

**TOWN OF DRAYTON VALLEY
DRAYTON VALLEY, ALBERTA
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016, 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, 2016, 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 26, 2017


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

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

WHITECOURT
4927 - 51 Avenue
PO Box 328
Whitecourt, AB T7S 1N5
T: 780.778.3091
F: 780.778.3072

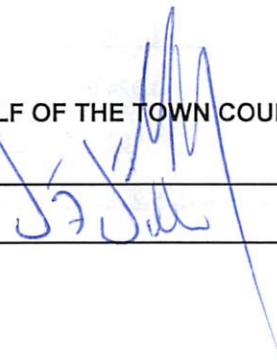
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TOWN OF DRAYTON VALLEY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 11,649,222	\$ 13,166,754
Receivables (Note 3)	3,815,075	6,809,011
Land inventory held for resale	<u>286,274</u>	<u>286,274</u>
	<u>15,750,571</u>	<u>20,262,039</u>
LIABILITIES		
Accounts payable and accrued liabilities	2,772,180	4,959,626
Deposits	292,521	283,739
Deferred revenue (Note 4)	2,562,549	1,933,660
Landfill closure and post-closure (Note 5)	3,200,000	2,500,000
Long-term debt (Note 6)	<u>13,811,360</u>	<u>14,771,831</u>
	<u>22,638,610</u>	<u>24,448,856</u>
NET DEBT	<u>(6,888,039)</u>	<u>(4,186,817)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	121,495,925	121,780,480
Inventory for consumption	58,041	42,603
Prepaid expenses and other assets	<u>-</u>	<u>54,652</u>
	<u>121,553,966</u>	<u>121,877,735</u>
ACCUMULATED SURPLUS (Note 9)	<u>\$114,665,927</u>	<u>\$117,690,918</u>
Contingencies (Note 14)		

ON BEHALF OF THE TOWN COUNCIL:



TOWN OF DRAYTON VALLEY
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u> (Budget) (Note)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
REVENUE			
Net taxation (Schedule 2)	\$ 11,211,764	\$ 11,140,301	\$ 11,550,846
Sales and user charges (Schedule 4)	9,428,032	7,630,371	7,873,820
Government transfers for operating (Schedule 3)	2,983,328	3,642,526	3,290,402
Franchise and concession contracts (Note 11)	1,049,034	1,134,238	936,779
Fines	572,755	793,625	449,652
Rentals	760,423	670,966	670,083
Penalties and costs on taxes	228,861	152,339	163,411
Licenses and permits	280,401	141,807	364,688
Investment income	169,693	112,204	164,834
Other	10,000	100,670	50,279
Development levies	<u>-</u>	<u>6,046</u>	<u>355,672</u>
	<u>26,694,291</u>	<u>25,525,093</u>	<u>25,870,466</u>
EXPENSES			
Recreation and culture	4,895,249	4,653,452	4,659,812
Water and wastewater	3,637,514	4,363,385	3,824,342
Subdivision land and development	2,292,406	2,421,545	1,449,580
Public health and welfare	2,534,401	2,406,966	2,317,884
Administration	1,737,781	2,179,895	1,684,410
Police	2,342,342	2,164,028	1,952,802
Roads, streets, walks, and lighting	2,774,889	1,916,512	2,618,849
Waste management	1,853,441	2,407,613	1,786,688
Fire and disaster services	1,217,685	1,253,994	1,181,284
Common and equipment pool	822,545	827,258	784,683
Council	620,497	473,071	600,077
Other	112,550	252,573	(7,141)
Bylaws enforcement	178,861	165,500	196,452
Airport	179,618	112,131	158,660
Amortization of tangible capital assets	<u>-</u>	<u>6,081,619</u>	<u>4,801,342</u>
	<u>25,199,779</u>	<u>31,679,542</u>	<u>28,009,724</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER REVENUE	<u>1,494,512</u>	<u>(6,154,449)</u>	<u>(2,139,258)</u>
OTHER REVENUE (EXPENSE)			
Government transfers for capital (Schedule 3)	-	2,793,485	15,903,466
Donations for tangible capital assets	-	307,783	208,089
Gain (loss) on disposal of tangible capital assets	<u>-</u>	<u>28,190</u>	<u>(225,486)</u>
	<u>-</u>	<u>3,129,458</u>	<u>15,886,069</u>
ANNUAL SURPLUS (DEFICIT)	1,494,512	(3,024,991)	13,746,811
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>117,690,918</u>	<u>117,690,918</u>	<u>103,944,107</u>
ACCUMULATED SURPLUS, END OF YEAR (Note 7)	<u>\$ 119,185,430</u>	<u>\$ 114,665,927</u>	<u>\$ 117,690,918</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, 2016

