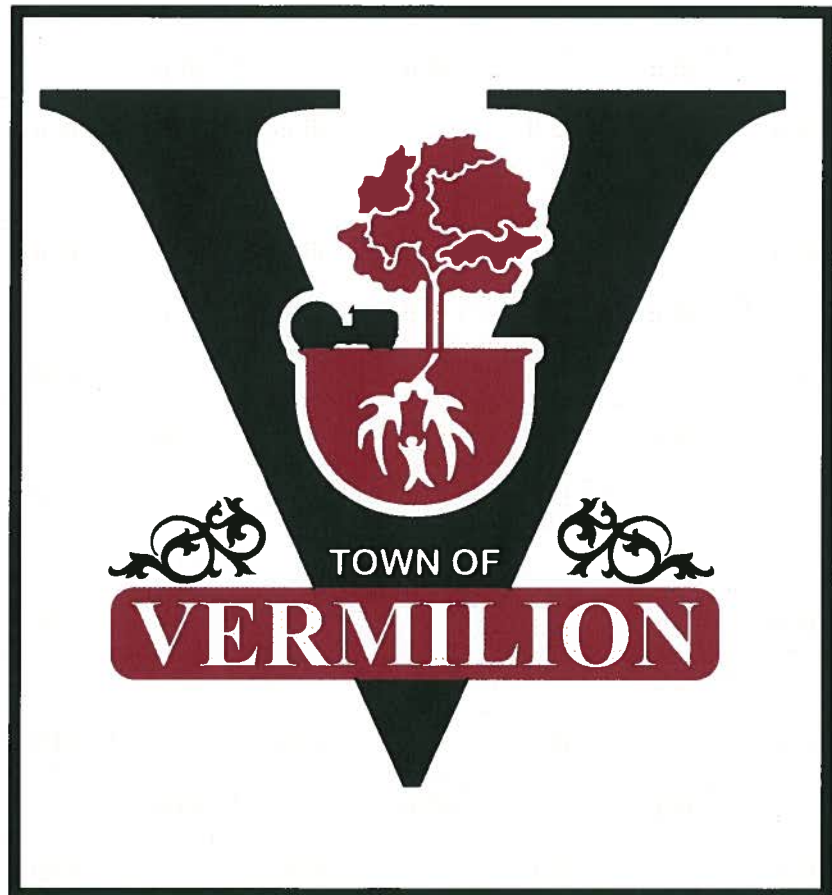


Town of Vermilion

2010

MUNICIPAL FINANCIAL STATEMENT

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MUNICIPALITY: TOWN OF VERMILION
 FOR THE YEAR ENDED
 DECEMBER 31, 2010

TOWN OF VERMILION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010

	2010	2009
ASSETS		
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	3,769,855	2,254,964
Taxes and grants in lieu receivable (Note 3)	87,938	59,235
Receivables from other governments	447,020	1,405,723
Trade and other receivables	2,051,262	3,937,957
Land inventory held for resale	1,588,077	1,397,426
Debt charges recoverable (Note 4)	917,870	997,098
Investments (Note 5)	1,256,096	1,205,877
Other long-term assets	7,621	7,490
Total financial assets	10,125,739	11,265,770
LIABILITIES		
Accounts payable and accrued liabilities	689,061	1,417,121
Deposits liabilities	8,590	8,535
Deferred revenue (Note 6)	52,977	535,793
Employee benefit obligations (Note 7)	150,623	149,106
Long term debt (Note 9)	3,851,540	3,398,066
Total liabilities	4,752,791	5,508,621
NET FINANCIAL ASSETS	5,372,948	5,757,149
NON-FINANCIAL ASSETS		
Tangible capital Assets (Note 11)	43,983,056	40,866,651
Inventory for consumption	206,351	189,424
Prepaid expenses	42,687	37,951
Other		
	44,232,094	41,094,026
ACCUMULATED SURPLUS (Note 13)	49,605,042	46,851,175

SIGNED ON BEHALF OF COUNCIL:

MAYOR

DEPUTY MAYOR

TOWN OF VERMILION

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**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budget (Unaudited)	2010	2009
REVENUE			
Net municipal taxes (Page 8)	3,372,364	3,418,950	3,378,385
Local Improvements	304,925	206,413	139,966
Franchise and Concession Contracts	211,000	276,794	252,371
Gain on Sale of tangible capital Assets		32,410	103,486
User fees and sales of goods	3,197,054	3,483,366	3,347,684
Government transfers for operating (Page 9)	991,321	978,249	1,056,853
Investment income	137,998	85,998	132,652
Penalties and costs of taxes	15,600	21,570	24,417
Licences and permits	70,000	91,810	103,356
Other	267,108	140,969	437,760
Total Revenue	8,567,370	8,736,529	8,976,930
EXPENSES			
Council and other legislative	207,900	178,673	174,035
General administration	915,724	937,451	932,082
Other general government	159,222	145,467	159,192
Police	43,397	42,970	41,504
Fire	192,383	185,046	221,766
Disaster and emergency measures	4,280	61,779	810
Ambulance and first aid	94,111	-	94,089
Bylaw enforcement	87,104	89,951	92,336
Common Services	72,726	-	-
Roads, streets, walks and lighting	927,346	1,013,725	1,057,042
Airport	48,171	25,412	35,633
Storm sewers and drainage	48,413	36,964	32,967
Water supply and distribution	890,228	801,697	749,120
Wastewater treatment and disposal	251,021	224,170	223,535
Waste management	546,751	510,955	447,232
Environmental Use and Protection	10,000	5,677	5,922
Family and community support	153,844	157,493	165,564
Cemeteries and crematoriums	26,302	29,734	40,130
Public health and welfare	75,400	68,968	72,907
Land use planning, zoning and development	127,593	150,892	97,859
Economic development	133,596	144,204	109,962
Subdivision land & development	363,080	627,783	584,016
Land, housing and building rentals	11,929	20,516	-
Recreation board	159,261	168,248	158,855
Parks and recreation	826,266	812,412	869,037
Culture and library	421,210	408,313	427,615
Amortization		1,675,133	1,443,916
Total Expenses	6,797,258	8,523,633	8,237,126
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	1,770,112	212,896	739,804
OTHER			
Adjustments		(535,084)	-
Write Downs		(120,273)	-
TCA Adjustments		(13,328)	-
Government transfers for capital (Page 7)	5,608,873	3,209,656	4,401,662
EXCESS OF REVENUE OVER EXPENSES	7,378,985	2,753,867	5,141,466
Adjustment		-	-
ACCUMULATED SURPLS, BEGINNING OF YEAR	41,702,805	46,851,175	41,709,709
ACCUMULATED SURPLUS, END OF YEAR	49,081,790	49,605,042	46,851,175

TOWN OF VERMILION

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**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budget (Unaudited)	2010	2009
EXCESS OF REVENUES OVER EXPENSES	7,378,985	2,753,867	5,141,466
Acquisition of tangible capital assets	(11,259,599)	(4,804,865)	(6,293,710)
Tangible capital assets adjustments		13,327	-
Proceeds on disposal of tangible capital assets		32,410	110,390
Amortization on tangible capital assets		1,675,133	1,443,916
Gain on sale of tangible capital assets		(32,410)	(103,486)
	<u>(11,259,599)</u>	<u>(3,116,405)</u>	<u>(4,842,890)</u>
Change in inventory		(16,927)	(89,770)
Change in prepaid assets		(4,736)	(1,442)
	<u>0</u>	<u>(21,663)</u>	<u>(91,212)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(3,880,614)	(384,201)	207,364
NET FINANCIAL ASSETS, BEGINNING OF YEAR	5,549,785	5,757,149	5,549,785
NET FINANCIAL ASSETS, END OF YEAR	<u>1,669,171</u>	<u>5,372,948</u>	<u>5,757,149</u>

