

**TOWN OF DRAYTON VALLEY  
DRAYTON VALLEY, ALBERTA  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**INDEPENDENT AUDITORS' REPORT**

To the Mayor and Council of the Town of Drayton Valley

We have audited the accompanying consolidated financial statements of the Town of Drayton Valley, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of operations and accumulated surplus, changes in net debt, and changes in financial position 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.

*Auditors' 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 auditors' 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 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, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town of Drayton Valley as at December 31, 2014, and the consolidated results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta  
April 22, 2015



Hawkins Epp Dumont LLP  
Chartered Accountants

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**TOWN OF DRAYTON VALLEY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
<b>FINANCIAL ASSETS</b>		
Cash (Note 2)	\$ 14,887,941	\$ 22,046,103
Receivables (Note 3)	11,188,191	3,843,142
Land inventory held for resale	<u>286,274</u>	<u>286,274</u>
	<u>26,362,406</u>	<u>26,175,519</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	6,173,326	5,263,684
Deposits	279,854	269,341
Deferred revenue (Note 4)	7,049,100	7,939,160
Landfill closure and post-closure (Note 5)	2,464,991	2,249,505
Long-term debt (Note 6)	<u>11,324,535</u>	<u>11,533,282</u>
	<u>27,291,806</u>	<u>27,254,972</u>
<b>NET DEBT</b>	<u>(929,400)</u>	<u>(1,079,453)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 8)	104,714,356	90,549,596
Inventory for consumption	46,792	43,912
Prepaid expenses and other assets	<u>112,359</u>	<u>-</u>
	<u>104,873,507</u>	<u>90,593,508</u>
<b>ACCUMULATED SURPLUS (Note 9)</b>	<u>\$103,944,107</u>	<u>\$ 89,514,055</u>
Contingencies (Note 14)		

ON BEHALF OF THE TOWN COUNCIL:

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**TOWN OF DRAYTON VALLEY**

**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u> (Budget) (Note 17)	<u>2014</u> (Actual)	<u>2013</u> (Actual)
<b>REVENUE</b>			
Net taxation (Schedule 2)	\$ 9,990,028	\$ 9,907,642	\$ 9,136,603
Sales and user charges (Schedule 4)	9,680,708	8,636,377	8,592,800
Government transfers for operating (Schedule 3)	3,176,099	3,472,189	3,512,276
Franchise and concession contracts (Note 11)	718,000	906,512	769,628
Rentals	749,065	736,341	734,074
Licenses and permits	264,986	603,025	601,453
Penalties and costs on taxes	193,249	236,112	225,899
Investment income	140,000	199,952	156,416
Development levies	-	165,318	629,557
Other	50,000	82,886	224,922
Fines	95,439	77,376	73,244
	<u>25,057,574</u>	<u>25,023,730</u>	<u>24,656,872</u>
<b>EXPENSES</b>			
Recreation and culture	4,548,104	4,033,076	4,488,852
Water and wastewater	3,596,326	3,336,986	2,895,454
Roads, streets, walks, and lighting	2,882,757	2,649,389	3,142,863
Public health and welfare	2,329,041	2,265,262	2,104,796
Waste management	2,262,635	1,975,059	1,656,241
Police	1,634,235	1,753,698	1,647,466
Administration	1,569,909	1,499,090	970,341
Fire and disaster services	1,409,962	1,288,886	972,538
Subdivision land and development	1,116,024	1,076,462	1,236,538
Common and equipment pool	768,041	684,013	702,118
Council	482,323	571,603	505,959
Bylaws enforcement	243,883	206,766	253,708
Airport	101,039	161,677	148,723
Other	606,090	62,038	47,574
Amortization of tangible capital assets	-	3,990,850	4,104,627
	<u>23,550,369</u>	<u>25,554,855</u>	<u>24,877,798</u>
<b>ANNUAL SURPLUS (DEFICIT) BEFORE OTHER REVENUE</b>	<u>1,507,205</u>	<u>(531,125)</u>	<u>(220,926)</u>
<b>OTHER REVENUE</b>			
Government transfers for capital (Schedule 3)	27,227,069	14,889,860	5,550,900
Gain (loss) on disposal of tangible capital assets	-	(41,015)	1,940,273
Donations for tangible capital assets	-	112,332	289,275
	<u>27,227,069</u>	<u>14,961,177</u>	<u>7,780,448</u>
<b>ANNUAL SURPLUS</b>	28,734,274	14,430,052	7,559,522
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>89,514,055</u>	<u>89,514,055</u>	<u>81,954,533</u>
<b>ACCUMULATED SURPLUS, END OF YEAR (Note 7)</b>	<u>\$ 118,248,329</u>	<u>\$ 103,944,107</u>	<u>\$ 89,514,055</u>

