

**TOWN OF DRAYTON VALLEY  
DRAYTON VALLEY, ALBERTA  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**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, 2015, 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, 2015, 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 20, 2016

  
Hawkings Epp Dumont LLP  
Chartered Accountants

**EDMONTON**

10476 Mayfield Road  
Edmonton, AB T5P 4P4  
1.877.489.9606  
T: 780.489.9606  
F: 780.484.9689

**STONY PLAIN**

#101, 5300 – 50 Street  
PO Box 3188, Station Main  
Stony Plain, AB T7Z 1T8  
T: 780.963.2727  
F: 780.963.1294

**LLOYDMINSTER**

5102 – 48 Street  
PO Box 10099  
Lloydminster, AB T9V 3A2  
T: 780.875.7433  
F: 780.875.5304

**HAWKINGS.COM**



**TOWN OF DRAYTON VALLEY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>FINANCIAL ASSETS</b>		
Cash (Note 2)	\$ 13,166,754	\$ 14,887,941
Receivables (Note 3)	6,809,011	11,188,191
Land inventory held for resale	<u>286,274</u>	<u>286,274</u>
	<u>20,262,039</u>	<u>26,362,406</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	4,959,626	6,173,326
Deposits	283,739	279,854
Deferred revenue (Note 4)	1,933,660	7,049,100
Landfill closure and post-closure (Note 5)	2,500,000	2,464,991
Long-term debt (Note 6)	<u>14,771,831</u>	<u>11,324,535</u>
	<u>24,448,856</u>	<u>27,291,806</u>
<b>NET DEBT</b>	<u>(4,186,817)</u>	<u>(929,400)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 8)	121,780,480	104,714,356
Prepaid expenses and other assets	54,652	112,359
Inventory for consumption	<u>42,603</u>	<u>46,792</u>
	<u>121,877,735</u>	<u>104,873,507</u>
<b>ACCUMULATED SURPLUS (Note 9)</b>	<u>\$117,690,918</u>	<u>\$103,944,107</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, 2015**

	<u>2015</u> (Budget) (Note 19)	<u>2015</u> (Actual)	<u>2014</u> (Actual)
<b>REVENUE</b>			
Net taxation (Schedule 2)	\$ 10,897,089	\$ 11,550,846	\$ 9,907,642
Sales and user charges (Schedule 4)	9,492,675	7,873,820	8,636,377
Government transfers for operating (Schedule 3)	2,953,128	3,290,402	3,472,189
Franchise and concession contracts (Note 11)	906,000	936,779	906,512
Rentals	736,744	670,083	736,341
Fines	1,072,704	449,652	77,376
Licenses and permits	272,235	364,688	603,025
Development levies	114,482	355,672	165,318
Penalties and costs on taxes	218,798	163,411	236,112
Investment income	208,299	164,834	199,952
Other	<u>40,000</u>	<u>50,279</u>	<u>82,886</u>
	<u>26,912,154</u>	<u>25,870,466</u>	<u>25,023,730</u>
<b>EXPENSES</b>			
Recreation and culture	4,346,344	4,659,812	4,033,076
Water and wastewater	3,030,348	3,824,342	3,336,986
Roads, streets, walks, and lighting	2,531,677	2,618,849	2,649,389
Public health and welfare	2,282,831	2,317,884	2,265,262
Police	2,337,932	1,952,802	1,778,824
Waste management	1,790,063	1,786,688	1,975,059
Administration	1,595,258	1,684,410	1,499,090
Subdivision land and development	3,961,385	1,449,580	1,076,462
Fire and disaster services	1,137,535	1,181,284	1,288,886
Common and equipment pool	788,763	784,683	684,013
Council	581,248	600,077	571,603
Bylaws enforcement	292,256	196,452	181,640
Airport	253,116	158,660	161,677
Other	1,144,273	(7,141)	62,038
Amortization of tangible capital assets	<u>-</u>	<u>4,801,342</u>	<u>3,990,850</u>
	<u>26,073,029</u>	<u>28,009,724</u>	<u>25,554,855</u>
<b>ANNUAL SURPLUS (DEFICIT) BEFORE OTHER REVENUE</b>	<u>839,125</u>	<u>(2,139,258)</u>	<u>(531,125)</u>
<b>OTHER REVENUE</b>			
Government transfers for capital (Schedule 3)	29,600,804	15,903,466	14,889,860
Donations for tangible capital assets	10,399,329	208,089	112,332
Gain (loss) on disposal of tangible capital assets	<u>-</u>	<u>(225,486)</u>	<u>(41,015)</u>
	<u>40,000,133</u>	<u>15,886,069</u>	<u>14,961,177</u>
<b>ANNUAL SURPLUS</b>	40,839,258	13,746,811	14,430,052
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>103,944,107</u>	<u>103,944,107</u>	<u>89,514,055</u>
<b>ACCUMULATED SURPLUS, END OF YEAR (Note 7)</b>	\$ <u>144,783,365</u>	\$ <u>117,690,918</u>	\$ <u>103,944,107</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, 2015**