	<u>2016</u> (Budget) (Note)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ <u>1,494,512</u>	\$ <u>(3,024,991)</u>	\$ <u>13,746,811</u>
Acquisition of tangible capital assets	(49,932,458)	(5,807,374)	(22,865,153)
Proceeds on disposal of tangible capital assets	-	38,500	772,201
Amortization of tangible capital assets	-	6,081,619	4,801,342
Loss (gain) on disposal of tangible capital assets	-	(28,190)	225,486
	<u>(49,932,458)</u>	<u>284,555</u>	<u>(17,066,124)</u>
Use (acquisition) of prepaid expenses	-	54,652	57,707
Use (acquisition) of inventory for consumption	-	(15,438)	4,189
	<u>-</u>	<u>39,214</u>	<u>61,896</u>
INCREASE IN NET DEBT	(48,437,946)	(2,701,222)	(3,257,417)
NET DEBT, BEGINNING OF YEAR	<u>(4,186,817)</u>	<u>(4,186,817)</u>	<u>(929,400)</u>
NET DEBT, END OF YEAR	\$ <u>(52,624,763)</u>	\$ <u>(6,888,039)</u>	\$ <u>(4,186,817)</u>

TOWN OF DRAYTON VALLEY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Cash from operations		
Annual surplus (deficit)	\$ (3,024,991)	\$ 13,746,811
Non-cash items included in annual surplus		
Amortization of tangible capital assets	6,081,619	4,801,342
Provision for landfill closure and post-closure (recovery)	700,000	35,009
Loss (gain) on disposal of tangible capital assets	(28,190)	225,486
Change in non-cash working capital balances related to operations:		
Receivables	2,993,936	4,379,180
Inventory for consumption	(15,438)	4,189
Accounts payable and accrued liabilities	(2,187,446)	(1,213,700)
Deposits	8,782	3,886
Prepaid expenses	54,652	57,706
Deferred revenue	<u>628,889</u>	<u>(5,115,440)</u>
	<u>5,211,813</u>	<u>16,924,469</u>
FINANCING ACTIVITIES		
Long-term debt advances	-	4,387,185
Repayment of long-term debt	<u>(960,471)</u>	<u>(939,889)</u>
	<u>(960,471)</u>	<u>3,447,296</u>
CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	38,500	772,201
Purchase of tangible capital assets	<u>(5,807,374)</u>	<u>(22,865,153)</u>
DECREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(1,517,532)	(1,721,187)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>13,166,754</u>	<u>14,887,941</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 11,649,222</u>	<u>\$ 13,166,754</u>

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

TOWN OF DRAYTON VALLEY

Schedule 1

SCHEDULE OF EQUITY IN TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
BALANCE, BEGINNING OF YEAR	\$107,008,649	\$ 93,389,821
Acquisition of tangible capital assets	5,807,374	22,865,153
Amortization of tangible capital assets	(6,081,619)	(4,801,342)
Net book value of tangible capital assets disposed of	(10,310)	(997,687)
Long-term debt advances	-	(4,387,185)
Long-term capital debt repayments	<u>960,471</u>	<u>939,889</u>
BALANCE, END OF YEAR	<u>\$107,684,565</u>	<u>\$107,008,649</u>
Equity in Tangible Capital Assets is Comprised of the Following:		
Tangible capital assets net book value	\$121,495,925	\$121,780,480
Long-term capital debt	<u>(13,811,360)</u>	<u>(14,771,831)</u>
	<u>\$107,684,565</u>	<u>\$107,008,649</u>