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

**TOWN OF DRAYTON VALLEY**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u> (Budget) (Note 17)	<u>2014</u> (Actual)	<u>2013</u> (Actual)
<b>ANNUAL SURPLUS</b>	<u>\$ 28,734,274</u>	<u>\$ 14,430,052</u>	<u>\$ 7,559,522</u>
Acquisition of tangible capital assets	(37,333,968)	(18,232,925)	(11,507,699)
Proceeds on disposal of tangible capital assets	-	36,300	2,258,800
Amortization of tangible capital assets	-	3,990,850	4,104,627
Loss (gain) on disposal of tangible capital assets	<u>-</u>	<u>41,015</u>	<u>(1,940,273)</u>
	<u>(37,333,968)</u>	<u>(14,164,760)</u>	<u>(7,084,545)</u>
Acquisition of prepaid expenses	-	(112,359)	-
Use of inventory for consumption	<u>-</u>	<u>(2,880)</u>	<u>30,140</u>
	<u>-</u>	<u>(115,239)</u>	<u>30,140</u>
<b>DECREASE IN NET DEBT</b>	(8,599,694)	150,053	505,117
<b>NET DEBT, BEGINNING OF YEAR</b>	<u>(1,079,453)</u>	<u>(1,079,453)</u>	<u>(1,584,570)</u>
<b>NET DEBT, END OF YEAR</b>	<u>\$ (9,679,147)</u>	<u>\$ (929,400)</u>	<u>\$ (1,079,453)</u>

**TOWN OF DRAYTON VALLEY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
<b>OPERATING ACTIVITIES</b>		
Cash from operations		
Annual surplus	\$ 14,430,052	\$ 7,559,522
Non-cash items included in annual surplus		
Amortization of tangible capital assets	3,990,850	4,104,627
Provision for landfill closure and post-closure (recovery)	215,486	(306,409)
Loss (gain) on disposal of tangible capital assets	41,015	(1,940,273)
Change in non-cash working capital		
balances related to operations:		
Receivables	(7,345,049)	424,498
Inventory for consumption	(2,880)	30,125
Accounts payable and accrued liabilities	909,642	2,394,691
Deposits	10,513	13,369
Prepaid expenses	(112,359)	-
Deferred revenue	<u>(890,060)</u>	<u>6,263,368</u>
	<u>11,247,210</u>	<u>18,543,518</u>
<b>FINANCING ACTIVITIES</b>		
Long-term debt advances	692,600	-
Repayment of long-term debt	<u>(901,347)</u>	<u>(1,043,974)</u>
	<u>(208,747)</u>	<u>(1,043,974)</u>
<b>CAPITAL ACTIVITIES</b>		
Proceeds on disposal of tangible capital assets	36,300	2,258,800
Purchase of tangible capital assets	<u>(18,232,925)</u>	<u>(11,507,699)</u>
<b>INCREASE (DECREASE) IN CASH DURING THE YEAR</b>	(7,158,162)	8,250,645
<b>CASH, BEGINNING OF YEAR</b>	<u>22,046,103</u>	<u>13,795,458</u>
<b>CASH, END OF YEAR</b>	<u>\$ 14,887,941</u>	<u>\$ 22,046,103</u>