	<u>2015</u> (Budget) (Note 19)	<u>2015</u> (Actual)	<u>2014</u> (Actual)
<b>ANNUAL SURPLUS</b>	\$ <u>40,839,258</u>	\$ <u>13,746,811</u>	\$ <u>14,430,052</u>
Acquisition of tangible capital assets	(49,579,567)	(22,865,153)	(18,232,925)
Proceeds on disposal of tangible capital assets	-	772,201	36,300
Amortization of tangible capital assets	-	4,801,342	3,990,850
Loss (gain) on disposal of tangible capital assets	<u>-</u>	<u>225,486</u>	<u>41,015</u>
	<u>(49,579,567)</u>	<u>(17,066,124)</u>	<u>(14,164,760)</u>
Acquisition of prepaid expenses	-	57,707	(112,359)
Use of inventory for consumption	<u>-</u>	<u>4,189</u>	<u>(2,880)</u>
	<u>-</u>	<u>61,896</u>	<u>(115,239)</u>
<b>(INCREASE) DECREASE IN NET DEBT</b>	(8,740,309)	(3,257,417)	150,053
<b>NET DEBT, BEGINNING OF YEAR</b>	<u>(929,400)</u>	<u>(929,400)</u>	<u>(1,079,453)</u>
<b>NET DEBT, END OF YEAR</b>	\$ <u><u>(9,669,709)</u></u>	\$ <u><u>(4,186,817)</u></u>	\$ <u><u>(929,400)</u></u>

**TOWN OF DRAYTON VALLEY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>OPERATING ACTIVITIES</b>		
Cash from operations		
Annual surplus	\$ 13,746,811	\$ 14,430,052
Non-cash items included in annual surplus		
Amortization of tangible capital assets	4,801,342	3,990,850
Provision for landfill closure and post-closure (recovery)	35,009	215,486
Loss (gain) on disposal of tangible capital assets	225,486	41,015
Change in non-cash working capital		
balances related to operations:		
Receivables	4,379,180	(7,345,049)
Inventory for consumption	4,189	(2,880)
Accounts payable and accrued liabilities	(1,213,700)	909,642
Deposits	3,886	10,513
Prepaid expenses	57,706	(112,359)
Deferred revenue	<u>(5,115,440)</u>	<u>(890,060)</u>
	<u>16,924,469</u>	<u>11,247,210</u>
<b>FINANCING ACTIVITIES</b>		
Long-term debt advances	4,387,185	692,600
Repayment of long-term debt	<u>(939,889)</u>	<u>(901,347)</u>
	<u>3,447,296</u>	<u>(208,747)</u>
<b>CAPITAL ACTIVITIES</b>		
Proceeds on disposal of tangible capital assets	772,201	36,300
Purchase of tangible capital assets	<u>(22,865,153)</u>	<u>(18,232,925)</u>
<b>INCREASE (DECREASE) IN CASH DURING THE YEAR</b>	<b>(1,721,187)</b>	<b>(7,158,162)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b><u>14,887,941</u></b>	<b><u>22,046,103</u></b>
<b>CASH, END OF YEAR</b>	<b>\$ <u>13,166,754</u></b>	<b>\$ <u>14,887,941</u></b>

