

TOWN OF DRAYTON VALLEY
Consolidated Financial Statements
For the Year Ended December 31, 2017

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, 2017, 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, 2017, 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.

METRIX GROUP LLP

Chartered Professional Accountants


April 18, 2018
Edmonton, Alberta



TOWN OF DRAYTON VALLEY
Consolidated Statement of Financial Position
As at December 31, 2017

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 15,656,166	\$ 11,649,222
Receivables (Note 3)	3,520,455	3,815,075
Land inventory held for resale	<u>286,274</u>	<u>286,274</u>
	<u>19,462,895</u>	<u>15,750,571</u>
LIABILITIES		
Accounts payable and accrued liabilities	2,727,631	2,772,180
Deposits	292,648	292,521
Deferred revenue (Note 4)	4,117,626	2,562,549
Landfill closure and post-closure (Note 5)	3,500,000	3,200,000
Long-term debt (Note 6)	<u>12,595,965</u>	<u>13,811,360</u>
	<u>23,233,870</u>	<u>22,638,610</u>
NET DEBT	<u>(3,770,975)</u>	<u>(6,888,039)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	118,486,434	121,495,925
Inventory for consumption	52,195	58,041
Prepaid expenses and other assets	<u>19,816</u>	<u>-</u>
	<u>118,558,445</u>	<u>121,553,966</u>
ACCUMULATED SURPLUS (Note 9)	<u>\$114,787,470</u>	<u>\$114,665,927</u>
Contingencies (Note 15)		

ON BEHALF OF THE TOWN COUNCIL:



TOWN OF DRAYTON VALLEY
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2017

	<u>2017</u> (Budget)	<u>2017</u> (Actual)	<u>2016</u> (Actual)
REVENUE			
Net taxation (<i>Schedule 2</i>)	\$ 11,686,641	\$ 11,663,844	\$ 11,140,301
Sales and user charges (<i>Schedule 4</i>)	8,320,992	7,878,263	7,271,755
Government transfers for operating (<i>Schedule 3</i>)	3,392,925	3,293,232	3,642,526
Franchise and concession contracts (<i>Note 12</i>)	1,160,892	1,226,174	1,134,238
Rentals	777,195	696,216	670,966
Fines	244,653	384,066	793,625
Penalties and costs on taxes	167,801	243,056	152,339
Investment income	111,827	143,069	112,204
Licenses and permits	143,734	125,857	141,807
Other	41,500	76,836	100,670
Development levies	-	11,958	6,046
	<u>26,048,160</u>	<u>25,742,571</u>	<u>25,166,477</u>
EXPENSES			
Recreation and culture	4,416,171	4,698,741	4,653,452
Water and wastewater	3,399,402	2,949,864	4,363,385
Public health and welfare	2,383,139	2,401,722	2,406,966
Administration	2,126,309	2,057,567	2,179,895
Police	1,978,561	1,950,139	2,164,028
Waste management	1,480,216	1,720,535	2,048,997
Subdivision land and development	1,964,665	1,802,432	2,421,545
Roads, streets, walks, and lighting	2,097,427	1,560,936	1,916,512
Fire and disaster services	1,207,830	1,092,789	1,253,994
Common and equipment pool	809,374	857,475	827,258
Council	475,834	443,865	473,071
Bylaws enforcement	139,392	252,499	165,500
Airport	89,811	71,690	112,131
Other	958,500	263,202	252,573
Amortization of tangible capital assets	-	6,131,021	6,081,619
	<u>23,526,631</u>	<u>28,254,477</u>	<u>31,320,926</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER REVENUE	<u>2,521,529</u>	<u>(2,511,906)</u>	<u>(6,154,449)</u>
OTHER REVENUE (EXPENSE)			
Government transfers for capital (<i>Schedule 3</i>)	19,721,979	2,488,383	2,793,485
Cash in lieu of parks	-	107,550	-
Donations for tangible capital assets	-	37,516	307,783
Gain (loss) on disposal of tangible capital assets	-	-	28,190
	<u>19,721,979</u>	<u>2,633,449</u>	<u>3,129,458</u>
ANNUAL SURPLUS (DEFICIT)	22,243,508	121,543	(3,024,991)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>114,665,927</u>	<u>114,665,927</u>	<u>117,690,918</u>
ACCUMULATED SURPLUS, END OF YEAR (<i>Note 7</i>)	<u>\$ 136,909,435</u>	<u>\$ 114,787,470</u>	<u>\$ 114,665,927</u>