TOWN OF DRAYTON VALLEY
SCHEDULE OF PROPERTY TAXES
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule 2

	<u>2016</u> (Budget) (Note)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
TAXATION			
Real property taxes	\$ 14,574,014	\$ 14,545,106	\$ 13,990,977
Linear property taxes	840,217	790,825	766,300
Special assessments and local improvement taxes	25,500	35,300	731,652
Government grants in place of property taxes	<u>35,328</u>	<u>36,851</u>	<u>58,282</u>
	<u>15,475,059</u>	<u>15,408,082</u>	<u>15,547,211</u>
REQUISITIONS			
Alberta School Foundation Fund	4,022,063	4,025,845	3,678,135
Brazeau Foundation	<u>241,232</u>	<u>241,936</u>	<u>318,230</u>
	<u>4,263,295</u>	<u>4,267,781</u>	<u>3,996,365</u>
NET MUNICIPAL TAXES	<u>\$ 11,211,764</u>	<u>\$ 11,140,301</u>	<u>\$ 11,550,846</u>

TOWN OF DRAYTON VALLEY

Schedule 3

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u> (Budget) (Note)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
TRANSFERS FOR OPERATING			
Local governments	\$ 1,887,251	\$ 1,869,120	\$ 1,788,430
Provincial government	<u>1,096,077</u>	<u>1,773,406</u>	<u>1,501,972</u>
	<u>2,983,328</u>	<u>3,642,526</u>	<u>3,290,402</u>
TRANSFERS FOR CAPITAL			
Provincial government	-	2,488,929	15,098,716
Local governments	-	207,970	721,747
Federal government	<u>-</u>	<u>96,586</u>	<u>83,003</u>
	<u>-</u>	<u>2,793,485</u>	<u>15,903,466</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 2,983,328</u>	<u>\$ 6,436,011</u>	<u>\$ 19,193,868</u>

TOWN OF DRAYTON VALLEY
SCHEDULE OF SEGMENT DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule 4

	<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>
REVENUE								
Taxation	\$ 1,906,742	\$ 1,716,000	\$ -	\$ 2,361,207	\$ 1,849,078	\$ 380,377	\$ 2,926,897	\$ 11,140,301
Sales and user charges	41,134	49,343	5,573,745	772,741	4,553	822,181	366,674	7,630,371
Government transfers	151,478	1,006,688	-	1,058,573	55,610	1,020,177	350,000	3,642,526
All other	80,541	807,890	39,233	1,500	-	88,754	1,423,011	2,440,929
Rentals	-	3,600	-	459,431	7,270	95,477	105,188	670,966
	<u>2,179,895</u>	<u>3,583,521</u>	<u>5,612,978</u>	<u>4,653,452</u>	<u>1,916,511</u>	<u>2,406,966</u>	<u>5,171,770</u>	<u>25,525,093</u>
EXPENSES								
Wages and benefits	1,302,185	1,171,860	1,124,613	2,308,404	659,975	1,639,299	1,691,155	9,897,491
Contracted and general services	140,889	1,423,538	2,072,464	692,178	64,810	321,829	998,408	5,714,116
Professional fees	702,386	721,397	1,050,483	484,115	241,289	323,126	1,143,012	4,665,808
Repairs and maintenance	7,890	167,485	1,581,916	553,462	415,480	8,260	75,855	2,810,348
Utilities	17,346	71,501	586,582	421,257	453,591	21,440	75,915	1,647,632
Interest on long-term debt	85	-	257,485	81,640	81,366	81,191	43,109	544,876
Insurance	9,114	27,740	97,455	112,396	-	11,821	59,126	317,652
	<u>2,179,895</u>	<u>3,583,521</u>	<u>6,770,998</u>	<u>4,653,452</u>	<u>1,916,511</u>	<u>2,406,966</u>	<u>4,086,580</u>	<u>25,597,923</u>
NET REVENUE, BEFORE AMORTIZATION	-	-	(1,158,020)	-	-	-	1,085,190	(72,830)
Amortization	<u>276,033</u>	<u>10,339</u>	<u>2,263,764</u>	<u>581,522</u>	<u>2,154,528</u>	<u>280,225</u>	<u>515,208</u>	<u>6,081,619</u>
NET REVENUE (DEFICIT)	<u>\$ (276,033)</u>	<u>\$ (10,339)</u>	<u>\$ (3,421,784)</u>	<u>\$ (581,522)</u>	<u>\$ (2,154,528)</u>	<u>\$ (280,225)</u>	<u>\$ 569,982</u>	<u>\$ (6,154,449)</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, 2015