**TOWN OF DRAYTON VALLEY**

**SCHEDULE OF EQUITY IN TANGIBLE CAPITAL ASSETS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

***Schedule 1***

	<u><b>2014</b></u>	<u><b>2013</b></u>
<b>BALANCE, BEGINNING OF YEAR</b>	<b>\$ 79,016,314</b>	<b>\$ 70,911,575</b>
Acquisition of tangible capital assets	<b>18,232,925</b>	11,507,699
Amortization of tangible capital assets	<b>(3,990,850)</b>	(4,104,627)
Net book value of tangible capital assets disposed of	<b>(77,315)</b>	(318,543)
Long-term debt advances	<b>(692,600)</b>	-
Long-term capital debt repayments	<u><b>901,347</b></u>	<u>1,020,210</u>
<b>BALANCE, END OF YEAR</b>	<b><u>\$ 93,389,821</u></b>	<b><u>\$ 79,016,314</u></b>
Equity in Tangible Capital Assets is Comprised of the Following:		
Tangible capital assets net book value	<b>\$104,714,356</b>	\$ 90,549,596
Long-term capital debt	<u><b>(11,324,535)</b></u>	<u>(11,533,282)</u>
	<b><u>\$ 93,389,821</u></b>	<b><u>\$ 79,016,314</u></b>

**TOWN OF DRAYTON VALLEY**  
**SCHEDULE OF PROPERTY TAXES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

***Schedule 2***

	<u>2014</u> (Budget) (Note 17)	<u>2014</u> (Actual)	<u>2013</u> (Actual)
<b>TAXATION</b>			
Real property taxes	\$ 12,786,003	\$ <b>12,814,538</b>	\$ 11,867,090
Linear property taxes	771,170	<b>728,942</b>	730,022
Government grants in lieu of property taxes	92,629	<b>92,630</b>	91,769
Special assessments and local improvement taxes	<u>92,643</u>	<u><b>25,454</b></u>	<u>27,563</u>
	<u>13,742,445</u>	<u><b>13,661,564</b></u>	<u>12,716,444</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	3,426,022	<b>3,427,575</b>	3,254,565
Seniors Foundation	<u>326,395</u>	<u><b>326,347</b></u>	<u>325,276</u>
	<u>3,752,417</u>	<u><b>3,753,922</b></u>	<u>3,579,841</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 9,990,028</u>	<u>\$ <b>9,907,642</b></u>	<u>\$ 9,136,603</u>



**TOWN OF DRAYTON VALLEY**  
**SCHEDULE OF GOVERNMENT TRANSFERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

***Schedule 3***

	<u>2014</u> (Budget) (Note 17)	<u>2014</u> (Actual)	<u>2013</u> (Actual)
<b>TRANSFERS FOR OPERATING</b>			
Provincial government	\$ 1,422,028	\$ <b>1,747,148</b>	\$ 1,831,742
Local governments	<u>1,754,071</u>	<u><b>1,725,041</b></u>	<u>1,680,534</u>
	<u>3,176,099</u>	<u><b>3,472,189</b></u>	<u>3,512,276</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	27,227,069	<b>13,872,166</b>	5,550,900
Local governments	<u>-</u>	<u><b>1,017,694</b></u>	<u>-</u>
	<u>27,227,069</u>	<u><b>14,889,860</b></u>	<u>5,550,900</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 30,403,168</u>	<u><b>\$ 18,362,049</b></u>	<u>\$ 9,063,176</u>