TOWN OF DRAYTON VALLEY
Consolidated Statement of Changes in Net Debt
For the Year Ended December 31, 2017

	<u>2017</u> (Budget)	<u>2017</u> (Actual)	<u>2016</u> (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ <u>22,243,508</u>	\$ <u>121,543</u>	\$ <u>(3,024,991)</u>
Acquisition of tangible capital assets	(23,140,572)	(3,121,529)	(5,807,374)
Proceeds on disposal of tangible capital assets	-	-	38,500
Amortization of tangible capital assets	-	6,131,021	6,081,619
Loss (gain) on disposal of tangible capital assets	-	-	(28,190)
	<u>(23,140,572)</u>	<u>3,009,492</u>	<u>284,555</u>
Use (acquisition) of prepaid expenses	-	(19,816)	54,652
Use (acquisition) of inventory for consumption	-	5,845	(15,438)
	-	<u>(13,971)</u>	<u>39,214</u>
INCREASE IN NET DEBT	(897,064)	3,117,064	(2,701,222)
NET DEBT, BEGINNING OF YEAR	<u>(6,888,039)</u>	<u>(6,888,039)</u>	<u>(4,186,817)</u>
NET DEBT, END OF YEAR	\$ <u>(7,785,103)</u>	\$ <u>(3,770,975)</u>	\$ <u>(6,888,039)</u>

TOWN OF DRAYTON VALLEY
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Cash from operations		
Annual surplus (deficit)	\$ 121,543	\$ (3,024,991)
Non-cash items included in annual surplus		
Amortization of tangible capital assets	6,131,021	6,081,619
Cash in lieu of parks	(107,550)	-
Provision for landfill closure and post-closure (recovery)	300,000	700,000
Loss (gain) on disposal of tangible capital assets	-	(28,190)
Change in non-cash working capital balances related to operations:		
Receivables	294,620	2,993,936
Inventory for consumption	5,846	(15,438)
Accounts payable and accrued liabilities	(44,549)	(2,187,446)
Deposits	127	8,782
Prepaid expenses	(19,816)	54,652
Deferred revenue	<u>1,555,077</u>	<u>628,889</u>
	<u>8,236,319</u>	<u>5,211,813</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	<u>(1,215,396)</u>	<u>(960,471)</u>
CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	-	38,500
Purchase of tangible capital assets	<u>(3,013,979)</u>	<u>(5,807,374)</u>
	<u>(3,013,979)</u>	<u>(5,768,874)</u>
DECREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	4,006,944	(1,517,532)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>11,649,222</u>	<u>13,166,754</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 15,656,166</u>	<u>\$ 11,649,222</u>

TOWN OF DRAYTON VALLEY
Schedule of Equity in Tangible Capital Assets
For the Year Ended December 31, 2017

Schedule 1

	<u>2017</u>	<u>2016</u>
BALANCE, BEGINNING OF YEAR	\$107,684,565	\$107,008,649
Acquisition of tangible capital assets	3,121,529	5,807,374
Amortization of tangible capital assets	(6,131,021)	(6,081,619)
Net book value of tangible capital assets disposed of	-	(10,310)
Long-term capital debt repayments	<u>1,215,396</u>	<u>960,471</u>
BALANCE, END OF YEAR	<u>\$105,890,469</u>	<u>\$107,684,565</u>
Equity in Tangible Capital Assets is Comprised of the Following:		
Tangible capital assets net book value	\$118,486,434	\$121,495,925
Long-term capital debt	<u>(12,595,965)</u>	<u>(13,811,360)</u>
	<u>\$105,890,469</u>	<u>\$107,684,565</u>

TOWN OF DRAYTON VALLEY
Schedule of Property Taxes
For the Year Ended December 31, 2017