	General Administration	Protective Services	Water, Wastewater and Waste Management	Recreation and Culture	Roads, Streets, Walks and Lighting	Public Health and Welfare	All Other	Total
REVENUE								
Taxation	\$ 1,538,307	\$ 1,942,929	\$ -	\$ 2,240,678	\$ 2,487,022	\$ 511,190	\$ 2,830,720	\$ 11,550,846
Sales and user charges	44,296	50,676	5,998,242	855,878	17,895	656,111	250,722	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>
EXPENSES								
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>
NET REVENUE, BEFORE AMORTIZATION	-	-	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>
NET REVENUE (DEFICIT)	<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
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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. 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 and cash equivalents

Cash and cash equivalents includes items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and generally 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, 2016

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, 2016

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 AND CASH EQUIVALENTS

	<u>2016</u>	<u>2015</u>
Deposit accounts	\$ 11,648,342	\$ 13,165,874
Cash on hand	<u>880</u>	<u>880</u>
	<u>\$ 11,649,222</u>	<u>\$ 13,166,754</u>

3. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Taxes and grants in place of taxes		
Current	\$ 261,621	\$ 182,597
Arrears	210,203	181,850
Arrears on property held for tax recovery	<u>40,652</u>	<u>40,652</u>
	512,476	405,099
Trade and other	2,721,437	4,939,042
Local improvement taxes	1,005,453	1,126,491
Goods and Services Tax	<u>208,522</u>	<u>693,526</u>
	4,447,888	7,164,158
Less: Allowance for doubtful accounts	<u>(632,813)</u>	<u>(355,147)</u>
	<u>\$ 3,815,075</u>	<u>\$ 6,809,011</u>

TOWN OF DRAYTON VALLEY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2016

4. DEFERRED REVENUE

Funding has been received under various 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	617,755	1,861,566	(1,125,572)	1,353,749
Operating	35,095	69,201	(104,296)	-
Alberta Environment and Sustainable				
Resource Development	\$ 521,742	\$ 500,000	\$ (1,021,742)	\$ -
Other	409,068	339,002	(390,367)	357,703
Municipal Affairs - Alberta				
Community Partnership Grant	350,000	-	(350,000)	-
Federal Gas Tax Funding	-	381,087	(116,657)	264,430
Alberta Community Partnership Program	<u>-</u>	<u>702,337</u>	<u>(115,670)</u>	<u>586,667</u>
	<u>\$ 1,933,660</u>	<u>\$ 3,853,193</u>	<u>\$ (3,224,304)</u>	<u>\$ 2,562,549</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 real discount rate of 1.5% and assuming annual inflation of 2.0%.

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 twelve years (2028). Cells C, D, and 3D essentially have no additional capacity.