TOWN OF VERMILION

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010	2009
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses (Page 3)	2,753,867	5,141,466
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	1,675,133	1,443,916
Gain on disposal of tangible capital assets	(32,410)	(103,486)
Tangible Capital asset prior yr adjustments		
Write down of capital asset		
Non-cash charges to operations (net change):		
(Increase) decrease in taxes and grants in lieu receivable	(28,703)	(30,677)
(Increase) decrease in receivables from other Governments	958,703	(1,227,540)
(Increase) decrease in trade and other receivables	1,886,695	(2,785,316)
(Increase) decrease in land held for resale	(190,651)	(67,325)
Decrease in Debt charges recoverable	79,228	76,453
(Increase) in inventory for consumption	(16,927)	(89,770)
(Increase) decrease in prepaid expenses	(4,736)	(1,442)
(Increase) in long-term assets	(131)	(799)
Increase (decrease) in accounts payable and accrued liabilities	(728,060)	837,553
Increase in deposit liabilities	55	1,655
(Decrease) Increase in deferred revenue	(482,816)	381,941
Increase (Decrease) in employee benefit obligations	1,517	(15,836)
Cash provided by operating transactions	5,870,764	3,560,793
CAPITAL		
Acquisition of tangible capital assets	(4,791,544)	(6,293,710)
Sale of tangible capital assets	32,410	110,390
Cash applied to capital transactions	(4,759,134)	(6,183,320)
INVESTING		
(Increase) decrease in investments	(50,219)	(43,925)
Decrease (increase) restricted cash or cash equivalents	378,325	993,158
Cash provided by (applied to) investing transactions	328,106	949,233
FINANCING		
Long term debt issued	803,486	100,419
Long term debt repaid	(350,012)	(285,301)
Cash applied to financing transactions	453,474	(184,882)
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	1,893,210	(1,858,176)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,138,666	2,996,842
CASH AND CASH EQUIVALENTS, END OF YEAR	3,031,876	1,138,666
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	3,769,855	2,254,970
Less: restricted portion of cash and temporary investments (Note 2)	737,979	1,116,304
	3,031,876	1,138,666

TOWN OF VERMILION

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**SCHEDULE OF PROPERTY TAXES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budget (Unaudited)	2010	2009
TAXATION			
Property taxes			
- residential land and improvements	3,032,896	3,070,187	3,105,846
- non-residential land and improvements	1,025,165	1,037,119	965,160
- machinery and equipment	21,047	21,968	15,208
- linear property	200,092	200,093	206,346
- railway	1,640	1,640	1,565
- farmland	6,393	6,394	7,545
Government grants in place of property taxes			
- federal	9,402	7,772	8,503
- provincial	100,038	100,038	94,162
	<u>4,396,673</u>	<u>4,445,211</u>	<u>4,404,335</u>
REQUISITIONS			
Alberta School Foundation Fund	868,873	868,873	862,367
East Central AB Catholic Separate Schools Regional Division No.	157,388	157,388	163,583
	<u>1,026,261</u>	<u>1,026,261</u>	<u>1,025,950</u>
NET MUNICIPAL TAXES	<u>3,370,412</u>	<u>3,418,950</u>	<u>3,378,385</u>

TOWN OF VERMILION

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**SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budget (Unaudited)	2010	2009
TRANSFERS FOR OPERATING:			
Federal Government	4,900	9,819	36,110
Provincial Government	490,512	553,158	454,489
Other Local Governments	421,341	415,272	566,254
	<u>916,753</u>	<u>978,249</u>	<u>1,056,853</u>
TRANSFERS FOR CAPITAL:			
Federal Government	1,464,153	904,856	1,303,257
Provincial Government	1,823,527	2,116,102	2,859,905
Other Local Governments and Agencies	185,000	188,698	238,500
	<u>3,472,680</u>	<u>3,209,656</u>	<u>4,401,662</u>
TOTAL GOVERNMENT TRANSFERS	<u>4,389,433</u>	<u>4,187,905</u>	<u>5,458,515</u>