**TOWN OF DRAYTON VALLEY**

**Schedule 4**

**SCHEDULE OF SEGMENT DISCLOSURE**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Administration	Protective Services	Water, Wastewater and Waste Management	Recreation and Culture	Roads, Streets, Walks and Lighting	Public Health and Welfare	All Other	Total
<b>REVENUE</b>								
Taxation	\$ 1,386,834	\$ 2,228,230	\$ -	\$ 1,606,606	\$ 2,484,026	\$ 375,191	\$ 1,826,755	\$ 9,907,642
Sales and user charges	32,326	48,690	6,655,274	974,335	21,545	646,429	257,778	8,636,377
Government transfers	-	888,625	183,525	902,050	128,591	992,917	376,481	3,472,189
All other	79,930	83,805	51,252	3,528	-	76,171	1,976,495	2,271,181
Rentals	-	-	-	546,558	15,229	174,554	-	736,341
	<u>1,499,090</u>	<u>3,249,350</u>	<u>6,890,051</u>	<u>4,033,077</u>	<u>2,649,391</u>	<u>2,265,262</u>	<u>4,437,509</u>	<u>25,023,730</u>
<b>EXPENSES</b>								
Wages and benefits	857,185	999,680	917,529	1,754,672	729,846	1,433,540	831,260	7,523,712
Contracted and general services	72,484	1,694,699	1,607,433	615,209	82,755	262,643	684,050	5,019,273
Professional fees	515,466	406,796	1,182,088	540,731	765,134	426,340	728,571	4,565,126
Repairs and maintenance	27,420	83,486	1,037,481	506,600	546,811	17,043	186,986	2,405,827
Utilities	16,666	50,896	427,230	435,357	439,166	20,847	32,869	1,423,031
Interest on long-term debt	699	-	103,671	93,701	85,679	94,598	54,040	432,388
Insurance	9,170	13,793	36,613	86,807	-	10,251	38,014	194,648
	<u>1,499,090</u>	<u>3,249,350</u>	<u>5,312,045</u>	<u>4,033,077</u>	<u>2,649,391</u>	<u>2,265,262</u>	<u>2,555,790</u>	<u>21,564,005</u>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	-	-	1,578,006	-	-	-	1,881,719	3,459,725
Amortization	246,655	272	936,560	524,009	1,806,845	294,540	181,969	3,990,850
<b>NET REVENUE (DEFICIT)</b>	<u>\$ (246,655)</u>	<u>\$ (272)</u>	<u>\$ 641,446</u>	<u>\$ (524,009)</u>	<u>\$ (1,806,845)</u>	<u>\$ (294,540)</u>	<u>\$ 1,699,750</u>	<u>\$ (531,125)</u>

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

**TOWN OF DRAYTON VALLEY**

**Schedule 4 (CONT'D)**

**SCHEDULE OF SEGMENT DISCLOSURE**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

	General Administration	Protective Services	Water, Wastewater and Waste Management	Recreation and Culture	Roads, Streets, Walks and Lighting	Public Health and Welfare	All Other	Total
<b>REVENUE</b>								
Taxation	\$ 862,293	\$ 1,916,691	\$ -	\$ 1,940,286	\$ 3,047,561	\$ 296,408	\$ 1,073,364	\$ 9,136,603
Sales and user charges	33,974	26,749	6,718,981	1,052,905	20,895	540,940	198,356	8,592,800
Government transfers	-	851,219	-	897,459	69,902	1,042,117	651,579	3,512,276
All other	74,075	79,052	39,418	2,150	-	91,812	2,394,612	2,681,119
Rentals	-	-	-	596,051	4,504	133,519	-	734,074
	<u>970,342</u>	<u>2,873,711</u>	<u>6,758,399</u>	<u>4,488,851</u>	<u>3,142,862</u>	<u>2,104,796</u>	<u>4,317,911</u>	<u>24,656,872</u>
<b>EXPENSES</b>								
Wages and benefits	473,107	1,003,552	965,072	1,886,796	705,731	1,289,469	941,794	7,265,521
Contracted and general services	95,826	1,440,351	1,219,860	722,691	494,705	249,061	734,767	4,957,261
Professional fees	341,494	313,860	800,883	616,198	787,854	405,123	656,461	3,921,873
Repairs and maintenance	25,007	58,998	874,131	465,171	663,902	27,082	173,165	2,287,456
Utilities	24,908	41,717	559,058	615,730	395,479	27,479	38,373	1,702,744
Interest on long-term debt	1,772	1,901	107,389	95,939	95,191	96,589	56,283	455,064
Insurance	8,228	13,332	25,302	86,326	-	9,993	40,071	183,252
	<u>970,342</u>	<u>2,873,711</u>	<u>4,551,695</u>	<u>4,488,851</u>	<u>3,142,862</u>	<u>2,104,796</u>	<u>2,640,914</u>	<u>20,773,171</u>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	-	-	2,206,704	-	-	-	1,676,997	3,883,701
Amortization	251,777	-	985,538	520,963	1,802,361	306,823	237,165	4,104,627
<b>NET REVENUE (DEFICIT)</b>	<u>\$ (251,777)</u>	<u>\$ -</u>	<u>\$ 1,221,166</u>	<u>\$ (520,963)</u>	<u>\$ (1,802,361)</u>	<u>\$ (306,823)</u>	<u>\$ 1,439,832</u>	<u>\$ (220,926)</u>