**TOWN OF DRAYTON VALLEY**

**Schedule 1**

**SCHEDULE OF EQUITY IN TANGIBLE CAPITAL ASSETS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>BALANCE, BEGINNING OF YEAR</b>	<b>\$ 93,389,821</b>	<b>\$ 79,016,314</b>
Acquisition of tangible capital assets	<b>22,865,153</b>	18,232,925
Amortization of tangible capital assets	<b>(4,801,342)</b>	(3,990,850)
Net book value of tangible capital assets disposed of	<b>(997,687)</b>	(77,315)
Long-term debt advances	<b>(4,387,185)</b>	(692,600)
Long-term capital debt repayments	<b><u>939,889</u></b>	<u>901,347</u>
<b>BALANCE, END OF YEAR</b>	<b><u>\$107,008,649</u></b>	<b><u>\$ 93,389,821</u></b>
Equity in Tangible Capital Assets is Comprised of the Following:		
Tangible capital assets net book value	<b>\$121,780,480</b>	\$104,714,356
Long-term capital debt	<b><u>(14,771,831)</u></b>	<u>(11,324,535)</u>
	<b><u>\$107,008,649</u></b>	<b><u>\$ 93,389,821</u></b>

**TOWN OF DRAYTON VALLEY**  
**SCHEDULE OF PROPERTY TAXES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

***Schedule 2***

	<u>2015</u> (Budget) (Note 19)	<u>2015</u> (Actual)	<u>2014</u> (Actual)
<b>TAXATION</b>			
Real property taxes	\$ 13,991,613	\$ <b>13,990,977</b>	\$ 12,814,538
Linear property taxes	806,624	<b>766,300</b>	728,942
Special assessments and local improvement taxes	25,500	<b>731,652</b>	25,454
Government grants in lieu of property taxes	<u>58,282</u>	<u><b>58,282</b></u>	<u>92,630</u>
	<u>14,882,019</u>	<u><b>15,547,211</b></u>	<u>13,661,564</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	3,666,479	<b>3,678,135</b>	3,427,575
Seniors Foundation	<u>318,451</u>	<u><b>318,230</b></u>	<u>326,347</u>
	<u>3,984,930</u>	<u><b>3,996,365</b></u>	<u>3,753,922</u>
<b>NET MUNICIPAL TAXES</b>	\$ <u>10,897,089</u>	\$ <u><b>11,550,846</b></u>	\$ <u>9,907,642</u>



## TOWN OF DRAYTON VALLEY

Schedule 3

## SCHEDULE OF GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u> (Budget) (Note 19)	<u>2015</u> (Actual)	<u>2014</u> (Actual)
<b>TRANSFERS FOR OPERATING</b>			
Local governments	\$ 1,984,647	\$ 1,788,430	\$ 1,725,041
Provincial government	<u>968,481</u>	<u>1,501,972</u>	<u>1,747,148</u>
	<u>2,953,128</u>	<u>3,290,402</u>	<u>3,472,189</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	28,359,606	15,098,716	13,836,903
Local governments	1,241,198	721,747	1,017,694
Federal government	<u>-</u>	<u>83,003</u>	<u>35,263</u>
	<u>29,600,804</u>	<u>15,903,466</u>	<u>14,889,860</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 32,553,932</u>	<u>\$ 19,193,868</u>	<u>\$ 18,362,049</u>