Schedule 2

	<u>2017</u> (Budget)	<u>2017</u> (Actual)	<u>2016</u> (Actual)
TAXATION			
Real property taxes	\$ 15,273,779	\$ 15,205,172	\$ 14,545,106
Linear property taxes	797,121	797,121	790,825
Government grants in place of property taxes	39,375	39,374	36,851
Special assessments and local improvement taxes	<u>-</u>	<u>25,203</u>	<u>35,300</u>
	<u>16,110,275</u>	<u>16,066,870</u>	<u>15,408,082</u>
REQUISITIONS			
Alberta School Foundation Fund	4,146,013	4,126,361	4,025,845
Brazeau Foundation	<u>277,621</u>	<u>276,665</u>	<u>241,936</u>
	<u>4,423,634</u>	<u>4,403,026</u>	<u>4,267,781</u>
NET MUNICIPAL TAXES	<u>\$ 11,686,641</u>	<u>\$ 11,663,844</u>	<u>\$ 11,140,301</u>

TOWN OF DRAYTON VALLEY
Schedule of Government Transfers
For the Year Ended December 31, 2017

Schedule 3

	<u>2017</u> (Budget)	<u>2017</u> (Actual)	<u>2016</u> (Actual)
TRANSFERS FOR OPERATING			
Local governments	\$ 1,865,107	\$ 1,818,711	\$ 1,869,120
Provincial government	1,527,818	1,427,021	1,773,406
Federal government	<u>-</u>	<u>47,500</u>	<u>-</u>
	<u>3,392,925</u>	<u>3,293,232</u>	<u>3,642,526</u>
TRANSFERS FOR CAPITAL			
Provincial government	19,721,979	2,158,556	2,488,929
Local governments	-	314,605	207,970
Federal government	<u>-</u>	<u>15,222</u>	<u>96,586</u>
	<u>19,721,979</u>	<u>2,488,383</u>	<u>2,793,485</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 23,114,904</u>	<u>\$ 5,781,615</u>	<u>\$ 6,436,011</u>

TOWN OF DRAYTON VALLEY
Schedule of Segmented Disclosures
For the Year Ended December 31, 2017

Schedule 4

	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	\$ 1,910,141	\$ 1,942,908	\$ -	\$ 2,307,192	\$ 1,514,834	\$ 513,615	\$ 3,475,154	\$ 11,663,844
Sales and user charges	48,212	54,845	5,977,146	784,622	456	674,751	338,231	7,878,263
Government transfers	22,680	892,242	10,000	1,109,481	40,814	1,093,576	124,439	3,293,232
All other	76,533	391,031	45,413	14,840	-	58,975	1,624,224	2,211,016
Rentals	-	14,400	-	482,606	4,832	60,804	133,574	696,216
	<u>2,057,566</u>	<u>3,295,426</u>	<u>6,032,559</u>	<u>4,698,741</u>	<u>1,560,936</u>	<u>2,401,721</u>	<u>5,695,622</u>	<u>25,742,571</u>
EXPENSES								
Wages and benefits	1,108,033	1,136,123	1,105,530	2,295,428	573,785	1,674,286	1,627,757	9,520,942
Contracted and general services	208,908	1,668,798	1,468,694	680,418	31,791	276,291	796,896	5,131,796
Professional fees	691,125	346,353	620,250	510,863	158,397	332,715	725,468	3,385,171
Repairs and maintenance	21,063	62,308	631,237	592,175	269,842	5,784	70,483	1,652,892
Utilities	18,545	53,130	496,469	425,099	463,067	22,749	115,000	1,594,059
Interest on long-term debt	401	-	247,318	76,550	64,054	75,993	38,654	502,970
Insurance	9,491	28,714	100,901	118,208	-	13,903	64,409	335,626
	<u>2,057,566</u>	<u>3,295,426</u>	<u>4,670,399</u>	<u>4,698,741</u>	<u>1,560,936</u>	<u>2,401,721</u>	<u>3,438,667</u>	<u>22,123,456</u>
NET REVENUE, BEFORE AMORTIZATION	-	-	1,362,160	-	-	-	2,256,955	3,619,115
Amortization	<u>287,029</u>	<u>11,571</u>	<u>2,280,890</u>	<u>575,524</u>	<u>2,153,199</u>	<u>280,768</u>	<u>542,040</u>	<u>6,131,021</u>
NET REVENUE (DEFICIT)	<u>\$ (287,029)</u>	<u>\$ (11,571)</u>	<u>\$ (918,730)</u>	<u>\$ (575,524)</u>	<u>\$ (2,153,199)</u>	<u>\$ (280,768)</u>	<u>\$ 1,714,915</u>	<u>\$ (2,511,906)</u>