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

**TOWN OF DRAYTON VALLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Town of Drayton Valley (the "Town") are the representations of management prepared in accordance with Canadian public sector accounting standards as established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town are as follows:

**(a) Reporting Entity**

The consolidated financial statements reflect assets, liabilities, revenue and expenses and changes in net debt and financial position of the Town which comprises all the organizations that are accountable for the administration of their financial affairs and resources to the Town and are owned or controlled by the Town as follows:

Town of Drayton Valley Fire Department  
Town of Drayton Valley Water Works System  
Town of Drayton Valley Aspen Waste Management  
Drayton Valley and District Family and Community Support Services  
Bio-Arcc Drayton Valley Ltd.

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

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

**(b) 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 consolidated financial statements as revenue in the period in which the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, 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.

**(c) Inventories**

Inventories for consumption are valued at the lower of cost and net realizable value with cost determined by the average cost method.

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 levelling 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.

(CONT'D)

**TOWN OF DRAYTON VALLEY**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(d) 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 their estimated useful lives as follows:

Engineered structures:	
Roads	20 years
Water systems	25 years
Sewer systems	40 - 60 years
Other	20 - 50 years
Buildings	40 - 50 years
Machinery and equipment	5 - 15 years
Vehicles	6 years

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

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

(e) Taxation revenue

Taxation revenue is based on market value assessments determined in accordance with the *Municipal Government Act*. Tax mill rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal.

Construction and borrowing costs associated with local improvement projects are recovered through annual special property tax assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the Town and are recognized as revenue in the year they are levied.

(f) Over-Levies and Under-Levies

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

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

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

(g) Pension Expenditures

Contributions made by the Town to the defined contribution pension plan are recorded as expenditures in the year in which they are paid.

(CONT'D)

**TOWN OF DRAYTON VALLEY**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(h) Use of Estimates

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

The Town has used estimates to determine accrued liabilities, tangible capital asset useful lives, contributed tangible capital assets, landfill closure and post-closure liabilities, as well as provisions made for allowances for amounts receivable or any provision for impairment.

**2. CASH**

	<u>2014</u>	<u>2013</u>
Bank accounts	\$ 14,887,061	\$ 22,045,223
Cash on hand	<u>880</u>	<u>880</u>
	<u>\$ 14,887,941</u>	<u>\$ 22,046,103</u>

**3. ACCOUNTS RECEIVABLE**

	<u>2014</u>	<u>2013</u>
Taxes and grants in place of taxes		
Tax arrears and grants in place of taxes	\$ 137,146	\$ 182,266
Current taxes and grants in place of taxes	163,275	380,517
Tax arrears on property held for tax recovery	<u>40,652</u>	<u>40,652</u>
	341,073	603,435
Trade and other	10,116,572	2,572,832
Local improvement taxes	551,177	618,366
Goods and Services Tax	<u>534,516</u>	<u>352,010</u>
	11,543,338	4,146,643
Less: Allowance for doubtful accounts	<u>(355,147)</u>	<u>(303,501)</u>
	<u>\$ 11,188,191</u>	<u>\$ 3,843,142</u>

**TOWN OF DRAYTON VALLEY**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**4. DEFERRED REVENUE**

Funding has been received under various Federal and Provincial government grant programs. The use of these funds is restricted to eligible projects as approved under the funding agreements.