**TOWN OF DRAYTON VALLEY**

*Schedule 4*

**SCHEDULE OF SEGMENT DISCLOSURE**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General Administration</u>	<u>Protective Services</u>	<u>Water, Wastewater and Waste Management</u>	<u>Recreation and Culture</u>	<u>Roads, Streets, Walks and Lighting</u>	<u>Public Health and Welfare</u>	<u>All Other</u>	<u>Total</u>
<b>REVENUE</b>								
Taxation	\$ 1,538,307	\$ 1,942,929	\$ -	\$ 2,240,678	\$ 2,486,059	\$ 511,190	\$ 2,831,683	\$ 11,550,846
Sales and user charges	44,296	50,676	5,998,242	855,878	18,858	656,111	249,759	7,873,820
Government transfers	25,565	878,797	(10,311)	1,004,856	106,728	1,000,523	284,244	3,290,402
All other	76,242	458,137	404,365	4,700	-	40,880	1,500,991	2,485,315
Rentals	-	-	-	553,700	7,204	109,179	-	670,083
	<u>1,684,410</u>	<u>3,330,539</u>	<u>6,392,296</u>	<u>4,659,812</u>	<u>2,618,849</u>	<u>2,317,883</u>	<u>4,866,677</u>	<u>25,870,466</u>
<b>EXPENSES</b>								
Wages and benefits	993,049	1,043,333	1,074,242	2,161,608	691,285	1,540,108	1,047,262	8,550,887
Professional fees	498,784	578,414	1,408,863	599,301	617,108	374,288	1,038,308	5,115,066
Contracted and general services	86,880	1,550,565	1,265,242	731,154	77,265	252,434	637,342	4,600,882
Repairs and maintenance	75,445	72,656	1,066,449	542,621	685,316	32,766	131,283	2,606,536
Utilities	17,770	53,806	523,900	440,341	462,246	20,237	39,497	1,557,797
Interest on long-term debt	3,598	-	216,641	86,483	85,629	86,551	47,427	526,329
Insurance	8,884	31,765	55,693	98,304	-	11,499	44,739	250,884
	<u>1,684,410</u>	<u>3,330,539</u>	<u>5,611,030</u>	<u>4,659,812</u>	<u>2,618,849</u>	<u>2,317,883</u>	<u>2,985,858</u>	<u>23,208,381</u>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	-	-	781,266	-	-	-	1,880,819	2,662,085
Amortization	<u>249,674</u>	<u>5,438</u>	<u>1,481,775</u>	<u>530,661</u>	<u>2,061,850</u>	<u>279,521</u>	<u>192,424</u>	<u>4,801,343</u>
<b>NET REVENUE (DEFICIT)</b>	<u>\$ (249,674)</u>	<u>\$ (5,438)</u>	<u>\$ (700,509)</u>	<u>\$ (530,661)</u>	<u>\$ (2,061,850)</u>	<u>\$ (279,521)</u>	<u>\$ 1,688,395</u>	<u>\$ (2,139,258)</u>

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

**TOWN OF DRAYTON VALLEY**  
**SCHEDULE OF SEGMENT DISCLOSURE**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

*Schedule 4 (CONT'D)*

	<u>General Administration</u>	<u>Protective Services</u>	<u>Water, Wastewater and Waste Management</u>	<u>Recreation and Culture</u>	<u>Roads, Streets, Walks and Lighting</u>	<u>Public Health and Welfare</u>	<u>All Other</u>	<u>Total</u>
<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	214,730	3,528	-	76,171	1,813,017	2,271,181
Rentals	-	-	-	546,558	15,229	174,554	-	736,341
	<u>1,499,090</u>	<u>3,249,350</u>	<u>7,053,529</u>	<u>4,033,077</u>	<u>2,649,391</u>	<u>2,265,262</u>	<u>4,274,031</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>	-	-	1,741,484	-	-	-	1,718,241	3,459,725
Amortization	<u>246,655</u>	<u>272</u>	<u>936,560</u>	<u>524,009</u>	<u>1,806,845</u>	<u>294,540</u>	<u>181,969</u>	<u>3,990,850</u>
<b>NET REVENUE (DEFICIT)</b>	<u>\$ (246,655)</u>	<u>\$ (272)</u>	<u>\$ 804,924</u>	<u>\$ (524,009)</u>	<u>\$ (1,806,845)</u>	<u>\$ (294,540)</u>	<u>\$ 1,536,272</u>	<u>\$ (531,125)</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, 2015**

**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) Cash**

Cash includes items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have a maturity of three months or less at acquisition.

(CONT'D)

**TOWN OF DRAYTON VALLEY**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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

(d) 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.

(e) 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 and 35 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	3 and 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.

(f) 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.

(g) 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.

(CONT'D)

**TOWN OF DRAYTON VALLEY**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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

(h) 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.

