

MUNICIPAL FINANCIAL STATEMENT

INSIDE THIS STATEMENT	
<i>Auditor's Report</i>	1
<i>Consolidated Statement of Financial Position</i>	2
<i>Consolidated Statement of Operations and Accumulated Surplus</i>	3
<i>Consolidated Statement of Changes in Net Financial Assets</i>	4
<i>Statement of Cash Flows</i>	5
<i>Schedule of Property Taxes</i>	6
<i>Schedule of Government Transfers</i>	7
<i>Schedule of Consolidated Expenditures by Object</i>	8
<i>Schedules 1 & 2</i>	9 to 10
<i>Notes to the Financial Statements</i>	11 to 18



MUNICIPALITY: TOWN OF VERMILION
FOR THE YEAR ENDED
DECEMBER 31, 2011





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AUDITORS' REPORT

To the Members of Council:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Town of Vermilion which comprise the consolidated statement of financial position as at December 31, 2011 and the consolidated statement of operations and accumulated surplus, consolidated statement of changes in net financial assets and the consolidated statement of cash flows of the Town of Vermilion for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 auditors consider the internal control 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 control. 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, these consolidated financial statements present fairly, in all material respects, the financial position of Town of Vermilion as at December 31, 2011 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting principles.

Lloydminster, Alberta
June 5, 2012

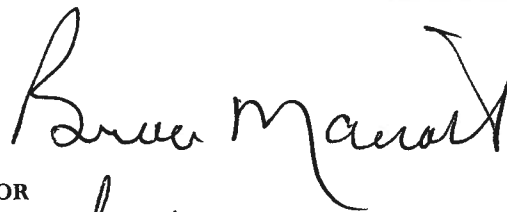
Leckie & Associates LLP
Leckie & Associates LLP
Chartered Accountants

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2011**

	2011	2010
ASSETS		
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	4,195,499	3,769,855
Taxes and grants in lieu receivable (Note 3)	97,162	87,938
Receivables from other governments	334,012	447,020
Trade and other receivables	2,731,652	2,051,262
Land inventory held for resale	2,741,301	1,588,077
Debt charges recoverable (Note 4)	834,670	917,870
Investments (Note 5)	988,891	1,256,096
Other long-term assets	7,550	7,621
Total financial assets	11,930,737	10,125,739
LIABILITIES		
Accounts payable and accrued liabilities	1,652,415	689,061
Deposit liabilities	9,260	8,590
Deferred revenue (Note 6)	15,548	52,977
Employee benefit obligations (Note 7)	230,485	150,623
Long term debt (Note 9)	4,279,909	3,851,540
Total liabilities	6,187,617	4,752,791
NET FINANCIAL ASSETS	5,743,120	5,372,948
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	46,471,273	43,983,056
Inventory for consumption	163,844	206,351
Prepaid expenses	30,959	42,687
	46,666,076	44,232,094
ACCUMULATED SURPLUS (Note 13)	52,409,196	49,605,042

SIGNED ON BEHALF OF COUNCIL:

MAYOR



DEPUTY MAYOR



TOWN OF VERMILION

PAGE 3

**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budget (Unaudited)	2011	2010
REVENUE			
Net municipal taxes (Page 6)	3,661,667	3,652,672	3,418,950
Local improvements	813,757	660,110	206,413
Franchise and concession contracts	271,000	272,487	276,794
Gain on sale of tangible capital assets	10,000	9,304	32,410
User fees and sales of goods	3,302,156	4,065,850	3,483,366
Government transfers for operating (Page 7)	960,478	989,266	978,249
Investment income	63,020	104,368	85,998
Penalties and costs of taxes	22,300	26,923	21,570
Contributed and donated assets		52,569	
Licences and permits	86,000	74,306	91,810
Other	152,173	1,633,785	140,969
Total Revenue	<u>9,342,551</u>	<u>11,541,640</u>	<u>8,736,529</u>
EXPENSES			
Council and other legislative	207,900	185,687	178,673
General administration	915,724	1,052,314	937,451
Other general government	159,222	167,856	145,467
Police	43,397	46,763	42,970
Fire	192,383	203,155	185,046
Disaster and emergency measures	4,280	11,717	61,779
Ambulance and first aid	94,111	-	-
Bylaw enforcement	87,104	89,011	89,951
Common Services	72,726	50,924	-
Roads, streets, walks and lighting	927,346	1,194,774	1,013,725
Airport	48,171	30,685	25,412
Storm sewers and drainage	48,413	42,414	36,964
Water supply and distribution	890,228	1,755,604	801,697
Wastewater treatment and disposal	251,021	270,621	224,170
Waste management	546,751	528,535	510,955
Environmental use and protection	10,000	4,306	5,677
Family and community support	153,844	162,716	157,493
Cemeteries and crematoriums	26,302	38,338	29,734
Public health and welfare	75,400	85,568	68,968
Land use planning, zoning and development	127,593	162,546	150,892
Economic development	133,596	275,011	144,204
Subdivision land & development	363,080	380,215	627,783
Land, housing and building rentals	11,929	-	20,516
Recreation board	159,261	172,819	168,248
Parks and recreation	826,266	897,918	812,412
Culture and library	421,210	467,178	408,313
Amortization		1,994,989	1,675,133
Total Expenses	<u>6,797,258</u>	<u>10,271,664</u>	<u>8,523,633</u>
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	2,545,293	1,269,976	212,896
OTHER			
Government transfers for capital (Page 7)	1,542,969	1,534,178	3,209,656
EXCESS OF REVENUE OVER EXPENSES	4,088,262	2,804,154	3,422,552
ACCUMULATED SURPLUS, BEGINNING OF YEAR	49,605,042	49,605,042	46,851,175
ADJUSTMENT TO TANGIBLE CAPITAL ASSETS			(668,685)
ACCUMULATED SURPLUS, END OF YEAR	<u>53,693,304</u>	<u>52,409,196</u>	<u>49,605,042</u>

**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budget (Unaudited)	2011	2010
EXCESS OF REVENUES OVER EXPENSES	4,088,262	2,804,154	3,422,552
Acquisition of tangible capital assets	(6,423,633)	(4,836,310)	(4,804,865)
Tangible capital assets adjustments	-	8,014	(655,358)
Proceeds on disposal of tangible capital assets	-	26,120	32,410
Amortization on tangible capital assets	-	1,994,989	1,675,133
Loss(gain) on sale of tangible capital assets	-	318,970	(32,410)
	<u>(6,423,633)</u>	<u>(2,488,217)</u>	<u>(3,785,090)</u>
Change in inventory	-	42,507	(16,927)
Change in prepaid assets	-	11,728	(4,736)
	<u>-</u>	<u>54,235</u>	<u>(21,663)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(2,335,371)	370,172	(384,201)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	5,372,948	5,372,948	5,757,149
NET FINANCIAL ASSETS, END OF YEAR	<u>3,037,577</u>	<u>5,743,120</u>	<u>5,372,948</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011	2010
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses (Page 3)	2,804,154	3,422,552
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	1,994,989	1,675,133
Loss (gain) on disposal of tangible capital assets	318,970	(32,410)
Write down of tangible capital assets	8,014	
Non-cash charges to operations (net change):		
Increase in taxes and grants in lieu receivable	(9,224)	(28,703)
Decrease in receivables from other governments	113,008	958,703
(Increase) decrease in trade and other receivables	(680,390)	1,886,695
Increase in land inventory held for resale	(1,153,224)	(190,651)
Decrease in debt charges recoverable	83,200	79,228
Decrease (increase) in inventory for consumption	42,507	(16,927)
Decrease (increase) in prepaid expenses	11,728	(4,736)
Decrease (increase) in other long-term assets	71	(131)
Increase (decrease) in accounts payable and accrued liabilities	963,354	(728,060)
Increase in deposit liabilities	670	55
Decrease in deferred revenue	(37,429)	(482,816)
Increase in employee benefit obligations	79,862	1,517
Cash provided by operating transactions	4,540,260	6,539,449
CAPITAL		
Acquisition of tangible capital assets	(4,836,310)	(4,791,544)
Sale of tangible capital assets	26,120	32,410
Adjustment to tangible capital assets		(668,685)
Cash applied to capital transactions	(4,810,190)	(5,427,819)
INVESTING		
Decrease (increase) in investments	267,205	(50,219)
Decrease restricted cash or cash equivalents	72,221	378,325
Cash provided by investing transactions	339,426	328,106
FINANCING		
Long term debt issued	763,782	803,486
Long term debt repaid	(335,413)	(350,012)
Cash provided by financing transactions	428,369	453,474
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	497,865	1,893,210
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,031,876	1,138,666
CASH AND CASH EQUIVALENTS, END OF YEAR	3,529,741	3,031,876
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	4,195,499	3,769,855
Less: restricted portion of cash and temporary investments (Note 2)	665,758	737,979
	3,529,741	3,031,876