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

	<u>2016</u>	<u>2015</u>
Estimated post-closure costs	\$ 3,205,980	\$ 1,885,778
Estimated closure costs	<u>2,563,335</u>	<u>1,452,646</u>
Estimated total liability	<u>5,769,315</u>	<u>3,338,424</u>
Estimated capacity remaining	44.5 %	25.1 %
Portion of total liability remaining to be recognized	<u>2,569,315</u>	<u>838,424</u>
Estimated capacity used	55.5 %	74.9 %
Accrued liability portion	<u>\$ 3,200,000</u>	<u>\$ 2,500,000</u>

TOWN OF DRAYTON VALLEY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2016

6. LONG-TERM DEBT

	<u>2016</u>	<u>2015</u>
Alberta Capital Finance Authority debentures bearing interest at rates ranging from 2.177% to 6.000% per annum and maturing in years 2022 through 2035. Debenture debt is issued on the credit and security of the Town at large.	\$ 9,424,175	\$ 10,384,646
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>4,387,185</u>
	<u>\$ 13,811,360</u>	<u>\$ 14,771,831</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 956,800	\$ 514,435	\$ 1,471,235
2018	1,252,957	566,600	1,819,557
2019	1,298,262	521,295	1,819,557
2020	1,301,035	474,686	1,775,721
2021	1,333,242	427,118	1,760,360
Thereafter	<u>7,669,064</u>	<u>2,309,933</u>	<u>9,978,997</u>
	<u>\$ 13,811,360</u>	<u>\$ 4,814,067</u>	<u>\$ 18,625,427</u>

Interest on long-term debt amounted to \$544,876 (2015 - \$526,329).

The Town's total cash payments for interest during 2016 were \$547,914 (2015 - \$493,108).

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>2016</u>	<u>2015</u>
Total debt limit	\$ 38,287,640	\$ 38,805,699
Total debt	<u>(13,811,360)</u>	<u>(14,771,831)</u>
Amount of debt limit unused	<u>\$ 24,476,280</u>	<u>\$ 24,033,868</u>
Service on debt limit	\$ 6,381,273	\$ 6,467,617
Service on debt	<u>(1,471,235)</u>	<u>(1,508,385)</u>
Amount of debt servicing limit unused	<u>\$ 4,910,038</u>	<u>\$ 4,959,232</u>

TOWN OF DRAYTON VALLEY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2016

8. TANGIBLE CAPITAL ASSETS

	Net Book Value				
			<u>2016</u>	<u>2015</u>	
Engineered structures					
Roads			\$ 26,813,384	\$	28,266,130
Water systems			27,457,336		28,658,324
Sewer systems			15,579,245		15,839,966
Other			<u>10,638,008</u>		<u>9,971,225</u>
			80,487,973		82,735,645
Buildings			30,514,571		29,057,106
Land			7,716,194		7,540,424
Machinery and equipment			2,483,916		2,255,387
Vehicles			<u>293,271</u>		<u>191,918</u>
			<u>\$ 121,495,925</u>		<u>\$ 121,780,480</u>
	Cost				Cost
	Beginning of				End of
	Year	Additions	Disposals	Write-downs	Year
Engineered structures					
Roads	\$ 51,628,035	\$ 698,638	\$ -	\$ -	\$ 52,326,673
Water systems	40,596,609	509,703	-	-	41,106,312
Sewer systems	25,379,375	215,334	-	-	25,594,709
Other	<u>16,003,369</u>	<u>1,136,486</u>	<u>-</u>	<u>-</u>	<u>17,139,855</u>
	133,607,388	2,560,161	-	-	136,167,549
Buildings	38,816,708	2,398,700	-	-	41,215,408
Land	7,540,424	175,770	-	-	7,716,194
Machinery and equipment	5,385,535	520,155	(148,983)	-	5,756,707
Vehicles	<u>1,665,982</u>	<u>152,588</u>	<u>-</u>	<u>-</u>	<u>1,818,570</u>
	<u>\$ 187,016,037</u>	<u>\$ 5,807,374</u>	<u>\$ (148,983)</u>	<u>\$ -</u>	<u>\$ 192,674,428</u>
	Accumulated				Accumulated
	Amortization				Amortization
	Beginning of	Current	Disposals	Write-downs	End of
	Year	Amortization			Year
Engineered structures					
Roads	\$ 23,361,905	\$ 2,151,384	\$ -	\$ -	\$ 25,513,289
Water systems	11,938,285	1,710,691	-	-	13,648,976
Sewer systems	9,539,409	476,055	-	-	10,015,464
Other	<u>6,032,144</u>	<u>469,703</u>	<u>-</u>	<u>-</u>	<u>6,501,847</u>
	50,871,743	4,807,833	-	-	55,679,576
Buildings	9,759,602	941,235	-	-	10,700,837
Machinery and equipment	3,130,148	281,316	(138,673)	-	3,272,791
Vehicles	<u>1,474,064</u>	<u>51,235</u>	<u>-</u>	<u>-</u>	<u>1,525,299</u>
	<u>\$ 65,235,557</u>	<u>\$ 6,081,619</u>	<u>\$ (138,673)</u>	<u>\$ -</u>	<u>\$ 71,178,503</u>