	<u>Opening</u>	<u>Receipts</u>	<u>Revenue</u>	<u>Ending</u>
Alberta Environment and Sustainable Resource Development	\$ 2,280,604	\$ 4,545,800	\$(3,055,208)	\$ 3,771,196
Municipal Sustainability Initiative				
Capital	2,441,358	1,940,266	(2,083,922)	2,297,702
Operating	113,872	69,653	(183,525)	-
Federal Gas Tax Funding	810,438	387,149	(515,298)	682,289
Other	697,759	73,724	(575,509)	195,974
Alberta Municipal Water/Wastewater Program	<u>1,595,128</u>	<u>-</u>	<u>(1,493,189)</u>	<u>101,939</u>
	<u>\$ 7,939,159</u>	<u>\$ 7,016,592</u>	<u>\$(7,906,651)</u>	<u>\$ 7,049,100</u>

**5. 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 estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 25 years after closure using a discount rate of 5.9% and assuming annual inflation of 2.5%.

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The estimated remaining site life for Cell 4A is approximately three years (2017). Cells C, D, and 3D are essentially have no additional capacity.

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

	<u>2014</u>	<u>2013</u>
Estimated post-closure costs	\$ 1,713,093	\$ 1,713,093
Estimated closure costs	<u>1,399,119</u>	<u>1,399,119</u>
Estimated total liability	<u>3,112,212</u>	<u>3,112,212</u>
Estimated capacity remaining	20.8 %	28.7 %
Portion of total liability remaining to be recognized	<u>647,221</u>	<u>862,707</u>
Estimated capacity used	79.2 %	72.3 %
Accrued liability portion	<u>\$ 2,464,991</u>	<u>\$ 2,249,505</u>

**TOWN OF DRAYTON VALLEY**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**6. LONG-TERM DEBT**

	<u>2014</u>	<u>2013</u>
Debentures	\$ <u>11,324,535</u>	\$ <u>11,533,282</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 928,129	\$ 404,642	\$ 1,332,771
2016	960,471	372,301	1,332,772
2017	956,800	339,074	1,295,874
2018	990,176	305,697	1,295,873
2019	1,024,865	271,009	1,295,874
Thereafter	<u>6,464,094</u>	<u>1,060,436</u>	<u>7,524,530</u>
	\$ <u>11,324,535</u>	\$ <u>2,753,159</u>	\$ <u>14,077,694</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest ranging from 2.177% to 6.000% per annum, before Provincial subsidy, and matures in periods 2016 through to 2033.

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

Interest on long-term debt amounted to \$432,388 (2013 - \$455,064).

The Town's total cash payments for interest during 2014 were \$420,647 (2013 - \$461,354).

**7. 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 Drayton Valley be disclosed as follows:

	<u>2014</u>	<u>2013</u>
Total debt limit	\$ <u>37,535,595</u>	\$ 36,985,308
Total debt	<u>(11,324,535)</u>	(11,533,282)
Loan guarantees	<u>(783,500)</u>	<u>(783,500)</u>
Amount of debt limit unused	\$ <u>25,427,560</u>	\$ <u>24,668,526</u>
Service on debt limit	\$ <u>6,255,933</u>	\$ 6,164,218
Service on debt	<u>(1,332,771)</u>	<u>(1,333,736)</u>
Amount of debt servicing limit unused	\$ <u>4,923,162</u>	\$ <u>4,830,482</u>