TOWN OF VERMILION

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget (Unaudited)	2010	2009
Salaries, wages and benefits	2,687,291	2,668,997	2,516,297
Contracted and general services	3,132,535	1,792,757	1,669,178
Purchases from other governments	1,100	800	857
Materials, goods, supplies and utilities	1,375,064	1,488,078	1,854,909
Transfers to other governments	300,902	289,599	248,512
Transfers to individuals and organizations	197,171	190,561	208,330
Bank charges and short term interest	3,295	3,505	2,619
Interest on long term debt	160,013	173,571	171,472
Other expenditures	116,478	120,360	121,037
Amortization of tangible capital assets		1,675,132	1,443,915
Write down of tangible capital assets		120,273	
	7,973,849	8,523,633	8,237,126

Schedule 1

	2010	2009
	\$	\$
	Equity in Tangible Capital Assets	
	Restricted Surplus	
	Unrestricted Surplus	
BALANCE, BEGINNING OF YEAR	6,272,250	41,709,709
	38,465,684	46,851,175
Excess (deficiency) of revenues over expenses	3,422,552	5,141,466
Unrestricted funds designated for future use	(5,361,217)	0
Restricted funds used for operations	3,367,049	0
Restricted funds used for tangible capital assets	0	0
Current year funds used for tangible capital assets	(2,867,826)	0
Disposal of tangible capital assets	1,788,910	0
Annual amortization expense	1,675,132	0
Long term debt repaid	(270,783)	0
Other Adjustments	(668,685)	0
Change in accumulated surplus	205,258	2,753,867
	<u>2,583,702</u>	<u>5,141,466</u>
	<u>(668,685)</u>	
	<u>2,753,867</u>	
BALANCE, END OF YEAR	6,477,508	46,851,175
	<u>41,049,386</u>	<u>49,605,042</u>

Schedule 2

	2010	2009
	\$	\$
	2010	2009
	\$	\$
COST:		
BALANCE, BEGINNING OF YEAR	69,672,263	64,118,052
Prior Period Adjustment	70,533	
Acquisition of tangible capital assets	4,746,522	6,091,881
Construction-in-progress	58,343	201,829
Disposal of tangible capital assets	(716,004)	(739,499)
Write down of tangible capital assets	0	0
BALANCE, END OF YEAR	73,831,657	69,672,263
ACCUMULATED AMORTIZATION:		
BALANCE, BEGINNING OF YEAR	28,805,612	28,094,291
Prior Period Adjustment	83,861	
Annual amortization	1,675,132	1,443,915
Accumulated amortization on disposals	(716,004)	(732,594)
BALANCE, END OF YEAR	29,848,601	28,805,612
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	43,983,056	40,866,651
2009 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	40,866,651	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Vermilion are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of these accounting policies are as follows:

Reporting Entity

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

Vermilion Public Library
Family Counselling and Social Services

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

Basis of Accounting

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

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 are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the municipality has met any eligibility criteria, and reasonable estimates of the amounts can be made.

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

Use of Estimates

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

Fund Accounting

Management funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. SIGNIFICANT ACCOUNTING POLICIES - continued

Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be prepaid 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.

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.

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 revenue over expenses, provides the consolidated Change in Net Financial Assets for the year.

Tangible Capital Assets

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

Buildings	25-50
Engineered structures	5-75
Machinery and equipment	5-40
Vehicles	7-25

No amortization is charged in the year of acquisition and the full year of amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Contribution 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Inventories

Inventories of materials and supplies for consumption are valued at the lower of cost and net realizable value.

Land inventory 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 capital assets under their respective function.

Investments

Investments are recorded at cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Debt Charges Recoverable

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

Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality. Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings. In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

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 included 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

2. CASH AND TEMPORARY INVESTMENTS

	<u>2010</u>	2009
Cash	50,626	502,467
Temporary investments	<u>3,719,230</u>	<u>1,752,497</u>
	<u>3,769,855</u>	<u>2,254,964</u>

Temporary investments consist of term deposits with maturities of twelve months or less. Included in the above balances are \$737,979 (2009 \$1,116,298) of funds that are restricted in use.