The costs above include \$301,509 (2015 - \$9,124,509) 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, 2016

9. ACCUMULATED SURPLUS

	<u>2016</u>	<u>2015</u>
Unrestricted surplus	\$ 2,202,358	\$ 6,356,290
Restricted surplus (<i>Note 10</i>)		
Operating reserves	803,328	645,180
Capital reserves	3,975,676	3,680,799
Equity in tangible capital assets (<i>Schedule 1</i>)	<u>107,684,565</u>	<u>107,008,649</u>
	<u>\$114,665,927</u>	<u>\$117,690,918</u>

10. RESERVES

	<u>2016</u>	<u>2015</u>
Operating Reserves:		
Operating contingency	\$ 525,000	\$ 525,000
Automated Traffic Enforcement	<u>278,328</u>	<u>120,180</u>
	<u>\$ 803,328</u>	<u>\$ 645,180</u>
Capital Reserves:		
Pool	\$ 1,169,827	\$ 640,284
General capital	1,000,000	1,000,000
Sewer capital	601,638	599,007
Landfill airspace depletion	474,313	207,586
Water capital	439,915	967,318
Parkland capital	229,472	229,472
Affordable housing	109,444	109,278
Storm capital	95,351	95,351
Landfill capital equipment	<u>(144,284)</u>	<u>(167,497)</u>
	<u>\$ 3,975,676</u>	<u>\$ 3,680,799</u>

11. UTILITY FRANCHISE AGREEMENTS

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

	<u>2016</u>	<u>2015</u>
Fortis Alberta Inc.	\$ 758,359	\$ 591,160
Atco Gas	<u>375,879</u>	<u>345,619</u>
	<u>\$ 1,134,238</u>	<u>\$ 936,779</u>

TOWN OF DRAYTON VALLEY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2016

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>Salary</u>	<u>2016 Benefits and Allowances</u>	<u>Total</u>	<u>2015 Total</u>
Mayor	Glenn McLean	\$ 67,677	\$ 11,928	\$ 79,605	\$ 83,577
Councillor	Fayrell Wheeler	40,055	8,936	48,991	49,128
Councillor	Graham Long	40,086	8,477	48,563	58,655
Councillor	Debra Bossert	37,077	7,742	44,819	44,824
Councillor	Nicole Nadeau	33,811	6,652	40,463	46,315
Councillor	Brandy Fredrickson	30,100	6,486	36,586	28,052
Councillor	Dean Shular	<u>26,928</u>	<u>5,221</u>	<u>32,149</u>	<u>46,851</u>
		<u>\$ 275,734</u>	<u>\$ 55,442</u>	<u>\$ 331,176</u>	<u>\$ 357,402</u>
Chief Administrative Officer		<u>\$ 185,400</u>	<u>\$ 45,700</u>	<u>\$ 231,100</u>	<u>\$ 305,872</u>
Chief Operating Officer					
	Clean Energy Technology Center	<u>\$ 241,020</u>	<u>\$ 53,534</u>	<u>\$ 294,554</u>	<u>\$ -</u>
Designated Officers		<u>\$ 376,165</u>	<u>\$ 86,582</u>	<u>\$ 462,747</u>	<u>\$ 595,234</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 and cash equivalents, 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, 2016

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. COMPARATIVE FIGURES

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

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved the consolidated financial statements.