**TOWN OF DRAYTON VALLEY**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**8. TANGIBLE CAPITAL ASSETS**

		Net Book Value			
		<u>2014</u>		<u>2013</u>	
Engineered structures					
Roads		\$ 25,881,153		\$ 25,381,830	
Sewer systems		16,040,216		16,563,462	
Water systems		22,151,330		10,700,728	
Other		<u>8,588,329</u>		<u>8,913,556</u>	
		72,661,028		61,559,576	
Buildings		22,993,456		20,817,702	
Land		7,112,382		6,191,163	
Machinery and equipment		1,705,186		1,981,155	
Vehicles		<u>242,304</u>		<u>-</u>	
		<u>\$ 104,714,356</u>		<u>\$ 90,549,596</u>	
	Cost			Cost	
	Beginning of			End of	
	<u>Year</u>	<u>Additions</u>	<u>Disposals</u>	<u>Write-downs</u>	<u>Year</u>
Engineered structures					
Roads	\$ 44,881,326	\$ 2,303,025	\$ -	\$ -	\$ 47,184,351
Water systems	21,513,535	11,635,918	-	-	33,149,453
Sewer systems	25,107,472	-	-	-	25,107,472
Other	<u>14,107,978</u>	<u>96,634</u>	<u>-</u>	<u>-</u>	<u>14,204,612</u>
	105,610,311	14,035,577	-	-	119,645,888
Buildings	29,317,401	2,815,040	-	-	32,132,441
Land	6,191,163	921,219	-	-	7,112,382
Machinery and equipment	4,996,219	189,392	(495,350)	-	4,690,261
Vehicles	<u>1,418,814</u>	<u>271,697</u>	<u>(24,529)</u>	<u>-</u>	<u>1,665,982</u>
	<u>\$ 147,533,908</u>	<u>\$ 18,232,925</u>	<u>\$ (519,879)</u>	<u>\$ -</u>	<u>\$ 165,246,954</u>
	Accumulated			Accumulated	
	Amortization			Amortization	
	Beginning of	Current		End of	
	<u>Year</u>	<u>Amortization</u>	<u>Disposals</u>	<u>Write-downs</u>	<u>Year</u>
Engineered structures					
Roads	\$ 19,499,496	\$ 1,803,702	\$ -	\$ -	\$ 21,303,198
Water systems	10,812,807	185,316	-	-	10,998,123
Sewer systems	8,544,010	523,246	-	-	9,067,256
Other	<u>5,194,422</u>	<u>421,861</u>	<u>-</u>	<u>-</u>	<u>5,616,283</u>
	44,050,735	2,934,125	-	-	46,984,860
Buildings	8,499,699	639,286	-	-	9,138,985
Machinery and equipment	3,015,064	388,046	(418,035)	-	2,985,075
Vehicles	<u>1,418,814</u>	<u>29,393</u>	<u>(24,529)</u>	<u>-</u>	<u>1,423,678</u>
	<u>\$ 56,984,312</u>	<u>\$ 3,990,850</u>	<u>\$ (442,564)</u>	<u>\$ -</u>	<u>\$ 60,532,598</u>

The costs above include \$21,362,498 (2013 - \$5,933,291) related to various projects that are under construction and not being amortized.

**TOWN OF DRAYTON VALLEY**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**9. ACCUMULATED SURPLUS**

	<u>2014</u>	<u>2013</u>
Unrestricted surplus	\$ 6,561,802	\$ 7,077,308
Restricted surplus ( <i>Note 10</i> )		
Operating reserves	525,000	525,000
Capital reserves	3,467,484	2,895,433
Equity in tangible capital assets ( <i>Schedule 1</i> )	<u>93,389,821</u>	<u>79,016,314</u>
	<u>\$103,944,107</u>	<u>\$ 89,514,055</u>

**10. RESERVES**

	<u>2014</u>	<u>2013</u>
Operating Reserves:		
Operating contingency	<u>\$ 525,000</u>	<u>\$ 525,000</u>
Capital Reserves:		
General capital	\$ 1,000,000	\$ 1,000,000
Water capital	810,138	703,417
Landfill airspace depletion	658,693	365,006
Sewer capital	400,515	327,198
Parkland capital	229,472	229,472
Affordable housing	112,615	57,889
Landfill capital equipment	100,449	88,110
Storm capital	95,351	93,511
Pool	<u>60,251</u>	<u>30,830</u>
	<u>\$ 3,467,484</u>	<u>\$ 2,895,433</u>