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

TOWN OF DRAYTON VALLEY
Schedule of Segmented Disclosure
For the Year Ended December 31, 2016

Schedule 4 (CONT'D)

	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	\$ 1,906,742	\$ 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	5,215,129	772,741	4,553	822,181	366,674	7,271,755
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>5,254,362</u>	<u>4,653,452</u>	<u>1,916,511</u>	<u>2,406,966</u>	<u>5,171,770</u>	<u>25,166,477</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	1,713,847	692,178	64,810	321,829	998,409	5,355,500
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>6,412,381</u>	<u>4,653,452</u>	<u>1,916,511</u>	<u>2,406,966</u>	<u>4,086,581</u>	<u>25,239,307</u>
NET REVENUE, BEFORE AMORTIZATION	-	-	(1,158,019)	-	-	-	1,085,189	(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>\$ (3,421,783)</u>	<u>\$ (581,522)</u>	<u>\$ (2,154,528)</u>	<u>\$ (280,225)</u>	<u>\$ 569,981</u>	<u>\$ (6,154,449)</u>

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

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

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.

(d) 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.

(CONT'D)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) 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.

(f) 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.

(g) Contaminated Sites

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. A liability for remediation on contaminated sites is recognized, net of any recoveries, when an environmental standard exists, contamination exceeds the environmental standard, the Town is directly responsible for or accepts responsibility for the liability, future economic benefits will be given up, and a reasonable estimate of the liability can be made.

(h) Pension Expenditures

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

(CONT'D)

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) 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.

(j) 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>2017</u>	<u>2016</u>
Deposit accounts	\$ 15,655,286	\$ 11,648,342
Cash on hand	<u>880</u>	<u>880</u>
	<u>\$ 15,656,166</u>	<u>\$ 11,649,222</u>

3. ACCOUNTS RECEIVABLE

	<u>2017</u>	<u>2016</u>
Taxes and grants in place of taxes		
Arrears	\$ 553,061	\$ 210,203
Arrears on property held for tax recovery	40,652	40,652
Current	<u>30,174</u>	<u>261,621</u>
	623,887	512,476
Trade and other	2,630,952	2,721,437
Local improvement taxes	624,357	1,005,453
Goods and Services Tax	<u>141,447</u>	<u>208,522</u>
	4,020,643	4,447,888
Less: Allowance for doubtful accounts	<u>(500,188)</u>	<u>(632,813)</u>
	<u>\$ 3,520,455</u>	<u>\$ 3,815,075</u>

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

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>
Alberta Community Resilience Program	\$ -	\$ 3,004,800	\$ -	\$ 3,004,800
Other	357,703	335,805	(131,400)	562,108
Alberta Community Partnership Program	586,667	2,887	(297,027)	292,527
Federal Gas Tax Funding	264,430	-	(6,239)	258,191
Municipal Sustainability Initiative				
Capital	1,353,749	-	(1,353,749)	-
Operating	-	69,884	(69,884)	-
	<u>\$ 2,562,549</u>	<u>\$ 3,413,376</u>	<u>\$ (1,858,299)</u>	<u>\$ 4,117,626</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 eight years (2025). Cells C, D, and 3D essentially have no additional capacity.

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

	<u>2017</u>	<u>2016</u>
Estimated post-closure costs	\$ 3,453,751	\$ 3,205,980
Estimated closure costs	<u>2,369,408</u>	<u>2,563,335</u>
Estimated total liability	<u>5,823,159</u>	<u>5,769,315</u>
Estimated capacity remaining	39.9 %	44.5 %
Portion of total liability remaining to be recognized	<u>2,323,159</u>	<u>2,569,315</u>
Estimated capacity used	60.1 %	55.5 %
Accrued liability portion	<u>\$ 3,500,000</u>	<u>\$ 3,200,000</u>