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2010</u>	<u>2009</u>
Current taxes and grants in lieu	56,061	49,818
Tax arrears and grants in lieu	<u>36,877</u>	<u>14,417</u>
	92,938	64,235
Less: allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
	<u>87,938</u>	<u>59,235</u>

4. DEBT CHARGES RECOVERABLE

	<u>2010</u>	<u>2009</u>
Current debt charges recoverable	83,200	79,228
Non-current debt charges recoverable	<u>834,670</u>	<u>917,870</u>
	<u>917,870</u>	<u>997,098</u>

The Town of Vermilion has undertaken a joint development project with the Vermilion and District Housing Foundation. The Town assumed long-term financing totaling \$400,000 in 1999 and \$1,340,000 in 2004; however, a total of \$1,740,000 plus interest at rates of 5.875% and 4.951% per annum will be recovered from the Vermilion and District Housing Foundation with respect to this financing. Amounts are recoverable in annual instalments of \$127,626 including interest, and mature in 2019.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	83,200	44,426	127,626
2012	87,369	40,256	127,626
2013	91,749	35,877	127,626
2014 and subsequent	<u>655,552</u>	<u>110,205</u>	<u>765,757</u>
	917,870	230,764	<u>1,148,634</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

5. INVESTMENTS

Investments consist of term deposits bearing interest at rates ranging from .85% to 5.10% per annum, with maturity dates between 2011 and 2013.

6. DEFERRED REVENUE

	<u>2010</u>	<u>2009</u>
Airport Leases	284	1,650
Prepaid local improvements		6,900
Advertising leases	1,500	2,250
Federal RINC Grant	6,884	60,926
Provincial Sponsorship Grant		78,413
Provincial MCFP Grant	39,817	382,424
Land Leases	3,573	3,230
Regional Centre Prepaid rent	919	
	<u>52,977</u>	<u>535,793</u>

7. EMPLOYEE BENEFIT OBLIGATIONS

The Town of Vermilion employee benefit obligations liability is comprised of vacation and overtime that employees are deferring to the future year.

	<u>2010</u>	<u>2009</u>
Accrued employee vacation	134,665	137,584
Accrued overtime	15,958	11,522
	<u>150,623</u>	<u>149,106</u>

8. LANDFILL CLOSURE

During the year 2003, the Town of Vermilion closed its landfill site. Post-closure procedures, including site clean up and cell capping, took place during the year 2004. Landscaping and reclamation took place in 2005, at cost of \$5,421. Engineered monitoring of the site takes place annually with the 2010 cost of \$8,519.

9. LONG-TERM DEBT

	<u>2010</u>	<u>2009</u>
Tax supported debentures	3,851,540	3,398,066

The current portion of the long-term debt amounts to \$335,413 (2009 - \$292,402).

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	335,413	172,033	507,446
2012	350,752	156,694	507,446
2013	364,180	140,642	504,822
2014 and subsequent	2,801,195	527,833	3,329,029
	<u>3,851,540</u>	<u>997,202</u>	<u>4,848,743</u>

Debenture debt is repayable to Alberta Capital Finance Authority, bears interest at rates ranging from 3.51% to 5.63% per annum, and matures in periods 2011 through 2022. The average annual interest rate is 4.6% for 2010 (2009 - 4.9%). Debenture debt is issued on the credit and security of the Town at large.

Interest on long-term debt amounted to \$173,571 (2009 - \$171,472).

The Town's total cash payment for interest in 2010 was \$177,076 (2009 - \$174,091).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

10. 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 Town of Vermilion be disclosed as follows:

	<u>2010</u>	<u>2009</u>
Total debt limit	12,472,304	13,825,269
Total debt	<u>3,851,540</u>	<u>3,398,066</u>
Amount of debt limit unused	<u>8,620,764</u>	
Debt servicing limit	2,078,717	2,235,520
Debt servicing	<u>507,446</u>	<u>453,382</u>
Amount of debt servicing limit unused	<u>1,571,271</u>	<u>1,850,830</u>

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 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. TANGIBLE CAPITAL ASSETS

Net Book Value	<u>2010</u>	<u>2009</u>
Land	4,474,426	3,363,721
Buildings	9,112,189	8,953,031
Engineering Structures		
Roadway system	10,974,455	10,727,823
Roadway System-construction in progress	58,343	97,029
Water distribution system	12,378,429	11,840,649
Water distribution system-construction in progress		104,800
Wastewater treatment system	1,864,597	1,791,616
Storm System	1,565,751	1,111,133
Machinery, equipment and furnishings	1,757,382	1,734,072
Vehicles	<u>1,797,484</u>	<u>1,142,777</u>
	<u>43,983,056</u>	<u>40,866,651</u>

