757	3,869,548
Purchases from other governments	1,027,000	1,029,209	1,061,901
Materials, goods, supplies and utilities	2,553,497	2,232,632	2,542,323
Other transactions, allowances and adjustments	87,350	149,487	94,159
Transfers to local boards and agencies	149,038	76,193	86,078
Bank charges and short term interest	42,000	40,622	38,318
Interest on long term debt	242,470	244,730	253,045
Amortization of tangible capital assets	3,978,477	3,924,884	3,780,047
	<b>\$ 21,668,067</b>	<b>\$ 20,372,884</b>	<b>\$ 20,738,645</b>

**TOWN OF VEGREVILLE**  
**Schedule of Segmented Disclosure**  
**Year Ended December 31, 2016**

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health	Planning & Development	Recreation & Culture	Other	Total \$
<b>Revenue</b>									
Net municipal taxes	-	-	-	-	-	-	-	9,007,824	9,007,824
Government transfers	1,954,064	666,377	478,014	737,884	15,416	528,946	-	4,380,701	4,380,701
User fees and sales of goods	5,553	588,064	110,542	2,742,218	168,303	110,021	807,269	154,741	4,686,711
Investment income	-	-	-	-	-	-	-	75,367	75,367
Other revenues	51,034	77,060	435	29,140	17,524	49,242	179,417	1,053,906	1,457,758
	56,587	2,619,188	777,354	3,249,372	923,711	174,679	1,515,632	10,291,838	19,608,361
<b>Expenses</b>									
Salaries, wages and benefits	1,403,013	2,279,959	989,839	1,211,148	817,867	550,736	1,904,808	-	9,157,370
Contracted and general services	286,792	1,243,995	298,955	224,360	206,322	219,133	1,038,200	-	3,517,757
Materials, goods, supplies and utilities	116,056	203,403	620,171	1,346,675	70,480	21,237	883,819	-	3,261,841
Transfers to local boards and agencies	-	-	-	-	11,000	65,193	-	-	76,193
Interest on long term debt	-	8,115	48,370	26,992	-	-	161,253	-	244,730
Other expenses	133,542	20,156	26,968	(59)	6,202	-	3,300	-	190,109
	1,939,403	3,755,628	1,984,303	2,809,116	1,111,871	856,299	3,991,380	-	16,448,000
<b>Net revenue before amortization</b>	<b>(1,882,816)</b>	<b>(1,136,440)</b>	<b>(1,206,949)</b>	<b>440,256</b>	<b>(188,160)</b>	<b>(681,620)</b>	<b>(2,475,748)</b>	<b>10,291,838</b>	<b>3,160,361</b>
Amortization of tangible capital assets	1,307	208,531	2,494,655	594,743	12,233	4,680	608,735	-	3,924,884
<b>2016 net revenue (expense)</b>	<b>(1,884,123)</b>	<b>(1,344,971)</b>	<b>(3,701,604)</b>	<b>(154,487)</b>	<b>(200,393)</b>	<b>(686,300)</b>	<b>(3,084,483)</b>	<b>10,291,838</b>	<b>(764,523)</b>
<b>2015 net revenue (expense) (restated)</b>	<b>(1,612,271)</b>	<b>(1,385,267)</b>	<b>(3,454,638)</b>	<b>333,709</b>	<b>(129,824)</b>	<b>(706,081)</b>	<b>(2,844,413)</b>	<b>9,883,188</b>	<b>84,403</b>

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

---

1. Significant accounting policies

The consolidated financial statements of the municipality are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the municipality are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Town and are therefore, accountable to Council for the administration of their financial affairs and resources.

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

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

Basis of accounting

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

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

*(continues)*

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

---

1. Significant accounting policies (*continued*)

Use of estimates

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

Significant estimates include:

- providing for amortization of capital assets;
- the estimated useful lives of assets;
- the allowance for doubtful accounts; and
- the recoverability of tangible assets.

Cash and temporary investments

Cash includes cash and cash equivalents. Cash equivalents are investments in money market funds, bonds and guaranteed investment certificates and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Debt charges recoverable

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

Investments

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

(*continues*)

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

---

1. Significant accounting policies *(continued)*

Requisition over-levy and under-levy

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

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

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

Inventories for resale

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

Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

Landfill closure and post-closure liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

*(continues)*

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

---

1. Significant accounting policies *(continued)*

Non-financial assets

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

a) Tangible capital assets

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

	<b>YEARS</b>
Land improvements	15-45
Buildings	25-50
Engineered structures	
Roadway system	5-65
Water system	45-75
Wastewater system	45-75
Storm system	45-75
Other engineered structures	10-80
Machinery and equipment	5-40
Vehicles	5-40

Amortization will not be calculated in the year in which the asset is acquired, put into service, or constructed. Amortization will be calculated in the year in which the asset is disposed.

b) Contributions of tangible capital assets

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

c) Leases

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

d) Inventories

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

e) Cultural and historical tangible capital assets

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

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

---

2. Recent accounting pronouncements published but not yet adopted

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

Section PS 3450 - Financial Instruments

The new section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. In conjunction with this new section, section PS1201, section PS 2601 and section 3041 have been amended as a consequence of the introduction of new financial instruments standards. These amendments were required to present the associated gains and losses with financial instruments recognized under the new section. The new section and the related amendments are effective for fiscal periods beginning on or after April 1, 2019.