**SCHEDULE OF PROPERTY TAXES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budget (Unaudited)	2011	2010
TAXATION			
Property taxes			
- residential land and improvements	3,257,339	3,271,747	3,070,187
- non-residential land and improvements	1,118,223	1,095,090	1,037,119
- machinery and equipment	22,541	22,541	21,968
- linear property	203,374	203,374	200,093
- railway	1,556	1,556	1,640
- farmland	6,370	6,100	6,394
Government grants in place of property taxes			
- federal	7,702	7,702	7,772
- provincial	98,675	98,675	100,038
	<u>4,715,780</u>	<u>4,706,785</u>	<u>4,445,211</u>
REQUISITIONS			
Alberta School Foundation Fund	895,416	895,415	868,873
East Central AB Catholic Separate Schools Regional Division No. 16	158,697	158,698	157,388
	<u>1,054,113</u>	<u>1,054,113</u>	<u>1,026,261</u>
NET MUNICIPAL TAXES	<u>3,661,667</u>	<u>3,652,672</u>	<u>3,418,950</u>

**SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budget (Unaudited)	2011	2010
TRANSFERS FOR OPERATING:			
Federal Government	10,000	9,786	9,819
Provincial Government	507,676	513,003	553,158
Other Local Governments and Agencies	442,802	466,477	415,272
	<u>960,478</u>	<u>989,266</u>	<u>978,249</u>
TRANSFERS FOR CAPITAL:			
Federal Government	399,225	334,551	904,856
Provincial Government	1,118,744	1,172,166	2,116,102
Other Local Governments and Agencies	25,000	27,461	188,698
	<u>1,542,969</u>	<u>1,534,178</u>	<u>3,209,656</u>
TOTAL GOVERNMENT TRANSFERS	<u>2,503,447</u>	<u>2,523,444</u>	<u>4,187,905</u>

TOWN OF VERMILION

PAGE 8

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget (Unaudited)	2011	2010
Salaries, wages and benefits	2,832,938	2,850,793	2,668,997
Contracted and general services	3,449,304	3,570,411	1,792,757
Purchases from other governments	1,200	1,514	800
Materials, goods, supplies and utilities	2,736,236	652,678	1,488,078
Transfers to other governments	303,588	280,586	289,599
Transfers to individuals and organizations	279,407	251,133	190,561
Bank charges and short term interest	3,945	2,783	3,505
Interest on long term debt	169,763	170,526	173,571
Other expenditures	161,050	159,963	120,360
Amortization of tangible capital assets		1,994,989	1,675,132
Net loss on sale of tangible capital assets		328,274	
Write down of tangible capital assets		8,014	120,273
	<u>9,937,431</u>	<u>10,271,664</u>	<u>8,523,633</u>

Town of Vermilion
Schedule of Accumulated Surplus
For the Year Ended December 31, 2011
Schedule 1