**11. UTILITY FRANCHISE AGREEMENTS**

Disclosure of utility franchise agreement annual revenues as required by Alberta Regulation 313/2000 is as follows:

	<u>2014</u>	<u>2013</u>
Fortis Alberta Inc.	\$ 545,307	\$ 464,314
Atco Gas	<u>361,205</u>	<u>305,314</u>
	<u>\$ 906,512</u>	<u>\$ 769,628</u>

**TOWN OF DRAYTON VALLEY**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**12. SALARIES AND BENEFITS DISCLOSURE**

Disclosure of salaries and benefits for elected municipal officials, the Chief Administrative Officer and designated officers as required is as follows:

				<u>2014</u>		<u>2013</u>
		<u>Salary</u>		<u>Benefits and Allowances</u>	<u>Total</u>	<u>Total</u>
Mayor	Glen McLean	\$ 70,575	\$	13,601	\$ <b>84,176</b>	\$ 18,452
Mayor	Moe Hamdon	-	-	-	-	58,975
Councillor	Graham Long	45,875		10,283	<b>56,158</b>	11,659
Councillor	Fayrell Wheeler	40,950		9,736	<b>50,686</b>	11,026
Councillor	Dean Shular	38,225		9,508	<b>47,733</b>	35,976
Councillor	Debra Bossert	38,150		9,537	<b>47,687</b>	40,023
Councillor	Nicole Nadeau	40,875		6,514	<b>47,389</b>	37,678
Councillor	Nancy McClure	37,006		9,204	<b>46,210</b>	10,236
Councillor	Kyle Archer	-	-	-	-	42,792
Councillor	Corey Peebles	-	-	-	-	23,286
Councillor	Glen McLean	-	-	-	-	21,901
		<u>\$ 311,656</u>	<u>\$</u>	<u>68,383</u>	<u>\$ <b>380,039</b></u>	<u>\$ 312,004</u>
Chief Administrative Officer		<u>\$ 217,330</u>	<u>\$</u>	<u>48,744</u>	<u>\$ <b>266,074</b></u>	<u>\$ 252,453</u>
Designated Officers		<u>\$ 542,553</u>	<u>\$</u>	<u>129,287</u>	<u>\$ <b>671,840</b></u>	<u>\$ 550,613</u>

Salary includes regular base pay, bonuses, overtime, lump sum payments, and any other direct cash remuneration.

Employer's share of all employee benefits and contributions or payments made on behalf of employee's include: pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, professional memberships and tuition.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including travel allowances and car allowances.

**13. FINANCIAL INSTRUMENTS**

The Town's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, deposits, 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 values of the financial instruments approximate their fair values.

**TOWN OF DRAYTON VALLEY**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**14. CONTINGENCIES**

(a) Pembina Education Society Guarantee

The Town of Drayton Valley has provided a guarantee to the Alberta Treasury Branch (ATB) in the amount of \$200,000 with respect to the borrowing the Pembina Education Society has with the ATB. This loan guarantee is limited to the first \$400,000 of principal due on this loan.

(b) Brazeau Seniors Foundation Guarantee

The Town of Drayton Valley has provided a guarantee to the Royal Bank of Canada (RBC) in the amount of \$583,500 with respect to the Brazeau Seniors Foundation \$2,500,000 borrowing from the RBC for the construction of the Shangri-La Lodge project.

(c) Alberta Municipal Insurance Exchange (MUNIX)

The Town is a member of the Alberta MUNIX. Under the terms of the membership, the Town 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.

**15. SEGMENTED INFORMATION**

The Town provides a wide range of services to its citizens. 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 consolidated financial statements as disclosed in Note 1. For additional information see the Schedule of Segment Disclosure (Schedule 4).

**16. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management approved the consolidated financial statements.

**17. BUDGET FIGURES**

The budget figures are presented for information purposes only and have not been audited.

**18. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.