Section PS 3210 - Assets

This new section provides guidance for applying the definition of assets set out in Financial Statement Concepts, Section PS 1000, and establishes general disclosure standards for assets. This section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

Section PS 3320 - Contingent Assets

This new Section defines and establishes disclosure standards on contingent assets. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

Section PS 3380 - Contractual Rights

This new Section defines and establishes disclosure standards on contractual rights. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

Section PS 3430 - Restructuring Transactions

This new Section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. This Section applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.

Section PS 2200 - Related Party Disclosures

This new Section defines a related party and establishes disclosures required for related party transactions. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

Section PS 3420 - Inter-entity Transactions

This new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. This Section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.



**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

3. Cash and temporary investments

	2016	2015
Cash	\$ 1,415,836	\$ 774,810
Cash held in trust	129,475	129,257
Temporary investments	4,369,373	4,893,900
	<b>\$ 5,914,684</b>	<b>\$ 5,797,967</b>

Temporary investments are short term deposits with original maturities of three months or less.

Council has designated funds of \$1,519,780 (2015 - \$1,549,138) included in the above amounts for capital projects.

Included in cash and temporary investments is a restricted amount of \$393,073 (2015 - \$450,640) comprised of deferred revenue not expended (see Note 8).

4. Taxes and grants in place of taxes receivable

	2016	2015
Current taxes and grants in place of taxes	\$ 389,348	\$ 383,636
Arrears taxes	598,282	262,882
Property acquired	202,475	195,892
	1,190,105	842,410
Less: allowance for doubtful accounts	(122,933)	(122,933)
	<b>\$ 1,067,172</b>	<b>\$ 719,477</b>

5. Investments

	2016		2015	
	Cost	Market Value	Cost	Market Value
Term deposits	\$ 3,082,187	\$ 3,082,187	\$ 2,577,542	\$ 2,577,542

Term deposits have effective interest rates of 0.75% to 1.50% (2015 - 0.7% to 1.25%) with maturity dates from March 31, 2017 to August 24, 2017.

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

6. Accounts payable and accrued liabilities

Included in accounts payable are the following:

	2016	2015
Trade accounts payable and accrued liabilities	\$ 1,262,850	\$ 1,786,032
Landfill post closure liability	45,316	80,000
Government payroll remittance payable	138,522	143,866
	<b>\$ 1,446,688</b>	<b>\$ 2,009,898</b>

7. Accrued employee obligations

	2016	2015
Vacation	\$ 460,252	\$ 461,898
Accumulated sick leave	121,399	-
	<b>\$ 581,651</b>	<b>\$ 461,898</b>

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

The Town also has accumulating non-vesting sick leave benefits. Employees accrue one day of sick time per month to a maximum of twelve days. Sick time is not paid out upon termination or retirement.

8. Deferred revenue

	2016	2015
Municipal Sustainability grant	\$ 101,648	\$ 165,265
Emergency Services grant	35,000	38,046
Family Community Support Services grant	68,808	43,698
Alberta Housing and Urban Affairs	129,475	129,257
Specified donations	11,776	11,776
Other items	46,366	62,598
	<b>\$ 393,073</b>	<b>\$ 450,640</b>

Funding received from the various grant programs noted above are restricted to the eligible operating and capital projects as approved in the funding agreements. Unexpended funds related to the funding advances are supported by cash and temporary investments (Note 3).

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

9. Long-term debt

	2016	2015
Tax supported debentures	\$ 8,904,222	\$ 7,546,210

The current portion of the long-term debt amounts to \$897,158 (2015 - \$697,532).

Principal and interest repayments are as follows:

	Principal	Interest	Total
2017	\$ 897,158	\$ 263,453	\$ 1,160,611
2018	841,097	241,167	1,082,264
2019	458,034	221,326	679,360
2020	471,804	207,556	679,360
2021	477,095	193,420	670,515
Thereafter	<u>5,759,034</u>	<u>1,260,168</u>	<u>7,019,202</u>
	<u>\$ 8,904,222</u>	<u>\$ 2,387,090</u>	<u>\$ 11,291,312</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 0.0708% to 4.395% per annum and matures in periods 2017 through 2037. The average annual interest rate is 3.02% for 2016 (3.19% for 2015).

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

Interest on long-term debt amounted to \$244,730 (2015 - \$253,045).