(i) 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>2015</u>	<u>2014</u>
Bank accounts	\$ 13,165,874	\$ 14,887,061
Cash on hand	<u>880</u>	<u>880</u>
	<u>\$ 13,166,754</u>	<u>\$ 14,887,941</u>

**3. ACCOUNTS RECEIVABLE**

	<u>2015</u>	<u>2014</u>
Taxes and grants in place of taxes		
Tax arrears and grants in place of taxes	\$ 182,597	\$ 182,266
Current taxes and grants in place of taxes	181,850	118,155
Tax arrears on property held for tax recovery	<u>40,652</u>	<u>40,652</u>
	405,099	341,073
Trade and other	4,939,042	10,116,572
Local improvement taxes	1,126,491	551,177
Goods and Services Tax	<u>693,526</u>	<u>534,516</u>
	7,164,158	11,543,338
Less: Allowance for doubtful accounts	<u>(355,147)</u>	<u>(355,147)</u>
	<u>\$ 6,809,011</u>	<u>\$ 11,188,191</u>

# TOWN OF DRAYTON VALLEY

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### FOR THE YEAR ENDED DECEMBER 31, 2015

#### 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>
Municipal Sustainability Initiative				
Capital	2,297,702	2,032,033	(3,711,980)	<b>617,755</b>
Operating	-	68,702	(33,607)	<b>35,095</b>
Alberta Environment and Sustainable				
Resource Development	\$ 3,771,196	\$ 3,159,728	\$ (6,409,182)	<b>\$ 521,742</b>
Other	195,974	255,723	(42,629)	<b>409,068</b>
Municipal Affairs - Alberta				
Community Partnership Grant	-	350,000	-	<b>350,000</b>
Federal Gas Tax Funding	682,289	375,726	(1,058,015)	-
Alberta Municipal Water/Wastewater				
Program	<u>101,939</u>	<u>4,727,295</u>	<u>(4,829,234)</u>	<u>-</u>
	<u>\$ 7,049,100</u>	<u>\$ 10,969,207</u>	<u>\$ (16,084,647)</u>	<u>\$ 1,933,660</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 4.5% 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, Cell 4B, Cell 4C, Cell 4D, and Cell 4E is approximately eight years (2023). Cells C, D, and 3D essentially have no additional capacity.

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

	<u>2015</u>	<u>2014</u>
Estimated post-closure costs	\$ 1,885,778	\$ 1,713,093
Estimated closure costs	<u>1,452,646</u>	<u>1,399,119</u>
Estimated total liability	<u>3,338,424</u>	<u>3,112,212</u>
Estimated capacity remaining	25.1 %	20.8 %
Portion of total liability remaining to be recognized	<u>838,424</u>	<u>647,221</u>
Estimated capacity used	74.9 %	79.2 %
Accrued liability portion	<u>\$ 2,500,000</u>	<u>\$ 2,464,991</u>

**TOWN OF DRAYTON VALLEY**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**6. LONG-TERM DEBT**

	<u>2015</u>	<u>2014</u>
Alberta Capital Finance Authority debentures bearing interest at rates ranging from 2.177% to 6.000% per annum and maturing in years 2017 through 2015. Debenture debt is issued on the credit and security of the Town at large.	\$ 10,384,646	\$ 11,324,535
Federation of Canadian Municipalities loan bearing interest at 4.000% per annum, requiring semi-annual interest only payments until 2017 after which blended semi-annual payments of \$175,485 are required.	<u>4,387,185</u>	<u>-</u>
	<u>\$ 14,771,831</u>	<u>\$ 11,324,535</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 960,471	\$ 547,914	\$ 1,508,385
2017	956,800	514,435	1,471,235
2018	1,167,442	479,401	1,646,843
2019	1,209,292	437,551	1,646,843
2020	1,208,471	394,536	1,603,007
Thereafter	<u>9,269,355</u>	<u>2,080,435</u>	<u>11,349,790</u>
	<u>\$ 14,771,831</u>	<u>\$ 4,454,272</u>	<u>\$ 19,226,103</u>

Interest on long-term debt amounted to \$526,329 (2014 - \$432,388).

The Town's total cash payments for interest during 2015 were \$493,108 (2014 - \$420,647).