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2010</u>	<u>2009</u>
Tangible capital assets (Schedule 2)	73,831,657	69,672,263
Accumulated amortization (Schedule 2)	(29,848,601)	(28,805,612)
Long-term debt	<u>(2,933,670)</u>	<u>(2,400,967)</u>
	<u>41,049,386</u>	<u>38,465,684</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

13. ACCUMULATED SURPLUS

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

	<u>2010</u>	<u>2009</u>
Unrestricted Surplus	2,078,148	2,113,241
Restricted	6,477,508	6,272,250
Equity in tangible Capital Assets	<u>41,049,386</u>	<u>38,465,684</u>
	<u>49,605,042</u>	<u>46,851,175</u>

14. SALARIES 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:

	<u>2010</u>			<u>2009</u>
	<u>Salary/ Fee</u>	<u>Benefits and Allowances</u>	<u>Total</u>	<u>Total</u>
Mayor				
Bruce Marriott	28,045	752	28,797	27,707
Councillors				
Ben Bosgra				2,037
Mark Butler	3,650	105	155	
Linda Jacejko	24,386	809	25,195	23,982
Richard Lavoie	14,545	336	14,881	20,218
Ryan Leahy	7,375	142	7,517	14,533
Clinton McCullough	17,895	788	18,683	17,894
Caroline McAuley	18,145	565	18,710	9,848
Robert Pulyk	3,555	75	3,630	
Richard Yaceyko	17,200	394	17,594	16,427
Town Manager				
Robert Watt	144,894	20,623	165,517	133,204
Director Fin & Admin				
Denise MacDonald	100,369	17,589	117,958	108,625
Director Eng & Pub Wrks				
Roch Blaskovits				62,883
Director Eng & Pub Wrks				
David Brozuk	50,288	10,647	60,935	
Director Community Serv				
Dion Pollard	90,179	16,620	106,799	100,787

- (a) Salary/fee includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (b) 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.
- (c) Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

15. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Vermilion participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 206,249 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 expenditures in the year in which they become due.

The Town of Vermilion is required to make current service contributions to the LAPP of 9.060% (2009 – 8.46%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.53% (2009 – 10.64%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.060% (2009 – 7.46%) of pensionable salary up to the year's maximum pensionable salary and 11.53% (2009 – 10.66%) on pensionable salary above this amount.

Total current service contributions by the Town of Vermilion to the LAPP in 2010 were \$172,560 (2009 - \$140,451). Total current service contributions by the employees of the Town of Vermilion to the LAPP in 2010 were \$154,835 (2009 - \$124,964).

At December 31, 2009, the LAPP disclosed an actuarial deficiency of \$4,570,300.

16. CONTINGENCIES

The Town of Vermilion is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the Town of Vermilion could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

17. COMMITMENTS

The Town of Vermilion is committed to pay fifty percent of the annual deficit incurred in operating the swimming pool or such other amount that the Town may authorize by resolution of Town of Council for a period of twenty years, expiring in 2027. The current allocation is \$83,000 (2009 - \$78,000).

18. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, accounts receivable, investments, debt charges recoverable, accounts payable and accrued liabilities, deposits on hand 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 lieu receivables 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.

TOWN OF VERMILION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

19. FINANCIAL STATEMENT ADJUSTMENT

With the introduction of the Tangible Capital Asset Requirements in 2009 there have been subsequent changes related to the establishment of values for the assets. This has resulted in an adjustment on Page 2 of the financial statement that is a result of the following.

Equity Adjustments	\$ (13,328)
Write Down of Assets	\$ 120,273
Capital expenses not previously recorded	\$(362,854)
Capital Asset Adjustments	\$(160,677)
Disposal of Capital Assets	<u>\$(252,109)</u>
	<u>\$(668,695)</u>

20. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.