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

6. LONG-TERM DEBT

	<u>2017</u>	<u>2016</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.	\$ 8,208,780	\$ 9,424,175
Federation of Canadian Municipalities loan bearing interest at 4.000% per annum, requiring blended semi-annual payments of \$175,485 are required.	<u>4,387,185</u>	<u>4,387,185</u>
	<u>\$ 12,595,965</u>	<u>\$ 13,811,360</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,133,095	\$ 473,389	\$ 1,606,484
2019	1,263,084	516,114	1,779,198
2020	1,265,006	470,356	1,735,362
2021	1,296,342	423,659	1,720,001
2022	1,253,866	375,899	1,629,765
Thereafter	<u>6,384,572</u>	<u>1,929,100</u>	<u>8,313,672</u>
	<u>\$ 12,595,965</u>	<u>\$ 4,188,517</u>	<u>\$ 16,784,482</u>

Interest on long-term debt amounted to \$502,970 (2016 - \$544,876).

The Town's total cash payments for interest during 2017 were \$511,124 (2016 - \$547,914).

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>2017</u>	<u>2016</u>
Total debt limit	\$ 38,613,857	\$ 37,749,716
Total debt	<u>(12,595,965)</u>	<u>(13,811,360)</u>
Amount of debt limit unused	<u>\$ 26,017,892</u>	<u>\$ 23,938,356</u>
Service on debt limit	\$ 6,435,643	\$ 6,291,619
Service on debt	<u>(1,606,484)</u>	<u>(1,471,235)</u>
Amount of debt servicing limit unused	<u>\$ 4,829,159</u>	<u>\$ 4,820,384</u>

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

8. TANGIBLE CAPITAL ASSETS

		Net Book Value			
		<u>2017</u>		<u>2016</u>	
Engineered structures					
Roads		\$ 25,818,413	\$	26,813,384	
Water systems		25,736,293		27,457,336	
Sewer systems		15,568,553		15,579,245	
Other		<u>10,595,166</u>		<u>10,638,008</u>	
		77,718,425		80,487,973	
Buildings		29,835,502		30,514,571	
Land		7,716,194		7,716,194	
Machinery and equipment		2,381,892		2,483,916	
Vehicles		<u>834,421</u>		<u>293,271</u>	
		<u>\$ 118,486,434</u>		<u>\$ 121,495,925</u>	
	Cost				
	Beginning of				
	<u>Year</u>	<u>Additions</u>	<u>Disposals</u>	<u>Write-downs</u>	<u>Cost</u>
					<u>End of</u>
					<u>Year</u>
Engineered structures					
Roads	\$ 52,326,673	\$ 1,155,085	\$ -	\$ -	\$ 53,481,758
Water systems	41,106,312	-	-	-	41,106,312
Sewer systems	25,594,709	471,673	-	-	26,066,382
Other	<u>17,139,855</u>	<u>405,864</u>	<u>-</u>	<u>-</u>	<u>17,545,719</u>
	136,167,549	2,032,622	-	-	138,200,171
Buildings	41,215,408	272,358	-	-	41,487,766
Land	7,716,194	-	-	-	7,716,194
Machinery and equipment	5,756,707	195,217	-	-	5,951,924
Vehicles	<u>1,818,570</u>	<u>621,332</u>	<u>-</u>	<u>-</u>	<u>2,439,902</u>
	<u>\$ 192,674,428</u>	<u>\$ 3,121,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,795,957</u>
	Accumulated				
	Amortization				
	Beginning of	<u>Current</u>	<u>Disposals</u>	<u>Write-downs</u>	<u>Accumulated</u>
	<u>Year</u>	<u>Amortization</u>			<u>Amortization</u>
					<u>End of</u>
					<u>Year</u>
Engineered structures					
Roads	\$ 25,513,289	\$ 2,150,056	\$ -	\$ -	\$ 27,663,345
Water systems	13,648,976	1,721,043	-	-	15,370,019
Sewer systems	10,015,464	482,365	-	-	10,497,829
Other	<u>6,501,847</u>	<u>448,706</u>	<u>-</u>	<u>-</u>	<u>6,950,553</u>
	55,679,576	4,802,170	-	-	60,481,746
Buildings	10,700,837	951,427	-	-	11,652,264
Machinery and equipment	3,272,791	297,241	-	-	3,570,032
Vehicles	<u>1,525,299</u>	<u>80,182</u>	<u>-</u>	<u>-</u>	<u>1,605,481</u>
	<u>\$ 71,178,503</u>	<u>\$ 6,131,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,309,523</u>

The costs above include \$343,774 (2016 - \$301,509) related to various projects that are under construction and not being amortized.