**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>2015</u>	<u>2014</u>
Total debt limit	\$ 38,805,699	\$ 37,535,595
Total debt	(14,771,831)	(11,324,535)
Loan guarantees	<u>-</u>	<u>(783,500)</u>
Amount of debt limit unused	<u>\$ 24,033,868</u>	<u>\$ 25,427,560</u>
Service on debt limit	\$ 6,467,617	\$ 6,255,933
Service on debt	<u>(1,508,385)</u>	<u>(1,332,771)</u>
Amount of debt servicing limit unused	<u>\$ 4,959,232</u>	<u>\$ 4,923,162</u>



**TOWN OF DRAYTON VALLEY**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**8. TANGIBLE CAPITAL ASSETS**

						Net Book Value	
						<u>2015</u>	<u>2014</u>
Engineered structures							
Roads						\$ 28,266,130	\$ 25,881,153
Water systems						28,658,324	22,151,330
Sewer systems						15,839,966	16,040,216
Other						<u>9,971,225</u>	<u>8,588,329</u>
						82,735,645	72,661,028
Buildings						29,057,106	22,993,456
Land						7,540,424	7,112,382
Machinery and equipment						2,255,387	1,705,186
Vehicles						<u>191,918</u>	<u>242,304</u>
						<u>\$ 121,780,480</u>	<u>\$ 104,714,356</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	\$ 47,184,351	\$ 4,443,684	\$ -	\$ -		\$ 51,628,035	
Water systems	33,149,453	7,447,156	-	-		40,596,609	
Sewer systems	25,107,472	271,903	-	-		25,379,375	
Other	<u>14,204,612</u>	<u>1,798,757</u>	<u>-</u>	<u>-</u>		<u>16,003,369</u>	
	119,645,888	13,961,500	-	-		133,607,388	
Buildings	32,132,441	7,652,697	(968,430)	-		38,816,708	
Land	7,112,382	428,042	-	-		7,540,424	
Machinery and equipment	4,690,261	822,914	(127,640)	-		5,385,535	
Vehicles	<u>1,665,982</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>1,665,982</u>	
	<u>\$ 165,246,954</u>	<u>\$ 22,865,153</u>	<u>\$ (1,096,070)</u>	<u>\$ -</u>		<u>\$ 187,016,037</u>	
	Accumulated						Accumulated
	Amortization						Amortization
	Beginning of	<u>Current</u>	<u>Disposals</u>	<u>Write-downs</u>			End of
	<u>Year</u>	<u>Amortization</u>					<u>Year</u>
Engineered structures							
Roads	\$ 21,303,198	\$ 2,058,707	\$ -	\$ -		\$ 23,361,905	
Water systems	10,998,123	940,162	-	-		11,938,285	
Sewer systems	9,067,256	472,153	-	-		9,539,409	
Other	<u>5,616,283</u>	<u>415,861</u>	<u>-</u>	<u>-</u>		<u>6,032,144</u>	
	46,984,860	3,886,883	-	-		50,871,743	
Buildings	9,138,985	648,796	(28,179)	-		9,759,602	
Machinery and equipment	2,985,075	215,277	(70,204)	-		3,130,148	
Vehicles	<u>1,423,678</u>	<u>50,386</u>	<u>-</u>	<u>-</u>		<u>1,474,064</u>	
	<u>\$ 60,532,598</u>	<u>\$ 4,801,342</u>	<u>\$ (98,383)</u>	<u>\$ -</u>		<u>\$ 65,235,557</u>	

The costs above include \$9,124,509 (2014 - \$21,362,498) 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, 2015**

**9. ACCUMULATED SURPLUS**

	<u>2015</u>	<u>2014</u>
Unrestricted surplus	\$ 6,356,290	\$ 6,561,802
Restricted surplus ( <i>Note 10</i> )		
Operating reserves	645,180	525,000
Capital reserves	3,680,799	3,467,484
Equity in tangible capital assets ( <i>Schedule 1</i> )	<u>107,008,649</u>	<u>93,389,821</u>
	<u>\$117,690,918</u>	<u>\$103,944,107</u>

**10. RESERVES**

	<u>2015</u>	<u>2014</u>
Operating Reserves:		
Operating contingency	\$ 525,000	\$ 525,000
Automated Traffic Enforcement	<u>120,180</u>	<u>-</u>
	<u>\$ 645,180</u>	<u>\$ 525,000</u>
Capital Reserves:		
General capital	\$ 1,000,000	\$ 1,000,000
Water capital	967,318	810,138
Pool	640,284	60,251
Sewer capital	599,007	400,515
Parkland capital	229,472	229,472
Landfill airspace depletion	207,586	658,693
Affordable housing	109,278	112,615
Storm capital	95,351	95,351
Landfill capital equipment	<u>(167,497)</u>	<u>100,449</u>
	<u>\$ 3,680,799</u>	<u>\$ 3,467,484</u>