	2011	2010
	\$	\$
BALANCE, BEGINNING OF YEAR	49,605,042	46,851,175
Excess (deficiency) of revenues over expenses	2,804,154	3,422,552
Unrestricted funds designated for future use	(2,320,291)	-
Restricted funds used for operations	972,634	-
Restricted funds used for tangible capital assets	(3,217,017)	-
Current year funds used for tangible capital assets	(1,566,723)	-
Donated and Contributed TCA	(52,569)	-
Disposal of tangible capital assets	345,089	-
Annual amortization expense	1,994,989	-
Long term debt repaid	(252,213)	-
Write down of tangible capital assets (other)	8,014	-
Change in accumulated surplus	(12,184)	(668,685)
	<u>75,908</u>	<u>2,753,867</u>
	<u>2,804,154</u>	<u>49,605,042</u>
BALANCE, END OF YEAR	52,409,196	49,605,042
	<u>43,789,816</u>	<u>41,049,386</u>
	<u>6,553,416</u>	<u>6,477,508</u>
	<u>2,065,964</u>	<u>2,078,148</u>
	<u>2,804,154</u>	<u>2,804,154</u>
	<u>2,320,291</u>	<u>2,320,291</u>
	<u>972,634</u>	<u>972,634</u>
	<u>(3,217,017)</u>	<u>(3,217,017)</u>
	<u>(1,566,723)</u>	<u>(1,566,723)</u>
	<u>(52,569)</u>	<u>(52,569)</u>
	<u>345,089</u>	<u>345,089</u>
	<u>1,994,989</u>	<u>1,994,989</u>
	<u>(252,213)</u>	<u>(252,213)</u>
	<u>8,014</u>	<u>8,014</u>
	<u>(12,184)</u>	<u>(12,184)</u>
	<u>75,908</u>	<u>75,908</u>
	<u>2,804,154</u>	<u>2,804,154</u>
	<u>2,320,291</u>	<u>2,320,291</u>
	<u>972,634</u>	<u>972,634</u>
	<u>(3,217,017)</u>	<u>(3,217,017)</u>
	<u>(1,566,723)</u>	<u>(1,566,723)</u>
	<u>(52,569)</u>	<u>(52,569)</u>
	<u>345,089</u>	<u>345,089</u>
	<u>1,994,989</u>	<u>1,994,989</u>
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	<u>8,014</u>	<u>8,014</u>
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	<u>1,994,989</u>	<u>1,994,989</u>
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	<u>8,014</u>	<u>8,014</u>
	<u>(12,184)</u>	<u>(12,184)</u>
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	<u>75,908</u>	<u>75,908</u>
	<u>2,804,154</u>	<u>2,804,154</u>
	<u>2,320,291</u>	<u>2,320,291</u>
	<u>972,634</u>	<u>972,634</u>
	<u>(3,217,017)</u>	<u>(3,217,017)</u>
	<u>(1,566,723)</u>	<u>(1,566,723)</u>
	<u>(52,569)</u>	<u>(52,569)</u>
	<u>345,089</u>	<u>345,089</u>
	<u>1,994,989</u>	<u>1,994,989</u>
	<u>(252,213)</u>	<u>(252,213)</u>
	<u>8,014</u>	<u>8,014</u>
	<u>(12,184)</u>	<u>(12,184)</u>
	<u>75,908</u>	<u>75,908</u>
	<u>2,804,154</u>	<u>2,804,154</u>
	<u>2,320,291</u>	<u>2,320,291</u>
	<u>972,634</u>	<u>972,634</u>
	<u>(3,217,017)</u>	<u>(3,217,017)</u>
	<u>(1,566,723)</u>	<u>(1,566,723)</u>
	<u>(52,569)</u>	<u>(52,569)</u>
	<u>345,089</u>	<u>345,089</u>
	<u>1,994,989</u>	<u>1,994,989</u>
	<u>(252,213)</u>	<u>(252,213)</u>
	<u>8,014</u>	<u>8,014</u>
	<u>(12,184)</u>	<u>(12,184)</u>
	<u>75,908</u>	<u>75,908</u>
	<u>2,804,154</u>	<u>2,804,154</u>
	<u>2,320,291</u>	<u>2,320,291</u>
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	<u>1,994,989</u>	<u>1,994,989</u>
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	<u>8,014</u>	<u>8,014</u>
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	<u>(1,566,723)</u>	<u>(1,566,723)</u>
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	<u>345,089</u>	<u>345,089</u>
	<u>1,994,989</u>	<u>1,994,989</u>
	<u>(252,213)</u>	<