**TOWN OF VEGREVILLE****Notes to Consolidated Financial Statements****Year Ended December 31, 2016****10. Debt limits**

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

	2016	2015
Total debt limit	\$ 27,578,841	\$ 27,288,453
Total debt	(8,904,222)	(7,546,210)
<b>Amount of debt limit unused</b>	<b>\$ 18,674,619</b>	<b>\$ 19,742,243</b>
Debt servicing limit	\$ 4,596,474	\$ 4,548,076
Debt servicing	(1,160,611)	(932,966)
<b>Amount of debt servicing limit unused</b>	<b>\$ 3,435,863</b>	<b>\$ 3,615,110</b>

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

**11. Equity in tangible capital assets**

	2016	2015 <i>(restated)</i>
Tangible capital assets (Schedule 2)	\$149,949,924	\$146,910,205
Accumulated amortization (Schedule 2)	(92,623,965)	(88,956,041)
Long-term debt (Note 9)	(8,904,222)	(7,546,210)
	<b>\$ 48,421,737</b>	<b>\$ 50,407,954</b>

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

12. Landfill closure and post-closure liability

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The accrued liabilities for closure and post-closure care of the municipality's landfill sites are recognized over the life of the sites, using the total estimated costs of closure and post-closure care, prorated on the basis of estimated life remaining. The net present value of the estimated closure and post closure costs were calculated using a discount rate of 1.695% which assumes annual inflation of 1.77% and an average rate of return of 3.465%.

The following summarizes the total net present value for the estimated costs of closure and post-closure care:

	2016	2015
Estimated closure costs	\$ 491,120	\$ 474,535
Estimated post-closure costs	32,490	31,392
	<b>\$ 523,610</b>	<b>\$ 505,927</b>

	2016	2015
Estimated capacity remaining	91.00 %	92.00 %
Accrued liability	\$ 45,316	\$ 80,000
Estimated capacity used	9.00 %	8.00 %
Portion of liability remaining to be recognized	<b>\$ 478,294</b>	<b>\$ 425,927</b>

At the current capacity, it is estimated that the Vegreville Sanitary Landfill has approximately 91 years of life remaining.

Post-closure is a minimum of 25 years which begins 30 days following the final landfill closure.

The Town has not designated assets for settling closure and post-closure liabilities.

**TOWN OF VEGREVILLE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

13. Prior period adjustment

The Town has restated its tangible capital assets to adjust for tangible capital asset cost, accumulated amortization and amortization expense in the prior year as a result of previously unrecorded contributed assets.

	2016
<b>Adjustments to opening accumulated surplus:</b>	
As previously reported	\$ 58,672,342
Adjustment to net book value of tangible capital assets	381,295
<b>As restated</b>	<b>\$ 59,053,637</b>
<b>Adjustments to excess of revenues over expenses:</b>	
	\$ 119,066
Adjustment to amortization expense	(34,663)
<b>As restated</b>	<b>\$ 84,403</b>
<b>Adjustments to tangible capital assets:</b>	
As previously reported	\$ 57,572,869
Adjustment to historical cost of tangible capital assets	519,947
Accumulated amortization recorded	(138,652)
<b>As restated</b>	<b>\$ 57,954,164</b>

14. Accumulated surplus

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

	2016	2015 (restated)
Unrestricted surplus	\$ 2,819,469	\$ 2,804,760
Restricted surplus		
Operating reserves	5,528,128	4,291,785
Capital reserves	1,519,780	1,549,138
Equity in tangible capital assets	48,421,737	50,407,954
	<b>\$ 58,289,114</b>	<b>\$ 59,053,637</b>

**TOWN OF VEGREVILLE**

**Notes to Consolidated Financial Statements**

**Year Ended December 31, 2016**

**15. Segmented disclosure**

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

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

**16. Salary and benefits disclosure**

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

			2016	2015
	Salary (1)	Benefits & allowances (2)		
M. Hayduk, Mayor	\$ 45,900	\$ 8,577	\$ 54,477	\$ 54,092
A. Kozakiewicz	18,200	4,961	23,161	34,992
T. Rudyk	29,600	6,776	36,376	37,879
M. Brodziak	27,475	6,541	34,016	33,882
M. Simpson	27,800	6,577	34,377	40,767
D. Berry	25,300	5,509	30,809	35,299
T. MacPhee	26,200	6,401	32,601	29,662
Town Manager, previous	309,388	7,623	317,011	177,398
Town Manager, current	101,800	16,499	118,299	-
	<b>\$ 611,663</b>	<b>\$ 69,464</b>	<b>\$ 681,127</b>	<b>\$ 443,971</b>

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.
3. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

## **TOWN OF VEGREVILLE**

### **Notes to Consolidated Financial Statements**

**Year Ended December 31, 2016**

---

#### **17. Local Authorities Pension Plan**

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The Town is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2016 were \$630,327 (2015 - \$627,333). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2016 were \$579,008 (2015 - \$575,355).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million.

#### **18. Financial instruments**

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

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

#### **19. Comparative figures**

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

#### **20. Approval of financial statements**

Council and Management have approved these financial statements.

#### **21. Budget amounts**

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