**11. UTILITY FRANCHISE AGREEMENTS**

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

	<u>2015</u>	<u>2014</u>
Fortis Alberta Inc.	\$ 591,160	\$ 545,307
Atco Gas	<u>345,619</u>	<u>361,205</u>
	<u>\$ 936,779</u>	<u>\$ 906,512</u>

**TOWN OF DRAYTON VALLEY**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**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>2015</u>		<u>2014</u>
		<u>Salary</u>	<u>Benefits and Allowances</u>	<u>Total</u>	<u>Total</u>
Mayor	Glen McLean	\$ 71,001	\$ 12,576	\$ 83,577	\$ 84,176
Councillor	Graham Long	48,575	10,080	58,655	56,158
Councillor	Fayrell Wheeler	40,802	8,326	49,128	50,686
Councillor	Dean Shular	38,976	7,975	46,951	47,733
Councillor	Nicole Nadeau	38,675	7,640	46,315	47,389
Councillor	Debra Bossert	36,901	7,923	44,824	47,687
Councillor	Brandy Fredrickson	24,053	3,999	28,052	-
Councillor	Nancy McClure	-	-	-	46,210
		<u>\$ 298,983</u>	<u>\$ 58,519</u>	<u>\$ 357,502</u>	<u>\$ 380,039</u>
Chief Administrative Officer		<u>\$ 249,769</u>	<u>\$ 56,103</u>	<u>\$ 305,872</u>	<u>\$ 217,330</u>
Designated Officers		<u>\$ 481,758</u>	<u>\$ 113,476</u>	<u>\$ 595,234</u>	<u>\$ 671,840</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.

Two people occupied the role of Chief Administration Officer during the year, with the second assuming the position in November

**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, 2015**

**14. CONTINGENCIES**

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. ADOPTION OF NEW ACCOUNTING STANDARDS**

In June 2010, the Public Sector Accounting Board issued *PS - 3260 Liability for Contaminated Sites* for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into the air, soil, water or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. The Town adopted this accounting standard retroactively as of April 1, 2014. There was no impact to the Town's financial statements due to this.

**17. COMPARATIVE FIGURES**

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

**18. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management approved the consolidated financial statements.

**TOWN OF DRAYTON VALLEY**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**19. BUDGET FIGURES**

The budget figures are presented for information purposes only and have not been audited. The 2015 budget, prepared by the Town of Drayton Valley, reflects all municipal activities including capital projects, debt repayments, and reserves for future use. The reconciliation below is provided to encompass these items and is provided for information purposes only.

	<u>2015</u> (Budget)	<u>2015</u> (Actual)	<u>2014</u> (Actual)
Annual surplus	40,839,258	<b>13,746,811</b>	14,430,052
Amortization expense	-	<b>4,801,342</b>	3,990,850
Net transfers to (from) reserves	(2,375,765)	<b>333,495</b>	(572,051)
Loss on disposal of tangible capital assets	-	<b>225,486</b>	41,015
Principal debt repayments	(928,129)	<b>(939,889)</b>	(901,347)
Other capital revenue	(10,399,329)	<b>(208,089)</b>	(112,332)
Offsite levies	(114,482)	<b>(355,672)</b>	(165,318)
Government transfers for capital	(24,920,754)	<b>(9,800,655)</b>	(12,256,932)
Bio-Arcc Drayton Valley Ltd. capital projects	(4,680,050)	<b>(6,102,811)</b>	(2,632,928)
Bio-Arcc Drayton Valley Ltd. operating revenue	(45,799)	<b>(59,728)</b>	(45,800)
Bio-Arcc Drayton Valley Ltd. operating expenses	<u>2,625,050</u>	<u><b>348,791</b></u>	<u>409,589</u>
Result of Operations	\$ <u>-</u>	\$ <u><b>1,989,081</b></u>	\$ <u>2,184,798</u>