Town of Vermilion
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2011
Schedule 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2011 \$	2010 \$
COST:								
BALANCE, BEGINNING OF YEAR	1,759,944	2,806,019	9,888,254	53,083,126	4,119,815	2,174,499	73,831,657	69,672,263
Prior Period Adjustment	-	-	-	-	-	-	-	70,533
Acquisition of tangible capital assets	-	150,645	283,800	3,806,654	546,832	-	4,787,931	4,746,522
Construction-in-progress	-	-	48,378	-	-	-	48,378	58,343
Disposal of tangible capital assets	-	-	-	(812,170)	(244,382)	(102,988)	(1,159,540)	(716,004)
Write down of tangible capital assets	-	-	-	-	(20,368)	-	(20,368)	-
BALANCE, END OF YEAR	1,759,944	2,956,664	10,172,054	56,125,988	4,401,897	2,071,511	77,488,058	73,831,657
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	21,825	1,372,112	25,658,167	2,010,311	786,186	29,848,601	28,805,612
Prior Period Adjustment	-	-	-	-	-	-	-	83,860
Annual amortization	-	268,975	188,572	1,013,502	365,329	158,611	1,994,989	1,675,133
Accumulated amortization on disposals	-	-	-	(510,094)	(221,274)	(83,083)	(814,451)	(716,004)
Accumulated amortization on write downs	-	-	-	-	(12,354)	-	(12,354)	-
BALANCE, END OF YEAR	-	290,800	1,560,684	26,161,575	2,142,012	861,714	31,016,785	29,848,601
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,759,944	2,665,864	8,611,370	29,964,413	2,259,885	1,209,797	46,471,273	43,983,056
2010 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	4,474,426	-	9,112,189	26,841,575	1,757,382	1,797,484	43,983,056	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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 Counseling 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, 2011

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 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.

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 of 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:

Land Improvements	5-25
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, 2011

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.

2. **CASH AND TEMPORARY INVESTMENTS**

	<u>2011</u>	<u>2010</u>
Cash	1,759,864	50,626
Temporary investments	<u>2,435,635</u>	<u>3,719,230</u>
	<u>4,195,499</u>	<u>3,769,855</u>

Temporary investments consist of term deposits with maturities of twelve months or less. Included in the above balances are \$665,758 (2010 - \$737,979) of funds that are restricted in use.

TOWN OF VERMILION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

3. TAXES AND GRANTS IN LIEU RECEIVABLES	<u>2011</u>	<u>2010</u>
Current taxes and grants in lieu	75,342	56,061
Tax arrears and grants in lieu	<u>26,820</u>	<u>36,877</u>
	102,162	92,938
Less: allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
	<u>97,162</u>	<u>87,938</u>
4. DEBT CHARGES RECOVERABLE	<u>2011</u>	<u>2010</u>
Current debt charges recoverable	87,370	83,200
Non-current debt charges recoverable	<u>747,300</u>	<u>834,670</u>
	<u>834,670</u>	<u>917,870</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>
2012	87,370	40,256	127,626
2013	91,749	35,877	127,626
2014	96,348	31,278	127,626
2015	101,177	26,449	127,626
2016	106,248	21,378	127,626
2017 and subsequent	<u>351,778</u>	<u>31,099</u>	<u>382,877</u>
	<u>834,670</u>	<u>186,337</u>	<u>1,021,007</u>

5. INVESTMENTS

Investments consist of term deposits bearing interest at rates ranging from 1.31% to 5.10% per annum, with maturity dates between 2012 and 2013.

6. DEFERRED REVENUE

	<u>2011</u>	<u>2010</u>
Airport Leases	262	284
Advertising leases	3,500	1,500
Federal RINC Grant		6,884
Provincial MCFP Grant		39,817
Land Leases	4,260	3,573
Regional Centre Prepaid rent		919
Library Grant	<u>7,526</u>	<u>0</u>
	<u>15,548</u>	<u>52,977</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

7. EMPLOYEE BENEFIT OBLIGATIONS

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

	<u>2011</u>	<u>2010</u>
Accrued employee vacation	178,337	134,665
Accrued sickness	40,860	
Accrued overtime	<u>11,288</u>	<u>15,958</u>
	<u>230,485</u>	<u>150,623</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 2011 cost of \$16,229.

9. LONG-TERM DEBT

	<u>2011</u>	<u>2010</u>
Tax supported debentures	<u>4,279,909</u>	<u>3,851,540</u>

The current portion of the long-term debt amounts to \$419,494 (2010 - \$335,413).

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	419,494	173,913	593,407
2013	434,515	156,266	590,781
2014	440,770	137,982	504,822
2015	449,999	119,502	569,501
2016	451,464	100,800	552,264
2017 and subsequent	<u>2,083,667</u>	<u>232,527</u>	<u>2,316,194</u>
	<u>4,279,909</u>	<u>920,990</u>	<u>5,200,899</u>

Debenture debt is repayable to Alberta Capital Finance Authority, bears interest at rates ranging from 2.31% to 5.63% per annum, and matures in periods 2012 through 2021. The average annual interest rate is 4.4% for 2011 (2010 – 4.6%).