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

9. ACCUMULATED SURPLUS

	<u>2017</u>	<u>2016</u>
Unrestricted surplus	\$ 3,160,731	\$ 2,202,358
Restricted surplus (<i>Note 10</i>)		
Operating reserves	910,554	803,328
Capital reserves	4,825,716	3,975,676
Equity in tangible capital assets (<i>Schedule 1</i>)	<u>105,890,469</u>	<u>107,684,565</u>
	<u>\$114,787,470</u>	<u>\$114,665,927</u>

10. RESERVES

	<u>2017</u>	<u>2016</u>
Operating Reserves:		
Operating contingency	\$ 525,000	\$ 525,000
Automated Traffic Enforcement	<u>385,554</u>	<u>278,328</u>
	<u>\$ 910,554</u>	<u>\$ 803,328</u>
Capital Reserves:		
Pool	\$ 1,697,031	\$ 1,169,827
General capital	1,000,000	1,000,000
Landfill airspace depletion	693,362	474,313
Sewer capital	607,026	601,638
Water capital	446,485	439,915
Parkland capital	337,022	229,472
Storm capital	95,351	95,351
Affordable housing	74,658	109,444
Landfill capital equipment	<u>(125,219)</u>	<u>(144,284)</u>
	<u>\$ 4,825,716</u>	<u>\$ 3,975,676</u>

11. CREDIT FACILITY

The Town is approved for a revolving demand loan of \$4,00,000 that is available, if needed, for operating cash flows. The interest rate is set at prime minus 0.25%. The loan has not been drawn upon in the 2017 fiscal year.

12. UTILITY FRANCHISE AGREEMENTS

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

	<u>2017</u>	<u>2016</u>
Fortis Alberta Inc.	\$ 782,908	\$ 758,359
Atco Gas	<u>443,266</u>	<u>375,879</u>
	<u>\$ 1,226,174</u>	<u>\$ 1,134,238</u>

TOWN OF DRAYTON VALLEY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

13. SALARIES AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the Chief Administrative Officer and designated officers as required by Alberta Regulation 313/2000 are as follows:

				2017		2016
		<u>Salary</u>		<u>Benefits and Allowances</u>	<u>Total</u>	<u>Total</u>
Mayor	Glenn McLean	\$ 54,889	\$	6,464	\$ 61,353	\$ 79,605
Mayor	Michael Doerksen	12,380		2,528	14,908	-
Councillor	Fayrell Wheeler	37,970		7,650	45,620	48,991
Councillor	Graham Long	36,063		4,752	40,815	48,563
Councillor	Debra Bossert	28,795		4,892	33,687	44,819
Councillor	Brandy Fredrickson	28,519		3,543	32,062	36,586
Councillor	Michael Doerksen	19,462		3,145	22,607	-
Councillor	Amila Gammana	8,690		1,921	10,611	-
Councillor	Bill Ballas	7,772		2,255	10,027	-
Councillor	Corey Peebles	7,950		2,009	9,959	-
Councillor	Nancy Dodds	8,078		1,663	9,741	-
Councillor	Eric Butz	7,721		1,711	9,432	-
Councillor	Nicole Nadeau	4,471		600	5,071	40,463
Councillor	Dean Shular	-		-	-	32,149
		<u>\$ 262,760</u>		<u>\$ 43,133</u>	<u>\$ 305,893</u>	<u>\$ 331,176</u>
Chief Administrative Officer		<u>\$ 185,400</u>		<u>\$ 49,300</u>	<u>\$ 234,700</u>	<u>\$ 231,100</u>
Designated Officers		<u>\$ 833,614</u>		<u>\$ 130,858</u>	<u>\$ 964,472</u>	<u>\$ 757,301</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.

Included in Designated Officers salary in 2017 is a retirement payout of \$241,020.

14. 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.

15. 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.

16. 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).

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.