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

Interest on long-term debt amounted to \$170,526 (2010 - \$173,571).

The Town's total cash payment for interest in 2011 was \$173,708 (2010 - \$177,076).

TOWN OF VERMILION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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>2011</u>	<u>2010</u>
Total debt limit	16,569,470	12,472,304
Total debt	<u>4,279,909</u>	<u>3,851,540</u>
Amount of debt limit unused	<u>12,289,561</u>	<u>8,620,764</u>
Debt servicing limit	2,761,578	2,078,717
Debt servicing	<u>593,407</u>	<u>507,446</u>
Amount of debt servicing limit unused	<u>2,168,171</u>	<u>1,571,271</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>2011</u>	<u>2010</u>
Land	1,759,944	4,474,426
Land Improvements	2,665,866	
Buildings	8,611,370	9,112,189
Engineering Structures		
Roadway system	12,878,795	10,974,455
Roadway System-construction in progress	33,891	58,343
Water distribution system	12,335,098	12,378,429
Water distribution system-construction in progress	14,487	
Wastewater treatment system	3,131,898	1,864,597
Storm System	1,570,244	1,565,751
Machinery, equipment and furnishings	2,259,883	1,757,382
Vehicles	<u>1,209,797</u>	<u>1,797,484</u>
	<u>46,471,273</u>	<u>43,983,056</u>

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2011</u>	<u>2010</u>
Tangible capital assets (Schedule 2)	77,488,058	73,831,657
Accumulated amortization (Schedule 2)	<u>(31,016,785)</u>	<u>(29,848,601)</u>
Long-term debt	<u>(2,681,457)</u>	<u>(2,933,670)</u>
	<u>43,789,816</u>	<u>41,049,386</u>

TOWN OF VERMILION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

13. ACCUMULATED SURPLUS

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

	<u>2011</u>	<u>2010</u>
Unrestricted surplus	2,065,964	2,078,148
Restricted	6,553,416	6,477,508
Equity in tangible capital assets	<u>43,789,816</u>	<u>41,049,386</u>
	<u>52,409,196</u>	<u>49,605,042</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:

	2011			2010
	Salary/ Fee	Benefits and Allowances	Total	Total
Mayor				
Bruce Marriott	28,745	775	29,520	28,797
Councilors				
Mark Butler	17,125	392	17,517	155
Linda Jacejko	22,655	574	23,229	25,195
Richard Lavoie				14,881
Ryan Leahy				7,517
Clinton McCullough	17,555	756	18,311	18,683
Caroline McAuley	17,780	414	18,194	18,710
Robert Pulyk	17,965	420	18,385	3,630
Richard Yaceyko	15,500	338	15,838	17,594
Town Manager				
Dion Pollard/Robert Watt	100,785	18,663	119,448	165,517
Director Fin & Admin				
Denise MacDonald	99,161	18,441	117,602	117,958
Director Eng & Pub Wrks				
David Brozuk	86,805	16,742	103,547	60,935
Director Community Serv				
Shawn Bell/Dion Pollard	81,180	13,659	94,839	106,799

- (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, 2011**

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 9.91% (2010 – 9.06%) of pensionable earnings up to the year’s maximum pensionable earnings under the Canada Pension Plan and 13.74% (2010 – 12.53%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.91% (2010 – 8.06%) of pensionable salary up to the year’s maximum pensionable salary and 12.74% (2010 – 11.53%) on pensionable salary above this amount.

Total current service contributions by the Town of Vermilion to the LAPP in 2011 were \$188,232 (2010 - \$172,560). Total current service contributions by the employees of the Town of Vermilion to the LAPP in 2011 were \$170,262 (2010 - \$154,835).

At December 31, 2010, 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 \$86,500 (2010 - \$83,000).

18. FINANCIAL INSTRUMENTS

The Town’s financial instruments consist of cash, accounts receivable, investments, debt charges recoverable, accounts payable and accrued liabilities, deposit liabilities, employee benefit obligations 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.

19. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.